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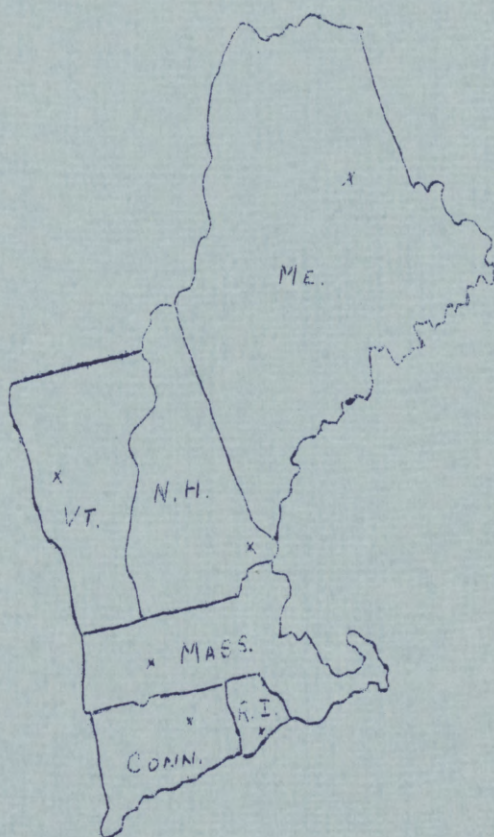
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## INTEGRATION IN POULTRY INDUSTRY

Gilman Sylvester  
United Co-op Farmers, Inc.  
Fitchburg, Massachusetts

First of all, let me make a confession. Making speeches is not my line. However, I have seen and felt the impact of integration on the poultry industry in New England. I have read many articles on the problem and their varied opinions, both for and against, and their suggested cures, even to the passing of a law to force the industry to deintegrate before disintegration destroys the industry as we know it. I, too, must say a few words.

Fortunately, I have had the opportunity to spend many hours each week visiting poultry farms, buying poultry from independents, visiting our own contract growers, working with other integrated operators, knowing some of the problems of our feed mill and, most of all, the endless headaches of our poultry processing plant. Consequently, this is my personal opinion only.

We all earn the right to criticize and suggest by first making up our minds as to what is our goal. We must know what it is that we want to achieve. Until that frame of mind is established, no particular idea can be evaluated, no program judged. We have to know what we are trying to do before we can decide whether we are doing it well. This is the light in which we must view integration in the poultry industry in New England.

First of all, let us examine who is involved in this integration and what each is trying to do. The hatchery operator is first either with his own breeders or contractors to provide hatching eggs. He must have a baby chick outlet. It is a year-round business with a hatch coming each week and with a large overhead. There is but one answer--volume. That is the hatchery's key to integration--a volume of top quality chicks at a competitive price.

But they must have a home and now we come to the individual of whom so much has been written on this subject--the New England poultry grower. We all know what he is trying to do and that he wants to do his best. His position is the foundation for the house of integration and it must be solid. So, if any integrated operation is going to survive it must give the grower his due, which must include not only a fair labor return, but also allowance for depreciation and interest on capital investment. This can be done in several ways--a bonus for superior feed conversion, or a share in profits when market prices top a specified minimum. Whatever the case may be, the grower should have an incentive to produce the best quality at a competitive cost.

Of course, the chicks need feed and the feed mill operator like the hatchery man is only too glad to finance this cost in conjunction with the hatchery. This seems to be the answer to his tonnage problem and will help keep down the overhead. Now this requires considerable cash, due to the fact that feed costs amount to 60-68 percent of out-of-pocket cost for producing chicks. For this reason the feed mill naturally plays a vital part in these operations.

Next in line we find the processing plants all geared to high production and in the same boat as the hatchery and feed mill. It's a natural. They need a constant supply of top quality, uniform packed poultry, for two reasons, first to keep their employees busy and second, to give their customers the same package each week. How can they do this? Of course the answer is integration.

In some cases we have vertical integration, which is the bringing together under one management two or more of these various operations. But then you ask the question, "How did this come about?" This seems to be the answer.

The poultry industry operating on a free market has been subject to somewhat irregular three-year cycles of highs and lows. The slump that has us bogged down at present is probably the most severe and protracted the industry has known. The desperate situation that has had even long established poultrymen struggling for survival has forced to the front a revolutionary solution--integration.

By now you no doubt realize that I feel favorably towards integration so I will cite a few more possible advantages.

1. The possibility of greater efficiency in larger operations.
2. The opportunity to absorb a loss in one operation by a profit in another. As my example, the profit made by one's own feed mill might be enough to balance the loss in broilers on a low market.
3. The chance of employing over-all management of a much higher grade.
4. The greater opportunity of coordinating the various parts of the industry when under one management rather than operating independently and separately.

I also think it is obvious in following through the various operations that no phase can operate inefficiently without creating a drag on all other phases. It is equally obvious that once the integration gets started it is difficult to slow it down. However, this is true for independent operations that depend upon one another.

Can the integration system operate more efficiently? If can to the extent that there is a smoother flow of product from the breeder flock through the processing line. It can to the extent that an efficient manager can oversee and advise less well-trained personnel that are in charge of the separate operations. I want to emphasize, however, that individual managers must still handle each operation. The end result of these new levels of efficiency would be a major contribution to consumers. Not only would they be getting their poultry at lower prices, but surely better quality.

To be sure, there are disadvantages to integration, no doubt too numerous to mention. So in that respect might I say at this time, your only salvation then is to join the Co-ops and get in on the ground floor.

In closing, I would like to say that we have our own feed mill, growing program, processing plant, and egg receiving station. To date, we are integrated only in the broiler production end and not in eggs.

Whether integration is a good or bad thing, the New England poultry industry has within itself the resources for cleaning its own house and solving its own problems. The experience of 25 years with supports has shown that running to Uncle Sam for aid only gums up the works and provides no final cure. In a free economy, integration must prove itself if it is to take over an appreciable part of the poultry industry, which it seems to be doing. There is no question that farmers will find opportunities, doubtless greater ones, in the integration system.