

EGG AND POULTRY OUTLOOK, 1969-70

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EGGS

Supply

Egg industry price analysts are face to face with a new variable--Marek's disease vaccine. If it works as expected by many, it is probably the greatest technological advance in the poultry industry since the discovery of Vitamin D.

The net result is a king-size quandry. What is the improvement in pullet growing mortality? Laying house mortality? Rate of lay? How much change should we make in our estimates of layers housed from a given number of pullets hatched? We have made adjustments and what we say about eggs include these adjustments particularly for the number of layers. We now assume that 94 percent of the pullets hatched get into a laying house. And we have cut 1/2 percent off our estimate of monthly mortality of layers. Is this enough? Too much? Frankly, I don't know.

With that out of the way, let's discuss some numbers. On January 1, 1971 there were 335 million hens and pullets of laying age on U.S. farms--8 1/2 million more than a year earlier. New daily egg production records were established for each of the first six months of the year. By July 1 estimated layer numbers were a little more than a million below year earlier levels.

If our projections are correct the number of commercial egg layers in their first 12 months of lay will go under year earlier levels by October. The number in their first 14 months of lay will go under year earlier levels by December. So, assuming a flock size increasing effect of Marek's vaccine, the laying flock will be near year earlier levels through at least most of 1971.

In addition to the Marek's effect there are apparently some flocks which are being involuntarily force molted. They didn't pay for themselves in the first 12 to 14 months of production. This would also be a flock size increasing factor.

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The hatch of egg-type chicks was down 9 percent from a year earlier during the first half of 1971. The trend has been toward an increasing proportion of the total hatch in the last 6 months of the year. But last half egg prices may hold the June-December hatch to year earlier levels. If so, the hatch for 1971 would be down 5 percent from 1970.

Egg production per hen has been above the same month of the previous year in each month since October 1970. A continued young flock and the probable vaccine effect are expected to keep the rate of lay at or above year earlier levels during the next 12 months.

The hatch, livability and rate of lay all add up to an egg production during the next 12 months about equal to that of the last 12 months.

Demand

There is nothing in the demand picture that should greatly change total egg demand in the next 12 months compared to a year earlier. Military purchases will likely be down but purchases of egg mix for distribution to the needy may be up.

Storage holdings of both frozen eggs and egg solids are above year earlier levels. This is likely to mean less demand for breaking eggs next spring--particularly if these inventories continue to build up this year. It also means that breaking demand will slow down dramatically during the coming fall if shell egg prices move up substantially.

Breaking egg prices from late May to mid-July 1971 averaged only a little above \$6.00 a case in the Midwest. This meant producers were getting only 16-17 cents a dozen for these eggs. This kind of price encourages egg products users to build inventories--and they did. It also encourages egg producers to use their time on something other than chickens.

Expected Prices

If our expected supply and demand estimates are correct, egg prices during the 12 months ending September 30, 1972 should average about the same to slightly lower than in the preceding 12 months. This would be a New York Fancy Large price of about 38 cents a dozen. The price pattern is expected to be similar to the 12 months ending September 30, 1971. Highest prices will be in the fourth quarter of 1971 and lowest prices in the second quarter of 1972.

If New York Fancy Large prices average 38 cents a dozen, at farm prices for all market eggs are likely to average approximately 25 cents in the West North Central states and about 28-29 cents in the East North Central area.

Net Income

A net income statement is difficult to make at this time. Pullet costs are a little higher. Livability and production per hen increases could more than offset higher pullet costs. Somewhat lower feed prices, if they materialize, could then improve the net income position over a year earlier.

Projection Problems

We have the still unknown total effect of Marek's vaccine on egg production on the supply side. On the demand side is the effect of the Egg Products Inspection Act. The latter means that for all practical purposes only plants operating under continuous inspection can break eggs. This has eliminated some breakers. Leakers can no longer be legally broken for human food. On July 1, 1972 the Egg Products Inspection Act will permit checked or dirty eggs to be sold only by farmers direct to household users or by processors at their plants directly to household users. Otherwise, these eggs must be sold to an official plant for breaking. This is likely to lower the effective demand for these eggs but at the same time lower the total number of eggs available for table use. Further, what effect do UEP actions have on egg production and prices? These variables increased the amount of sliding around on the seat of the pants during the process of making egg price projections.

Management Implications

Egg prices will be low enough during much of the next 12 months--and particularly in the second quarter of 1972--that it may pay to sell hens a little earlier than usual. This will be more true in those cases where labor is a variable cost.

The ideal situation might be for each egg producer to let each house stand idle for a month. This would get egg prices to quite profitable levels. But this, in turn, would invite entry of more factory-type operations and the industry would be back in another red ink era.

Poultry Survey Committee Uses Market Prices

For about two years the Poultry Survey Committee has used New York wholesale prices of Fancy Large eggs as its price base. A comparison of these prices with the conglomerate Statistical Reporting Service farm prices is given in Table 1.

Table 1.--Eggs: Comparison of New York Fancy Large Wholesale Price and U.S. Farm Price (Cents per dozen)

Month	N.Y. Fancy Large*		U.S. Farm**		Difference***	
	1970	1971	1970	1971	1970	1971
January	61.6	37.5	53.4	36.0	8.2	1.5
February	52.7	34.3	47.4	32.5	5.3	1.8
March	48.0	36.6	42.1	31.6	5.9	5.0
April	37.4	36.7	34.7	31.9	2.7	4.8
May	31.7	30.4	29.8	29.5	1.9	0.9
June	36.0	32.1	30.6	28.4	5.4	3.7
July	43.0		36.1		6.9	
August	40.1		33.1		7.0	
September	46.2		38.5		7.7	
October	36.0		32.3		3.7	
November	39.7		35.7		4.0	
December	43.2		37.7		5.5	

*Consumer and Marketing Service, USDA, Newark Monthly Cold Storage Report.

**Statistical Reporting Service, USDA, Agricultural Prices.

***Fancy Large minus U.S. Farm.

TURKEYS

Supply

It now appears that the 1971 turkey crop will approximate 119 million birds--up about 3 percent from 1970. The increase in numbers had been slaughtered by mid-year and last half slaughter will be about the same in 1970.

As indicated, the per capita quantity of turkey is 0.3 pound more than the estimated 1970 last half quantity or 6.7 pounds.

Net returns for 1971 likely will be generally in the black. This is expected to result in a crop of more than 120 million birds in 1972--if feed price projections are under this feeding year.

Table 2.--Estimated Supply of Turkeys
July-December (million lbs.)

	1970	1971*	Change
July 1, Storage	95	144	+49
Estimated Slaughter, July-December	<u>1443</u>	<u>1443</u>	0
Total Quantity	1538	1587	+49
December 31 Storage	<u>219</u>	<u>205</u>	-14
Disappearance	1319	1382	+63
Per Capita Disappearance (lb.)	6.4	6.7	+0.3

*Total slaughter estimated at 3 percent more than 1970.

Demand

Turkey movement was good during the first half of 1971 so the industry moved into the main marketing season without extremely burdensome storage holdings. Much of the off-season demand apparently was for further-processed and cut-up turkey as the quantities inspected moved well ahead of year earlier levels during the first half of the year. We will still eat half or more of the 1971 turkey crop in whole body form, however.

Table 3.--Form in Which Turkeys Used

Year	<u>Whole Body</u>		<u>Further Processed*</u>		<u>Cut-Up</u>	
	Million lbs.	%	Million lbs.	%	Million lbs.	%
1965	980	74	253	19	97	7
1966	1022	69	335	23	121	8
1967	1232	74	318	19	115	7
1968	938	64	383	26	135	9
1969	780	54	494	35	160	11
1970	897	57	479	31	191	12

Source: Statistical Reporting Service Pou 2-1, Slaughter Report, USDA.

*Processed beyond the cut-up stage.

Turkey consumption per person has bounced around 8 pounds for the last several years so the gains in further processed and cut-up items are apparently at the expense of whole body birds rather than some other kind of meat.

Table 4.--Estimated Per Capita Consumption of Turkey
1965-71 (Pounds)

Year	
1965	7.5
1966	7.8
1967	8.6
1968	7.9
1969	8.3
1970	8.1
1971	8.3

Source: 1965-1970 from Poultry and Egg Situation
PES-267, Economic Research Service. 1971-
-Author's estimates.

The Thanksgiving and Christmas holidays are still favorite times to serve turkey--about one-half of the crop is eaten in the fourth quarter of the year.

Any effect of other meats on turkey demand during the 1971 main marketing season appears to be on the positive side. Pork and chickens are apparently closer substitutes for turkey than beef. The expected decline in quantities of the former will likely more than offset the negative effects, if any, of larger quantities of beef.

Despite the unfavorable unemployment picture, the net income effect in the fourth quarter of 1971 is expected to be stronger than in 1970.

The quantity of turkey used by the armed services will likely be lower for 1971 than 1970. Purchases of turkey for school lunch were 35 million pounds in 1970. Purchases of 564,000 dozen cans of boned turkey for distribution to the needy equal to about 24 million pounds of whole carcass turkey were made in 1970. Total USDA purchases of 59 million pounds were equal to about 3.6 percent of total civilian consumption in 1970. The purchase program for canned boned turkey began earlier this year than in 1970. This may indicate greater purchases in 1971. However, turkey must

be able to compete directly with chicken to be included in the purchase program.

Expected Prices

The U.S. farm price equivalent for September-December marketed turkeys is expected to average approximately 23 cents a pound--about a cent per pound above year earlier. This could mean about 24-25 cent hen and 21-22 cent tom farm price equivalents. New York truck lot wholesale prices for hens are likely to be about 40 cents and for 14-20 pound toms about 35 cents for the September-December period.

Information used in arriving at the price estimate includes the following data and assumptions:

1. 8.3 pounds disappearance of turkey in 1971 per capita of total population;
2. Storage stocks of 144 million pounds on July 1, 1971;
3. Fourth quarter, 1971 retail broiler prices of 40.9 cents a pound;
4. Fourth quarter, 1971 per capita consumption of red meat of 49.6 pounds;
5. Fourth quarter, 1971 per capita disposable income of \$3,594.

Management Implication

The independent producer who shops for "last minute-best prices" may find processing facilities obligated to handle contract birds at the time his birds are ready to market. This is not because there will be such extreme pressure on processing facilities but because of inability of the right processor and the producer to "get together."

Poultry Survey Committee Uses New York Prices

Because such a high proportion of turkeys marketed from the farm are on some kind of contract basis, the Poultry Survey Committee now uses New York carlot or trucklot prices. Recent data on the series are in Table 5.

Table 5.--Wholesale Prices, Young Turkeys Ready-To-Cook, Frozen, Trucklots or Carlots, New York, 1970-71 (cents per pound)

Month	8-16 lb. Young Hens		14-20 lb. Young Toms	
	1970	1971	1970	1971
January	50.0	42.3	42.8	36.0
February	46.6	36.5	38.8	33.5
March	46.6	35.0	40.0	32.9
April	40.9	35.4	40.3	32.7
May	39.4	36.2	40.9	33.0
June	36.7	37.1	37.9	33.5
July	36.2		34.2	
August	37.3		34.5	
September	38.9		35.1	
October	39.1		34.0	
November	39.0		34.0	
December	40.3		33.8	

Source: Weekly Turkey Report, Consumer and Marketing Service, USDA.

BROILERS

Supply

In each year from 1946 to 1970, more commercial broilers were marketed than in the previous year. The 1971 crop is expected to be below 1970.

Per capita quantities of broilers increased from 24.4 pounds in 1960 to 37.3 pounds in 1970. Per capita quantities in 1971 will be above the 35.2 pounds of 1969. This will put 1971 in second place in broiler supplies.

Slaughter in the first half of the year was just under 1970 levels. Third quarter slaughter will be under year earlier if average weights are not increased more than 3 percent. Fourth quarter supplies are expected to be about the same in 1970.

The broiler breeder flock has been under year earlier levels since April. It is likely to remain under the level of the same month of the previous year well into 1972.

Demand

With slightly declining numbers, broiler prices improved in the second quarter of 1971 from the low levels of a year earlier. This happened in the face of strong red meat competition--particularly pork. Prices continued to show improvement in the summer months as a result of the higher seasonal demand.

Expected Prices

The Poultry Survey Committee at its last meeting expected the nine-city weighted average broiler price to be 27 to 27 1/2 cents in the fourth quarter of 1971--about 1 1/2 cents above year earlier levels. In the first quarter of 1972 these prices were expected to average 28 to 29 cents, one to two cents over January-March 1971. I have no basis for changing these expectations.

After the low prices of 1970 and the first quarter of 1971, one philosophy is that enough money was lost that production will be held to levels that will make broilers profitable most of 1972.