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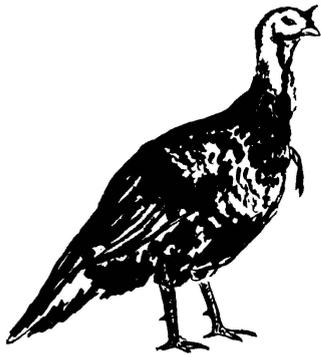
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The Market Review of



PEEP AND MOO

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MARKETING

turkeys broilers

eggs



1958

November - December

GENERAL POULTRY OUTLOOK

The year 1959, from present indications, looks like a year of decision for the poultry industry. Continued expansion in production and compulsory inspection under the Poultry Products Inspection Act will probably call for a reappraisal of the poultry industry's short-run objectives. The most pressing problem likely to require attention is efficiency vs. continued rapid expansion. Compulsory inspection, beginning January 1, 1959, will tend to emphasize the need for improving quality of meat birds. The impact of this regulation will not be fully realized by many before the end of the first quarter of 1959. This impact will be greater in the leading broiler states to the south than in Virginia or in states to the north where a larger proportion of processing plants have been under voluntary inspection in past years. After the results of compulsory inspection are realized, states farther south will likely place more emphasis on improving quality than on increasing volume for the next couple of years. Virginia poultry interests will try to capitalize on this short-term competitive advantage by attempting to gain a slightly larger share of the poultry meat market.

Per capita consumption of poultry meats, mainly broilers, continued increasing

in 1958. This could have been influenced by housewives becoming more price conscious than they have been in several years. Talk of a recession emphasized food costs probably more than the actual depth of the recession. Families who did not suffer reduced incomes ate more low priced broilers trying to save food dollars. Just the possibility of a reduction in take-home pay may have been enough to encourage saving. Families who suddenly saw pay checks reduced or completely disappear had to turn to broilers as the major meat in the diet. Very little high-priced beef or pork can be purchased with unemployment compensation

In view of economic conditions that existed in 1958, coupled with relatively unfavorable retail pork and beef prices, poultry meats gained favor with the housewife. The estimated 14% increase in broiler production during 1958 was moved at about the 1957 average price; at the beginning of the year a slight reduction in average price for 1958 was predicted.

Although 1959 is expected to be a year of record prosperity, Mrs. Housewife is likely to continue to be price-conscious. The 1958 experience may have put a check on free spending of net incomes, as the threat of sudden unemployment will be remembered. The

poultry industry will benefit since production costs have been reduced to the point that retail prices of chicken will remain favorable in relation to other meats.

Pork is expected to increase in supply bringing about lower retail prices. Still, the swine industry must make greater strides in improving efficiency and lowering costs before pork will seriously compete with or replace poultry meats in the diet. Neither are beef prices expected to decline enough to seriously hinder the sale of poultry meats in 1959. Per capita consumption of poultry is likely to remain at, or maybe increase over, the record 1958 level. Production will be increased more than the anticipated increase in consumption, which will tend to lower farm prices of poultry in 1959.

In spite of the increase in production and lower prices, the large, efficient producer will continue to make a profit in 1959; small inefficient producers will feel the squeeze more in 1959 than ever before.

TABLE EGGS Commercial table egg production will continue to expand in 1959. The full effects of the 1958 emphasis on table egg production will not be evident before the beginning of 1959. The egg industry in Virginia is rapidly changing from a farm flock to a commercial flock basis. Egg production per layer will increase sharply since a larger proportion of the total number of layers will be the better bred birds managed for peak performance.

The coming year will see an attempt by Virginia producers to supply a larger proportion of state egg consumption. However, out-of-state producers

will probably make an effort to hold Virginia markets by supplying a higher quality product at lower prices than in the past. In fact, mid-western, northern, and some southern states may decide they are willing to supply Virginia with high quality eggs at lower prices than local producers are willing to accept. If Virginia producers cannot realize as much profit from the production of table eggs as could be realized from investing the same amount of labor and capital in some other enterprise, then out-of-state sources should be relied upon to supply Virginia's table eggs. The coming year will probably indicate the direction Virginia will need to take in reference to the expansion of laying flocks.

Egg prices will probably average slightly lower in 1959 than in 1958 due to the larger supply of local eggs and to increased competition from out-of-state eggs. Locally produced eggs will not have as much competitive advantage in quality as prevailed during 1958. Out-of-state producers are not going to voluntarily relinquish Virginia markets just because Virginia producers decide they want to supply local needs. Price will be the deciding factor.

Emphasis will continue to be on improving efficiency and performance in production and marketing. Several grading stations in Virginia have remodeled or rebuilt to increase efficiency and lower costs. A supply of uniformly high-quality eggs is needed for profitable operation of these plants. Quality control at the farm level will be stressed through close supervision of farm operations by personnel of grading stations.

Because of the uniformity in egg size, shell color and shape, etc. that will be required, acceptable breeds of birds will be limited to a select few high producers of uniform quality eggs. Management practices will be outlined and followed rather closely.

The most efficient producer who delivers high quality eggs from a flock of 1,000 birds or more will probably realize a satisfactory return in 1959. Less efficient producers, even though they have flocks of 1,000 birds or more, and farm flock producers (50 to 500 birds) will still find outlets for eggs produced; prices, however, may be discouraging.

BROILERS Virginia will probably increase broiler production in 1959 by a larger percentage than the indicated 4% increase of 1958. The modernization program sponsored by the Virginia State Poultry Federation, and member processors, feed dealers, growers, and hatcheries, will result in the loss of some small growers (those with less than 5,000 bird capacity). This loss will be more than offset by other small growers increasing capacity to efficient units.

The indicated placement of pullet chicks for broiler hatchery supply flocks by 10 of the largest breeders provides one of the better indicators of potential broiler production. Placements of pullet chicks during the June-September 1958 period, the period likely to have the greatest influence on the following year's outcome, show an increase of 66% over the same period of 1957. A total of 11.8 million pullet chicks were placed by the 10 largest breeders during the four-month period compared with only 7.1 million during the same period in 1957. In fact, during the first 8 months of 1958, 208,000 more pullet chicks were placed than were placed during all of 1957. Economic conditions may warrant the disposal of pullet chicks before they reach laying age. If the bulk of the indicated place-

ment of pullet chicks for hatchery supply flocks actually produce eggs for broiler hatcheries then broiler production will increase considerably in 1959.

Farm price of broilers will be lower in 1959 than in 1958 if the indicated increase in production occurs. Baby chick prices will likely be less than in 1958 tending to partially offset lower broiler prices. Feed will be slightly lower in 1959 but not enough to materially reduce production costs.

With the expansion in broiler numbers, feed dealers and processors will head the drive for larger and more efficient units. It costs the feed dealer almost as much to service a 3,000 bird flock as it does to service a 10,000 bird flock. Bulk feed cannot be delivered profitably to many small units. Processors will be less willing to purchase less-than-truckload flocks. The size needed to achieve efficiency in servicing by both the feed dealer and processor has been set at 10,000 capacity by the poultry industry.

Closer cooperation between all stages of the industry will become more evident during 1959. A larger portion of total broiler production will be "booked" to processors before the chicks are hatched.

With more birds "booked", "live price" quotations will become less meaningful. The trend in paying for live birds will move toward using the dressed market quotation as a base minus a pre-determined price differential. Growers will be more interested in contract performance payments than in market prices for either live or dressed birds.

Watch placement reports of pullet chicks for broiler hatchery supply flocks and broiler placement reports for indications of changes.

TURKEYS About 4% fewer turkeys were raised in the United States in 1958 than in 1957 with a more pronounced seasonal production pattern. Heavy storage holdings of 1957 were moved into marketing channels early in 1958 to practically off-set the reduction in slaughter.

Much of the reduction of 1958 resulted from heavy losses of breeder stock due to freezes last winter. Hatchability was very low in the eggs produced. Poults were in short supply until July and August. January-June hatchings were down 7% from the previous year. July and August hatchings exceed 1957 by about 2 million poults.

After the first four or five months of 1958, movement of storage stocks declined compared with previous years. The net into-storage movement began in late July, about the same time as in 1956 and 1957 but earlier than in other years.

In July, the U.S.D.A. announced a purchase program for turkeys to be used in the School Lunch Program. Contracts let through September 10, 1958, covered 11 million pounds, mostly toms, which accounted for about 25% of the total slaughter of tom turkeys during the period. Total turkey slaughter for the period was about 100 million pounds. Toms have been the most difficult to move in retail channels.

The last U.S.D.A. turkey purchase program in 1956 was intended to help stabilize producer prices. The current program should help do the same.

In view of the large late hatch of turkeys this year and continuing large storage stocks, and in spite of the U.S.D.A. purchase program, holiday supplies of turkey will be fully ample to meet anticipated demand. There is little chance for the usual seasonal rise in prices except for a rise that reflects superior weight and finish.

Turkey breeder hen owners in 15 of the most important states expect to hold about 7% more heavy breed hens and 38% more light breed hens than at the beginning of the 1958 season. Virginia turkey breeder hen owners indicate intentions of keeping about 25% more heavy white breeder hens, 35% fewer Bronze and other heavy breeder hens, and 30% more light breeder hens than at the beginning of the 1958 season.

Poults will be in ample supply to result in a sizable increase in turkey numbers in 1959, both in the U.S. and in Virginia, unless anticipated economic conditions alter breeder hen owners' intentions to keep the stated number of hens. Poults prices may decline slightly in 1959.

With the introduction of turkey parts, turkey rolls and loafs, half-turkeys and other methods of selling less-than-whole turkeys, per capita consumption may increase in 1959. Lower retail turkey prices will also favor increased consumption.

Production efficiency will continue to be stressed in 1959. The current high rate of mortality will be reduced somewhat by contractors requiring growers to furnish closer supervision than in past years. Confinement rearing may increase as a result. Production costs will be further reduced in keeping pace with lower retail prices.

Watch cold storage holdings and slaughter reports for the remainder of 1958; breeder hen owners' intentions and placement reports will serve as a guide in planning for 1959.

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EGG PRICES - Average from September 15, 1958 to October 15, 1958^{1/}

Market Area	U. S. Grade A			Grade B	Grade C
	Large	Medium	Small	Large	Large
- cents per dozen -					
Harrisonburg	45.7	33.1	21.9	33.3	20.0
Richmond	46.6	33.9	22.3	40.2	24.2
Roanoke	47.6	35.2	22.0	35.6	20.0

^{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 September 15, 1958 to October 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	15.2	9/19	1,072,850	15.93
Del-Mar-Va	16.0	9/26	953,600	15.14
West Virginia	15.7	10/3	1,052,500	15.18
North Carolina	15.2	10/10	1,128,350	15.30
North Georgia	15.5	Total	4,207,300	15.39

^{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 -						
October 15, 1957	4.60	4.95	4.95	13.5	3.3	6.1
September 15, 1958	4.75	5.20	5.20	13.0	3.0	6.2
October 15, 1958	4.70	5.10	5.10	12.4	2.9	6.3

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

Dairy



Section

November - December

**NEW STAFF
ADDITION**

We are pleased to report the addition of Mr. Albert J. Ortego, Jr. to our Agricultural Economics staff. Mr. Ortego will handle our extension dairy marketing program. He comes to us from Louisiana State University where he was engaged in dairy marketing work. Beginning next month he will write the Dairy Section of "Peep and Moo". Al looks forward to meeting and working with many of you in the coming months.

DAIRY OUTLOOK

Some slowing down in both the production and consumption of dairy products appears to have occurred during 1958. A relatively large decline in cow numbers kept production from increasing while the slackening in consumer incomes affected fluid milk consumption adversely.

Nationally, milk supplies continue to exceed demand although by a smaller amount than in 1957. Little improvement is foreseen for the next few years. Virginia dairy plants currently receive considerably more milk for fluid consumption than Virginians consume as fluid products. World markets can hardly be regarded as a satisfactory outlet for commercial sales of excess supplies.

Major trends in recent years include an increasing production per cow, a declining number of farms engaged in dairying, a shifting to bulk handling on the farm, and a strong tendency for dairy farms to become larger. These trends are likely to continue in 1959 and the near future.

Two aspects of the competitive situation are particularly important to Virginia dairymen. The first problem is one of minimizing the rise in the cost of producing 100 pounds of milk in the face of the inflationary trend expected over the next few years. A good job here could place dairy products in a more favorable position to compete with other food products and lead to greater consumption.

The second factor is the uncertain but potential competition of dairy products that substitute for fresh fluid milk and cream. There appears to be no let-up in efforts to develop such products as fresh and sterile concentrate milk and dried products to the point where they are acceptable to the consumer and economically feasible. The only answer, in the long run, for dairymen in the East is the maintenance of costs at a competitive level in both the production and the distribution of fresh fluid milk.

THE PRODUCTION
PICTURE

Total milk production in the U. S. has increased annually during recent years

and reached a record volume in 1957. Production leveled off in 1958 at the 1957 output. The upward trend in production during the last decade has occurred in spite of the downward trend in cow numbers since the peak of 1944. The usual decrease of 2% per year in cow numbers has been more than offset by increases in production per cow. In 1958, however, cow numbers declined 3.5%. The increase in average production per cow was barely sufficient to offset this relatively large decrease in numbers with the result that total production remained at the 1957 level. The larger-than-usual drop in cow numbers is in part a response to the more favorable position of beef cattle than formerly.

Although production per cow has been increasing over a long period and now averages 6,300 pounds for the U.S., there is room for further improvement. Cows in the Dairy Herd Improvement Associations for both the U.S. and Virginia average better than 9,000 pounds. But a number of commercial herds in the D.H.I.A. average 15,000 pounds or more per cow.

Milk production in Virginia continued its upward trend in 1958 and exceeded the production in 1957 by 3%. Deliveries of milk to plants for fluid consumption increased only 1 - 2%. The amount of milk available per person for fluid consumption by non-farm people has increased rapidly over the last decade. (see table) In 1945, plants in Virginia received only 200 pounds of milk for each person in the non-farm population. This was hardly sufficient for fluid needs even at the lower consumption rate prevailing in Virginia. In the two most recent years, milk available for fluid consumption has reached 345 pounds per person. Estimates indicate that Virginians consume no more than 250 pounds of fluid dairy products annually, thus leaving considerable quantities of Grade A milk for manufacturers' uses or for movement out of state. If consumption were near the national average of 350 pounds, Virginia plants would have a market for all of the Grade A milk now received.

Milk cow numbers in Virginia in 1958 were down 14% from the 1944 level, a drop only 2/3 as large as that for the nation. But most of the decline for Virginia has occurred since 1950.

Deliveries of Milk for Fluid Consumption to Plants in Virginia
Since World War II

Year	Non-Farm Population (Thousands)	Deliveries of Milk for Fluid Consumption	
		Total (Million Pounds)	Per Capita (Pounds)
1945	1,954	397	203
1950	2,505	681	272
1955	2,839	922	325
1957	3,124	1,075	344
1958	3,152	1,087*	345*

* Forecast

MILK CONSUMPTION
AND UTILIZATION

With total milk production for 1958 at the same level as 1957 but a larger population, the amount of milk produced per person was less than formerly. This development provided some hope for relieving the surplus problems in the industry until consumption of fluid dairy products dropped in 1958. With a drop in consumption partly offsetting the drop in per capita production, the amount of surplus declined moderately.

Some evidence of the drop in per capita consumption is found in the reports from several areas. In Federal Order markets (44 markets), total sales of fluid milk products for 1958 increased very little from 1957 even though population presumably increased at a normal rate. In the 26 markets under state regulation in Virginia, total fluid sales for the first eight months of 1958 were 2% less than for the same period in 1957. Sales during the summer months were down 4 to 8% in many of these markets. Sales in Southwest Virginia barely held their 1957 level and showed some decline during the summer months.

These indications that per capita consumption of fluid dairy products dropped in 1958 reflect to some extent both the slackening in consumer incomes since 1957 and an increase in the retail price of milk in many areas. In July 1958, the average price for milk delivered to homes in 25 cities across the nation was 1/2 cent higher than in July 1957. If prices should be stabilized during 1959 and incomes improve, consumption of dairy products will be more favorable.

DISPOSITION OF
EXCESS SUPPLIES

With slightly less milk available for the production of manufactured dairy products in 1958 and with a growing population, price support purchases of dairy products by the government in 1958 dropped below the previous year.

The purchases of butter and cheese combined were down about 1/3 but purchases of nonfat dry milk were up.

In recent years, the government has disposed of considerable quantities of dairy products under foreign assistance programs. This outlet for U.S. surpluses is becoming ever more difficult to maintain. Dairy product exports from the U.S. dropped in 1957 from the previous year and again in 1958. With milk production rising throughout the world and large supplies available for export at extremely low prices from some countries, the export market is hardly a realistic outlet for excess supplies in the U.S.

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