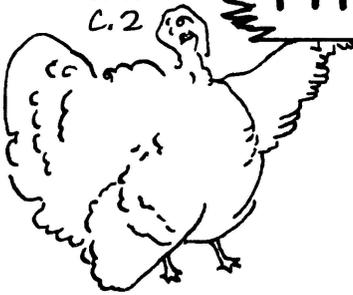


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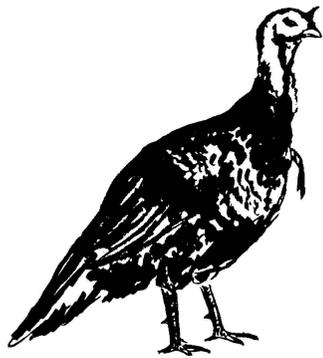


The Market Review of



PEEP AND MOO

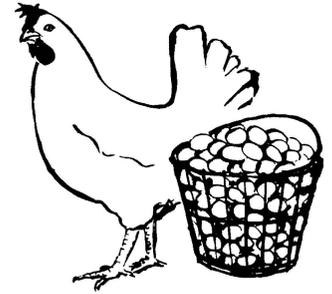
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MARKETING

turkeys broilers

eggs



March 1959

MARKETING SPREADS FOR EGGS AND FRYING CHICKENS ^{1/}

The farm-retail price spreads for eggs increased 6% in 1958 to the highest level since 1952. Retail prices for eggs increased about 6% while farm values increased only 5% from 1957 to 1958. The farm-retail price spreads on frying chickens declined slightly in 1958 to the second lowest level since 1950 (1955 was lower). Retail prices for frying chickens declined 0.5 cent from 1957 to 1958 while farm values dropped only 0.4 cent. In cents per pound, both retail prices and farm values reached their lowest levels since 1950.

This article explains some of the factors contributing to changing farm-retail price spreads.

EGGS: Spreads between retail prices and farm values of eggs averaged 19.4 cents per dozen in 1958. This was 1.1 cents more than in 1957 and about 0.5 cent more than the 1950-1958 average of 18.9 cents. The farmer's share of the retail price of eggs remained at 67 cents of each consumer dollar.

Annual average farm-retail price spreads have varied from 17.8 cents to 20.4 cents a dozen since 1950. Retail prices and farm values have fluctuated more, but both have changed by almost equal amounts. Thus, farmers tend to receive most of a decline in retail egg prices and also most of an increase while marketing margins remain relatively stable. As a result, the farmer's share of the consumer's dollar spent for eggs has varied from 67 cents to 73 cents during the 1950-1958 period.

Annual farm-retail price spreads for eggs have fluctuated less since 1950 than retail prices and farm values despite rising wages and prices of other inputs.

^{1/} Based on an article by Leo R. Gray, Agricultural Economist, and William L. Mitchell, Marketing Specialist, Agricultural Marketing Service, that appeared in January, 1959, The Marketing and Transportation Situation.

This relative stability was the result of improving efficiency in the egg marketing system. Some of the major factors which have kept the price spread from increasing have been:

1. Trends in integration of egg-marketing functions which have resulted in a shift in the location of assembling, grading, and cartoning plants. The city-egg-broker-and-central-warehouse-system has given way to county assembly plants and distribution by these plants directly to retail stores in urban areas. Land, labor, and taxes are often available at lower cost in rural than in urban areas. Also, fewer handlers have to add costs to the marketing process.
2. Larger and more specialized producing and marketing units have been developed which can better utilize recent improvements in plant and equipment technology such as:
 - a. Large commercial egg producing "factories".
 - b. Egg cooling facilities on farms.
 - c. Efficient refrigerated motor vans to transport eggs from farm to assembly plants.
 - d. Electro-mechanical egg handling, grading, and packaging equipment permitting large volume processing of eggs with little labor.
3. Retail pricing practices in some cities where eggs are used as a special sales item to attract customers. These stores take little or no "margin" on eggs, depending on other items sold to return the "normal" profit.

LARGE EGGS: The widest farm-retail price spreads on large eggs in 1958 in nine cities in the U. S.^{2/} was in New York, and the smallest in Los Angeles. Farm-retail spreads in Atlanta increased 2.7 cents per dozen from 1957 to 1958 (the largest increase among the nine cities); retail store spreads increased 3.1 cents but farm-to-retail spreads declined 0.4 cent. New York was the only city showing a decline in farm-retail spreads from 1957 to 1958.

MEDIUM EGGS: The nine-city average of farm-retail price spreads for medium eggs in 1958 was 22.6 cents per dozen or 1.4 cents less than the average for large eggs. Intercity differences in prices and spreads for medium eggs were similar to those for large eggs.

LOW MARGIN IN L. A.: Most of the eggs sold in Los Angeles and San Francisco move in cartons directly from country assembler-distributors to retail stores. These assembler-distributors collect eggs from producers and grade, pack, and deliver them to retail stores and other outlets.

^{2/} Atlanta, Baltimore, Boston, Chicago, Cleveland, Los Angeles, New York, St. Louis, and San Francisco.

In the other seven cities direct movement of cartoned eggs from country assemblers to retail stores is increasing but is not as significant as in the two west-coast cities. City distributors still grade, carton, and deliver a large proportion of the eggs sold in retail stores in these other cities.

1958 LARGE, GRADE A EGG PRICES AND FARM-RETAIL PRICE SPREADS

	1958 9-city average	Atlanta	Baltimore	Boston	Chicago
	(cents)	(cents)	(cents)	(cents)	(cents)
Large Egg Prices:					
Retail	61.8	61.5	64.4	67.8	57.9
Farm	37.8	35.4	36.1	46.5	32.3
Farm-Retail Spread	24.0	26.1	28.3	21.3	25.6

Continued:	Cleveland	Los Angeles	New York	St. Louis	San Francisco
	(cents)	(cents)	(cents)	(cents)	(cents)
Large Egg Prices:					
Retail	63.0	57.2	57.5	59.0	58.1
Farm	35.6	39.2	38.6	37.7	38.4
Farm-Retail Spread	27.4	18.0	28.9	21.3	19.7

The farm-retail price spread for broilers will be discussed in the April issue.

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EGG PRICES - Average From February 1, 1959 to February 28, 1959 ^{1/}

Market Area	U. S. Grade A			Grade B	Grade C
	Large	Medium	Small	Large	Large
- cents per dozen -					
Harrisonburg	35.6	31.9	21.6	30.4	18.0
Richmond	35.1	31.9	22.9	32.1	23.9
Roanoke	36.4	32.1	22.5	30.5	19.2

^{1/} Unweighted averages, some buyers paying additional 1-2¢ over grade yield prices and up to 4 1/2¢ over commercially graded prices for delivery of eggs in large lots, sizing, farm refrigerated, and other contractual arrangements.

BROILER PRICES - Average From February 1, 1959 to February 28, 1959

Market Area	Ave. ^{1/} Price	Weekly Summary of Purchases in Shen-Valley Area		
		Week Ending	No. Birds Purchased	Weighted Ave. Price (cents)
Shenandoah Valley	16.9	2/ 6	1,095,800	16.42
Del-Mar-Va	18.0	2/13	1,086,769	17.00
West Virginia	18.2	2/20	982,025	17.61
North Carolina	16.2	2/27	891,035	17.35
North Georgia	16.3			
		Total	4,055,629	17.07

^{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 -						
Feb. 15, 1958	4.55	4.90	4.95	11.5	4.1	7.3
Jan. 15, 1959	4.75	5.10	5.00	12.4	3.3	6.0
Feb. 15, 1959	4.70	5.10	5.00	11.3	3.3	6.8

^{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

March 1959

VIRGINIA FLUID MILK SALES

Sales in multiple-quart containers, 1/2 gallon and gallon size, are becoming more popular each year and are claiming a larger percentage of the total fluid milk sales in Virginia. In six major markets of Virginia (Alexandria-Arlington, Danville, Harrisonburg, Tidewater, Richmond, and Roanoke) sales in multiple quart containers accounted for 31.6 percent of the total fluid milk sales in January 1958. In January of 1955, only 8.1 percent of these sales were in multiple quart containers. Sales in multiple quart containers have been increasing during each of the recent years as is shown in Figure 1 on page 6.

The relative increase in sales in multiple-quart containers has replaced the smaller percentage of milk being sold in quart containers. In January 1955, quart-size container sales accounted for 76.5 percent of the total sales in these markets. By January 1958, sales in quart-size containers had dropped to 52.8 percent of the total sales in these containers.

Sales in other size containers have varied from year to year and have not established a trend.

Sales through stores, restaurants, etc. (wholesale) have been taking a larger proportion of the fluid milk sales in recent years. Wholesale sales have shown a steady increase; from 48.4 percent of the sales in January 1955 to 58.5 percent of the total sales in January 1958.

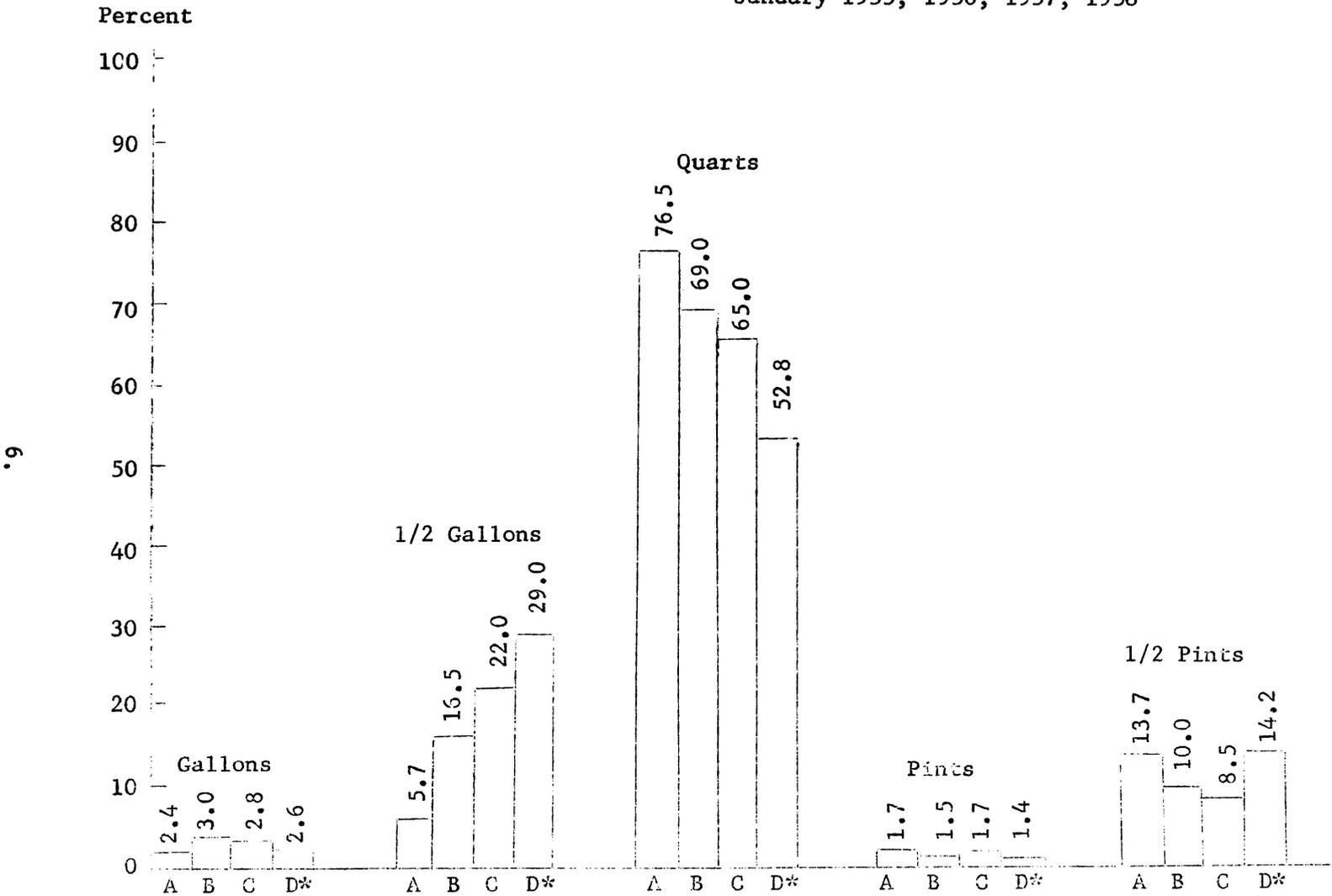
As wholesale sales have increased, retail (home delivery) sales have dropped. In January 1955, retail sales accounted for 51.6 percent of the total sales in these six markets. By January 1958, retail sales were only 41.5 percent of the total sales, a drop of 10 percent in three years.

Sales of Milk in Other States

Commercial dealers--handlers who buy from farmers, then process and deliver milk--handle over 95 percent of the total milk sales in Pennsylvania. Home delivery still represents the largest single sales outlet, accounting for more than 50 percent of the total milk sales in Pennsylvania. Store sales have shown a steady increase and now account for 30 percent of total sales.

In the New York City area, about 75 percent of fluid milk sales is through store outlets; Rochester, N. Y., on

Figure I - SALES OF MILK IN VARIOUS SIZE CONTAINERS AS A PERCENT OF MILK SALES IN THESE CONTAINERS, January 1955, 1956, 1957, 1958



* - A-1955, B-1956, C-1957, D-1958

Source: Virginia Milk Commission Data for Alexandria-Arlington, Danville, Harrisonburg, Tidewater, Richmond, and Roanoke Markets.

the other hand sells only about 23 percent of its fluid milk to the stores.

About 20 percent of the sales in Pennsylvania are in multiple-quart containers. In contrast, in the Chicago market, gallon and half-gallon containers make up about 70 percent of the total sales of fluid milk. Much of the recent gain in popularity of these larger containers is due to the discounted price for milk in larger-than-quart containers.

Milk Cow Population Continues Decline

Recent reports show that milk cows and heifers, two years and over, continued to decline in number in 1958 and reached its lowest level since 1921.

The decline from January 1, 1958 to January 1 of this year was 3 percent. The population dropped 627,000 head to 21,606,000.

The peak number was on January 1, 1945, when there were 27,770,000 head and the number has been declining steadily since that time. On January 1, 1950, there were 23,853,000 head.

The number of milk heifers and heifer calves being held for replacement was up less than 1 percent.

Most States Show Decline

Milk cow numbers declined in most states throughout the country. In only three of the important dairy states, Pennsylvania, Wisconsin, and California, were the numbers unchanged. Numbers were the same as a year earlier in Rhode Island, Alabama, and Utah. Increases took place in Florida, Idaho, New Mexico, Arizona, and Nevada. Florida had the greatest increase, where the number rose from 223,000 to 234,000 head.

Milk cows and heifers on farms also dropped in Virginia. On January 1, 1959, there were 8,000 fewer milk cows and heifers, two years and over, on Virginia farms than a year earlier. A total 410,000 milk cows and heifers were reported on Virginia farms on January 1, 1959.

Dairy Price Supports Released by USDA

Prices at which butter, cheese, and non-fat dry milk, will be supported during the marketing year extending from April 1, 1959, through March 31, 1960, were released by the U.S.D.A. on March 12, 1959.

The support prices are being continued at \$3.06 per hundredweight for manufacturing milk and 56.6 cents per pound for butterfat.

In carrying out the program to support prices of milk and butterfat sold by farmers, the USDA, as in the past, will offer to purchase butter, cheddar cheese, and non-fat dry milk in carlot quantities.

The 1959 support rates are about 77 percent of both the parity equivalent price for manufacturing milk and the parity price for butterfat, based on March parity prices as announced February 27, 1959.

Purchase prices for cheese and non-fat dry milk are being established on a national basis as in the past years. The present method of determining buying prices for butter at different locations is being continued. Butter buying prices are specified for certain geographical locations and for three designated markets: New York, Seattle, and San Francisco. The price of butter at any point other than those designated will be the price at a designated market named by the seller, less 80 percent of the lowest rail freight rate per pound from the seller's point to the designated market.

Per Capita Consumption of Milk Declines

Per capita use of milk products from all sources last year was equivalent to 695 pounds, about 36 pounds of which came from government surplus stocks or was paid for by government funds, such as the school lunch program.

This means that the use from commercial sources per capita was the lowest on record, although total use was slightly up because of the increase in population.

Per capita consumption of creamery butter tied that all-time record low last year, while the consumption of all butter (both creamery and farm-dairy) also tied the record low, according to a report released by the Outlook Situation Board of the U.S.D.A.

The per capita consumption of creamery butter from commercial sources last year was 6.9 pounds, which equaled the record low of 1953 and dropped .3 pound from 1957. The consumption of all butter, representing factory and farm butter, remained at the record low of 8.4 pounds per capita set in 1957. Even that average was maintained only by the increased use of government butter to offset the reduction from commercial sources.

There were a few bright spots in the otherwise drab report.

Consumption of American cheese from commercial sources increased 13 percent per person over 1957. Production showed a slight decrease, but sales to the government were considerably less than in 1957.

The 1958 average consumption of American cheese was 5.1 pounds, the highest level since the record equaling 5.3

pounds per capita reached in 1952. In addition, .8 pound per person was distributed from government holdings, making the total per capita consumption of American cheese, 5.9 pounds, a new record high.

Ice cream consumption also showed a slight per capita increase but other dairy items showed losses or little change.

Another bright aspect of the report is that sales to the government were below that of the previous year in terms of milk equivalent.

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