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Small Farms Still Important in Broiler Production

Agricultural production is shifting to large farms: in 2006, farms with at least $500,000 in sales accounted for over 60 percent of U.S. agricultural commodity sales. But broiler production—raising young chickens for meat—remains an exception. While U.S. broiler operations are getting larger, small farms still dominate production.

Unlike other commodities, the important role played by small broiler operations suggests that no significant and systematic cost advantages accrue to farm size. Moreover, smaller operations limit the potential spread of poultry diseases as well as the concentration of poultry manure.

Commercial growers almost always produce broilers under a production contract with an integrator. Most integrators are corporations that own processing plants, feed mills, and hatchery farms. An integrator provides the grower with chicks, feed, and veterinary services and transports the birds to processing plants. The grower invests in broiler houses (a significant capital investment), provides labor and purchases utilities, and feeds the chicks until they reach market weight (5-9 weeks).

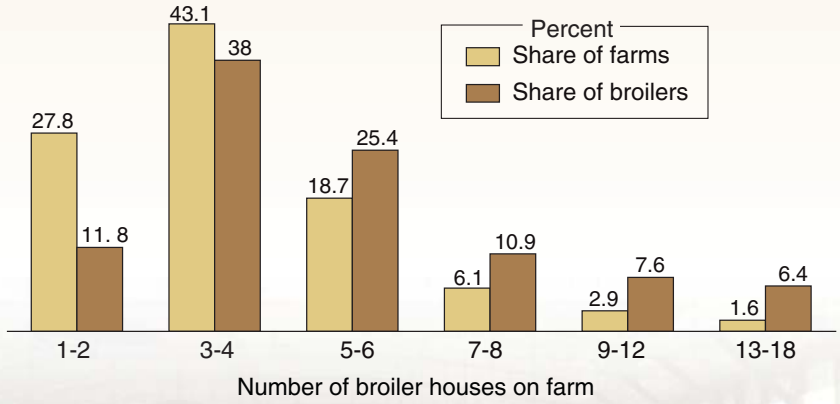
Seventy percent of all contract growers own four or fewer broiler houses, and those operations collectively accounted for half of the 8.9 billion broilers produced in the U.S. in 2006. Each house produces between 110,000 and 120,000 broilers annually, and, on average, growers are paid 26-27 cents per bird. As a result, the smallest operations—those with a single house—realize about $32,000 in annual contract fees for broiler production, while operations with four houses realize about $126,000.

Broilers provide one source of income to households that run small grow-out farms. Most operations produce other farm commodities (primarily cattle and field crops), although broiler fees account for nearly 90 percent of total commodity revenue. Grower households also receive income from farm-related activities, including rentals of farmland and custom work for other farms, such as harvesting or planting services. In addition, grower households receive income from off-farm work and from other sources.

Income diversification is important for growers: most face a choice of only one or two integrators close enough for contracting. The availability of other earning options for growers, whether from other farming activities or off-farm employment, tends to limit integrators' market power.

On average, operators of small broiler grow-out operations received a household income of $63,700 in 2006, of which about 30 percent represented net income received from their farming business. This is slightly below the average for all U.S households ($66,570) but compares quite favorably to mean household incomes in rural areas in the South ($44,804), where broiler production is concentrated.

Small farms still dominate broiler production



Source: 2006 Agricultural Resource Management Survey.

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This finding is drawn from . . .

The Economic Organization of U.S. Broiler Production, by James M. MacDonald, EIB-38, USDA, Economic Research Service, June 2008, available at: www.ers.usda.gov/publications/eib38