Fruit Prices

returns to growers influence business conditions in many California communities

S. W. Shear

The ups and downs in the income of the fruit industry—which contributes about one third of the state's total cash receipts from farm products—deserve consideration by everyone concerned with the prosperity of his community. The following summary table shows the major changes in prices received by California fruit growers during the past thirty years—in dollars per fresh ton, at the first delivery point.

Year of harvest	All fruit	Citrus	Other tree	Grapes
Averages:				
1919–1920	$70	$80	$73	$61
1921–1930	43	77	41	28
1931–1934	26	40	23	16
1935–1939	26	40	26	16
1942–1946	71	69	81	64
Annual:				
1946	86	74	89	91
1947	48	50	60	36
1948	49	47	72	35

After the peak of postwar inflation in 1919 and 1920, farm prices of fruits fell considerably but not as much as all farm prices. They maintained a sufficiently profitable level during the 1920's to stimulate large plantings of most fruits except apples.

With depressed demand and big fruit crops in the 1930's, farm prices averaged about 40% lower than during the 1920's. Returns were so unprofitable that much fruit was unharvested and industry programs were set up to control surpluses and to secure financial aid from the Federal government.

The boom in civilian and military demand after 1941 far outstepped our increasing fruit production so that fruit growers' prices and cash receipts rose more rapidly than growers' production costs during the war and even faster than prices of farm products as a whole.

The great expansion in industrial wages coupled with wartime scarcity of durable consumer goods left consumers with much more income to spend on food, particularly on semi-luxuries like fruits. Increased demand greatly exceeded fruit supplies for civilians, so that domestic consumption rose substantially along with prices. Civilian consumption might have been even greater if our military forces had not required much canned and dried fruit. In spite of price ceilings and some subsidies and increased production, farm prices for California fruit crops of 1943, 1944, and 1945 averaged 185% above prewar.

The bumper national fruit crop of 1946 was 37% larger than prewar, but with price ceilings and subsidies removed, California farm prices jumped to 230% above prewar. Prices were so high that consumption of some processed fruits was slowed up, resulting in burdensome carryovers of dried fruit and canned juices. These large stocks plus another bumper crop in 1947 and loss of nearly all commercial dried fruit exports to Europe, lowered farm prices for the 1947 California fruit crop by $38 a ton or almost 45%. Despite slightly smaller fruit supplies and higher national income, farm prices of the 1948 crop remained about the same as in 1947. Prices in both years would have been even lower if large purchases by our government, mostly of dried fruit for civilian relief overseas, had not taken the place of wartime lend-lease shipments.

Fruit growers' net income from their labor and capital, and its real purchasing power, have fallen even more than cash receipts since 1946. Growers' production and living expenses continued to rise sharply during the past two years while farm prices dropped steeply. The postwar squeeze on fruit growers' net income started two years sooner than for farm products as a whole. In 1946 fruit prices received by California growers rose to an average of about 230% above 1935–1939, while prices paid by United States farmers for production and living costs rose 50%. While prices paid continued rising until the 1948 national average was 30% above 1946, prices received by the California fruit growers fell approximately 45%.

A five-fold increase in national citrus production is the chief reason for the striking decrease in farm prices and purchasing power of citrus during the past thirty years. However, much of the price-depressing effect of increased production has been offset by the enormous growth in demand for citrus products. These have been widely publicized for their strong consumer appeal in flavor, health value, general availability and ease of serving, particularly as juice, fresh and processed. However, even with the record consumer purchasing power in recent years, returns have been unprofitable to many citrus growers. The industry urgently needs *1*, to reduce acreage and production, particularly of high cost, low quality fruit; also *2*, to see that consumers get only a good quality of fresh and processed fruit; and *3*, to lower costs of growing, processing, and marketing.

Recent national fruit crops averaged about 25% above prewar. There is an acreage sufficient to maintain production near that level if prices are encouraging enough. Whether growers get such prices in the next few years depends on the demand side *1*, largely by how well domestic demand is maintained and also by *2*, how rapidly commercial export demand for our fruit picks up *3*, at what level our government supports fruit prices and *4*, how much financial aid it gives foreign countries in buying any exportable surplus.

Without continued financial aid for some time Europe is not likely to have enough dollars with which to buy much of even our cheapest dried fruits—raisins and prunes. However, the most critical factors affecting the fruit price outlook are whether industrial production, employment and national purchasing power are maintained near present levels. A moderate decline in national income of 15% to 20% to the 1946 or 1944 level might not be too serious. But a drop of 50% to 1940 or 1941 levels would indeed be grave for a product like fruit, in plentiful supply and a semi-luxury for which demand is very sensitive to changes in consumer purchasing power.

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