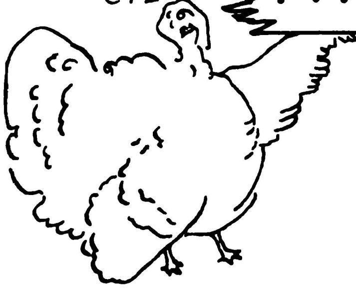

The Market Review of

PEEP AND MOO

Virginia Polytechnic Institute and the United States Department of Agriculture Cooperating:
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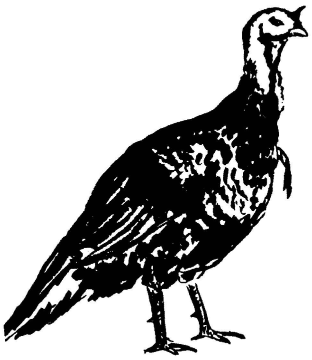
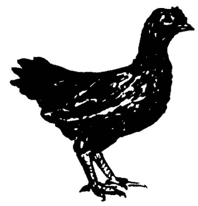
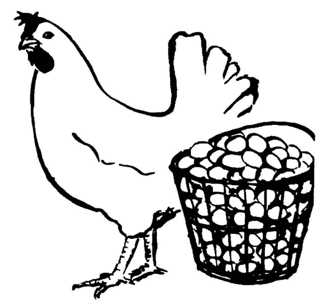


MARKETING turkeys eggs broilers





June - July 1960

The following mid-year Outlook statements were issued recently by the Poultry Survey Committee and published by the American Feed Manufacturers Association. The committee members are: Dr. Ralph L. Baker, Pennsylvania State University; Dr. William R. Henry, North Carolina State College; Dr. R. L. Kohls, Purdue University; and Dr. Henry Larzelere, Michigan State University. In addition economists from industry and the U.S.D.A. serve ex-officio.

Broilers The U. S. farm price of broilers is expected to average between 16 and 17 cents during the July-September quarter with the September price well below the quarterly average. Broiler marketings will be about 8% greater than for this period in 1959, but supplies of competing meats will be smaller.

The recent increase of broiler placements to record levels occurred despite an apparent sharp reduction in the number of hens in hatchery supply flocks. Hens are being retained longer, smaller and larger eggs are being set, and more second generation stock is being used. This demonstrates once more the high degree of flexibility of broiler chick supplies in response to the demand for chicks.

Past experience indicates that broiler prices at the 16-17 cent level expected in the third quarter will not result in a cut-back sharp enough to bring broiler placements back to year earlier levels. It appears that the supply of broilers for the October-December quarter may be as much as 5% greater than for the same period in 1959. With such a supply, the price would be expected to average about 15 cents for the quarter. Last year, the price rose sharply early in December. This was unusual and is not expected to be repeated this year.

(In recent years Virginia broiler prices have been slightly below those quoted for the U. S. Therefore, prices fractionally lower than the above might reasonably be expected.)

Turkeys The U. S. farm price of turkeys during August and September is expected to average 20-21 cents -- one to two cents below last year. Some price increase will occur as the season progresses. However, no repetition of the sharp 7 cent October to December price increase of last year is expected. Also, the price premium which developed last year for heavy weight birds will not repeat because of the greater proportion of heavy birds in this year's marketings.

Turkey tonnage marketed <u>during the major holiday season</u> is expected to be 5-8% larger than last year. This is a slightly smaller increase than anticipated earlier, largely because the April-June hatch of heavy breed turkeys will be smaller than last year.

The increase in tonnage is expected in spite of the fact that the total hatch so far this year is about the same as a year earlier. The heavy breed hatch during January-March exceeded a year earlier by five million poults, but the April-June hatch will be about two million below 1959. This means a net increase for the 6-month period of about 5% in the heavy breeds.

The light breed hatch so far this year has been sharply below 1959, but is expected to return to about year earlier levels during the summer months. Many of the two-way white breeds (which last year often were marketed light) will be fed to heavier weights this year.

Eggs U. S. farm egg prices will average about 35 cents a dozen during the July-September quarter and about 38-39 cents during October-December. These prices are 4 to 8 cents a dozen above the comparable periods in 1959. (See Table I).

Egg prices in the first half of 1961 are expected to average about the same as the corresponding period of 1960. In 1961, prices will be considerably higher in the first quarter than in the second quarter.

If the expected flock replacement pattern is followed, income to egg producers in the full year of 1961 will be below 1960.

Hen numbers and egg supplies will be lower than year earlier levels in each of the remaining months of 1960. The egg-type chick hatch for the first six months of this year will be about 22% under the corresponding period in 1959. The July-December hatch will be substantially above a year earlier -- perhaps setting a record high for the off season.

The number of hens and pullets of laying age on January 1, 1961 is expected to be 4-5% under a year earlier. However, because of the expected increase in the July-December, 1960 hatch, both layer numbers and egg production are likely to increase to about year earlier levels by the April-June quarter of 1961.

Note:* Great care must be used in interpreting these data since they include both hatching and table eggs. The resultant figures are higher than those for table eggs, and lower than those for hatching eggs. (See Table I)

Why should the hatching egg and table egg price quotations be combined into one quotation that does not adequately serve either table egg producers or hatching egg producers? While it is true that hatching eggs may substitute for table eggs, at table egg prices, the reverse is not true. The conditions of supply and demand that operate to determine their respective prices are quite different. In fact, they are different commodities, produced for different reasons and sold on different bases. Logically, then, they should be reported separately, and not combined into one quotation. This situation needs to be investigated to see if there might not be a sounder base on which to make production and marketing decisions.

Table I. Monthly Average Farm Price per Dozen for <u>All</u> Eggs [1] - U. S. and Virginia (1958-60)

(cents per dozen)

1958	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Yearly Average
U.S.	39.3	37.4	41.4	38.5	36.8	35.2	36.8	37.7	41.8	39.0	38.9	37.0	38.3
Va.	49.3	45.1	48.3	45.3	42.9	44.6	46.2	46.5	49.8	46.8	47.9	45.2	46.4
1959													
U.S.	36.6	35.8	34.1	28.3	25.2	24.9	30.2	30.9	32.8	31.6	31.3	30.7	31.0
Va.	47.3	43.0	37.9	33.6	30.9	31.6	37.4	38.1	39.7	34.3	35.8	37.6	37.1
1960						quarterly estimates							
U.S.	29.6	28.9	32.3	36.0	32.7	<---------35--------->				<-------38-39----------->			34.6
Va.	36.0	35.1	40.0	43.5	38.0	<----------43--------->				<-------44-46----------->			41.6

1 These quotations include both <u>Hatching Eggs</u> and <u>Table Eggs</u>. All data, except estimates, were taken from monthly issues of Agricultural prices.

INTERESTING IMPORMATION* *Each U. S. civilian in 1959 consumed 159.6 lb. of meat, an increase of 7.6 lb. from '58. The U.S.D.A. figures per capita consumption last year: beef, 81.5 lb; veal, 5.8 lb.; pork, 67.8 lb.; lamb and mutton, 4.5 lb. Meat production is expected to increase in '60, but per captia consumption may drop slightly due to an expected population increase.

*A continuing increase in consumption of poultry was recorded in 1959 for the United States. The average civilian last year consumed 29.8 lb. of chicken, at ready-to-cook weight, and 6.0 lb. of turkey. Egg consumption per capita dropped slightly, to 354 last year. In 1958 the average amount of chicken consumed was 28.3, and in 1957 an average of 25.5 lb. Turkey consumption ranged from 5.9 lb. in 1957 to 5.8 in 1958.

*The American farmer is industry's biggest market. Each year his farm equipment accounts for 6 1/2 million tons of steel, enough for 4 1/3 million new automobiles. Each year American agriculture (farming and related agricultural businesses) consumes 50 million tons of chemicals, uses 23 million tons of fertilizers, and 22 billion kilowatt hours of electricity (more than used by Chicago, Detroit, Houston, Baltimore, and Boston combined). Seven million of the nation's working force of 52 million are employed on farms; 25 million are in agriculture and allied fields; of which seven million produce for the farmer or service the farmer; 11 million process, distribute, and merchandise farm products. Currently 250,000 scientists are working on research related to agriculture. Sixteen per cent of the gross freight revenue comes from agricultural products; farm supplies shipped to farmers account for an even higher percentage. American farmers use enough rubber to put tires on six million cars; they operate 12 million tractors; cars and trucks, and use more petroleum products than any other industry.

* From Merck Agricultural Memo

W. R. Luckham

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Poultry Marketing Specialist
Agricultural Extension Service

EGG PRICES - Average from May 1, 1960 to May 31, 1960 1/

Market Area	U. S. Grade A Large	Medium	Small	Grade B Large
	- cents per dozen -			
Virginia	32.85	28.75	20.20	25.05

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 May 1, 1960 to May 31, 1960

Market Area	Ave. 1/ Price
Virginia	17.10
Del-Mar-Va	18.20
West Virginia	18.10
North Carolina	16.75
North Georgia	16.75

Weekly Summary of Purchases in Virginia

Week Ending	No. Birds Purchased	Weighted Average Price (cents)
5/6	836,000	16.86
5/13	1,001,900	17.95
5/20	848,800	17.62
5/27	910,630	17.58
Total	3,597,330	17.53

1/ Unweighted average

Average Virginia Poultry Feed Prices and Feed-Price Ratio

Date	Price Per 100 Pounds: Laying Mash	Broiler Growing Mash	Turkey Growing Mash	Feed-Price Ratios 1/: Egg	Broiler	Turkey
	- dollars -					
May 15,'59	4.75	5.10	5.10	8.0	3.2	5.7
Apr 15,'60	4.60	4.85	4.90	11.6	3.5	7.2
May 15,'60	4.55	4.75	4.80	10.2	3.7	7.5

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

June - July 1960

June - Dairy Month June 1960 marked the 23rd anniversary of June Dairy Month. June is the month when all segements of the dairy industry make a concerted effort to focus attention on milk and milk products, nature's "most nearly perfect food." The drive is spearheaded by the American Dairy Association, the promotional and advertising organization of the Nation's dairy farmers.

The ADA, in turn, is assisted by many other dairy organizations. Supporting this nationwide campaign on milk and dairy products are State and local June Dairy Month programs by dairy farmer groups, State units of ADA, Dairy Councils, State departments of agriculture, individual distributors and processors, and others.

Virginia's statewide June Dairy Month campaign is sponsored by the Virginias Dairy Products Association in cooperation with the Virginia State Chamber of Commerce, VPI, the Dairy Councils of Richmond, Roanoke, Shenandoah-Rappahannock and the Virginia Department of Agriculture. These and other groups throughout Virginia are reminding homemakers of the nutritional value of milk and its many products.

Even though a special effort is made during June of each year, milk promotion is a year-round job. If the dairy industry is to continue to grow we must sell milk throughout the year. Selling milk is the job of everyone in the dairy industry. Let's get behind our dairy programs and continue our efforts beyond the end of the month.

The Price Of Milk Consumers in the United States paid about 23% more for a quart of milk in 1959 than during the period of 1947-49, although farmers' prices were nearly the same in the two periods.

Farmers in 1959 got 43 cents out of each dollar spent by consumers for milk, compared to 53 cents in the 1947-49 period. The change was due almost entirely to increases in marketing costs; that's why consumers paid more.

Three major steps are required to get milk from the farm to the consumer. These are: (1) Assembling milk from farms and hauling it to milk plants; (2) processing and bottling it at the plant; and (3) distributing it to consumers. Here are some of the factors involved at each of these steps:

<u>Assembly</u> Milk must be kept clean and cool and moved quickly if the quality is to be preserved. Thousands of trucks travel many miles each day picking up milk from farms and hauling it to bottling plants.

The Assembly operation in 1959

took 5 cents of each dollar spent by consumers for milk. Most of the assembly costs goes for buying, maintaining and fueling milk trucks, and for wages of truck drivers and milk handlers.

Processing Processing and bottling milk took about 19 cents of the consumer's dollar in 1959. Processing and bottling milk include costs for wages, keeping milk sanitary and under refrigeration, pasteurization, homogenization, other processing, containers, equipment and building, insurance and taxes. Just about all of these costs are up from a year ago.

Distribution Cost of distribution accounted for about 25 cents of the dollar spent for milk in 1959. Again, most of the cost is in payrolls. Other distribution costs are mostly truck, tires, and fuel.

Administrative expenses of the marketing companies took another 5 cents and profits before income taxes took 3 cents more. On a per quart basis profits before taxes averaged about 0.7 cents.

Where the Money Goes The cost of employing workers throughout the milk marketing system accounted for 29 cents of the consumer's milk dollar in 1959. This cost includes wages, salaries, payroll taxes, and pensions and other "fringe benefits."

Depreciation, repairs, property taxes, insurance, and similar items accounted for about 10 cents of each consumer's milk dollar. Milk containers took 6 cents, supplies and services another 5 cents, and advertising and miscellaneous expenses about 5 cents.

Profits of milk dealers and retail stores on milk, before income taxes, took about 3 cents of the consumer's dollar in 1959. Profits per dollar of sales have been decreasing since 1953. Some companies had to pay half or more of that amount in taxes.

All these items add up to 57 cents of every dollar spent for milk being sent to market milk. This leaves the dairy farmer 43 cents of the consumer's milk dollar with which to pay his costs of producing milk.

Why Marketing Margin Has Increased During the past decade the marketing margin for milk has been steadily increasing (Table 1). Most of the increase has resulted from higher wages and in the price of goods and services that milk dealers must buy.

Steps to Reduce Marketing Costs The marketing margin, however, has not risen as much as wage rates and the prices of many of the things dealers buy. The effect on the marketing margin of rising wage rates and prices of goods and services milk dealers buy has been partly offset by reductions in marketing services.

One of these developments is less frequent delivery of milk to homes. The practice of every-other-day delivery and 3-day-a-week delivery has practically replaced every day delivery of milk to homes. Another development which has tended to hold down the average marketing margin is the increase in the quantity of milk sold in retail stores relative to that delivered to homes. In most markets throughout the United States, the marketing margin is smaller on milk sold through stores than on milk delivered to homes.

Costs of assembling milk has been reduced somewhat where bulk tank pick-up has come into use.

Milk Still an Economic Food

Milk is still one of the most economical foods in terms of food value. Its quality has been improved in recent years because it is produced under more sanitary conditions, nearly all of it is pasteurized, much of it is homogenized and has vitamin D added, and it is kept cooler during marketing.

Measured in terms of minutes you have to work to buy a quart of milk, the price is lowest in history. In 1890, you would have done 26 minutes of factory work to buy a quart of milk at 6.8 cents a quart. In 1959 it took only 6.8 minutes of work to buy a quart of milk at 25.2 cents per quart.

Table I -- Fluid Milk: Average annual retail price per quart in urban areas, farm value, marketing margin, and farmer's share of retail price, United States, average 1947-49, and annual 1950-59 1/

Year	Retail price	Farm value	Marketing margin	Farmer's share
	Cents	Cents	Cents	Percent
1947-49	20.1	10.6	9.5	53
1950	19.8	9.9	9.9	50
1951	22.1	11.2	10.9	51
1952	23.2	11.9	11.3	51
1953	22.8	11.1	11.7	49
1954	22.4	10.4	12.0	46
1955	22.5	10.2	12.3	45
1956	23.3	10.6	12.7	45
1957	24.2	10.9	13.3	45
1958	24.5	10.7	13.8	44
1959	24.7	10.7	14.0	43

1/ Estimate of retail price is basically a single-quart price computed from data published by the Bur. of Labor Statistics. Farm value is computed from data published by Agricultural Marketing Service.

Source: "Marketing and Transportation Situation," USDA, AMS, Washington 25, D. C.

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