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214 OUTLOOK FOR VEGETABLES AND POTATOES [3]

(By Jules V. Powell, agricultural economist, Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture)

GENERAL PRICE PROSPECTS

Vegetable supplies up, prices ease down

Increased supplies of both fresh and processed vegetables will reduce producer prices for those items this fall and dampen retail prices. Supplies of fresh vegetables for calendar year 1979 will be 3-4 percent larger than last year's total, and about 6-7 percent more vegetables will be processed. Prices to fresh vegetable growers this fall will advance seasonally but will probably remain below year-earlier levels. Retail prices for processed vegetables this fall and winter will reflect substantial increases in marketing costs but because of large supplies will remain near or moderately above the prices consumers paid in 1978.

Prices received by growers for fresh and processed vegetables through the first quarter of 1979 were substantially higher this year than last, but fell below year-earlier levels in May and remained lower through September. Meanwhile, wholesale prices for canned vegetables rose steadily throughout the year, and in August prices were 7 percent above the year earlier level. With supplies of canned vegetables up 6 to 7 percent during the 1979-80 marketing year, prices will probably remain near or moderately above year-earlier levels.

The supply-price picture for frozen vegetables is about the same—supplies will be up during 1979-80, but prices will remain about the same as last year because of higher processing and marketing costs. Increased costs of refrigerated freight particularly will impact on costs of marketing frozen foods.

The retail price index for processed vegetables for the third quarter of 1979 was estimated to be 111.0 (December, 1977=100) up about 5 percent from the same period a year earlier. If current estimates of 1980 supplies are accurate, the index is expected to rise another 5 percent through 1980 as rising processing and marketing costs offset lower raw product prices.

FRESH VEGETABLES

The 1979 supply of fresh vegetables and melons varied among seasons with increased supplies in the winter quarter and smaller supplies in the summer quarter. Supplies during the spring and expected this fall are virtually unchanged from totals of the 2 previous years. The substantially larger winter crop was partially offset by a 9-percent reduction in imports during the January-March period. Smaller supplies in the summer quarter resulted primarily from a reduction in planted acreage.

Vegetable acreage for fall production of 14 major fresh vegetables is expected to be 3 percent less than in 1978. Based on average yields, production of these vegetables is projected at 48.2 million hundredweight, virtually the same as last year's production of 48.3 million hundredweight.

Larger production is expected for snap beans, carrots, celery, sweet corn, eggplant, escarole-endive, green peppers, and spinach. Decreased production is indicated for broccoli, cabbage, cauliflower, cucumbers, lettuce, and tomatoes.

Lower prices in 1979-80

Fresh market vegetable prices to growers during the winter quarter of 1979 were sharply higher than during the same period a year earlier. In April, farm prices dipped below year-earlier levels and, except in August, remained there through September. The index of prices received for fresh market vegetables stood at 174 (1967=100) in September, compared with 183 a year earlier. For the remainder of 1979, prices will rise seasonally, but will probably remain below year-earlier levels during the fourth quarter.

QUARTERLY INDEX OF FARM PRICES FOR FRESH VEGETABLES¹

[1967=100]

Year	1st	2d	3d	4th	Annual
1971.....	125	129	106	144	126
1972.....	134	126	123	133	129
1973.....	160	143	145	126	156
1974.....	143	164	144	159	152
1975.....	168	183	164	177	173
1976.....	184	158	169	182	178
1977.....	251	183	165	188	197
1978.....	202	258	189	189	209
1979.....	273	206	185	-----	-----

¹ Excludes potatoes.

QUARTERLY RETAIL PRICES FOR FRESH VEGETABLES¹

[1967=100]

Year	1st	2d	3d	4th	Annual
1971.....	119	137	120	129	126
1972.....	137	134	128	133	133
1973.....	151	167	153	138	152
1974.....	150	160	152	151	153
1975.....	168	169	165	160	166
1976.....	170	168	165	179	170
1977.....	221	216	178	184	200
1978.....	212	247	209	204	218
1979 ²	254	224	NA	-----	-----

¹ Excludes potatoes.

² Consumer Price Index, all urban.

Note: USDA estimate derived from Consumer Price Index.

Retail vegetable prices in 1979 followed grower price patterns, but were somewhat less volatile. Demand for fresh vegetables was strong through the first quarter but weakened in the spring and summer. Demand will remain below year-earlier levels this fall and winter if the general level of economic activity declines, as expected. Certainly a recession would adversely affect the fast food and food service industries which are major contributors to the high level of demand for salad vegetables, particularly lettuce.

PROCESSED VEGETABLES

Larger supplies of processed vegetables

The area contracted for production of seven major processing vegetable crops in 1979 is estimated at 1.5 million acres, 5 percent more than in 1978. The raw tonnage production under contract is expected to approximate 11.3 million tons, about 11 percent more than was produced last year. Production increases are expected for green lima beans, snap beans, beets, green peas, winter spinach, and tomatoes. The largest tonnage increases were contracted for green peas as processors of both canned and frozen green peas attempt to build up stocks of both items. The tonnage of sweet corn and spring spinach will probably be smaller than in 1978.

Preliminary data indicate that the carryover of leading canned vegetables was only slightly larger than last year. Stocks of frozen vegetables on September 30, at 1.9 billion pounds, were 7 percent above year-earlier levels.

Most of the increase in canned tonnage will come from the 9-percent increase in tomato acreage. Supplies of both canned and frozen vegetables will be generous during the 1979-80 marketing year. Reflecting these bountiful supplies, wholesale prices for canned and frozen vegetables will remain near year-earlier levels.

Price increases will result from increases in processing and marketing costs. Some of these costs have risen substantially during the past year. For example, the tinplate cost index (WPI Code 1031-0101) rose 16 percent between May 1978 and May 1979. During the same period, the index of prices for aluminum foil rose 14 percent. Canning workers' wage rates rose 7.7 percent in 1979, and the monthly index of rail rates in August 1979 stood at 228.9 (1967=100) compared with 212.9 a year earlier. On the other hand, the cost of the vegetables in a can—only a small portion of the price consumers pay—declined. The index of prices received by farmers for commercial vegetables (both fresh and processing) averaged 166 (1967=100) for September, slightly below a year earlier.

Much of the gain in processing vegetable tonnage is coming from California tomatoes which do not compete directly with other fresh and processed vegetables. However, there are also larger crops of green lima beans, snap beans, beets, green peas, and winter spinach—items which are often substituted for each other, depending upon relative prices. For example, the large pack of green beans expected this year probably will tend to depress the prices of peas, corn, and other canned items.

The total supply (pack plus carryover) of canned vegetables for 1979-80 will probably be about 5 percent larger than the nearly identical amounts in 1977 and 1978. The larger total supply will result entirely from a 6-percent larger pack since the carryover in 1979 exceeded the 1978 figure by only a few thousand cases.

Wholesale prices for canned vegetables rose steadily during the past year, and in August the index of prices for 10 leading vegetable stood at 191.6 (1967=100), compared with 178.6 a year earlier. With promotional allowances and off-the-line price cuts numerous, it is likely that prices will be about the same as last year. Prices for frozen vegetables will also be near year-earlier levels. Stocks are up, but costs of

processing and marketing will keep prices near last year's level. On September 14, an additional 1.1 percent was added to the then current 2.4 percent surcharge for fuel costs. In addition, a 12-percent increase in mechanical refrigeration charges was granted to rails effective August 28. Under the new rates, costs of shipping a carton of 10-ounce packages of frozen vegetables from Oregon to Chicago move up to 61.2 cents per case—up 1.2 cents, and the cost per 30-pound tin rises to \$1.15—up 2 cents. A general rate increase of 7.4 percent was granted on October 15. With increased built-in costs of processing and marketing frozen vegetables, there will be fewer promotional allowances this year despite plentiful supplies. Stocks of frozen vegetables on October 1 were 1.9 billion pounds, 7 percent more than last year.

PROSPECTS FOR LEADING ITEMS

Peas

The tonnage of peas for canning and freezing this year was substantially larger than last season. The 1979 pack of canned peas was estimated at 29 million cases (24/303's), about 14 percent more than a year earlier.

Lima beans

Lima bean tonnage for canning and freezing is 83,220 tons, only slightly more than last year. Increased contracted tonnage in California accounts for nearly all of the increase. Total supplies of frozen lima beans, at approximately 168 million pounds, are about 9 percent more than during the preceding year. Prices will remain near year-earlier levels.

Snap beans

The estimated tonnage of snap beans for canning and freezing is a sixth larger in 1979 than a year earlier. The carryover of canned green beans, at 6.2 million cases (24/303's), was also larger than during the past 2 years. The 1979 pack is also expected to be up substantially, resulting in heavier supplies in 1979-80. Retail prices will decline from the current level which is higher than a year earlier. Snap beans, along with canned peas and sweet corn, are volume leaders among canned vegetables and are often used as price leaders by retailers.

Sweet corn

Processing volume of 2.3 million tons is 4 percent smaller than last year. Most of the producing States show declines in production; only Idaho, Indiana, and Wisconsin show increases. The increases are forecast for the canning States. The Pacific Northwest States—Washington and Oregon—which do most of the freezing of corn are showing declines.

With another large carryover of canned corn, coupled with the prospect of a larger-than-average pack, supplies will be large this fall and winter. Some price declines and discount pricing can be expected this marketing season. Even if disappearance approaches the record of 58.4 million cases (24/303's) set 2 years ago, next year's carryout will be large and additional reductions in contracted acreage will be indicated.

Tomatoes

Increased acreage and improved yields are responsible for a substantial increase in tomato tonnage in California this year. California is expected to produce about 86 percent of the processing tomatoes. Contracted tonnage in other States declined slightly from year earlier levels. Tonnage was down particularly in California's two major competitors, Indiana and Ohio.

Other processed vegetables

There will be a near-record supply of about 17 million cases of canned beets for the 1979-80 marketing year. Prices will remain firm, however, in response to strong demand for canned beets.

Frozen broccoli stocks on September 1 totaled 97 million pounds, down slightly from the year-earlier level. Continued short supplies of frozen broccoli will edge prices higher this winter. Bountiful supplies of frozen cauliflower, a major substitute for broccoli, may keep prices down. Supplies of frozen cauliflower on September 1 stood at 56 million pounds, 43 percent more than a year earlier. With generally large supplies of all frozen vegetables and the substitutability of one vegetable for another, frozen vegetable prices will remain near year-earlier levels, with lower raw product costs being offset by higher processing and market costs.

POTATOES

Smaller crop this year

The U.S. fall crop production is estimated at 300.3 million hundredweight, 7 percent less than the 1978 crop. This production will come from 1.07 million acres, down 6 percent from a year earlier. Yields in 1979 are expected to average 280 hundredweight per acre, the same as last year, but 10 hundredweight per acre larger than in 1977.

In the seven eastern fall potato States, production at 49.4 million hundredweight is 4 percent above the year-earlier level because yields, particularly in Maine, were up substantially from last year's low levels. The average yield for the Eastern area is placed at 254 hundredweight per acre, compared with 234 hundredweight per acre in 1978. In the eight Central States production is forecast at 63.5 million hundredweight, an 8-percent decrease from 1978.

Production in the Western States, at 188 million hundredweight, is 9 percent below the 209 million hundredweight produced in 1978. Both yields and acres planted are smaller than last year.

Price and supply implications

With a total fall crop 7 percent smaller than last year's record high, grower prices in the fourth quarter will increase and could average in the \$3.35-\$3.55 per hundredweight range. With generally good quality in all areas, grower prices might edge even higher during the first quarter of 1980. Prospects for exports of fresh potatoes to Canada, Western Europe, and Japan are good because crops in those countries are below year-earlier levels. In addition, processors anticipate a continued growth in exports of processed potatoes—particularly frozen french fries—to Japan, where there has been a rapid growth of the Western style, fast food industry. For the October 1-September 1 export year, exports of frozen french fries totaled 22,722 metric tons,

86 percent more than during a similar period a year before. On October 1, stocks of frozen french fries totaled 539 million pounds, 4 percent less than a year earlier. With a smaller crop and bright prospects for exports, prices to potato growers will average higher than during the past 2 years.

Per capita use up

Consumption of potatoes in 1978 increased to 123.9 pounds per person as the continued decline in the consumption of fresh potatoes was more than offset by an increase in the consumption of frozen. In 1978, fresh consumption dipped to 48.8 pounds, down from 54 pounds, while the consumption of frozen potatoes jumped 4 pounds per person to 43.9 pounds. Consumption of chips and dehydrated also increased, but disappearance of canned potatoes remained at the 2 to 2.5 pounds per person level.

SWEET POTATOES

The 1979 sweet potato crop is forecast at 14.8 million hundred-weight, 4 percent larger than the 1978 crop. Production will be harvested from 122,000 acres, 1 percent more than last year. Yields per acre will average 122 hundredweight, compared with 119 hundred-weight a year earlier.

With canners' carryover stocks at record high levels, there is little incentive to pack more and grower prices in the processing market have been down. Canners' stocks totaled 2.2 million cases (24/303) in July 1979 compared with less than 1 million a year earlier.

MUSHROOMS

U.S. mushroom production set another record in 1978-79, moving up 13 percent over a year earlier to 452 million pounds. Pennsylvania, the leading State, grew 214 million pounds, or 47 percent of the U.S. production for the 1978-79 season. Pennsylvania's share of the U.S. total is declining as production in other States has increased in recent years. The U.S. average yield of 3.08 pounds per square foot is 4 percent above the 1977-78 yield and the highest since annual data have been published.

Fresh market sales of mushrooms, at 228 million pounds, were up 19 percent from the 1977-78 season and accounted for 50 percent of the U.S. production. The average price received by growers reached 94.9 cents per pound, an increase of 4.8 cents over the previous season.

Processing use also increased, rising to 224 million pounds, compared with 208 million in 1977-78 and 196 million a year earlier. The average price to growers for processing mushrooms moved down to 64.2 cents per pound in 1978-79 from 65.2 cents per pound in 1977-78 and 66.9 cents a year earlier. This may be an indication that the competitive position of U.S. processors is weakening relative to foreign canners.

Per capita use of all mushrooms advanced to 2.7 pounds per person in 1978-79 (raw equivalent basis), up from 2.5 pounds a year earlier. Thus, the steady upward trend in mushroom consumption continued. Of the total consumption, it is estimated that 1.1 pounds were consumed fresh and 1.6 pounds were processed. Of the processed mushrooms consumed, about 1.1 pounds were processed domestically and about 0.5 pound were imported.

Looking further into the eighties, total and per capita consumption of mushrooms is expected to increase but possibly at a slower rate than during the seventies. Most of the growth is expected in the fresh sector. During the 1979-80 marketing year, prices to growers for fresh mushrooms should average moderately above year-earlier levels. Prices for processing mushrooms may average about the same as this season or slightly lower depending on the import situation and possible trade negotiations with competing countries.

DRY EDIBLE BEANS

The dry bean crop for 1979-80 is estimated at 19.9 million hundredweight, 4 percent larger than in 1978, and one-fifth larger than in 1977. The crop will come from 1.38 million acres—7 percent less than a year earlier—but yields increased to 1,434 pounds per acre, 12 percent more than in 1978.

Less dry beans in Idaho, Kansas, and Minnesota

Average prices received by growers increased between March and July, but declined in August and September as the trade became aware of the larger crop in prospect. However, prices in September averaged \$19.50 per hundredweight, a third above the 1978 low level. In view of the larger crop estimate for October, prices will probably decline from current levels and remain near last year's level of \$16.30 per hundredweight for the fourth quarter.

Exports up

Exports of dry edible beans for the September 1978-June 1979, period were running ahead of the year-earlier pace. Export prospects for 1979-80 are not clear, as no unusual shortages have been noted for the rest of the world at this time. Current crop prospects indicate, however, that the level of exports will have a strong impact on the level of prices for domestic dry beans.

SUMMARY

Forecasting vegetable supplies and prices is, at best, risky. Farmers' decisions to plant vegetables are strongly influenced by current supply-price conditions in the market. On balance, however, we anticipate increasing supplies of most vegetables, melons, potatoes and dry beans in 1979. Increasing consumption of leafy, green and yellow vegetables (particularly lettuce) will offset declines in some of the other vegetables. Melon production will continue an upward trend keeping pace with population growth. Potato production might rebound next year to burdensome levels as potatoes are the best alternative crop for much of the acreage taken out of sugar beet production in the Northwest. Dry edible bean production will reflect our growing exports of all agricultural products.