

California Dry Bean Situation

available supplies in excess of existing markets
indicate need for more outlets or reduced production

Walter D. Fisher

Prices of all California varieties of dry edible beans took a sharp drop shortly after the 1948 crop was in.

Early reports indicate that the average price of all varieties in 1948-49 may be 30% lower than in 1947-48. This is the first big drop in eight years.

Production of dry beans in California in the years 1946-1948 was about one fourth of the total production of the United States.

The most important—depending upon the variety of bean produced—areas competing with California in dry bean production are Michigan, New York, and certain Rocky Mountain states.

California is the only state producing Large Limas, Baby Limas, Blackeyes, Small Whites, and Pinks on a commercial basis. The state's production of Red Kidneys, Pintos, Small Reds, and Cranberry beans is only a small part of the total United States production of these varieties.

California Small Whites meet competition in eastern markets from Great Northerns, grown in the Rocky Mountain states, and from Pea and Medium Whites, grown largely in Michigan. Most Small Whites are sold to canners of baked beans and pork-and-beans.

Red varieties in California also meet competition from Eastern beans—primarily from Pintos in Colorado and neighboring states, and from Red Kidneys in New York. The Puerto Rican market is an important factor for Pinks and other red colored beans.

Studies made in 1941 show that 42% of the beans sold in a dry condition to the United States consumer, went to that 25% of the population having the lowest incomes. Only 10% of the dry beans sold went to the 25% of the population with the highest incomes. The largest per-capita consumption of canned dry beans was found among that 25% of the population in the next to the highest income group.

The United States market for beans also shows differences according to ancestry and nationality. The average Mexican consumes about seven times as many dry beans as the average White person who is not of Mexican ancestry.

Prices of California dry beans have fluctuated greatly over the years. The price depends partly on general economic

conditions in the United States. Since 1924 the lowest prices occurred during the deep depression years in 1931-1933.

Since 1940 the high national income caused by rearmament and World War II brought about a continual rise of prices until the sharp break in 1948.

Each individual variety of edible dry bean has its own price behavior; but there are some similarities. Large Limas and Baby Limas compete rather closely, and their prices tend to move together, although there is a differential in favor of the larger sized bean.

In 1942 and 1943 government programs were successful in causing quite an increase in production. In 1944 and 1945, however, production fell off sharply—probably a result of the level of the OPA price ceilings on beans in relation to other agricultural commodities.

In 1948-49 many growers took advantage of the price-support program, which affected all California varieties except Large Limas—which were still higher than support level—and Blackeyes, which are not covered by price supports.

By the end of December, 1948, purchase agreements were made on more than 22% of the 1948 crops of the varieties affected.

By means of the Agricultural Act of 1948—Hope-Aiken Bill—Congress extended price support into the future. This Act provided for flexible price supports, ranging between 60% of parity and 90% of parity, the precise level to be fixed by the Secretary of Agriculture. Some revision was also made in the formula for computing parity prices, but the U. S. Bureau of Agricultural Economics calculates that for dry edible beans the revision of the formula will decrease the parity price less than 5% in the next year or two.

Recently, the Secretary of Agriculture made some proposals on agricultural price policy, which would radically change the 1948 legislation. Until Congress gives a definite indication of its intentions, the situation will remain unsettled.

Under present demand conditions it seems that the support prices fixed by Congress or by the Secretary of Agriculture will be very important to California bean growers, as well as to consumers who buy the beans.

If the support price is set rather high—high enough to be attractive—it seems reasonable that a rather large quantity of beans will be offered to the government at the support price—unless some type of production control is imposed. If production is increased the problem is not solved—only postponed and made worse.

A healthy state of affairs in the industry requires that available supplies find outlets at reasonable prices without long-run government subsidy. The price decline in 1948-49 is evidence that available supplies are in excess of existing outlets. The alternatives are to reduce production, produce a different crop, or find more outlets.

The domestic market appears to be the most fertile ground for finding new outlets, since foreign trade is only a small part of United States production. Further research into the marketing potentials of both dry and canned products may bring returns.

The possibility of utilizing dry beans in industry and in new products is a field in which research is just being started. This research may aid the industry in disposing of its supplies.

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