2012 Fresh Vegetables Outlook

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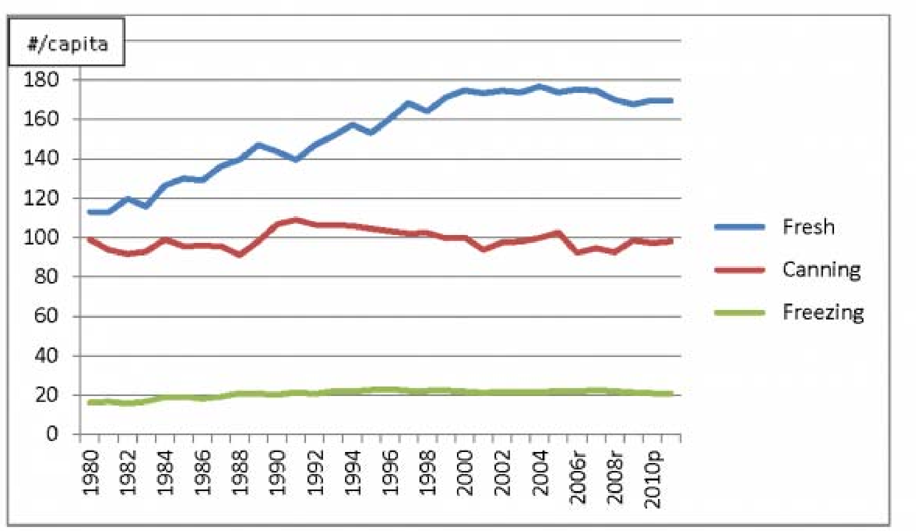

Figure 1. Per capita consumption of fresh, canning and freezing vegetables, 1980-2010.
Source 2011 Vegetables Yearbook, table 1.

The fruit and vegetable industry has often been the focus of U.S. policy makers in charge of nutrition programs to encourage consumers to eat more of our product for diet and health purposes. We might question the success of those programs given the apparent decline in demand that has occurred over the last 10 years. *Figure 1* shows the per capita consumption trends for fresh, frozen and canned vegetables from 1980 through a predicted consumption level for 2011. It is troubling that from 1970 to 2000 vegetables enjoyed a boom in consumption and offered plenty of opportunity for those growers producing for the U.S. market.

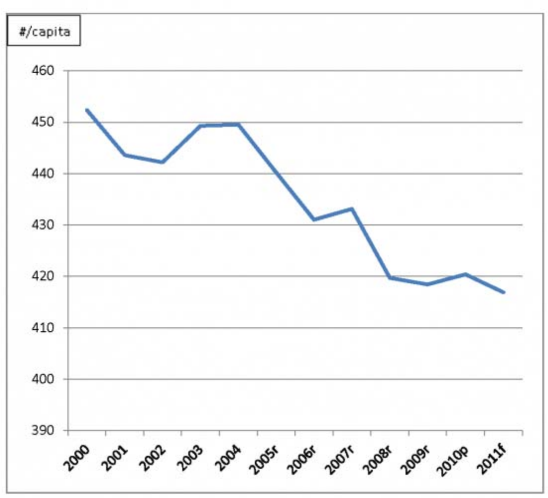

Figure 2. Per capita consumption of fresh, canning and freezing vegetables, 2000-2010.
Source 2011 Vegetables Yearbook, table 1.

Since 2000, the market has been declining (*figure 2*). This decline in consumption growth cannot be attributed to the decline in the economy that started in 2008. This decline in consumption started long before the recession of 2008-09. So what is responsible for the decline in demand? Demand is driven by two primary factors, population and income. The U.S. Bureau of Census reports that U.S. population grew 9.7% over the decade from 2000-2010. That growth implies that our market grew 9.7% if per capita consumption stayed the same. Per capita consumption for fresh market vegetables (excluding potatoes, sweet potatoes, dry peas and lentils and dry beans) actually fell 2.8% while canned and frozen vegetables declined 2.9% and 4.2%, respectively. Overall, per capita vegetable consumption including potatoes, sweet potatoes, dry peas and lentils and dry beans, fell 7.1% since 2000.

Part of the means to survival in the vegetable business comes from being able to increase prices when costs go up. The producer price index (PPI) measures the cost of growing vegetables relative to a base period which is 1982 for figure 3. The cost of producing vegetables increased significantly over the decade of the 2000's, especially the early half of this decade. The producer price index for vegetable growers increased 29.6% in the 2000s relative to the 1990s. The price received index (Price) in figure 3 is a similar measure for the unit value received by growers of fresh vegetables relative to the base period of 1982. Price increased only 28% in the 2000s, meaning growers lost ground since calendar year 2000 relative to returns in the 1990s. As if that was not enough, demand in the 2000s also declined, meaning growers were not offsetting increased costs with larger markets or increased prices.

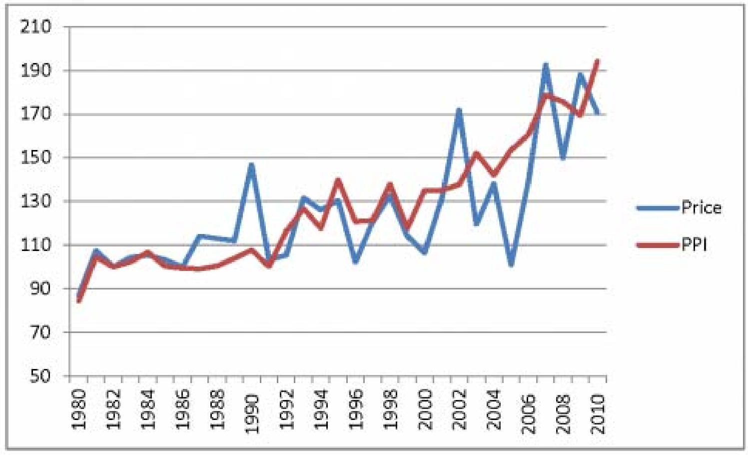

Figure 3. Shipping point prices received index (Price) and producer price index (PPI) for vegetables, 1980-2010. Source: USDA 2011 Vegetables Yearbook, tables 9 and 10, adjusted to 1982 baseline year of 100.

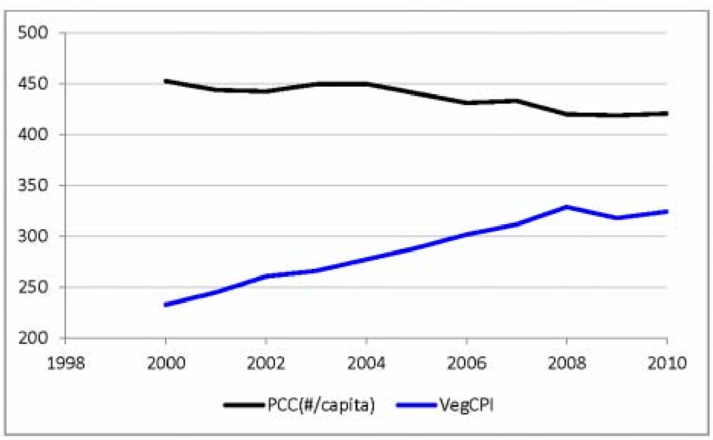

Figure 4. All vegetables per capita consumption and the vegetables consumer price index, 1980 – 2010. Source: USDA 2011 Vegetables Yearbook, tables 1 and 10, with VegCPI adjusted to 1982 baseline year of 100.

What the data do suggest is that consumers are shying away from vegetables as prices increase. Figure 4 shows the per capita consumption of vegetables since 2000 compared to the consumer price index for vegetables. It is noteworthy that we have seen a decline in consumption as prices have increased. We have not had the luxury of an expanding demand to offset the higher costs experienced by growers. Consumers are backing away from vegetables as prices increase.

What is the outlook for Florida vegetable growers? Policy makers recognize the benefits to consumers eating more whole grains and fruits and vegetables. The USDA ChooseMyPlate program (http://www.choosemyplate.gov/) calls for increases in consumption of fruits and vegetables, telling consumers to make half their menu out of fruits and vegetables. At the same time, concerns over food safety and sustainable production practices have increased costs to U.S. growers more than to our international competitors. Imports are securing an ever increasing share of the U.S. market for vegetables, accounting for 24.3% of the U.S. market for fresh vegetables in 2010. Those increases in market share are at the expense of U.S. growers who command less of a shrinking market for fresh market vegetables. Increasing costs in the face of increasing imports have created difficulties for U.S. growers. Increasing costs have also resulted in increased prices to consumers, pricing many consumers out of the market for fresh fruit and vegetables.

Markets need to return growers to the better times growers experienced prior to calendar year 2000. Grower profit margins are likely to get squeezed further before we see consumers regain their desire for fresh fruit and vegetables and grow this market. We have to get a handle on increasing costs in order to hold the line on consumer prices and grow the demand structure for vegetables.

Until production costs can be better controlled, growers will continue to struggle to stay in business. That is not likely to change in the near future barring some type of production disaster experienced in some competing area of the world. Research and development needs to be increased for purposes of controlling costs and increasing demand. The last 10 years have seen increasing prices for vegetables stem any possible growth in consumption that might have occurred.

There are pockets of success in the industry. Some of those include blueberries, peppers and fresh tomatoes other than field grown large round tomatoes. As we move into writing a new Farm Bill in 2012, policy makers are likely to cut budgets for many farm programs to bring more fiscal responsibility to the Federal government. If that translates into fewer dollars for research and promotion for vegetables, then this tide of declining returns is likely to continue over the longer term. The advantage this industry holds is that diet and health concerns have led to a call for increased consumption of fruits and vegetables. But consumers are becoming more cost conscience as threats on our economy persist. A recovery in our economy will help the demand for vegetables, but true recovery will require more. It will require more efficient producers with even better products.