

SOME ECONOMIC ASPECTS OF THE BEAN SITUATION

By R. V. GUNN

MICHIGAN STATE COLLEGE
Of Agriculture and Applied Science

EXTENSION DIVISION
R. J. Baldwin, Director

ECONOMICS SECTION

East Lansing, Michigan

THE BEAN SHAWMOT

1875

1875

1875

1875

1875

1875

1875

1875

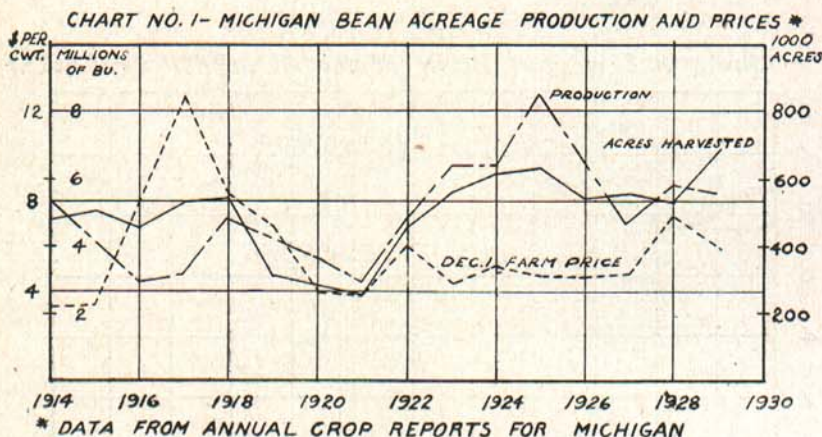
1875

SOME ECONOMIC ASPECTS OF THE BEAN SITUATION

By R. V. GUNN

Significance of Bean Production in Michigan

From the standpoint of money income, beans are one of Michigan's best cash crops. During the past eight years, based upon December 1 farm prices, this crop has returned on the average over 20 million dollars annually to the farmers in this state. Only two other crops, potatoes and wheat, approximate this income. According to the 1925



Agricultural Census, almost 57,000 farmers in Michigan, 3 out of every 10, grew beans. In 1929, almost 700,000 acres were planted to this crop in Michigan. In 1921, less than 300,000 acres were planted to beans. In other words, this increase of 400,000 acres, over 100 per cent, has taken place in eight years, see chart No. 1. Furthermore, indications are that close to 800,000 acres are being planted for 1930.

The question, "What are we headed for in the bean industry?" is pertinent to the situation. This bulletin is an analysis of some of the facts which are available and an attempt to partially answer the question.

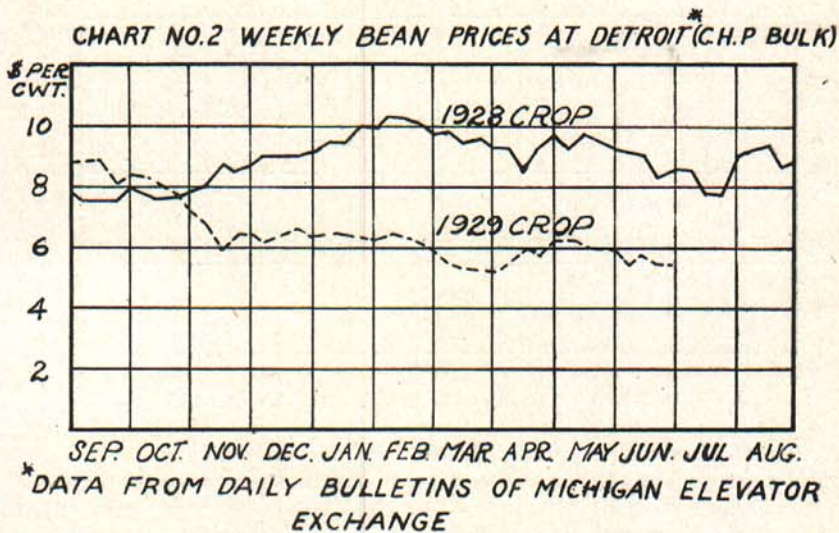
Competitive Position of Michigan as a Bean Producing State

During recent years, approximately one-third of all the beans produced in the United States have been grown in Michigan. Almost 45 per cent of the carlot shipments originated in Michigan. The only other state that approximates the Michigan volume is California. Almost half of California's production is Limas, which do not compete

with Michigan Navys. Furthermore, Michigan produces about 60 per cent of all white beans and from 88 to 90 per cent of the white pea-bean, the chief variety used for canning. The Great Northern variety grown in Idaho, Montana, and Wyoming which, in recent years, has been increasing rapidly in acreage, competes to some extent with the Michigan pea-bean in the dry bean trade but not to any great extent for canning purposes. The Pintos grown chiefly in Colorado and New Mexico, go largely to the Southern trade and are not, therefore, strong competitors of the Michigan beans.

Inter-Relations of Supply, Consumption, and Prices

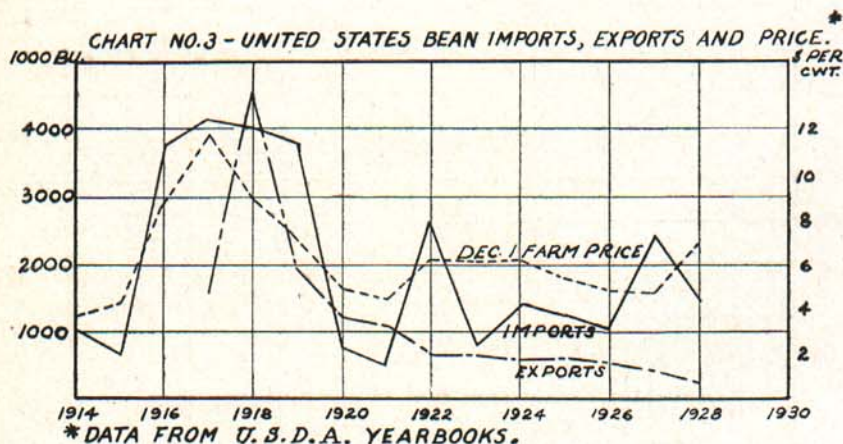
The price of beans, like that of any other commodity, is determined basically by the demand for, and the supply of, beans. During the



critical period of the war, in 1917 and 1918, demand for beans from both our own and Allied governments was strong and prices rose to around \$12.00 per cwt. to growers. By 1920 and 1921, with the war over and a falling off in export demand, prices fell to one-third this high level, or about \$4.00 per cwt. Since this date we have witnessed a moderate but sustained increase. In 1914, the per capita consumption was about 6.3 pounds. In 1921 it was 7.7 pounds, and in 1928 it had reached 8.9 pounds. This suggests a stable and slowly increasing demand. On the other hand, supply fluctuates, due somewhat to changes in acreage, but more particularly to variations in yield per acre. For instance, in 1928, the average yield in Michigan was 11 bushels per acre, and in 1929 only 8.2 bushels. In 1926, it was 12 bushels, and in 1927 only 8.5 bushels.

Extent and Influence of Bean Imports

Another factor which affects the supply of beans is the quantity imported from foreign countries. About one million bushels were shipped in to compete with our 1926 crop, and 2½ million bushels were imported during the 1927 crop marketing season. To be added to our 1928 crop were 1½ million bushels of imported beans, while for the 1929 marketing season indications are that the imports will approximate 2½ million bushels. The imports for the 1927 crop movement season were 12½ per cent of our total production and 26 per cent of our carlot shipments. See Chart No. 3. For the 1929 crop marketing season, imports will probably exceed 14 per cent of the total United States production and perhaps 20 per cent of the carlot shipments. Japan is by far the heaviest shipper of beans into the United States. During the past 9 months, September to May, 57 million pounds have



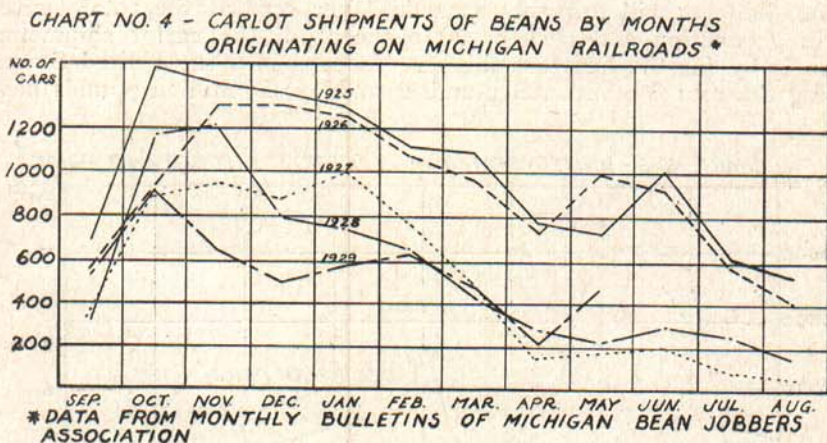
been received from that country. Approximately 10 million pounds each have come in from Canada, Hungary, Germany, and Chile.

From these statistics, it can be seen that imports of beans play an important part in the total supply of beans for sale in the United States. We export, of course, some beans. From 1923 to 1926, exports were about 50 per cent of the imports but, for the past 3 years, exports have not been over 20 per cent of the imports. For the present crop marketing season which will close in August, exports have been less than 10 per cent of the imports.

The Tariff in Relation to Bean Imports

The import situation on beans naturally brings up the tariff question. From 1916 to 1919, when bean prices were high, the tariff duty on beans was only 42 cents per hundredweight and imports of beans averaged close to 4 million bushels annually. With the advance in tariff rates in 1921 and 1922 to \$1.75 per hundredweight, imports dropped

to about 1½ million bushels on the average for the seven years prior to 1929. As previously mentioned, imports for the first nine months of the 1929 crop movement season have been unusually high, about three times as large as for the corresponding period of one year ago. Big crops in Japan and European countries last year, with fairly high prices here, made the United States an attractive market for foreign beans. The 1930 tariff law just enacted by Congress carries a \$3.00 per hundredweight duty on bean imports. In the long run this should help to bring about a more uniform acreage and more dependable supply for our home market.



Domestic Production and Home Consumption

However, the time when our domestic production will exceed our home requirements seems near at hand. According to the Federal Agricultural Outlook for 1930, the 19 1/3 million bushel crop of beans produced in 1929 is closely in line with present domestic requirements. Additional government reports put out in March predict a 14 to 15 per cent increase in acreage over last year. With normal yields, this would mean a total United States bean crop of more than 22 million bushels. Allowing for the normal 500,000 bushel increase in annual consumption we would still have an excess of 2 million bushels over domestic requirements. If this situation occurs it means, of course, that the United States will be on an export instead of an import basis on beans. In that event, the tariff duty of even \$3.00 per hundredweight becomes ineffective in increasing domestic prices.

Nature of Market Shipments During 1929-30

One other factor of significance in the Michigan bean situation is the manner in which the shipments of beans are distributed during the marketing season. Michigan ships from 5 to 10 thousand cars of beans

annually. Normally, during the months of October, November, December, and January, 50 per cent of the shipments are made. Depending upon the size of the crop, from 900 to 1400 cars move to market during each of these months, gradually decreasing to about 500 cars, sometimes to only 200 cars, for the months of July and August. However, less than 2,700 cars of beans were shipped for the past season during that 4 month period. See Chart No. 4. This is less than 700 cars per month. Apparently, farmers reacted to the usual psychology. Beans opened up high, better than \$8.00 per hundredweight in October. See Chart No. 2. Shipments were fairly heavy for this month. Including l.c.l. lots, approximately 1,050 cars went to market. Imports became heavy, 350 cars of foreign beans came into the United States during October. Prices started down, reaching \$6.00 by the latter part of November. Farmers refused to sell on a falling market. For the next three months, November, December, and January, Michigan shipments, instead of staying above 1,000 cars, dropped to less than 600 cars per month. However, imports continued heavy. Cannery and other buyers apparently were able to secure all the beans they needed at prices \$2.00 to \$3.00 less than they opened up at in the early fall. As a result, our farmers have been left holding their beans. Season shipments of the 1929 crop, from September to April inclusive, were about 1,000 cars less than in the similar period for the previous crop. Considering the high quality and small "pick" of the 1929 crop, farmers of Michigan had probably just as many bags of beans to sell during the 1929-30 season as during the 1928-29 season. In other words, unless shipments for the balance of the season become much higher than usual, there will apparently be considerable carry-over of old beans to be marketed and to compete with the 1930 crop.

What Should Be the Growers' Adjustment to Bean Situation

The reader, after following the facts on the bean situation as herein presented, will naturally ask the question, "What are we going to do about it?"

The answer is, "Keep on growing beans, where it can be done at an efficient and low cost per bushel. Then set up and develop a marketing system that will really merchandise the crop, putting beans on the market in an orderly manner, not only **where** there is a demand but **when** the buyers want them."

The rapidly increasing acreage, with threatened over-production should be a warning to the man with low yields and high costs. The increase in tariff duty to \$3.00 per hundredweight should be of some temporary price benefit. But along with efficient production and restricted imports must go a more highly centralized, cooperative selling system, which should reduce marketing costs, increase the growers' bargaining power, and make possible a more systematic method of distribution according to market demands.

