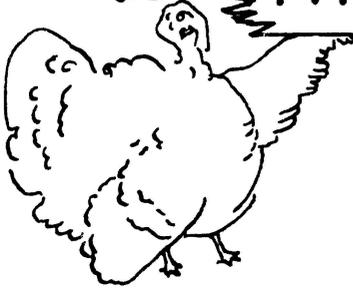


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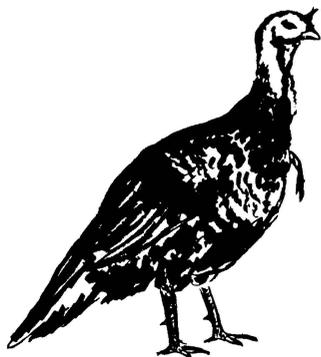
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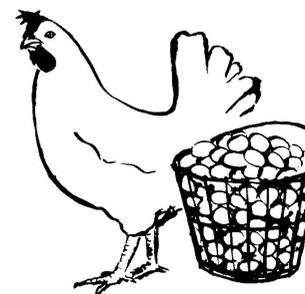
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MARKETING

turkeys broilers

eggs



February - March 1960

THE VIRGINIA POULTRY SITUATION 1960-1970

We have been experiencing some rather significant and rapid changes in the regional production patterns. Only about three years ago the southeastern section of the United States was a deficit egg producing area, importing about one-third of their table egg requirements. Now it is a surplus egg producing area--exporting to other areas a considerable volume of eggs each year. This area has had to overcome prejudices against southern eggs in developing its own market outlets and in fighting for a share in other markets formerly supplied by mid-western or northeastern egg producers. In addition, new marketing channels had to be developed by the egg handlers in the southeastern area. Interregional competition has been severe, as producers in other areas have fought to retain their markets.

Similar shifts in the established broiler and turkey production areas is occurring and creating similar problems.

During the last year and a half the poultry industry has experienced very low prices for eggs, broilers

The poultry industry is in a state of flux.

and turkeys. Often, as at present in the egg industry, these prices have been at or below the cost of production. During this period a considerable number of hatcheries, feed firms, and individuals have been declared bankrupt. In addition many other firms have suffered extremely heavy losses, but have remained solvent--for the present time at least. A large number of producers have suffered accordingly. This, then, represents the present state of the poultry industry. It is still too soon to determine how the industry is going to react to the situation. At present, indications are for rather severe cut-backs in the production of eggs and broilers, while there is an unprecedented demand for turkey hatching eggs and poults. The supply of broiler hatching eggs is also reported to be insufficient to permit any great increase in broiler supplies.

In the recent past many producers have shifted from broilers to layers or have decided to leave their buildings empty. This flexibility becomes an important unknown in any long-

range forecast, and also could lend a degree of stability to the industry if the shifts were made at the opportune times.

With these conditions in mind then let's take a look at the most probable future for eggs, broilers and turkeys in Virginia. Please remember that the next year or two is likely to be crucial in determining the direction and magnitude of change.

Table Eggs Egg production and prices have tended to follow a two-year cycle. Furthermore, the price level has tended downward. This is indicative of the ease and rapidity of entry or exit in the poultry business, and also of the technological advances in both genetics and nutrition which have allowed us to reduce our costs of production.

The number of hens on farms, and the number of farms with layers has been decreasing and will probably continue to do so as laying units become larger and more efficient. The low margin above variable costs that is expected to prevail in the next decade and beyond will necessitate a reasonably large flock size if a producer is to depend partly or solely, on egg production for his livelihood.

The number of eggs laid per hen housed has been increasing at a rate of about four eggs per year. This helps to offset the effects of declining hen numbers. Since 1950 the total number of eggs produced has remained relatively stable, but since population has been increasing, per capita egg production, and consumption, have been declining.

At present we are consuming about 350 to 352 eggs per year. This is up slightly from the 349 in 1958. Thus it appears that the decline in egg consumption may have been stemmed, at least temporarily, but only at a greatly reduced price.

Egg prices will average close to 34 to 36 cents for the coming decade. They will, of course, fluctuate on a two-year cycle, but the fluctuation will not be as great as in the past. With an expected price range like this, the margin between cost of production and prices received will be quite small; thus any slight deviation in yearly average price should be sufficient to bring about the necessary correction in egg production. Any slight deviation in average egg prices will have an enormous affect on the profits or losses of the egg producing enterprises.

Our area, because of its nearness to markets, climate and labor supply has a net competitive advantage over midwestern and north-eastern egg producers. Thus we should be in a position to increase our egg production as markets are developed.

Broilers Broiler production has been increasing in the United States about 10% per year on the average. Last year the increase was around 5%. In Virginia, broiler production decreased about 15%--from 63.5 million in 1958 to 54 million broilers in 1959.

Until 1943 Virginia increased its broiler production about the same rate as did the other major broiler producing areas. Since

that time broiler production has been increasing at a much slower rate. Total broiler production in Virginia has been faltering since 1953 and averages about 59.3 million broilers. On this basis an expectation of 65 to 70 million broilers seems reasonable for 1970.

This area still maintains a net competitive advantage over other major broiler producing areas. However, the margin of profit may be too small to attract the necessary resources to maintain or expand our present broiler operations. A long term price expectation of about 16 cents does not provide a great deal of incentive to increase broiler production, unless current costs of production are markedly decreased.

Turkeys Turkey production in Virginia has largely been made up of the small white or Beltsville type turkeys. These birds appear to be falling into disfavor both here in Virginia and in the rest of the nation. They are being replaced by a versatile heavy white turkey that may be dressed at any age. This bird offers the advantages of both a light and a heavy type turkey and is fast becoming of major importance.

Virginia growers have been gradually replacing the small turkey with the heavy white type turkey. Nationally, during the first five months of the turkey season (September through January) 22% more heavy whites, 47% more bronze or other heavy types and

51% fewer light breed poults were hatched than in the corresponding period a year earlier. This trend is of fairly recent origin but is significant. Another important trend can be observed in turkey prices. For a long period of time the light weight turkey has commanded a premium over the other types. During the past period the reverse was true. Thus the light weight turkeys were selling at prices below the heavier breeds.

This point is extremely important to turkey producers in Virginia. Already they have been markedly increasing their heavy turkey numbers, but these turkeys are in direct competition with those from the midwest where feed grains are considerably less expensive. If the proposed increase in turkey numbers of 5 to 6% materializes it could well bring considerable financial distress to many Virginia turkey producers.

Over the next decade or so I expect that the interregional competition will be such that Virginia turkey producers will have to find alternative enterprises in which to invest their labor and capital resources.



W. R. Luckham
Poultry Marketing Specialist
Agricultural Extension Service

EGG PRICES - Average From February 1, 1960 to February 29, 1960 1/

Market Area	U. S. Grade A			Grade B
	Large	Medium	Small	Large
- cents per dozen -				
Virginia	28.65	25.50	21.10	23.70

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 February 1, 1960 to February 29, 1960

Market Area	Ave. <u>1/</u> Price	Weekly Summary of Purchases in Virginia		
		Week Ending	No. Birds Purchased	Weighted Average Price (cents)
Virginia	17.75	2/5	810,000	18.10
Del-Mar-Va	18.50	2/12	759,000	17.89
West Virginia	18.45	2/19	758,200	17.60
North Carolina	17.10	2/26	638,900	17.82
North Georgia	17.30			
		Total	2,966,100	17.86

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 Growing Mash	Turkey Growing Mash	Egg	Broiler	Turkey
-dollars-						
Feb. 15, 1959	4.70	5.10	5.00	11.3	3.3	6.8
Jan. 15, 1960	4.55	4.85	4.90	9.8	3.5	7.1
Feb. 15, 1960	4.55	4.80	4.90	9.5	3.7	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



February - March 1960

The following article is part of a panel discussion on the reasons for the current trends in manufacturing milk production in the South. This article was presented by Dr. M. F. Ellmore to the dairy section of the annual meeting of the Association of Southern

Agricultural Workers in Birmingham on February 12, 1960. Dr. Ellmore covers the situation very well and we feel his presentation will be interesting and informative to everyone connected with Virginia's dairy industry.

Reasons For The Current Trends In Manufacturing Milk Production In The South

M. F. Ellmore, Extension Dairy Specialist
V.P.I. Blacksburg, Virginia

I have been assigned the task of discussing the reasons for the downward trend in farmer deliveries of milk to manufacturing plants. The decline in deliveries is the major cause of the problem and must be thoroughly understood because action must be taken in this area if the problem is to be solved. Before getting into the assigned topic I feel that it is necessary to state my own concept of the problem, because it is fundamental to much of my discussion.

I believe that the basic problem is this: Processors are facing lowered plant operating efficiency. This problem is due to fractional utilization of plant facilities brought about by diminishing deliveries of milk by farmers. Deliveries are falling because farmers are finding more attractive alternative uses for their production resources. Herein lies

the problem, its cause, and effect. I further believe that the basic problem is one facing the processing industry and not the farmer.

In What Way Are Plants Facing Lowered Operating Efficiency?

Processing plants are experiencing the cost price squeeze just the same as other segments of the

agricultural industry. There is, however, a condition that exists which complicates their situation. There has been relatively little change either in the unit prices paid to farmers or in the unit prices received for the manufactured product. On the other hand, plant operating costs have gone up. Processors might be able to spread some of these costs and ease the pinch if they could increase their volume to optimum capacity. They are

unable to do this when farmers fail to deliver the volume desired.

Why Is This A Problem Facing The Processor And Not The Farmer? It is a basic economic principle that supply will respond to demand and in proportion to the strength of that demand. Price offered is an indication of the strength of the demand and perhaps exerts the greatest effect. The downward trend in farmer deliveries indicates that the demand is not strong enough.^{1/}

It is true that the offered price has been relatively stable, but stable prices are the same as lowered prices when costs go up. Remember, farmers are caught in the price squeeze too. However, they have an out, and are taking it. Farmers are finding other uses for their production resources.

Why Are Farmers Selecting Other Alternatives? The answer to this cannot be completely given in terms of cold, economic facts.

We must take into consideration some of the sociological forces that affect decision making.

On many farms, the best possible use of resources would be the production of milk for manufacturing purposes and for many years was considered to be one of the best sources of supplemental farm income. The big reason for this was the fact that the income was steady and dependable. Most other enterprises were subject to wide market fluctuations

and income was not received at regular intervals. Today, the steady income features of dairying are being shared by many off-farm opportunities.

Farm people are not immune to changes in modern living. As a general rule, farmers today require more total income, but at the same time they desire more freedom. Off-farm opportunities enable farm people to realize a steady income. This relieves the pressure on farm resources. There are many alternatives which do not utilize resources as dairying, but when combined with off-farm sources of income, bring these people closer to their goals.

Some of the alternatives which are attracting farmers are: veal production, cow and calf herds, swine, pony raising, horticulture and many others. These can make use of resources yet allow more freedom.

Manufacturing milk has been called an excellent enterprise in which to use surplus family labor. From an economic standpoint this is true. But, today, there are fewer farm women and children who will buy this. Modern farm women as a whole are not going to do the confining heavy manual labor expected of their mothers and grandmothers. Modernization and mechanization does not completely remove the drudgery and confinement from dairying. We cannot ignore the effect of off-farm non income interests of farm people. Modern farm families who have the resources must find milk production not only rewarding, but enough more

^{1/} Editor Note: The demand for manufacturing grade milk is derived from consumer demands for products made from this milk. In the South most of this milk goes into the production of evaporated and condensed milk. Both the domestic and foreign demand for these products have been decreasing. That is, these markets are not taking as much of these products at acceptable prices as they have in the past.

rewarding to offset some of the inconveniences.

What Are Other Reasons For Decline In Producer Numbers? For a large number of producers manufacturing milk production has

been a stage between cream production and Grade A. For this, and other reasons, there has always been a rapid turnover of producers. The trend toward Grade A continues as the demand for this grade of milk grows. The big source of replacements, the cream shippers, is rapidly being exhausted. This is partly responsible for the net loss in producer numbers. The remainder of the loss can largely be accounted for by the producers who go out of production.

Young farmers are not going into manufacturing milk production at an appreciable rate. This can be realized when we see that the average age of today's producer is over fifty.

There is less need for farm income among our older farmers today. More of the children leave the farm. Social security and programs like the soil bank relieve the pressure on farm resources. Land values have risen as larger operations seek to expand. New roads and industry sites take agricultural resources out of production. These factors play an important part in farm family decision making.

Perhaps I have painted a rather dismal picture, but the fact remains that all of these interacting forces have contributed to the decline in farmer deliveries of milk to manufacturing plants.

Does The Downward Trend In Deliveries Spell Disaster For The Industry? My answer would be "no". I feel

that it will be necessary for the processing industry to examine the alternatives open to them. They will have to select those alternatives that offer the greatest chance of success when tested against the known forces that are working in our society.

In closing I would like to think of this panel discussion as a step in seeking solutions for the problem. It is discussions like these that help to stimulate the thinking that is necessary for constructive action program design.

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Powdered Bone Removes Radioactivity From Milk The following is taken from the January 16, 1960 issue of Business Week, page 56.

A simple, inexpensive method of getting radioactive strontium out of milk has been developed by Dr. W. D. Armstrong and Dr. Leon Singer at the University of Minnesota. The system was devised as a standby in case nuclear bomb fallout should raise the strontium 90 content in milk to dangerous levels.

The trick is to fill a long glass tube with bone which has been powdered after removal of the bone fat. Radioactive milk passing through the tube undergoes a **cation** exchange--that is, the strontium 90 ions pull out of the liquid, because of their similarity to the calcium ions in the bone.

The treatment removes virtually all of the radioactivity from the milk, without changing the flavor perceptibly. The tube full of bone can be used over and over again after

being flushed out with calcium.

Armstrong and Singer are now seeking ways to permit the treatment of milk in large quantities; they point out that the bone can be bought cheaply from stockyards. They have applied for patents on the technique.

Albert D. Ortego, Jr.

Albert Ortego, Jr.
Ext. Dairy Marketing Specialist