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Agricultural Letter

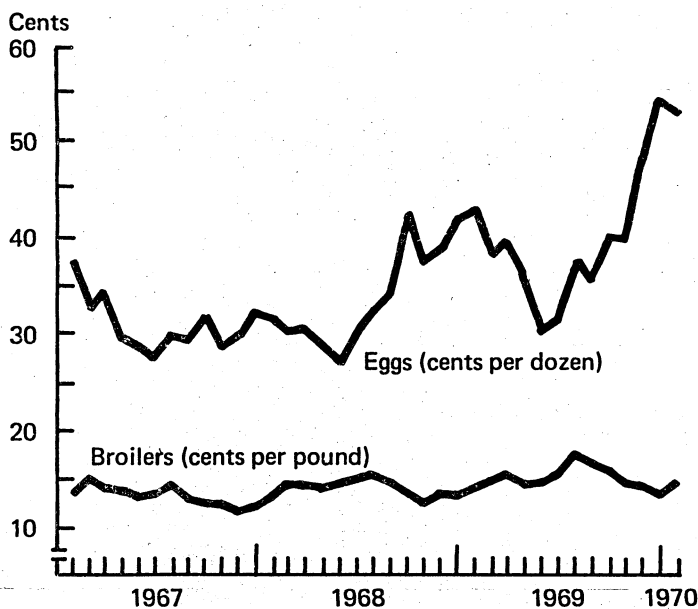


Number 1051

POULTRY AND EGG PRICES in recent weeks have been the highest in several years. Ready-to-cook broiler prices at Chicago averaged 2 percent above last year and wholesale eggs—at 60 cents a dozen—were 12 cents higher than a year ago. This is a continuation of the 1969 rise in prices of poultry and eggs and most other animal products.

Broiler prices averaged about 5 percent higher in 1969, despite a 9 percent increase in slaughter. Wholesale egg prices also averaged 5 percent higher, while production was only slightly below a year earlier.

Higher Farm Prices for Poultry and Eggs



Average prices received by farmers.

The increased prices for poultry reflect the strong consumer demand for meat resulting from high employment and increased consumer incomes. But the higher egg prices may not reflect the true supply and demand situation. Criticism of egg pricing practices has been voiced in the past and is again being heard. During the past week, the Chicago Mercantile Exchange announced it will discontinue its present form of trading in the cash market for eggs as soon as a suitable substitute market can be devised.

Since the 1950s, an increasing volume of eggs has been bypassing the wholesale markets. Large scale specialized egg producing units resembling factory production systems have developed. Some of these units are operated by specialized egg producer-distributors; others are run by firms with other

interests—primarily feed manufacturers and food retailers. As a result, eggs have been going directly from producers and distributors to the warehouses of retailers. Today most eggs are marketed in this manner, yet the price is still tied through a formula system to the relatively few cash transactions at key wholesale markets, primarily the New York Mercantile Exchange. As early as 1952, producers became dissatisfied with the results of this system and formed an egg marketing cooperative. The main function of this cooperative was to buy eggs on the New York market, thereby supporting the price. According to the Department of Agriculture, the cooperative has been the largest buyer on the market and there are only a few dominant sellers.

Poultry and eggs are not major commodities in the states of the Seventh District—accounting for less than 9 percent of farm cash receipts. But, nevertheless, poultry supplies and prices are important to cattle and hog producers since chicken competes with beef and pork for a share of the consumer's outlay on meat. Per capita poultry consumption increased nearly 2 pounds in 1969 primarily because of increased supplies, while beef output and consumption was about the same as a year ago, and pork production and consumption was lower.

During the 1960s, annual per capita consumption of poultry increased 13 pounds to over 37 pounds per person. Beef and veal consumption went up nearly 22 pounds to 113 pounds per person. Per capita pork consumption, while fluctuating widely during the 1960s, at 65 pounds in 1969 was about the same as in 1960. Consumption of eggs declined steadily in the past ten years from 334 eggs per person in 1960 to 313 eggs per person in 1969.

Production of both eggs and poultry are expected to increase in 1970. Prices of eggs to farmers are expected to average about 2 cents a dozen lower than in 1969, and broiler prices are also expected to be lower. Per capita consumption of poultry will likely increase further in 1970, especially if the general economy slows and consumers begin to turn to lower priced meats.

Dennis B. Sharpe
Agricultural Economist

FARM BUSINESS CONDITIONS

ITEMS	1969		1968
	November	October	November
PRICES:			
Received by farmers (1957-59=100)	118	115	108
Paid by farmers (1957-59=100)	129	128	123
Parity price ratio (1910-14=100)	76	74	73
Wholesale, all commodities (1957-59=100)	114.7	114.0	109.5
Paid by consumers (1957-59=100)	130.5	129.8	123.4
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.41	1.36	1.32
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.18	1.21	1.15
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.61	.60	.68
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.42	2.38	2.53
Hogs, barrows and gilts, Chicago (dol. per cwt.)	26.17	26.13	18.35
Beef steers, choice grade, Chicago (dol. per cwt.)	28.66	28.59	28.46
Milk, wholesale, U. S. (dol. per cwt.)	5.88	5.77	5.68
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.70	.70	.67
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.13
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.49	.40	.39
Milk cows, U. S. (dol. per head)	308	308	282
Farm labor, U. S. (dol. per week without board)	--	72.75 ^P	--
Factory labor, U. S. (dol. earned per week)	132.36 ^P	132.28 ^P	125.97
PRODUCTION:			
Industrial, physical volume (1957-59=100)	171.1	173.1	167.4
Farm marketings, physical volume (1957-59=100)	170	185	174
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	767.4	763.7	711.5
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	55.5	50.8	45.3
EMPLOYMENT:			
Farm (millions)	3.3	3.3	3.6
Nonagricultural (millions)	75.4	75.1	73.0
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	142.4	140.4	138.8
Nonagricultural banks (1957-59=100)	134.1	127.8	128.9
Time deposits:			
Agricultural banks (1957-59=100)	341.0	339.5	309.5
Nonagricultural banks (1957-59=100)	301.8	304.3	324.9
¹ Based on estimated monthly income. ^P Preliminary.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.