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Organic Poultry Gaining in Specialty Market Competition

Eggs and poultry are now among the fastest growing organic food products in the U.S., despite high feed costs and other challenges in production and marketing. Industry analysts estimate that organic poultry and egg sales reached \$161 million each in 2005. Although organic poultry and egg sales are still under 1 percent of total sales, organic egg sales are expected to rise nearly 40 percent and poultry sales to more than triple by the end of the decade.

According to national surveys, concerns regarding health issues, the environment, and animal welfare are driving a growing number of consumers to seek organic poultry and eggs. While eco-labels for poultry and eggs—such as free range, natural, cage-free, and no antibiotics—have proliferated for years, only the organic label is regulated by USDA and addresses the range of concerns cited by consumers.

Although certified organic poultry nearly quadrupled in the U.S. between 2000 and 2005, to over 13 million certified birds, supply still trails demand. The result has been very high price premiums for organic poultry and eggs. Analysis of prices paid for organic poultry or eggs by the “first receiver” (such as a retailer, distributor, or manufacturer) between 2004 and mid-2006 showed average price premiums of 200 percent for organic broilers and 278 percent for organic eggs. Between July 2004 and June 2006, prices for organic broilers and eggs held steady at an average of \$2.17 per pound and \$2.34 per dozen.

One possible reason why organic prices have remained unchanged at such high levels is the existence of formal or informal contracts between poultry and egg companies and first receivers.

Given the tight supply and growing consumer demand, first receivers are likely willing to pay high prices to secure a steady supply.

Another reason for the high price premiums is the higher production costs. The primary difference between organic and conventional is the expense of organic feed, which can cost 50-100 percent or more than conventional feed, and account for up to 70 percent of the cost of raising organic chickens. Other factors behind the high premiums may be smaller flock sizes, higher costs for replacement pullets, and the longer production cycles in some organic poultry systems.

At least in the near term, price premiums will remain high as production struggles to catch up with demand. High costs and shortages of organic feed grains, along with a lack of processing capacity, are limiting the short-term expansion of the organic poultry and egg sector. **W**

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This finding is drawn from . . .

Organic Poultry and Eggs Capture High Price Premiums and Growing Share of Specialty Markets, by Lydia Oberholtzer, Catherine Greene, and Enrique Lopez, LDP-M-150-01, USDA, Economic Research Service, December 2006, available at: www.ers.usda.gov/publications/ldp/2006/12dec/ldpm15001/

ERS Data on Organic Farmgate and Wholesale Prices,
www.ers.usda.gov/data/organicprices/