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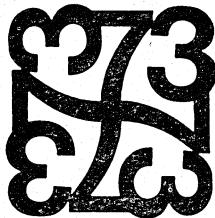
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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR VEGETABLES AND POTATOES

Talk by Charles W. Porter
Economic and Statistical Analysis Division
at the 1973 National Agricultural Outlook Conference
Washington, D.C., 1:35 P.M., Thursday, February 22, 1973

GENERAL SUPPLY AND DEMAND PICTURE

Many growers and processors hold the high cards this year. Both fresh and processed vegetable supplies are adequate but in close balance, and potato stocks are smaller than a year ago. Demand continues to mirror rising incomes, both here and overseas. Prices are up for nearly all items, and apart from the inevitable ups and downs in the short term, we predict trim supplies, generally favorable prices, and firm demand continuing through the coming year.

PROCESSED VEGETABLES

The combined supply of all the important processed vegetables, excluding concentrated tomato products, is apparently slightly less than the moderate quantity available last year. The total carryover of both canned and frozen vegetables fell substantially again, and 1972 packs did not make up the difference.

There were larger packs of a few individual items, but there were more "downs" than "ups," even though the industry probably planned for a little more than the quantity finally obtained. Packs of canned peas, snap beans, corn, beets, lima beans, sauerkraut, and spinach were smaller, but the pack of frozen limas was sharply larger, and more frozen sweet corn, snap beans, and broccoli probably were packed. The important frozen pea pack was lighter. More tomatoes were canned, and slightly more cucumbers were picked. The total pack of concentrated tomato products was larger, but the current stocks position of these important items is not known.

The total supply of canned vegetables excluding concentrated tomato products is slightly less than for 1971/72. Frozen vegetable supplies for the current marketing season are slightly above a year ago.

Despite slightly smaller supplies, movement holds at or near record levels. In the 1971/72 marketing season, disappearance was probably a little heavier, even though supplies were no larger than in the 1970/71 period. But disappearance in 1972/73, while heavy, is likely to be pinched a little by restricted supplies. Nonetheless, total supplies are adequate, even though a few items like canned green beans, canned beets, sauerkraut, frozen cut corn, and frozen peas are on the light side.

Projected Processing Vegetable Demand to 1980 and 1985

Canned vegetable consumption is projected to increase in both per capita and aggregate terms between now and 1985. In the 1960's, per capita gains were striking. In that period a 12 pound gain was recorded with a peak of 95 pounds reached in 1969. Between 1970 and 1980, a 7 pound additional gain is projected for a total of 101 pounds by 1980. This would mean a 15 percent greater disappearance even with only a modest rise in population. Using a slightly larger rate of population increase, the larger disappearance could approach 20 percent. With either population projection, disappearance would face within a 22-23 billion pound range. By 1985 this spread would widen some, moving to a range of 24-26 billion pounds. This would represent 105 pounds per person civilian use only. For comparison, use was 94.4 pounds per person or $19\frac{1}{2}$ billion pounds total in 1972.

Canned vegetable requirements			Frozen vegetable requirements		
Year	Per capita consumption	Billion pounds	Year	Per capita consumption	Billion pounds
	pounds	used or required 2/		pounds	used or required 2/
1970	93.9	18.9	1970	20.8	4.2
1972	94.4	19.5	1972	20.9	4.3
1980	101.0 1/	22.4 - 23.1	1980	24.5 1/	5.4 - 5.6
1985	105.0 1/	24.5 - 25.7	1985	26.7 1/	6.2 - 6.5

1/ Projected. 2/ Civilian disappearance.

After making a substantial gain in the 1960's per capita frozen vegetable consumption leveled off after 1968. Nonetheless, a projected gain of nearly 4 pounds to 24.5 pounds is expected by 1980. This would likely rise further to 26.7 pounds by 1985. Gains of this magnitude would mean a disappearance of $5\frac{1}{2}$ billion pounds plus or minus by 1980 depending on which population projection is used. Such a gain would add more than a fifth to the quantity used in 1972. Using similar assumptions, approximately 50 percent more frozen vegetables would be used by the civilian population.

These projections do not include exports or military requirements, as neither would be expected to substantially modify these projections. Commercial exports of both canned and frozen vegetables account for a very small share of the U.S. pack. Military needs are expected to decline further.

FRESH VEGETABLES

Potential production of fresh market vegetable acreage of 13 crops for harvest in the winter quarter is 4 percent less than a year earlier. Sharply reduced Florida winter tomato and sweet corn acreages account for a large share of the decline. There are smaller plantings of broccoli and snap beans. But cabbage, carrot, celery, and lettuce acreages are larger this season. Lettuce production, nevertheless, may not be as great as a year ago because yields are likely to be less than 1972. California's unusually cold weather in mid-December spilled into coastal winter vegetable areas, ruining the artichoke crop and severely damaging cauliflower and broccoli. Southern California's lettuce harvest was reduced as cold weather held back growth and hurt quality to some extent. Then, by late January, warmer weather stepped up lettuce harvest activity. As a result shipping point prices dropped from \$4.00 to as low as \$1.75 per crate in about 2 weeks time, then bounced back. Such sharp changes are fairly common occurrences in fresh vegetable enterprises.

The index of fresh vegetable prices received by growers hit 175 percent of the 1967 base, a record high in January, climbing from 135 in December. It will probably recede in February as tomato and lettuce supplies are both expected to become more generous. Vegetable prices received by growers the first quarter of 1973 will likely be moderately higher than a year ago. The table shows that grower prices for fresh vegetables changed relatively little during 1972, as none of the usual summer seasonal price decline took place. But grower prices in 1972 averaged only slightly more than a year earlier, and have moved irregularly upward since 1967. In contrast, retail fresh vegetable prices have risen in a more steady fashion.

Fresh Vegetable Price Trends

Index of Quarterly Prices ¹ Received by Growers - 1967=100						Index of Quarterly Retail Prices ² 1967=100					
	1st	2nd	3rd	4th	Annual		1st	2nd	3rd	4th	Annual
1968	123	113	91	108	109		107	111	102	103	106
1969	109	109	97	129	111		109	113	108	115	111
1970	130	116	101	100	112		121	128	117	109	119
1971	129	133	108	140	128		113	129	121	124	122
1972	127	132	134	132	131		128	127	129	132	129

1/ Statistical Reporting Service, USDA
Agricultural Prices

2/ Economic Research Service, USDA
"Market Basket"

Looking ahead to 1980 and 1985, per capita fresh vegetable consumption is expected to continue its long-term downtrend. After 1980, the rate of decline

is expected to slacken, since the heaviest drops have already taken place, or are continuing to take place for the fresh vegetables requiring cooking before serving. Salad items will continue to grow in relative importance. Declines in per capita use will probably be slow enough so that total civilian needs will likely change very little or rise slightly. A relatively conservative population projection of 234 million suggests no change in civilian total disappearance of fresh vegetables by 1985. A projection of 244 million would suggest a 5 percent larger civilian use by that time. In either situation, the import share of the total quantity used is expected to increase - maybe 8-10 percent. This compares with 5 percent for 1971 and 1972.

Fresh Vegetable Requirements

Year	Per capita consumption	Billion pounds used or required <u>2/</u>
1970	99.5	20.1
1972	98.2	20.3
1980	90.5 <u>1/</u>	20.1 - 20.7
1985	87.0 <u>1/</u>	20.3 - 21.3

1/ Projected. 2/ Civilian disappearance.

POTATOES

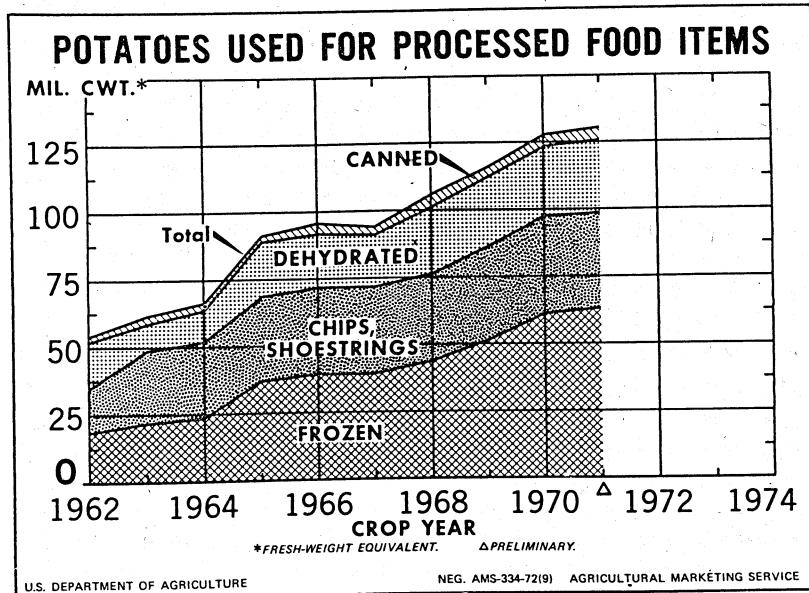
The U.S. potato industry is having one of its most active and highest priced marketing seasons in years. Potato supplies are the lightest since 1968/69. The Eastern States produced a fifth less than in 1971, and the Central States had a 16 percent smaller crop. Only in the West were there more potatoes to move to market. By January 1, U.S. stocks were 12 percent less than a year ago. Considering that the 1972 fall crop was only 8 percent less, this indicates heavy movement. The distribution of the 1972 crop shows that Russet Burbanks are in more adequate supply than are the round red or round white types. This distribution is the reverse of the previous season.

With January 1 stocks reduced, grower prices have been sharply higher, but there are regional differences that reflect current supply relationships. For example, early February Maine shipping point prices for unwashed table stock US#1 were \$4.00 compared with \$1.85 a year earlier. Midwestern prices were almost double a year ago. In Idaho, Russet prices to growers for US#1 (4 ounces minimum) were about \$5.25 - \$5.62 per hundred weight, about 60 percent higher than a year earlier. Processing potato prices have risen less this season, reflecting the role of pre-season contracting.

Frozen Pack Little Changed

The American Frozen Food Institute reported that the pack of frozen potato products for the first 6 months of 1972, amounted to 1.3 billion pounds, a 2 percent reduction from the comparable period a year earlier. Freezing activity

in the Pacific Northwest, which normally accounts for about three-fourths the U.S. total, fell in the early part of 1972. This season, processing activity has been above a year ago in the Pacific Northwest, suggesting that 1972 calendar year production of frozen products may have exceeded the 1971 record. The January 1 Stocks Report noted that processors in 7 leading processing States have used 5 percent more tonnage from the 1972 crop than they used by the same date from the larger previous crop. This stepped-up processing activity accounts in large measure for the 4 percent larger holdings of frozen products on January 1. These larger stocks are not considered burdensome, wholesale prices have shown a stronger tone in recent weeks.



The winter potato crop of 1973 is forecast at 2.6 million cwt., 10 percent more than 1972, but nearly 17 percent smaller than 1971. Larger yields are expected from reduced acreages in both Florida and California this season.

Spring Plantings Up Slightly

Spring planting intentions call for a 2 percent larger acreage this season. Even so, acreage this spring would be one of the smallest in years. Most of the 1973 increase is expected in Kern County, Calif., where intended acreage is up more than a sixth in anticipation of the favorable markets expected in late April and May. Alabama and Arizona expect to plant more too, but acreage in the important Hastings area of northern Florida is off a tenth this season.

Price Outlook

Disappearance in all sections was heavy up to the first of January. Even with the smaller crop, total movement to that date was only 1 percent less than for the 1971 crop. All the Western States and Maine have been especially active shippers. This lessens the risk of a severe price decline later in the season, and continued orderly shipping should result in firm to strong prices until late spring at least.

Even moderately increased late spring production probably would not force prices as low as they were between January and June of 1972. But the prospect of increased California spring acreage does suggest that current price levels may be difficult to maintain when their harvest reaches full swing.

Demand in 1980

Potato demand is expected to increase further by 1980, possibly reaching 127 lbs. per person by that time. With the conservative population projection, this would mean 282 million cwt. would be used compared with 239 and 248 million cwt. in 1970 and 1972. Such a gain would take about 350-355 million cwt. of production, a figure that the industry would have no problem in reaching.

An earlier report suggested that processed potato use will move up to about 85-90 lbs. per capita by 1980. This compares with 59 lbs. in 1970.

Potato Requirements

Year	Per capita use lbs.	Civilian use Million cwt.	Production Million cwt.
1970	119	239	326
1972	120	248	295
1980	127 ^{1/}	282 - 291	355 ^{2/}
1985	127 ^{1/}	296 - 310	368 ^{2/}

1/ Assumed. 2/ Projected.

Fresh use per capita is expected to drop to the 35-40 lb. range, according to this earlier report. Total per capita use would be roughly in line with the 127 lbs. expected here.

SWEETPOTATOES

Sweetpotato production increased 6 percent over the record-low 1971 figure. The 12.4 million cwt. figure of the past year would still be considered a small crop since it was moderately less than 1970 and other recent seasons. Both yields and acreage were higher this past season, with yields at 109 cwt. per acre, a U.S. record. Higher yields pushed production up substantially in North Carolina and Louisiana. And there were production gains in California and Texas, too. Smaller crops were harvested in Mississippi, Georgia, and Virginia.

Despite a larger crop, grower prices have averaged substantially above a year ago. The U.S. December price of \$6.96 per cwt., up from \$6.15 a year earlier, reflects increased processing activity. In January prices rose further. Furthermore, movement through fresh market channels has been roughly a tenth more than last season according to shipment and unload reports.

Despite this heavier movement, shipping point prices for fresh market have been holding close to a year earlier.

The 1972 canning season was off to brisk start and 6 percent more sweets were packed by December 1. Even with this increased volume, total stocks on that date were smaller than a year ago. Wholesale prices for most canned packs are substantially higher than a year earlier. Prices rose during the main packing season this year, and additional increases were announced by Virginia and Louisiana packers effective January 1. Government buying for school lunch and needy persons programs has declined sharply, as supplies are below a year earlier. Processors are likely to require relatively large quantities of raw product this coming fall.

MUSHROOMS

Retail demand for fresh mushrooms holds as strong as a year earlier; shipping point prices this season are the same to slightly lower. Present indications suggest a larger fresh market sales volume this season. Air shipments from Philadelphia almost doubled the quantity shipped a year earlier for the mid-October to early January period.

Heavier current supplies of processing mushrooms are reflected in prices sharply lower than a year ago. Currently, the processing price of 38 cents per pound for clean-cut stock compares with 48 cents in January 1972. Pulled, bed-run stock has been bringing 33 cents per pound compared with 40 cents last year.

For the remainder of the season, fresh market demand is expected to continue strong, while domestic processing demand will be tempered by the level of import activity. Imports of canned mushrooms since July 1 have been running much above the previous season. For the current season to January 1, imports reached 24 million pounds--more than twice the receipts in the previous comparable period. Following a request of the domestic industry the President has asked the Tariff Commission to make an investigation and report their findings.

DRY EDIBLE BEANS

High prices last year encouraged dry bean growers to increase 1972 acreage and production. The 1972 crop was an eighth larger than the light 1971 crop, and moderately more than in 1970. White bean production was up sharply as the Michigan pea bean crop was much heavier than either of the 2 previous seasons. Total colored bean output was slightly more as increased pinto production offset smaller crops of kidneys and pinks. Most States reported larger crops except Colorado and New York. The New York crop was a near failure. The summer tropical storm damage upstate fields, and rains at harvest time cut yields of the remaining crop.

Foreign Trade Stimulates Disappearance

Even though the 1972 crop was larger than the previous two, supplies are not considered burdensome. A reduced carryover and active foreign markets keep 1972 supplies fairly well balanced. Furthermore, domestic disappearance is likely to move up slightly as supplies are not as tightly pinched this season. Exports for 1972/73 are expected to substantially exceed 1971/72. Demand from several European countries, both in the EC and Communist bloc, has been especially strong, already absorbing relatively large quantities of navy and great northern beans. By the end of December, bean exports were 5 percent larger than a year earlier. White bean trade gains more than compensated for slackened volume of colored beans moving overseas. This reflects the domestic price and supply pattern, and the European preference for white beans.

World production of dry beans in 1972 was 3 percent less than a year earlier in the countries where data are available. World output has declined each year since 1968, when the crop was a tenth larger than the current figure. By itself, the 1972 decline may not mean as much to world trade as the figures might otherwise indicate because the declines in Mexico and Brazil, which are largely self-sufficient, account for all the difference. The autumn of 1972 brought the U.S. bean industry some new customers from the Communist bloc--Romania, Bulgaria, Poland, and Czechoslovakia. Production statistics for these countries are not included in world production estimates.

Farm Prices Move Lower

After the U.S. average price for the 1971 crop reached a recent record of \$11.10, larger supplies in the current season lowered prices into the \$9.00-\$10.00 range. They have trended up some from the harvest low of September-October. Export demand is expected to hold fairly strong, and bean prices should be generally well maintained or even show some further gain between now and mid-1973, but price relationships among the various classes are different this year. Pea bean prices are sharply less than a year earlier, but still well above support levels. Both types of limas are on the scarce side and high-priced. Blackeyes from California, while lower priced than last season, are well above the levels of most recent years. Red kidneys are very scarce and are quoted nearly \$30 per cwt. European demand keeps great northerns in the \$14 per cwt. range compared with \$8-\$10 most other recent years. Pinto beans are priced below a year earlier, and are not greatly different from most other recent seasons.