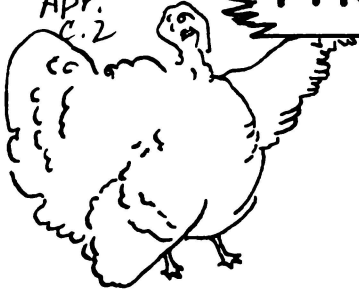


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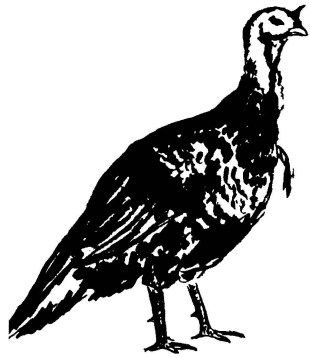
The Market Review of



PEEP AND MOO

Virginia Polytechnic Institute and the United States Department of Agriculture Cooperating:
Extension Service, L. B. Dietrick, Director, Blacksburg, Virginia

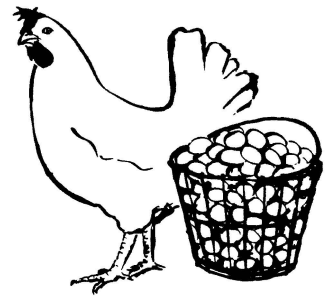
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MARKETING

turkeys broilers

eggs



April 9, 1958

"No chicken today." This is the answer Mrs. Homemaker would have received had she visited 74 of the 255 stores included in a study recently completed by Dr. John Buck, research agricultural economist at V.P.I. The study was made in 46 Virginia towns and cities of less than 50,000 population and included both independent and chain super markets and individually owned grocery stores.

Of the remaining 181 stores that handled fresh fryers, Mrs. Homemaker would have had to purchase a week's supply during the latter part of the week in about half of the stores. The other half offered fresh fryers at all times.

If Mrs. Homemaker had been shopping for fresh drumsticks only, instead of the entire bird, she would have found them in only 46 stores. However, she could have found frozen chicken parts in 87 establishments and frozen cut-up birds in 99 stores.

About 5% of the stores visited never displayed frying chicken but kept it in the icebox, freezer, or cooler out of sight. Apparently turkeys were considered more valuable because more than 4/5 of the stores handling them made no display.

Over 1/3 of the stores handling fresh poultry meats never price-marked poultry for the customers' convenience. Over 1/2 did not use poultry meats as a traffic item and less than 1/3 advertised chicken or turkey.

Three out of four stores handling fresh poultry said it was a comparatively profitable sales item.

The average yearly gross food sales of the stores making fresh chicken available all week were nearly four times as large as those selling fresh chicken on week-ends only. Large attractive displays of poultry meats offered for sale all week tended to increase sales.

Many of the smaller stores in small towns had very limited or no display of fresh chicken. Dr. Buck thinks such stores could increase sales by maintaining an attractive, though small, display and storing the bulk of the supply out of sight of the customer. Naturally, a small display is less effective than a large one, but any attractive display is better than none.

Dr. Buck believes the poultry industry has the opportunity to work more closely

than we are at present. No one gets criticized for not having the best or the most modern, but one should do the best job possible with what he has.

If the Deep South has a secret in broiler production it must be the reckless abandonment of youth, the willingness to gamble, the opportunity to start with the new and not be plagued by habit, custom, or conservatism. One apparently successful integrated operator implied that when you are on the bottom the only way to go is up. Such attitudes associated with youth may appear unsound to older, more experienced individuals (or areas) and tend to restrict progress of the mature group.

Our Southern competitors are new in producing broilers. They have the advantage and opportunity to profit by mistakes made in older areas (such as Virginia). Alternative opportunities were more limited so they capitalized on the fewer opportunities they had. Broiler production appeared attractive as a source of income to replace dwindling cotton acreage so they "gambled" and some succeeded. However, successes are gained at the expense of failures. Records do not disclose the number of failures, but the successes changed the structure of the broiler industry.

Our Southern neighbors have no secrets denied us or outstanding natural advantages over us. We know how to mix feeds, process chickens, and raise broilers as efficiently as they do. We know how, but often fail to put into operation the more efficient techniques as they are developed. That is one cost to us of being an old area with well established customs and habits. It is difficult to break old habits and start anew.

Nature provided the Deep South with warmer winters than we have but also threw in hotter summers. For every natural advantage they have, we can find a counterbalance. They have lower freight rates on feed ingredients because of cheap water transportation. We have a larger local

supply of grain and can fill our additional needs in nearby Pennsylvania and Ohio at comparable prices except in drought years. Furthermore, we are located closer to the major consuming areas of the Northeast and save transportation costs on the processed bird. Hence, the areas come fairly close to being balanced in advantages and disadvantages.

Other factors must then be responsible for the success story of the Deep South. How did they expand so rapidly during periods many Virginians consider as extremely adverse?

I noticed three factors on the recent tour that help to answer the above question. These factors are aiding the broiler industry although they may or may not be responsible for its rapid expansion. They are present in Virginia to a lesser degree than noticed further South possibly because of the newness of the industry to those areas. They may fade out as the industry ages since they were much more noticeable in the youngest broiler area of Mississippi than in the older areas of Georgia. However, I think the following three factors are worth noting and seriously considering.

1. The industry is strongly supported by those not actively engaged in it. Townspeople lend whole-hearted support because they vision the indirect returns involved. An example is the town of Forest, Mississippi, with a population of 4,000. The town has been instrumental in financing the construction of two modern processing plants. The plants were then sold to processors who will repay the cost of construction over a 15 year period. The third plant has been designed and construction will begin as soon as the plans are approved by the Federal Government relative to inspection. No town taxes are assessed against the plants or a local grain elevator which aids the broiler business.

Support of this type may appear unsound to us, and the actual success of it has

ESTIMATE OF VIRGINIA'S DEFICIT POSITION IN EGGS

Population (1957 Estimate)	3,666,000
Per capita egg consumption (1957 U.S. average)	360
Eggs produced on Virginia farms, 1957	845,000,000
Eggs produced other than on farms (estimated at 6% of farm production)	50,700,000
Total eggs produced	895,700,000
Eggs consumed (assuming U. S. average)	1,319,760,000
Proportion that estimated egg production is of estimated consumption	67.9%
Estimated consumption less estimated production (egg deficit)	424,060,000
Additional layers needed to supply State at	
16 dozen eggs per layer (192 eggs)	2,209,000
17 dozen eggs per layer (204 eggs)	2,079,000
18 dozen eggs per layer (216 eggs)	1,963,000
19 dozen eggs per layer (228 eggs)	1,860,000
20 dozen eggs per layer (240 eggs)	1,767,000

Interesting notes on commercial layers:

5,998,909 hens laying 220 eggs each could have supplied Virginia in 1957. This could have been obtained from 6,000 flocks of 1000 layers each or 1200 flocks of 5000 layers each.

An electronic device is being perfected that will sort out blood spots, cracks, and checks automatically. The present complication is that it cannot be set for tolerances permitted by law, as it sorts out minute blood spots that are permissible. This is another step in lowering costs through mechanization.

A reduction in feed consumed from 5.0 to 4.5 pounds results in a reduction in costs of 2.3 cents per dozen eggs when feed is \$4.62 per hundred (1957 average).

An increase of one egg per hen per year means 83-1/3 dozen more eggs from a 1000-layer flock.

EGG PRICES - Average from February 15, 1958 to March 15, 1958^{1/}

Market Area	U.S. Grade A			Grade B Large	Grade C Large
	Large	Medium	Small		
- cents per dozen -					
Harrisonburg ^{2/}	43.4	40.6	32.1	40.6	16.0
Richmond ^{2/}	45.4	42.9	27.5	42.1	30.0
Roanoke	44.0	39.5	28.3	40.8	21.1

^{1/} Unweighted average

^{2/} Additional payments of 1 - 4-1/2 cents per dozen made by some buyers on special arrangements for quality and quantity.

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BROILER PRICES - Average from February 15, 1958 to March 15, 1958

Market Area	Ave. Price ^{1/}	High	Low	Weekly Summary of Shen-Valley Area		
				Week Ending	Birds Purchased	Wtd.Ave. Price
- cents per pound -						
Shenandoah Valley	21.4	23.35	20.0	2/21	728,465	20.83
Del-Mar-Va	22.3	24.0	18.5	2/28	842,800	21.32
West Virginia	22.0	----	----	3/7	762,600	22.18
North Carolina	20.6	----	----	3/14	749,777	21.51
North Georgia	20.6	----	----	Total	3,083,642	21.46

^{1/} Unweighted Average

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Average Virginia Poultry Feed Prices and Feed Price Ratio

Date	Price Per 100 Pounds			Feed-Price Ratios ^{1/}		
	Laying Mash	Broiler	Turkey	Egg	Broiler	Turkey
		Growing Mash	Growing Mash			
- dollars -						
March 15, 1957	4.70	5.00	5.00	9.3	3.8	6.4
February 15, 1958	4.55	4.90	4.95	11.5	4.2	7.3
March 15, 1958	4.65	5.10	5.10	12.1	4.2	7.5

^{1/} Number of pounds of feed equal in value to one dozen of eggs, one pound of broiler live weight, or one pound of turkey live weight.

Dairy



Section

April 9, 1958

Class I Prices For Four Percent Butterfat Milk, Effective
April 1, 1958, Virginia Milk Commission Markets

Market ¹	Class I Price	Market	Class I Price
(Dollars per Hundredweight)		(Dollars per Hundredweight)	
Altavista	6.55	Luray-Elkton-Shenandoah	6.40
Brunswick	6.55	Lynchburg	6.55
Charlottesville	6.55	Martinsville	6.65
Chatham	6.65	Petersburg-Hopewell	6.55
Covington-Clifton Forge	6.55	Pulaski-Montgomery-Giles	6.40
Danville	6.65	Richmond	6.55
Farmville	6.55	Roanoke	6.55
Fredericksburg	6.48	Smyth-Wythe	6.35
Front Royal	6.40	South Boston	6.55
Galax	6.40	Staunton	6.40
Harrisonburg-Bridgewater	6.40	Tidewater	6.55
Kilmarnock-Reedville	6.45	Waynesboro	6.40
Lexington-Buena Vista	6.55	Winchester	6.40

¹ The price for Arlington-Alexandria and Manassas is \$6.15 per cwt. for 3.5% butterfat with an 8 cent differential.

PRICE CHANGES The above tabulation summarizes the new schedule of Class I prices for Virginia Milk Commission markets. The new schedule was established on the basis of testimony and information presented during price hearings held in February, 1958. Seasonal pricing arrangements were discontinued in all markets.

KNOW YOUR BUSINESS Since the nongovernment market for milk is limited by the amount consumers will buy, it means that dairymen are competing for the limited market. For the foreseeable future there does not seem to be any letup in sight of the increasing competition made possible by technological developments, such as artificial breeding, bulk tanks, improved feed and forage, and labor-saving devices. It will be increasingly important for dairymen to know whether they have a dairy enterprise that is efficient. There is a wide range in levels of efficiency. According to "New York Dairy Farm Business Summaries for 1956" A. E. 1068, Cornell University, Ithaca, on 342 dairy farms the labor incomes per operator ranged from a minus \$4,500 to a high of \$14,300 or a difference of \$18,800. This "labor income" is a measure of the return to the farm operator for his labor and management. This study showed the pounds of milk sold per cow ranged from 4,700 to 13,300. Another measure was that of milk sold per man which ranged from 116,500 to 212,100 pounds. It was interesting to observe that although there was wide variation in labor incomes the price variation was not great. The average price received for 3.7% milk per hundredweight for the 342 farms was \$4.18 with a range from \$4.24 for the 20 farms with highest labor incomes and \$4.11 for the 20 farms with lowest labor incomes.

From the standpoint of the individual producer his main concern is maintaining or improving his position in the competition for a market. His returns are determined by the demand for milk in his market, reflected through the kind of product (fluid or manufactured), the kind of pricing system used to establish the price for his milk, and the quantity sold. Also his net returns will be determined in part by the cost of producing and marketing his milk. Knowing more about the business side of his dairy enterprise will be increasingly important to him as he faces new decisions with respect to producing and marketing milk.

MILK IN BAGS Other than cow's udders.

Some folks out in Oregon are experimenting with the transporting of milk in huge rubber bags. So far, the bags have proven quite satisfactory. The bags are 22 feet long and weigh approximately 590 pounds empty. They have a 2,500-gallon capacity. Present cost is \$1,420 per bag plus \$6.50 for the food-grade polyethylene liner.

After discharge of the milk, the liner is washed, rinsed and sterilized for reuse in the same manner as a pipeline milker system. It is easy to remove or install. The bag can be folded into a compact bundle allowing the truck to carry cargo on its return trip. Indications are that use of the bag reduces hauling costs about 20-25%.

DAIRY HERD IMPROVEMENT More than 2 million cows are now enrolled in the three record-keeping plans for dairy herd improvement. This figure represents about 10% of the nation's dairy cattle. As of January 1, 1958, there were 1,548,884 cows covered under the standard DHIA plan; 490,001 were enrolled under the Owner-Sampler plan; and 79,489 were enrolled in the new Weigh-A-Day-A-Month plan inaugurated in the fall of 1956.

NATIONAL DAIRY SITUATION Total milk production in 1957 set a new record for the fifth consecutive year. The 1957 output of 126.4 billion pounds was 0.9 billion pounds above 1956. A gain of about 1 billion pounds is expected in 1958. The total supply of milk for consumption in 1958 will be larger than a year earlier. Even with a slight increase in per capita consumption, the commercial supply of dairy products in the marketing year beginning April 1, 1958 will exceed commercial outlets.

The U. S. Department of Agriculture announced on March 21, dairy support prices for the 1958-1959 marketing year. Manufacturing milk will be supported at \$3.03

per hundredweight (3.9 test) and butterfat at 56.2 cents per pounds. These announced prices will result in a lowering of purchase price of 2 cents per pound on butter; 2-1/2 cents per pound on cheese and 2 cents per pound on all nonfat dry milk.

DAIRY CHORE STUDY How labor requirements on a dairy farm decrease as the size of the herd expands is made clear in a recent chore study by research economists of the U. S. Department of Agriculture and the University of Minnesota.

The study shows that to care for a 10-cow herd for one year takes an average of 129 man-hours per cow, while a 30-cow herd requires only about 80 hours per cow. Thus, increasing the size of a dairy herd from 10 to 30 cows less than doubles the amount of labor required to care for it.

Dairy farming is and has been one of the biggest consumers of labor among all farm operations. Currently, it takes 52 man-hours of labor on a dairy farm to produce \$100 worth of product. Only tobacco has greater labor needs. In contrast, the requirement for \$100 worth of product in beef raising is about 22 man-hours, and in broiler raising it is only 13 man-hours.

The recent analysis of dairy operations by L.M. Day of USDA's Agricultural Research Service and H.J. Aune of the University of Minnesota pinpoints the precise chores on which most labor can be saved when herd size is expanded. This study was made in southern Minnesota where the year is divided into a 29-week winter barn period and a 23-week summer period. Labor requirements are greater in winter than in summer.

For a 15-cow herd, 23.7 man-hours are needed weekly in summer and 35.2 man-hours weekly in winter. For a 20-cow herd, 27.9 man-hours are needed weekly in summer and 41.6 man-hours weekly in winter.

In the summer, an extra cow above 15 requires .83 hours of care each week. Well over half this time is needed for milking. One means of saving time is to use a milking parlor, which is a time-saver in itself and also makes possible the installation of a pipeline milker at a much lower cost than in a stanchion barn. However, if a dairy farmer wishes to keep his cows in a stanchion barn, or already has a milking parlor or pipeline system, the best chance for summer savings in labor appears to be in field work through use of hay balers, choppers, combines, and other mechanical equipment.

In the winter an extra cow above 15 requires 1.27 man-hours weekly. Labor requirements per week are greater in winter for a variety of reasons. A higher percentage of cows are milked during the winter period, for example. Manure disposal is more time-consuming. Also, both baled hay and silage are fed as substitutes for pasture during the winter. Hay and silage feeding -- which generally are not done in summer -- account for 4.4 extra man-hours weekly in a 15-cow herd.

The best opportunity for reducing the total labor required in winter, according to the economists, seems to be with such labor-saving devices as silo unloaders, gutter cleaners, and storage of baled hay near the feeding racks.

THE ROLE OF CO-OP DIRECTORS The board of directors is the hub of the operating wheel of any cooperative. It is first of all a policy-making group. The board determines the direction in which the cooperative will move. It must consider among other things financial structures, pricing, credit policies, facilities and other related items.

Those of you who serve as directors of cooperatives should recognize that when you were elected, your fellow dairymen showed their trust in you. How good a job are you doing in justifying this trust?

Are you seeing to it that the cooperative is reporting to members on the job it is doing? How alert are you to the interests of your fellow farmers when it comes to determining how the association should operate?

The second major responsibility of directors is to select competent and honest managers and to pay them accordingly. Too many cooperatives have not reached their full potential because directors could not see why managers should be paid any more than the average farmer was making. It should be recognized that in hiring a manager, you are not competing with other farmers but with other firms engaged in a similar business.

The third major area of directors' responsibility is to represent the interest of members. Some cooperatives have shown a marked tendency to subordinate the interests of a majority of the members to the interest of a few board members or influential individual members. Such policy is intolerable and can only lead to eventual deterioration of the organization.

Carl J. Arnold
Associate Agri. Economist