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Prices Moving Higher But Smaller Area Likely *By Gar;y Lucier & Lewrene Glaser (Economic Research Service)*

After stalling for several months with uncertainty, dry edible bean prices have been rapidly moving higher over the past several weeks. It appears that dry bean markets are finally mounting a challenge to other field crops for which potential returns are at historic highs. There are some similarities to the market situation experienced in early 2008 as growers mull over a range of potentially profitable cropping alternatives, including field corn, soybeans, wheat, barley, and dry beans given rapidly rising new crop pricing.

The average marketing year price for field corn was about $3.55 per bushel in 2009/10—down from $4.06 a year earlier and $4.20 2 years prior. However, corn is projected to average over $5.30 per bushel in the current 2010/11 season and remain around $5.00 for 2011/12. Similarly, soybeans are projected to remain near $12 for both 2010/11 and 2011/12 after averaging $9.59 in 2009/10. Although dry bean prices have also risen, potential returns in early February for several classes of dry beans appeared to lag other crops. Despite being hamstrung by above average stock levels, the pinto bean market has responded by moving from their seasonal low of $18.17/hundredweight (cwt) (ND/MN) in September to $25.00/cwt in mid-February. Most of that movement has taken place over the past few weeks. This price is still below the average of the three previous Februarys and is more in line with price levels seen in 2006 when corn was half of its current price.

While price strength remains broad for virtually all competing field crops, production costs also appear to be moving higher, especially fuel and fertilizer. So far, the upward

(Continued on page 2)

DEMAND FOR EDIBLE BEAN IMPORTS MAY INCREASE IN MANY COUNTRIES IN 2011 By John Parker, ERS

Demand for U.S. dry beans increased in many countries in Europe in 2010 and further gains are likely for 2011. U.S. exports of dry beans to the United Kingdom advanced 6 percent in 2010 to 44,505 metric tons, valued at $29.4 million. That included 2 percent more navy pea beans with the delivery of 41,487 tons and the astonishing shipment of 938 tons of black beans, a gain of 471 percent over the previous year.

Belgium has become a distribution point for imported consumer goods for delivery to customers duty-free to some of the other EU members. U.S. exports of dry beans to Belgium tripled in 2010, reaching 4,865 tons in 2010. That included 3.152 tons of Great Northern beans, compared with 105 tons in 2009, and 1,505

(Continued on page 3)

Special points of interest:

- Exports of Navy and Garbanzo beans up 10%
- Mexico Exports down 18% and United Kingdom down 11%
- Average value of bean exports now at 34 cents a pound
- Dominican Republic major market for U.S. Pinto beans
- Caribbean Market for beans up sharply
- Cuba Imported 6,532 tons in 2010

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(Continued from page 1)

movement for input prices during early 2011 is much less than in early 2008. In January, increases of less than 2 percent from a year earlier were reported for items such as building materials, wage rates, and general farm supplies while prices were less than a year ago for seed and chemicals. These helped offset-sizeable gains for fuel and fertilizer prices (each up 15-16 percent). Many growers likely pre-purchased these critical inputs when prices were lower this past fall, which will mitigate some of the impact on 2011 dry bean production costs.

Given the strong interest in corn, soybeans, and wheat this spring and the prevailing price relationships, U.S. dry bean seeded area is projected to drop 20-25 percent from a year earlier. This may be a conservative estimate given the current price relationships and historical precedence. The lowest U.S. dry bean area in the past 20 years was 1.346 million acres in 2004, which returned a crop of just 17.7 million cwt (yields were also low that year). Dropping to the 2004 level this spring would represent a 30-percent decline from a year earlier. However, given the need for increased output for some classes, a 20 percent decline seems more likely. This would largely return industry acreage to the "maintenance" levels experienced during the 2005-09 period when production averaged around 25 million cwt annually. Weather-related planting delays or further gains in dry bean prices over the next 3 months vis-a-vis the corn price would help mitigate the expected decline in dry bean area. The first survey-based examination of 2011 row crop area (including dry beans) will be available on March 31 when USDA releases the *Prospective Plantings* report.

Export Volume Up 10 Percent

With greater garbanzo and navy bean export volume this season, U.S. dry bean exports increased 10 percent during September to December 2010. The September-December volume was also the highest in the last decade. Although dry bean volume shipped to two of the top five destinations fell, substantial gains in the other three destinations were more than offsetting. While exports to Mexico (down 18 percent) and the United Kingdom (down 11 percent) each dropped, movement to Canada (up 53 percent), the Dominican Republic (up 38 percent), and Spain (up 164 percent) increased. In addition, Cuba returned as a destination for U.S. pulse crops this year after importing no U.S. dry beans during 2009/10. Cuba will be a destination for bean classes such as pinto and black this season. Since returning to the market in 2001/02, Cuba has purchased at least one load of U.S. dry beans annually, with the exception of 2009/10. The peak year for recent U.S. dry bean movement into Cuba was 2006/07 when 35 million pounds of dry beans (mostly pintos) was shipped.

Greater U.S. availability, smaller crops in several importing nations, and the weak dollar likely spurred U.S. dry bean exports. Despite much lower domestic prices, the average export unit value for all dry beans was up 2 percent from the previous year to about 34 cents per pound. Export movement was improved for most classes, but there were sizeable reductions in pinto beans, Great Northern beans, and light red kidney beans . Despite the presence of ample stocks from last year's large crop, pinto bean export movement was down 36 percent due largely to reduced demand from Mexico and fewer foreign aid shipments. The leading destinations for pinto beans were the Dominican Republic (40 percent of total volume), Mexico (19 percent), Haiti (8 percent), and Yemen (7 percent). Reflecting dwindling world inventories, exports of garbanzo beans (chickpeas) jumped 133 percent due mostly to demand from Spain and Italy.

The Market in Costa Rica

Costa Rica remains a major importer of dry beans, importing 80% of their needs in any given year. Domestic production makes up the difference representing about 9,000 metric tons of the 45,000 metric tons consumed on a yearly basis.

Of the 45,000 tons per consumed, (about 1 million bags per year), 30,000 metric tons (about 66% of consumption is black beans, about 29% or 13,000 metric tons is red beans and the remaining 2,000 metric tons or 4.5% is other types of beans.

Current imports come from China (62%), Nicaragua (31%), Ecuador (2%), Columbia (2%), and other (3%).

Domestic per capita consumption is currently at 2.2 pounds, less than half of what it was in 1960. As with all areas of the world, the decrease is tied to the increase in fast food availability.

(Continued from page 1)

dark red kidney beans –

45 percent more than 2009. Shipments of navy pea beans to Belgium advanced 250 percent to 149 tons.

Dutch purchases of U.S. dry beans moved up by 81 percent to 2,329 tons valued at $1.5 million in 2010. That included 671 tons of Great Northern beans – a decline of 12 percent from 2009. However shipment of dark red kidney beans to Netherlands moved up by 527 percent to 472 tons in 2010. As a distribution center for cargo to other European countries, future sales to Dutch traders should increase.

Beans can be found in many restaurants and homes in Italy where they have been an important part of the family meal for centuries. U.S. exports of dry beans to Italy increased 125 percent to 9,465 tons valued at $8.7 million in 2010. That included a gain of 678 percent for navy pea beans to 3,792 tons, valued at $3 million, and a rise of 400 percent for dark red kidney beans to 4,074 tons.

Surprising Gains May Come In Exports of Dry Beans To Middle East

Growers of edible beans may be surprised at the high level of export demand coming forth in 2011. In the Middle East and Africa imports of wheat and edible beans are likely to rise in 2011. In Egypt and some other countries the two commodities are provided together as inexpensive basic food items for the average citizen. This is also the setting in China, South Asia, and a number of developing countries. China was a surprisingly large importer of beans and peas from Burma in some recent years. Demand for pasta and food items made from bean flour in China is rising. This means that traders with an imagination of finding ample suppliers of edible beans at low prices from China may be lacking a chance to find the beans they seek in 2011.

The recent events may mean greater demand for imported beans in that area. A focus on the welfare of consumers is likely to rise. Officials showing hesitation at making needed imports may find people protesting in the streets at the lack of basic food or any hike in prices if subsidies are modified. The answer for them is to scrap the ideas of limiting imports for certain ideas and to arrange appropriate imports. The games used as an excuse to preventing adequate imports are likely to get less attention. Too many officials tend to dream of larger local harvests than the quantity really available. A greater focus on per capita consumption of wheat products and edible beans is likely to evolve.

Commodity prices increased more sharply in late 2010 and early 2011 than most economists had predicted a year ago. Lofty prices for other field crops caused the offers to peanut farmers to rise sharply in February. Concern over maintaining an adequate area for dry beans is likely to put an upward pressure in prices.

The Decline For U.S. Dry Bean Exports In 2010 Came From Smaller Sales To Mexico And Africa

The 7 percent decline for U.S. exports of dry beans in 2010 to 412,886 metric tons valued at $293 million was mostly related to the sharp reduction of shipments of pinto beans to Mexico. Exports of some other types of beans to other countries showed strong gains. A new market for Great Northern beans opened in Egypt. For edible bean imported outside South Asia, Egypt has become the leading importer with the purchase of about half a million tons annually. Some French farmers have found a growing market for broad beans in Egypt. U.S. exports of dry beans to Egypt opened with the shipment of 716 tons, valued at $426,000 in 2010. Yet, that was only about 0.2 percent of Egypt's total edible bean imports. Much larger U.S. bean exports might move to Egypt in the coming year. Subsidized bread with a pocket for bean paste is a major basic food in Egypt.

Mexico's Reduced Purchases Caused Decline In U.S. 2010 Dry Bean Exports

Total U.S. dry bean exports declined 7 percent in calendar 2010 to 412,886 tons, valued at $293 million, with an average price of $709.64 per metric ton. Mexico had higher dry bean yields in 2010 and imports demand declined. U.S. exports of dry beans in 2010 to Mexico declined 53,000 tons from the 2009 peak of 187,133 tons, but at 133,914 tons they were still higher than the 2008 level of 100,074 tons. The total decline of 32,262 tons meant that gains to some other markets of over 20,000 tons. U.S. exports of black beans to Mexico declined 6 percent to 104,263 tons in 2010, and shipments of advanced a fourth to 4,290 tons, valued at $2.5 million.

It is interesting to observe where the gains occurred last year to get an idea of where greater exports might come forth in the coming year. If exports are down to markets like Mexico, Iraq and certain countries in Africa, gain can be found in Europe and Asia.

U.S. Dry Bean Exports To Africa Were Mixed

because consumer demand was dimmed by the attitudes of a few people in the import arrangement process. South Africa stands out as a market needing greater bean imports where the demand last year was not met. U.S. exports of dry beans to South Africa reached a peak of 16,597 tons, valued at $17.5 million in 2008, but then they declined to only 162,000 tons for $130,000 in 2010.

(Continued on page 4)

(Continued from page 3)

South Africa imported about 100,000 tons of dry beans in some years during the recent decade, with most supplies coming from China, South Asia, or South America. Production of dry beans in South Africa fluctuated in recent years. High world prices for corn in the coming year tend to limit prospects that a larger edible bean crop may be harvested in 2011.

U.S. dry bean exports to Tanzania declined from 13,194 tons in 2009 to 740 tons in 2010. Shipments to Taiwan dropped from 2,421 tons in 2007 to a low of 418 tons in 2008, and then rebounded to 1,248 tons in 2010, valued at $689,000. Malawi has had interesting projects to give seed to many small farmers to help them improve dry bean yields.

A new market in Rwanda for 520 tons of U.S. dry beans valued at $295,000 tons emerged in 2010. Rwanda has among the highest per capita consumption of dry beans in the world.

U.S. exports of dry beans to Djibouti doubled in 2010, reaching 4,988 tons, valued at $3.5 million. Most of the beans delivered to the port of Djibouti eventually are sold to consumers in Ethiopia.

Rising petroleum revenues for Angola have added to prospects for financing larger bean imports from China, North America, and Argentina. U.S. exports of dry beans to Angola increased 230 percent to 7,976 tons, valued at $7.7 million in 2010.

Algeria has adequate petroleum revenues to finance much larger dry beans and dry pea imports. Canada and China have been important suppliers. U.S. exports of dry beans to Algeria advanced 138 percent to 2,323 tons, valued at $1.9 million in 2010. Algeria may be a surprisingly growing market for U.S. exports of Great Northern beans in the future.

Shipments To Caribbean Markets Up In 2010

U.S. exports of dry beans to countries in the Caribbean increased sharply in 2010, partly because of the urgent need in Haiti. U.S. shipments of dry beans to Haiti moved up 82 percent to 16,926 tons, valued at $13.7 million. Demand was higher than actual arrivals, and more effort by donor agencies to use money already collection for assistance to the food needs in Haiti is expected in the coming year. In addition to the traditional demand for pinto beans, Haiti emerged as a significant importer of black beans last year.

Dominican Republic might be a staging scene for preparing beans to distribution to consumers in Haiti, although demand is high in this country also. U.S. exports of dry beans to Dominican Republic moved up 86 percent to 28,589 tons, valued at $23.3 million in 2010. Most of the increased deliveries consisted of pinto beans.

Cuba came through with the purchase of 6,532 tons of U.S. beans in 2010, valued at $5.55 million. Most of the U.S. deliveries consisted of black beans. Cuba imported about 120,000 tons of dry beans annually during 2008-10, mostly from China.