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Open market lettuce FOB still topping \$100

By

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Veteran California vegetable salesman Mark McBride is pretty blunt about what he has witnessed over the last several weeks with the leafy green market. “If anybody tells you they’ve seen this before, they are lying,” said the Coastline Family Farms sales executive with close to five decades of experience. “I’ve never seen anything like this before — not even close.”

While there are explainable factors that have led to the red hot market, McBride said it is impossible to explain why it has risen so high for so long. And it’s equally impossible to take anything but a wild guess as to when the market will come back down to earth. “Well, it has to come down, but I don’t know when,” he said.

In fact, McBride said the factors causing a lack of supply are still in play and will be well into December. The transition from the summer and fall production in coastal California to the winter acreage in the deserts of California and Arizona is always a time when supplies can get tight. This year that situation was exacerbated as the Salinas Valley ended its season with disease issues that reduced yields. The Huron district in the San Joaquin Valley, which typically serves as a stopgap between the two seasons for some shippers, had only half a crop because California’s water shortage decreased acreage. And on top of that, the desert deals are off to very slow starts because of cold, icy weather.

McBride said the low yields and high prices have caused growers to start harvesting fields ahead of schedule. “Everyone is working ahead, which is yielding lightweight heads,” he said, noting this is going to have a multiplier effect down the road as there will be fewer fields to harvest in the coming weeks. “This has caused the market to go bonkers,” he added, noting that it is across the board, including head lettuce, Romaine, green leaf, red leaf and the many other specialty lettuce varieties.

Speaking specifically of the market price for Iceberg lettuce, McBride said the larger chains are somewhat insulated from the astronomical open market price because they have contracts. But those contracts typically include an escalator clause, which has been activated by virtually every shipper. On Friday, Nov. 18, McBride said the range in the FOB for a carton of lettuce was \$85 to \$100, with open market sales mostly in the mid-\$90s. On that day, the USDA’s Market News Report listed the average price for the day before at just under \$94.

On Monday, Nov. 21, Jason Lathos, manager of commodities for Church Bros. Farms in Salinas, CA, said the situation had not changed. He agreed with McBride’s assessment, noting that in his two decades in the business he has never seen anything like it. He said over the past several years the transition to winter production has been impacted by weather issues and created strong markets, but nothing like 2022.

“This year, we saw weather and disease problems reduce yields in Salinas both in terms of cartons

and pounds per carton,” he said. “And then the front end of the Yuma deal was hit by rain and now we’ve had ice in the fields four out of the last six days. That means we can’t start harvesting until about 11 a.m., which cuts production even more because there are fewer daylight hours to work.”

Lathos said it has been the “perfect storm” of many supply-reducing events occurring at the same time to create this potentially once-in-a-lifetime situation. Another issue is seeder pressure, which basically reduces the per-pound yield tremendously when the lettuce is being processed for the value-added packs. “You need two acres to cover the pounds that would typically be coming out of one acre,” he said, adding that the demand for value-added lettuce packs has remained extremely strong. That is the case because the price of those items typically does not reflect the market price as retailers try to keep a consistent price as much as they can.

“The high prices for head lettuce have caused wholesale demand to be down, but we have not seen much of a decline in the value-added business,” he said.

Lathos expects the market to remain very strong after Thanksgiving because wholesaler demand will pick up when the holiday is over. “An empty pipeline (in the wholesaler community) and processor demand should keep the market high as we move into December,” he said, not willing to guess beyond that. “That’s the big question I hear every day. When is it going to get back to normal?”

For the most part, he said Mother Nature has to provide the answer. Warm weather is needed to get the fields back on track and producing a normal yield on a per-pound basis. But that’s going to take time because many of the fields scheduled to be harvested over the next several weeks have already been harvested.

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About Tim Linden |

Tim Linden grew up in a produce family as both his father and grandfather spent their business careers on the wholesale terminal markets in San Francisco and Los Angeles.

Tim graduated from San Diego State University in 1974 with a degree in journalism. Shortly thereafter he began his career at The Packer where he stayed for eight years, leaving in 1983 to join Western Growers as editor of its monthly magazine. In 1986, Tim launched Champ Publishing as an agricultural publishing specialty company.

Today he is a contract publisher for several trade associations and writes extensively on all aspects of the produce business. He began writing for The Produce News in 1997, and currently wears the title of Editor at Large.

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