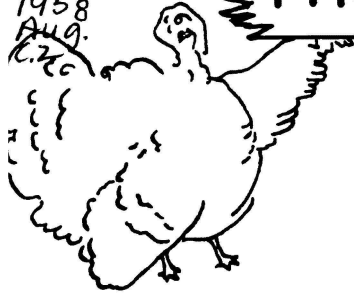


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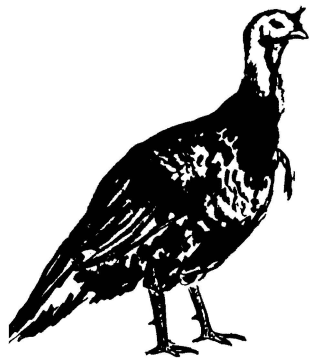
The Market Review of



PEEP AND MOO

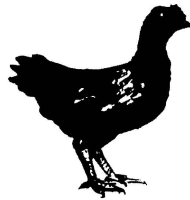
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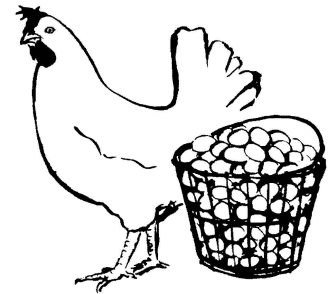


MARKETING

turkeys broilers eggs



broilers



August 10, 1958

POULTRY HOUSING Several moderate winters in a row prior to the one just experienced led many broiler growers (and contractors) to believe that broilers could be grown in almost any kind of building. As long as the building had a roof, and the birds could not "blow through the cracks," it was usually approved for broiler production by one contractor or another. The winter months were accepted as a period during which production efficiency would go down.

The last winter dealt a devastating blow. Many millions of dollars were lost in the poultry industry; an accurate appraisal of total damage is still to come. Broilers died from cold, egg production practically ceased; hatchability was discouraging; turkey breeders suffered. Secondary infections resulting from added stresses probably accounted for as much or more losses than direct effects.

Although losses ran into the millions of dollars, the industry survived and revived with the coming of spring. However, special emphasis was placed on better housing for Virginia poultry to prevent a recurrence of similar losses.

A major problem facing Virginia poultrymen is how far they can go in investing in better buildings and equipment and still compete in the market place. States like Georgia, Alabama, Mississippi, Arkansas, and other low-cost production areas, contend that adequate housing can be obtained for about 50 cents per square foot of floor space. Will this type house be adequate for Virginia conditions, or must a more expensive building be constructed?

What should you consider in a new poultry house? Some of the obvious considerations should be protection from the elements, "ideal" production conditions, simple construction, labor saving features, low upkeep, life expectancy, and attractiveness at an economical construction cost.

Protection from the elements can be provided with any of several different building materials. Construction costs will vary greatly according to the materials selected.

Associated with construction materials used are production conditions obtained. If "ideal" conditions can be realized at a reasonable cost, then this is desired.

However, providing "ideal" conditions may require a capital outlay in excess of what anticipated market prices would justify. Hence, a compromise may have to be made that only approaches the "ideal" but keeps construction costs down.

Low annual upkeep and expected useful life of the building are also dependent upon the building materials used. A masonry-type building with a metal roof will likely last many years and keep annual maintenance costs down. But, the longer the expected life, the greater the risk of obsolescence (out-of-dateness) Styles change in buildings as well as in women's clothing. A year ago no one would have thought the "sack dress" would become as popular as it is today. Will a change as drastic as the one in women's styles occur in poultry housing in the next few years? A building that appears suitable today may be entirely unacceptable tomorrow.

Some growers prefer to erect a type of building in keeping with the farmstead lay-out and general appearance. They may be willing to pay an added cost for attractiveness and accept a lower net return from the enterprise. However, most growers probably prefer to stress maximum profits at the expense of "looks." Your choice will depend on how you value each feature.

The broiler contractor is especially interested in obtaining the best house that can be justified. He had to pick up the tab on last winter's broiler losses while the grower lost only the compensation that might have accrued from raising a good lot of birds.

Still, the contractor must be cautious in demanding better buildings since his demands may be such the grower cannot afford to comply. If yearly fixed costs,

such as depreciation, interest, taxes, etc., approach anticipated returns, the grower would have little incentive to continue production. There would be little left to compensate him for labor.

Yet, the grower must also keep the contractor in mind and provide the best buildings anticipated future prices may warrant. A poorly constructed building may not be capable of producing a high quality bird, causing the contractor to either lose money or realize insufficient profits. Either way he will not be interested in continuing the contract. He may even go so far as to erect buildings on his own land and hire the necessary labor to maintain the desired level of production.

"Over-building" (too-costly construction) adds extra costs to each year's operation for the life of the building. Also, risks of obsolescence become greater as life expectancy increases.

"Under-building" (too-cheap construction) adds extra costs only when the building proves inadequate. This added cost may prove high as last winter demonstrated.

The logical building point is somewhere between "over-building" and "under-building". It is likely to vary with local conditions and is as elusive as the proverbial greased pig. Still, much consideration must be given to attempting to approximate this "point". Once capital is committed to a fixed investment, changes prove costly.

If the Virginia poultry industry expects to increase its competitive position in the market, it must be alert to conditions in competitive areas. Unless Virginia produces a bird of superior quality that will command a premium price, production costs must be as low as costs in competitive areas. Otherwise, profits will be reduced below those of competitors.

One way to help insure a place on an expanding and highly competitive market is to be cautious when committing limited capital to buildings that could be obsolete within a decade. Successful businessmen are reluctant to assume costs not assumed by competitors since this tends to weaken their competitive position in the market.

Harold W. Walker

Harold W. Walker
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This is the first issue of "Peep and Moo" using a completely revised mailing list. We wish to welcome all who are receiving this publication for the first time and hope you find profitable reading within.

"Peep and Moo" is published by the Agricultural Economics Department of V. P. I. and distributed by County Agents. Topics of current interest are treated along with price information.

Comments and suggestions are welcomed by the authors.

New Publications of Interest to Poultrymen:

Electronic Bloodspot Detection in Commercial Egg Grading, Marketing Research Report 239, Marketing Research Division, Agricultural Marketing Service, U.S.D.A.

Contract Broiler Growing in Maine, Bul. 571, May, 1958, Richard F. Saunders, Maine Agricultural Experiment Station, University of Maine,

Marketing Poultry Meats in Retail Food Stores, John T. Buck, April, 1958, Exp. Station Bul. 488, Virginia Agricultural Experiment Station, Virginia Polytechnic Institute, Blacksburg, Virginia.

Production and Marketing Practices of Cage and Floor Egg Producers in Mississippi, Blair and Sims, January 1958, Agricultural Experiment Station Bul. 557, Mississippi State College, State College, Mississippi.

Household Use of Eggs in Gadsden, Alabama, Hammett and Blackstone, May, 1958, Agricultural Experiment Station Bul. 311, Alabama Polytechnic Institute, Auburn, Alabama.

The Economics of Turkey Production in North Dakota, Ellis and Hovey, Agricultural Experiment Station Bul. 414 (Technical), North Dakota Agricultural College, Fargo, North Dakota.

Caged Layers in Oklahoma, Warren and Skelton, Extension Cir. 656, Oklahoma Agricultural Extension Service, Oklahoma State University, Stillwater, Oklahoma.

EGG PRICES - Average from June 15 to July 15, 1958^{1/}

Market Area	U. S. Grade A			Grade B	Grade C
	Large	Medium	Small	Large	Large
	- cents per dozen -				
Harrisonburg	39.4	33.6	24.3	30.3	18.9
Richmond	40.5	34.7	24.0	35.9	25.0
Roanoke	40.1	35.2	25.5	32.0	19.0

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

BROILER PRICES - Average from June 15 to July 15, 1958

Market Area	Ave. ^{1/} Price	Weekly Summary of Purchases in Shen-Valley Area		
		Week Ending	No. Birds Purchased	Weighted Ave. Price (cents)
Shenandoah Valley	20.7	6/20	816,500	20.79
Del-Mar-Va	21.4	6/27	1,033,050	21.22
West Virginia	21.2	7/3	750,600	21.13
North Carolina	19.7	7/11	984,300	18.70
North Georgia	19.7	Total	3,532,900	20.8

^{1/} Unweighted average.

Average Virginia Poultry Feed Prices and Feed/Price Ratio

Date	Price Per 100 Pounds			Feed-Price Ratios ^{1/}		
	Laying Mash	Broiler Growing Mash	Turkey Growing Mash	Egg	Broiler	Turkey
	- dollars -					
July 15, 1957	4.55	4.90	5.00	10.8	4.4	5.9
June 15, 1958	4.75	5.30	5.30	10.9	4.0	6.6
July 15, 1958	4.85	5.20	5.30	11.6	3.6	6.1

^{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

August 10, 1958

A MAJOR QUESTION--HOW SHALL WE MARKET FLUID MILK PRODUCTS?

For a long time, our milk marketing system has consisted of local pasteurizing and bottling plants and specialized route delivery to homes and retail establishments. New developments have brought about modifications in the system, the more recent of which include the types of packages, frequency of delivery and the number, size and location of the bottling plants. There can be little doubt that many other changes will occur. The real question is what changes must be made to keep in step with the times.

The route system of delivery is faced with some major problems of adjustment. A staff writer in the July 9 issue of Dairy Record notes the widespread uncertainty on the part of milk distributors about the future course of milk delivery. Much of this uncertainty grows out of such questions as: Will delivery to stores, restaurants, etc. continue to grow at the expense of home delivery? Is there a place for home delivery and if so, what is the minimum number of deliveries per week that will be acceptable? What is the minimum size stop a route can afford to make under rising cost rates? In what size and kind of package will the consumer accept his milk considering cost? Is the home dispenser feasible and if so, under what conditions? How readily will the consumer accept his milk in the form

of concentrated milk or dried milk. Assuming that many consumers prefer fresh whole milk even at a higher price than milk in some other form, can our delivery system do the job efficiently enough to provide fresh whole milk at a reasonable price differential over that for concentrate?

These questions are confronted by the rising wage rates, a major cost item in distribution, and by the shifts in grocery shopping patterns. All of this points to the urgency of continual analysis of distribution methods to determine the modifications required to be competitive with the alternatives available to the consumer.

NORTH CAROLINA NOW HAS MORE BULK MILK TANKS THAN VIRGINIA

Dairy Record reports that in the latest survey of bulk milk tanks on farms, it is estimated that, as of January 1, 1958, Virginia had 1,800 farm tanks compared to 3,000 tanks on farms in North Carolina. Nearly 2,500 of the 3,000 in North Carolina were installed during last year, 1957, and illustrates how rapidly such developments sometimes take place. So far, Virginia has experienced a moderate rate of adoption. North Carolina has about 1,000 more Grade A milk producers than Virginia, but they average considerably smaller.

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For the country as a whole, it is estimated that better than 90,000 farm tanks are in operation. About 1/3 of these were installed last year. During the year, Michigan added 5,000 tanks, Wisconsin 3,600, Texas 2,350 and Illinois 2,200.

INCREASED CONSUMPTION
IN VIRGINIA PROVIDES A
POTENTIAL MARKET

Is it reasonably feasible to increase the per capita consumption of

fluid dairy products in Virginia? Perhaps the best indication that it might be possible to do so is to be found in a comparison of the consumption in one of our markets with that of some northeastern markets. From the accompanying table, we note that consumers in Boston, Connecticut and New York City consume about twice as much milk per person as the consumers in Richmond. Our near neighbors in Philadelphia and Baltimore consume 50% more than we do in Virginia. To bring our consumption in Virginia up to that of these last two cities, it would be necessary that each person consume an additional 100 pounds of milk per year. If this could be realized, it would mean a tremendous additional market outlet for fluid milk. There is some possibility for Virginia to move in that direction. With continued industrialization and improvement in incomes, we can expect greater consumption of milk. Even so, probably the more critical question is not will consumption increase but if consumption increases, who will supply the milk-- Virginia producers or producers in other areas?

As is usually true of southern markets, the consumption of buttermilk in Richmond, at 14 pounds per person, is far above that of the northeastern markets shown.

Per Capita Consumption of Certain Dairy Products in Selected Markets, 1956

Market	Whole Milk	Cream (milk equiv.)	Buttermilk
Boston, Mass.	327	85	1.2
Connecticut	345	56	1.7
New York City	330	77	*
Philadelphia, Pa.	265	37	3.1
Baltimore, Md.	262	26	3.7
Richmond, Va.	178	16	14.0

Source: Fluid Milk and Cream Consumption in Northeastern Marketing Areas, 1950-56, U.S.D.A. Statistical Bulletin No. 226

PUPILS DRINK MORE MILK
UNDER THE SCHOOL
MILK PROGRAM

Studies continue to show that the introduction of the Special

Milk Program into a school materially increases milk consumption per pupil. In a recent study of the schools in St. Louis and Los Angeles, the Agricultural Marketing Service found that consumption per pupil more than doubled in the high schools in both cities. In the elementary schools consumption increased 50% or more.

The reduction in price under the program appeared to be a big factor in increasing consumption. The number of times milk was made available had an influence also. Consumption was greater in those schools offering milk at recess in addition to milk at noon.

Consumption increased most among children from low-income areas. Thus, the program tended to equalize the level of milk consumption among children from the different income districts.

M. C. Conner
Dept. of Agri. Econ.