

Commodity Briefs



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Livestock, Dairy & Poultry

Large Stocks Limit Dairy Price Recovery

Large U.S. commercial dairy stocks, particularly of nonfat dry milk and American cheese, loom as the greatest constraint to additional recovery in prices

of milk and dairy products. The August 1 total dairy holdings were more than 1 billion pounds, milk equivalent, above a year earlier. Any further seasonal price rises probably will be quite modest unless stocks can be reduced sharply and quickly.

Weak movement of cheese in the spring was the most important contributor to the stock buildup. Sluggish sales increased cheese inventories and also eliminated the need for normal growth in cheese production. As use of milk powder for cheese production plummeted and more milk went into butter and nonfat dry milk manufacture, stocks of nonfat dry milk soared.

August 1 stocks of American cheese varieties amounted to 469 million pounds, 18 percent higher than a year earlier, far outweighing the small decline in holdings of other cheese varieties. Although cheese stocks were large, they were still at a level where a rebound in sales could bring them back into balance fairly quickly.

Cheese prices rose sharply during July and August as cheese wholesale movement recovered and milk production gains stabilized. Early September cheese prices on the Chicago Mercantile Exchange were 20-24 cents per pound above the early May lows. Surpluses of nonfat dry

milk are available to boost cheese production, and any additional cheese price rises could trigger a movement of powder into cheese production. Exports under the Dairy Export Incentive Program (DEIP) and even significant sales to the government under the support program have yet to bring the heavy stocks of nonfat dry milk under control.

Manufacturers' stocks of nonfat dry milk on August 1 were 159 million pounds, more than double those of a year earlier. Commercial stocks of butter on August 1 were 62 million pounds, nearly twice the level reported for a year earlier. However, most of this noted rise was due to this year's improved coverage, as warehouses are now reporting butter stocks that had not been reported earlier. Butter stocks did not appear to be out of line with seasonal needs. Similarly, stocks of canned and dry whole milk were moderate.

Exports under the Dairy Export Incentive Program (DEIP) will reduce stocks somewhat in coming months, but additional large sales for quick shipment would be needed to have a significant effect on 1997 prices. A large portion of the recent surge in DEIP business is for shipment in late 1997 or early 1998. Allocations under DEIP for nonfat dry milk total about

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption		Primary market price
								Total	Per capita	
								<i>Million lbs.</i>		
Beef	1997	377	25,367	2,467	28,211	1,918	375	25,918	67.2	66-67
	1998	375	24,906	2,680	27,961	2,095	350	25,516	65.6	70-76
Pork	1997	366	17,092	590	18,048	1,100	400	16,548	47.9	53-54
	1998	400	18,507	605	19,512	1,210	380	17,922	51.4	51-55
								<i>c/lb.</i>		
Broilers*	1997	641	27,199	4	27,844	4,630	675	22,539	73.1	60-61
	1998	675	28,953	3	29,631	4,750	750	24,131	77.5	57-62
Turkeys	1997	328	5,397	1	5,726	547	325	4,853	18.1	67-68
	1998	325	5,656	1	5,982	575	325	5,081	18.8	62-67
								<i>Million doz.</i>		
Eggs**	1997	8.5	6,442.9	5.4	6,456.8	235.0	10.0	5,315.7	238.0	79-81
	1998	10.0	6,580.0	4.0	6,594.0	255.0	10.0	5,389.0	239.1	72-78

Based on September 12, 1997 *World Agricultural Supply and Demand Estimates*.

*Cold storage stocks previously classified as "other chicken" are now included with broiler stocks. **Total consumption does not include eggs used for hatching. See tables 10 and 11 for complete definition of terms.

92,000 metric tons, down from 100,000 tons a year earlier.

Price support purchases of 27 million pounds of nonfat dry milk since May were the largest since 1994, although hardly large by the standards of most earlier years.

Dairy product demand is expected to be modest during the rest of 1997, as the economy continues to grow. However, commercial use is not expected to be enough to absorb the increase in milk output, pull down stocks, and generate much further price strength. Although DEIP sales certainly will buttress prices during autumn, the international market is not expected to generate a flurry of additional sales for autumn shipment.

Prices of nonfat dry milk are not projected to post much seasonal rise, and cheese prices and manufacturing milk values may slip after an early-autumn peak. Butter prices will be unsettled but may gain slightly as the yearend holidays approach. Average prices of all milk are projected to be about \$14 per cwt, significantly higher than during spring and summer but far below a year earlier.

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Specialty Crops

Dry Bean Production Up As Demand Grows Steadily

The U.S. is the fifth-largest producer of dry edible beans in the world—following India, China, Brazil, and Mexico. In 1997, U.S. dry bean growers will produce an estimated 29 million cwt—7 percent more than a year earlier and 3 percent above the annual average for the 1990's. Acreage and yields have been trending higher over time, and both rose in 1997.

This season, yield and production have increased despite early weather-related problems in the Red River Valley of North Dakota and Minnesota—the largest dry bean producing region in the U.S. Excessive rains in July flooded some fields in the valley, causing crop damage and greater-than-normal acreage abandonment. In North Dakota, an estimated 16 percent of acreage could be abandoned, compared with 10 percent during the previous 3 years. However, increased acreage and high yields in most other states out-

weighed lower production in North Dakota and Minnesota.

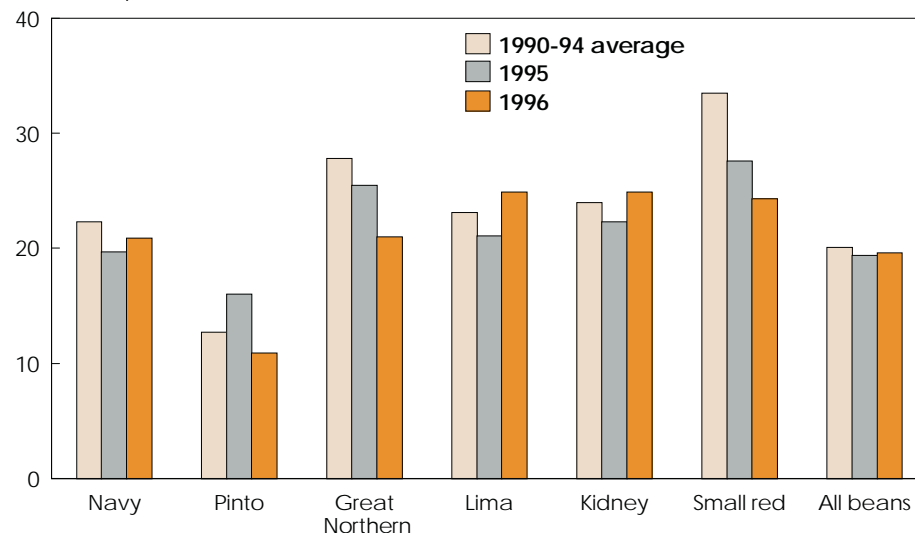
Based on acres planted, lower production is expected for pinto, garbanzo, and Great Northern beans in 1997, and higher output is likely for lima beans, small reds, blacks, and light-red kidneys. Larger overall production will raise stocks and likely result in lower prices into early 1998. Given lower dry bean prices next spring, a modest reduction in dry bean acreage is likely for the 1998 season.

Dry bean production is expected to remain on its slow growth trend into the year 2000, sustained by steady domestic and export market demand. Exports are important to the U.S. dry bean industry. The U.S. is a net exporter and a major player in the world dry bean market, ranking third in export volume behind China and Burma. In 1996, U.S. dry bean exports were valued at \$202 million (imports were \$28 million). The top U.S. export markets include the United Kingdom, Japan, Algeria, and Mexico.

Over the past 5 years, an average of 18 percent of U.S. dry bean supplies has been exported, and estimates suggest that this could rise to nearly 20 percent in 1997. An export share of production of 18

U.S. Exports About 20 Percent of Total Dry Bean Supplies

Percent exported



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percent is relatively high compared with other sectors of the vegetable industry, such as fresh vegetables (8 percent), frozen vegetables (7 percent), and canned vegetables (6 percent). Colored beans, such as pintos and kidneys, accounted for 64 percent of U.S. dry bean export value in 1996.

On the domestic front, per capita dry bean use has been rising since the early 1980's, particularly for kidneys, blacks, and pintos. Major factors in this trend include the growth of the Hispanic population in the U.S., the popularity of Mexican/Southwest foods, and the rising nutritional awareness of consumers. The proportion of Hispanics in the U.S. population increased 53 percent during the 1980's and is expected to increase 36 percent in the 1990's. Today, people of Hispanic origin account for 10 percent of the U.S. population—up from 6 percent in 1980. The Census Bureau estimates that by the year 2020, Hispanics will account for about 15 percent of the U.S. population.

Domestic per capita consumption of dry beans had peaked during World War II, at 11 pounds per person. Per capita consumption then underwent a long-term steady decline that bottomed out in the early 1980's at 5.1 pounds. Since then, U.S. per capita consumption of dry beans has risen to an estimated 7.8 pounds in 1997. However, annual gains in recent years have been smaller, and growth in domestic per capita use may be losing steam.

Several factors in this recent apparent slowdown include the expanding economy, and rising incomes that have encouraged consumers to switch to more expensive sources of protein. Another could be the maturing of the Mexican/Southwest

Acreage Abandonment Up

In 1997, 9 percent of dry bean acreage in the U.S. was abandoned, compared with a 6-percent average since 1970. The largest acreage abandonment during this period was in 1993, when 13 percent of dry bean acreage was lost due to various weather anomalies. Since 1980, dry bean acreage abandonment has trended upward. Average abandonment during this period has been 7 percent, compared with the 1970's average of 4 percent.

One reason for the upward trend in acreage abandonment may be the rising use of Federal crop insurance. Since 1980, the amount of insured dry bean acreage has steadily increased. This has allowed growers to occasionally cut losses during crop disasters by abandoning insured fields they may have previously harvested when the crop was uninsured. A producer's decision to abandon the crop would be based on the expected indemnity payments relative to market returns minus harvesting costs (assuming that no other variable costs are outstanding). If the expected indemnity payments were higher, the producer would generally prefer not to harvest and market the crop.

If a dry bean crop is insured, the decision to abandon does not rest solely with the producer. Approval must be received from an adjuster with the insurance company. The adjuster's incentive is to see that as much of a crop as possible is harvested, because harvested product would reduce the amount of the indemnity paid out. In certain situations the grower might choose not to abandon the crop because an abandoned crop results in zero yield for that year. This would diminish insurance coverage in future years because the previous years' yields are used to determine premium costs and eligibility to receive insurance.

food phenomenon, as a similar stabilizing trend is occurring with chile pepper use.

Despite the apparent slowdown in dry bean consumption, the fundamentals of future market growth—population trends, health consciousness, low product cost—still suggest increases in the coming years. However, new promotions or new products that capture and hold the attention of the American consumer will have to be developed to continue expansion of the domestic market. Without significant gains in the domestic market, future growth in the industry will fall squarely on developing export markets in an

increasingly competitive world arena.
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