

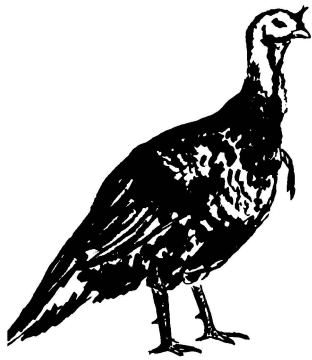
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The Market Review of



PEEP AND MOO

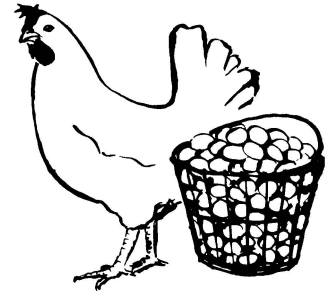
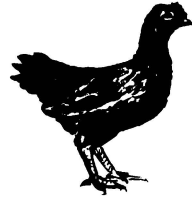
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MARKETING

turkeys broilers

eggs



broilers

Nov.-Dec. 1959

POULTRY AND EGG OUTLOOK FOR 1960

Competition between the red meats and poultry will be more severe in 1960 than it has been for several years. The hog cycle is nearing its peak, thus we can expect larger supplies of pork to come on the market during the first half of 1960. The slaughter of beef cattle is increasing and will continue to do so through the next year or two. The result will be lower pork and beef prices.

These lowered red meat prices coupled with an increase in disposable income available to consumers indicate that poultry meats face more severe competition. Consumers who have an increase in their disposable income tend to spend a portion of it to upgrade their diets. Thus they buy more expensive cuts of meats. Therefore, consumer purchases of poultry are apt to decline.

Broilers

Broiler production for 1959 in the 22 states with major producing areas was 5 per cent ahead of 1958 or about 1.6 billion broilers. In Virginia broiler production for 1959 was about

57.6 million head or 89 per cent of 1958. Virginia, Delaware and Texas were the only major broiler states reporting a net decrease in broiler production. The outlook for 1960 gives little hope for any substantial increase in broiler prices. The trend during the last half of 1959 to reduce the production of broilers is expected to continue, although total production for the year will be above that of 1958. Industry experiences with the economics of selling at or below the costs of production initiated this attempt to balance production with the expected demand. Production costs during 1960 will be relatively stable with chick and feed costs remaining at their present level. If a freight rate reduction is secured, feed costs may be lowered, but will be partially offset by increases in the cost of other supplies. Wage rates are expected to rise.

Demand for broilers declined in 1959. With the advent of lower pork and beef prices in 1960, an increased broiler demand is unlikely.

Broiler production for the nation during 1960 will approximate that

of 1959. Recent history, economic conditions and production supplies do not indicate or warrant an increased production of broilers in 1960. If fewer broilers are produced, the expected price level would be 15-17¢ per pound. However, at the present time a price level of 14-16¢ seems likely, depending on the degree of the cutbacks actually experienced.

Turkeys

Approximately
5 per cent more
turkeys were

grown in the United States in 1959 than in 1958. This increase was almost entirely in the lightweight type turkey. The production of heavy-weight turkeys was relatively stable. However, the heavy White turkey is replacing the Bronze. The heavy White turkey now represents about 25 per cent of all heavy type turkeys being produced. This turkey has the advantage of being ready to sell at almost any age and does not require the maturity and finishing period demanded by the Bronze. Hence, it is difficult to accurately forecast the total tonnage of turkey to be marketed. It appears that these turkeys were held to heavier weights to take advantage of the expected higher prices later in 1959. At present, it seems that a larger percentage of the 1959 turkey crop may have already been consumed than was the case in 1958.

Prices received for live turkeys are at their lowest level in recent years and will not make any major recovery in the late 1959 marketing season.

Virginia produced 4 per cent more turkeys this year than last. The heavy breeds were down 21 per cent but lightweight turkeys were up 15 per cent. Total production for 1959 approximated 6.7 million turkeys.

Outlook for 1960

In view of
the facts
of: (1)

increased consumption of turkeys; (2) government purchase for the School Lunch Program; (3) a record turkey crop in 1959; (4) the current low turkey prices; and (5) increased supplies of broilers and red meats, we can expect a cutback in the total tonnage of turkey produced in 1960. Turkey numbers may increase slightly due to the shift to the versatile heavy White turkey.

Farm prices in 1960 are not apt to improve much over 1959.

Table Eggs

The number
of layers
on hand as
of September 1, 1959, in the United States was 286 million, down 1 per cent from 1958. The number of young chickens on hand was down 13 per cent from last year. The total number of chickens on hand was down 5 per cent from the previous year. The total number of birds four months old and older on January 1, 1960, will be approximately 346 million. However, an increase in the rate-of-lay should compensate for this decreased number of layers and keep the total production of eggs near the 1959 level. Egg production per layer increased about 2 1/2 per cent during 1959.

The number of eggs in incubators as of August 1, 1959, was 11 per cent below a year ago. This means fewer layers coming into production next February and March. Most replacement-type chicks, over 80 per cent, still are hatched during the first half of the year. Therefore, the total number of potential layers hatched during 1959 will be below that of 1958.

Egg consumption has declined continuously over the past decade and now is estimated at 315 per person per year. This trend will continue.

Storage stocks of eggs are above those of 1958 but below those of 1957. These storage stocks are moving out into the trade, leaving the storage situation favorable for 1960.

Little help can be expected from government purchases of eggs. The U. S. Government ceased buying frozen eggs on July 23, and dried egg solids on September 4, 1959.

The outlook for 1960 indicates slightly lower egg prices than in 1959.

The South Atlantic region, of which Virginia is a part, anticipates a larger fall hatch in 1959 than in 1958. All other areas have fewer eggs in the incubators. Generally speaking, the northern half of the country reduced their poultry enterprises during 1959 while the South expanded. Virginia shared in this expansion. The expected price level for this area will probably be slightly lower in 1960 than in 1959. As the interregional competition between the South and the Mid-West increases, production and maintenance of high egg quality is essential if we are to compete successfully for a larger share of the northern and eastern markets.

Hatching Eggs

The number of Pullet chicks placed by primary breeders for hatchery replacement flocks has shown a marked decline in the last two or three months. However, for the first nine months of 1959, the total number of replacement chicks has been decreased by only 12 per cent, and over one-half of this reduction occurred with the August and September

placements. These birds will not come into production until March or April of 1960 and will not greatly affect the total supply of hatching eggs until June and July.

Indications are that the primary breeders (those largely responsible for breeding and supplying the pullets used by commercial hatcheries) have stepped up their operations in anticipation of a shortage of hatching eggs next year. If this is the case, and placements by these breeders resume their normal level, then there appears that there will be an adequate supply of hatching eggs next year except for the summer months. This period is normally short of hatching eggs, and the reductions in placements already made will accentuate this shortage. Higher summer hatching egg prices will tend to keep some of the older birds, that would normally have been sold, in production and thus help alleviate the shortage.

All in all it looks like there will be a sufficient supply of hatching eggs available.



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EGG PRICES - Average From October 1, 1958 to October 31, 1959 1/

Market Area	U. S. Grade A			Grade B Large	Grade C Large
	Large	Medium	Small		
	-cents per dozen -				
Virginia	36.40	25.05	15.90	25.80	13.25

1/ Values being used in adjusting to a common denominator are: (1) Delivered to plant--0 to 1¢ (2) Cases exchanged--1¢ (3) Farm refrigeration--0 to 3 1/2¢ (4) Minimum 5 case lots--0 to 2¢. When the conversions are completed each day, statewide prices will be comparable and both producers and egg marketing firms will have a sounder basis for buying and selling.

BROILER PRICES - Average From October 1, 1959 to October 31, 1959

Market Area	Ave. <u>1/</u> Price	Weekly Summary of Purchases in Virginia		
		Week Ending	No. Birds Purchased	Weighted Av. Price (cents)
Virginia	14.65	10/2	1,070,574	14.46
Del-Mar-Va	15.70	10/9	916,200	14.13
West Virginia	15.50	10/16	937,750	14.37
North Carolina	14.30	10/23	790,650	15.29
North Georgia	14.30	10/30	726,100	15.58
		Total	4,441,274	14.70

1/ Unweighted average.

Average Virginia Poultry Feed Prices and Feed-Price Ratio

Date	Price Per 100 Pounds			Feed-Price Ratios <u>1/</u>		
	Laying Mash	Broiler		Egg	Broiler	
		Growing Mash	Turkey Growing Mash		Broiler	Turkey
	-dollars-					
Oct. 15, 1958	4.70	5.10	5.10	12.4	2.9	6.3
Sept. 15, 1959	4.55	4.85	4.90	10.8	3.2	5.5
Oct. 15, 1959	4.50	4.75	4.85	9.6	3.1	5.8

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

November - December 1959

DAIRY Currently, the dairy industry enjoys a closer balance between production and consumption at market prices than at any time since 1952. This situation is reflected not so much in an improvement in prices but rather in the reduced dairy price support activity of the U. S. Government. For the second year in a row, production declined while consumption increased with population growth. In Virginia, however, production for 1959 reversed the drop in 1958 and increased nearly 2%. At the same time Virginia producers marketed more milk through fluid outlets than during 1958. A favorable situation for the dairy industry is expected to continue into 1960 although production may resume its long-time upward trend.

Supply United States - Milk
Conditions production in the U. S.
declined in 1959 for
the second year in a row. On the
basis of the first nine months, pro-
duction for the year should be nearly
1% below 1958 and about 1 3/4 billion
pounds below the record high of 1957.

A relatively large decline in milk cow numbers accounted for most of this lower production. Cows on farms as of June 1 dropped 2.4% from

1958 to 1959 and 3.4% from 1957 to 1958. These are larger declines than the average for recent years. The long-time upward trend in production per cow did not offset the decline in cow numbers as it had in previous years since 1945.

With beef prices weakening and hog prices at a low level, dairymen have less incentive to cull as heavily during 1960 as in the past two years. Nevertheless, milk cow numbers are likely to continue downward in 1960.

Production per cow has increased steadily over the years but the average dairyman has not yet reached the optimum level of milk production per cow. As dairymen do a better job of management (both breeding and feeding) production per cow will increase.

Milk production during 1960 is expected to be above that for 1959 because (a) cow numbers will drop less than during the past 2 years; (b) less favorable livestock prices may encourage some shifting to milk production; (c) feed supplies will be abundant; and (d) production per cow will increase. Production, however, will not reach the record 1957 level next year.

Virginia - In contrast to the U. S., milk production in Virginia increased from 1958 to 1959. Deliveries of Grade A milk in 1959 increased more than 3% from 1958 while deliveries of manufacturing grade milk declined by about the same percentage. Thus the production of Grade A milk continues to increase while milk for manufacturing declines. This pattern is likely to continue through 1960 although milk for manufacturing likely will decline less in 1960. Milk cow numbers in Virginia decreased 1.1% between June 1, 1958 and June 1, 1959. This was less than the average decrease of recent years and much less than the 2.4% decrease between June 1957 and June 1958. Milk cow numbers are expected to decrease slightly more than 1% again in 1960.

Milk production per cow averaged 5,560 pounds during 1958. This was about 800 pounds below the national average. Over the past five years production per cow in Virginia has increased an average of 160 pounds annually. A similar increase can be expected for 1960.

Demand A strong demand prevailed during 1959 as a result of high level of economic activity during most of the year. Per capita consumption of milk and dairy products remained stable to slightly higher. With per capita consumption relatively stable, total sales of dairy products have increased with the population growth. Increased use of fluid milk and ice cream along with less milk produced, reduced the amount of milk going into butter and non-fat dry milk. So, overall supply and demand are in better balance than they have been since the early 1950's. As a result, government purchases under the price support program for the

first half of the 1959-60 marketing year were smaller than in any similar period since 1952.

In Virginia, fluid milk sales increased substantially during 1959. An average increase of more than 10% has been reported for state-regulated markets and the Bristol and Bluefield federal order markets. These increased sales result both from an expanding population and a more aggressive marketing program on the part of producers.

With a favorable level of economic activity expected to prevail in 1960, per capita consumption of milk and dairy products should remain stable in 1960 but total consumption should rise with the population changes.

Markets and Market Organization

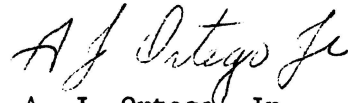
Predictions of several years ago that markets within Virginia would soon find themselves in more direct competition with each other have materialized to a major degree. Increasingly, milk produced under the sanitary requirements of one market is marketed in another as producer organizations seek outlets for extra milk. Improved milk handling methods have greatly facilitated this development. Results have been a widening area of common interest among producer groups, a growing need for smaller groups to merge their activities, and for larger groups or associations to establish mutually beneficial working relations.

As distributors centralize processing and packaging functions into fewer and fewer plants, and with distribution extending over wider areas, individual markets lose still more identity. Large independents and national or regional dairy chain distributors compete over wider areas. The local market finds itself less

and less protected from nearby competition by transportation costs and sanitary regulations.

Producer cooperative associations are becoming increasingly aware of the necessity for the association to take full responsibility for supplying a market. To bargain effectively the producer group must insure local distributors an adequate supply at all times as well as assume the responsibility for obtaining outlets for disposing of excess milk.

Partly in recognition of the changing market relationships, the Virginia Milk Commission changed its market regulations in 1959 to provide more uniformity among the markets. More uniformity in sanitary regulations also is on the horizon for the same reason.



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