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# Proceedings

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# OUTLOOK '89

65th Agricultural Outlook Conference  
U.S. Department of Agriculture  
Washington, D.C.  
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# ANNUAL AGRICULTURAL OUTLOOK CONFERENCE

United States Department of Agriculture  
Washington, D.C.



Outlook '89 Session #12

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## "A LOOK INTO THE FUTURE FOR FRUITS AND VEGETABLES"

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The purpose of this presentation is to discuss several factors that will effect the production of fruits and vegetables in the next five years. Since my background is primarily in fresh vegetable production and marketing, many of the comments will refer to them, however, I have been a tree fruit grower for the past 20 years and some of the comments will apply to both areas.

I will address three areas of concern; chemical use, labor, and market absorption based on consumer demand. Each of these issues require a minimum of 5 hours and 200 pages to address properly so I will concentrate on the high points of each area. For further information on each issue, I will be happy to provide additional information upon request.

### MAJOR ISSUES THAT WILL IMPACT GROWERS:

#### Chemical Use

Production of fruits and vegetables is in a precarious position due to forced changes in chemical use patterns. Many growers are unaware of the impact of environmental legislation that is continuously eroding the availability of agriculture chemicals. Growers have been led to believe that agriculture chemicals are; 1.) necessary to their production and profitability; 2.) safe to the user as well as the consumer; and 3.) safe to the environment.

1. In the area of necessity, many growers firmly believe that they cannot exist without the use of chemicals. They have become somewhat complacent in this area because of the availability of product and in many cases, competition among suppliers. The myriad of salesmen for years have given the impression that "more is better". This has created a generation of growers from the "chemical age" that do not believe in any other method of production. They are convinced that

chemicals will always be required for their production, and will be available in the necessary quantities.

2. For years growers have operated under the assumption that any chemical registered for use was totally safe to the applicator, the field worker, and the consumer. They relied on the governmental system to evaluate the products and establish safe use patterns. With the recent attacks from environmental groups in the past few years, growers turned to governmental agencies for protection and were left out in the cold. Suddenly, it was the producer who was the culprit, being portrayed as a "money grabbing nozzle head" who was out intentionally poisoning the world in order to reap huge profits. The chemical companies who manufactured the product and the distribution companies who sold the product established elaborate marketing systems to spread the word on the advantages of chemical use. They held seminars and field days on the proper use of their products. As the companies competed for market share, the underlying message was clear to the growers - the product is safe when used per the label instructions. This position was supported by the Cooperative Extension system and the regulatory agencies.

3. When presented with all of the information on use safety, growers were also told the compounds they used were safe for the environment. A classic example was the belief that simazine, a residual herbicide used on grapes and tree fruit, only penetrated 6 inches into the soil. Additional scientific study showed that the active ingredient actually moved through the soil to the ground water source. The blame for contamination was then placed on the growers who applied the material per label instructions. Environmental groups have been successful in passing legislation and initiatives that address the contamination issues and force the growers to change chemical use patterns. Growers are unsure at this point how the change in practices will affect their operations since the impact is just now reaching the field application level.

How all of this will affect growing practices in the future is still unclear. Each year, more and more effects of re-registration legislation is being felt. In 1988, many tools believed to be necessary for production came under review and some were discontinued. An example of the effect is the elimination of carrot oil, a non-toxic petroleum compound used as a herbicide in carrot production. The registrant discontinued the product because of the high cost of filling the data gaps for re-registration. As more and more compounds go through this process, the industry will be forced to seek alternatives to production. At this time, the most favorable alternative for the large packers is to seek production facilities and growers outside the United States, primarily in Mexico.

### Labor Availability

Farm labor availability will be one of the major governing factors in the growth of production agriculture. The overall impact of

immigration legislation has not been felt and many growers are unsure of the future. Some experts in the field of farm labor feel that supplies of workers will be adequate, however, labor rates will increase as agriculture competes with urban areas for the same labor force. Historically, agriculture has been able to survive labor shortages through mechanization and creative operations. Should labor become a major issue, the industry will again have to develop methods to deal with the situation. Where it may cause a ripple in the flow of product, it certainly will not cause a major disruption.

The labor issue will have a significant impact on the decision of large handlers to move their operations out of the country. This is already being seen in the increased activity of United States packers with operations in Mexico. When coupled with the loss of chemicals, the labor problem makes foreign production even more attractive.

### Market Absorption

The amount of vegetables produced in the United States is basically a factor of market absorption. Since the turnaround time for vegetable planting is so short, the industry can respond quickly to market demand factors. In our studies at the Board, we do not track planted acreage to determine volume of sales. Acreage figures will give a broad picture of available crop, but it is not a good indicator of market conditions and volume of shipments. As an example, planted acreage for fresh market tomatoes was down by 10 percent in California in 1987 but shipments for the same period from that acreage increased by over 20 percent. This was due to a strong domestic market created by severe weather conditions in Florida and Mexico. In 1988, plantings were again at the same level as 1987 and shipments were up due to the drought conditions in the midwest.

The good news on the horizon for fruit and vegetable growers is the increased awareness by consumers to reduce the intake of fats and eat more fresh produce. This has been presented to the public from the health industry as one of the most important decisions a person can make to reduce the threat of cancer and heart disease. In California, a pilot program, sponsored by a grant from the American Cancer Institute and administered by the Department of Health Services, is underway to raise the per person intake of fresh fruits and vegetables. The current consumption level in the United States is 250 pounds per person. The goal of the program is to increase the level to 500 pounds per person per year. Canada has already raised the level to 500 pounds and the level in Europe is 700 pounds. As you can see, the United States is far behind the rest of the world. The thrust of the California plan is to encourage consumers to eat five servings a day and is built around the theme of "five a day for better health".

Vegetable producers throughout the country will benefit from an overall increased consumption of fruits and vegetables, and each commodity will jockey for market share of the increase. However, all commodities will share in the program. As market absorption improves, acreage will increase following strong market periods. Due to the narrow margins currently being experienced by growers, it is unlikely



that acreage will increase based merely on speculation for a strong market.

## **PROJECTIONS FOR THE COMING FIVE YEARS**

### **A. Domestic Vegetables:**

Production of domestic vegetables will continue to increase as the per capita consumption increases. This will be a reactionary factor with the planted acreage responding to increases in market absorption. The availability of chemicals and labor will be the governing factors on how much domestic production increases. With chemicals becoming less and less available, the producers of some commodities will be forced into looking at alternative growing methods and in some cases, alternate growing regions. Production practices are already refined to the point that very little is left to increase production without increasing acreage. Research programs in the future will be concentrating on finite improvements in varieties, and resistance to new diseases and pests. It is unlikely that technology will be able to stay ahead of the legislation process to eliminate ag chemicals causing pressure on the domestic producers to seek alternatives. These alternatives may come in organic or "sustainable" agriculture or in relocating to a more favorable environment.

### **B. Imported Vegetables:**

The amount of vegetables imported to the United States will show a steady increase over the next five years. The majority of the increase will come from Mexico as more packers move south to avoid the strict regulations being imposed on the domestic producers. Additionally, labor is readily available in Mexico. The fact that the labor rate is lower is somewhat offset by the quality of the labor and the distance to the U.S. marketplace. Production costs are lower, but the overall cost of doing business is higher, making the landed cost of goods at the border relatively equal. The deciding factor will be the continuing erosion of tools for production and the increasing pressure for social reforms domestically. As the minimum wage goes up, along with requirements for additional benefits among farm workers, the balance between domestic production and imported production will continue to shift. Examples of this philosophy can be seen in the new production and packing facilities being built in areas of Mexico that previously have been fallow. The companies that are concentrating on this area are the large corporations with a diverse product line and brand recognition. Many are companies that have been successful in domestic and foreign production. They have proven that the market will accept product from any origin as long as it meets the quality standards expected by the consumer.

## **CONCLUSIONS**

In spite of the negative factors, the outlook for vegetables is very

bright. The food safety issue will decline as a negative factor when retailers realize that the marketing advantage is gone and some other gimmick takes its place. The scientific community will continue to prove that the food supply is safe and that an effort is being made to increase the safety factor. Per capita consumption will increase as the health message reaches more and more consumers.

The only problem facing the industry will be the race between technology and legislation. If technology can develop economically sound solutions to the environmental issues quickly, domestic production will continue to flourish. If not, production of vegetables will go the way of other production industries in the United States, and we will be a consuming nation of foods rather than a producing nation. Agriculture is one of the last true producing industries left in the United States and it is in danger of losing that position. The fresh fruit and vegetable industry needs its own agenda to deal with the threat, and needs to work together to develop programs that will insure a strong producing industry. Efforts are currently underway through the major trade associations for fruits and vegetables to strengthen the voice of producers. Currently, a task force is in place to explore the avenues available for a combined effort on behalf of all commodities for improved research and promotional activities. Additionally, governmental agencies must work together with producer organizations to develop policies that create a positive atmosphere for consumers. Through this partnership, the agricultural strength of this nation can be maintained and hopefully improved.