

## Briefs

Specialty Crops**U.S. Dry Bean Growers to Cut Plantings**

After wearing out a few pencils in determining the proper crop mix for this season, dry bean growers have indicated they intend to reduce acreage 9 percent from the 2 million of 1999. Double-digit percentage cuts in acreage are not uncommon in the dry bean industry, having occurred in 1991, 1992, and 1996. This spring, growers intend to reduce area in each of the six major dry-bean-producing states—North Dakota, Michigan, Nebraska, Minnesota, Colorado, and California—led by a 22-percent drop in Minnesota and a 14-percent drop in Nebraska. Assuming acreage abandonment remains near the 7-percent average for the industry, dry bean harvested area could be the lowest since 1993.

There are compelling reasons for this prospective decline in dry bean acreage:

- low dry bean prices,
- costs exceeding potential revenues,
- Federal marketing loan program benefits for competing crops, and
- flat export markets.

Early-spring U.S. grower prices for all dry beans were 15 percent below low levels experienced a year ago. This was the third consecutive annual price decline, following 10-percent drops in each of the past 2 years. In 1999, producers planted the fourth-largest area in the past 55 years and received the lowest prices since 1992. Grower prices were almost universally low across every class of dry beans (class refers to the various types of bean such as pinto, blackeye, and navy).

This is relatively unusual, because most dry bean classes are actually separate markets with little apparent substitutability among them—supply, demand, and prices tend to vary independently. Thus, for example, when pinto bean or dark red kidney bean prices are down, navy bean and light red kidney bean prices may be up. In most years, the separate markets tend to have offsetting effects on industry-wide acreage changes. However, fairly uniform weather over all production areas, as experienced last year, can produce similar yield patterns and production changes in all bean classes.

The cost of producing dry beans varies depending on location and production practices. In most areas, grower prices prevailing in mid-March were several dollars short of covering unit cash costs under average yields. Many growers in states such as Michigan and Minnesota, looking at grower prices of \$10-\$11 per cwt this spring, could foresee nothing but red ink. As a result, many decided to reduce dry bean acreage.

Planting another crop may have been a tough decision. Prices for most competing crops that dry bean growers typically include in their rotations have also been declining. According to the Census of Agriculture, crops grown in conjunction with dry beans tend to vary regionally, but wheat, corn, and alfalfa are top choices, and prices for each of these are below a year ago, although commodity loan rates for wheat and corn are unchanged from 1999. For selected states, the following competing crops are typically grown on dry bean farms:

- Michigan—corn, wheat, soybeans, oats, and alfalfa;
- North Dakota—wheat, barley, corn, soybeans, and sunflower seed;
- Nebraska—corn, wheat, alfalfa, and sugar beets;
- Colorado—corn, alfalfa, wheat, barley, and sugar beets;
- Idaho—alfalfa, wheat, barley, sugar beets, and corn; and
- California—wheat, fruits, cotton, vegetables, and sugar beets.

Federal marketing loan program payments are projected to be substantial again in 2000. Diversified dry bean growers surely considered these benefits for competing crops while making spring planting decisions. Because there are no loan programs for dry beans, cash-strapped farmers are apparently shifting some acres from dry beans to crops with marketing loan benefits during this time of nearly universally low prices. With prospective dry bean acreage down 186,000 acres, growers have opted to concentrate more on program crops such as wheat and corn.

**WINDOW on the PAST**

Excerpts from USDA publications

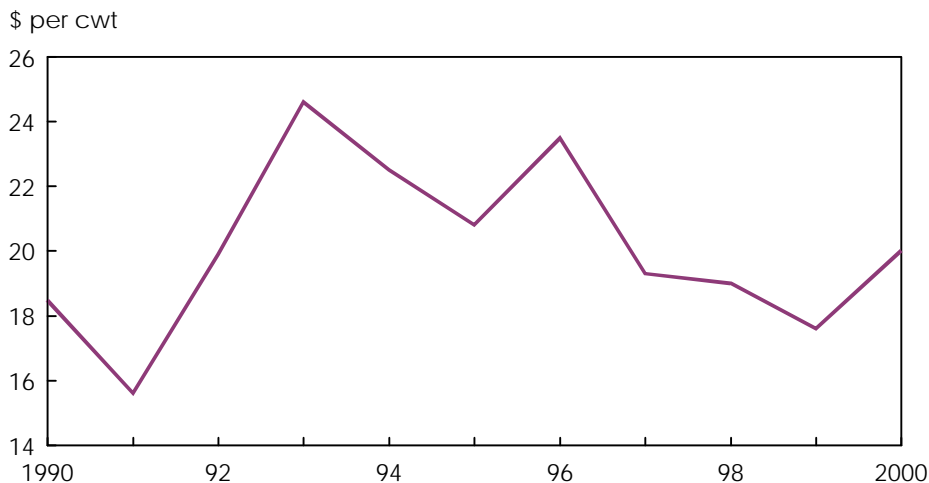
The supply of dry beans from the 1936 crop is much below the average because of a smaller yield in the pea bean area, because acreage was somewhat below average, and because consumption increased during last year. Prices advanced during the summer and probably will remain well above the average of recent years during most of the current marketing season.

These high prices may encourage planting of an acreage in 1937 large enough to bring a considerable decline in prices. Even a slight increase in acreage would, with average yields, produce an average crop in 1937. However, in view of the probable small carry-over and of the increase in demand for beans, some expansion is probably justified. Increases in acreages of the Pea, Great Northern, and Pinto types appear justified, but there is danger of overplanting.

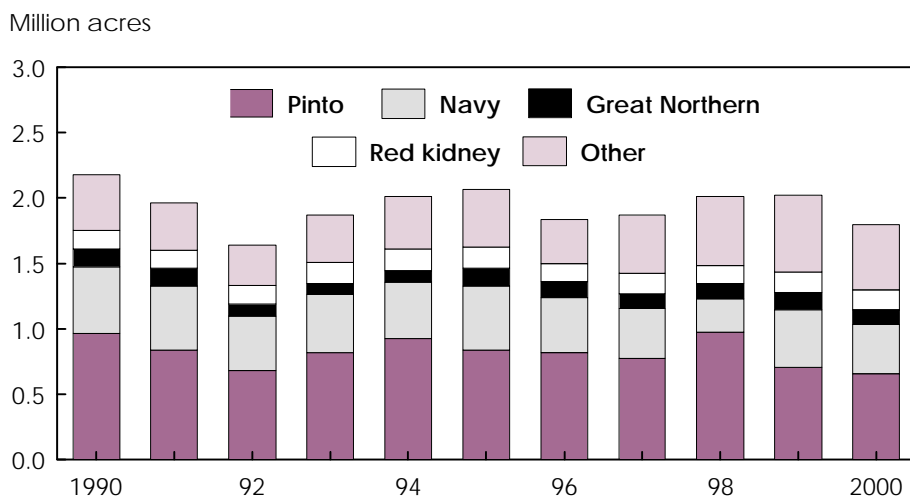
*The Farm Outlook for 1937*

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**Grower Price for Dry Beans to Rise. . .**



**. . .As Planted Acreage Decreases**



Source: National Agricultural Statistics Service, USDA. Forecasts for 2000 acreage components and price by Economic Research Service.  
Economic Research Service, USDA

In 2000, U.S. production of dry beans is expected to decline from last year's 33 million cwt. Trend yields, combined with the prospective acreage decrease, suggest that total dry bean output could fall to 28-30 million cwt, with reduced output for most classes, particularly navy, black, and Great Northern beans. The combination of reduced output and somewhat stronger export demand should trim dry bean stocks this season, pushing aggregate dry bean prices for the 2000/01 season mod-

estly above lows experienced during 1999/2000.

U.S. dry bean export volume has been sluggish during the first third of the 1999/2000 marketing year, declining 7 percent, with classes such as pinto, Great Northern, and small red down about 40 percent. Exports are significant for the U.S. dry bean industry, which ships about 20 percent of domestic output to foreign markets through commercial sales and

Federal food aid donations. A substantial volume of U.S. dry bean exports is concentrated among relatively few countries. Top U.S. markets in 1998/99 included Mexico (19 percent of all exports), the United Kingdom (UK) (16 percent), Canada (9 percent), Japan (4 percent), and Italy (3 percent).

Despite the slow start and large supplies of dry beans in many parts of the world, U.S. exports during the remainder of the 1999/2000 marketing year (September-August) are still expected to increase moderately over the previous year—even- tually strengthening lackluster prices. Currently prevailing low domestic prices should trigger increased demand from established trading partners such as the UK and Mexico.

Shipments to Mexico should grow beyond those of a year ago. Last season, an 8-month delay in auctioning NAFTA dry bean import certificates (required to allow monitoring of the tariff-rate quota on dry beans) largely prevented commercial shipments of U.S. beans from entering Mexico until September. This year, the first auction of NAFTA dry bean import certificates by the Mexican Secretariat of Commerce and Industry (SECOFI) was February 14, 2000, so exports should proceed more smoothly.

Although the U.S. is second only to Burma as the world's leading exporter of dry beans, competition in world markets is keen. Canada is a major competitor in overseas markets such as the UK. In Canada, low stocks prompted a 55-percent production spike in 1999, boosting stocks significantly and dropping prices. A thriving export market supports forecasts for about a 5-percent rise in acres planted by Canadian growers this spring. However, assuming yields drop back to trend levels, Canada's production will remain near last year's elevated levels (about 6.5 million cwt) with average prices dropping slightly as stocks creep upward. **AO**

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