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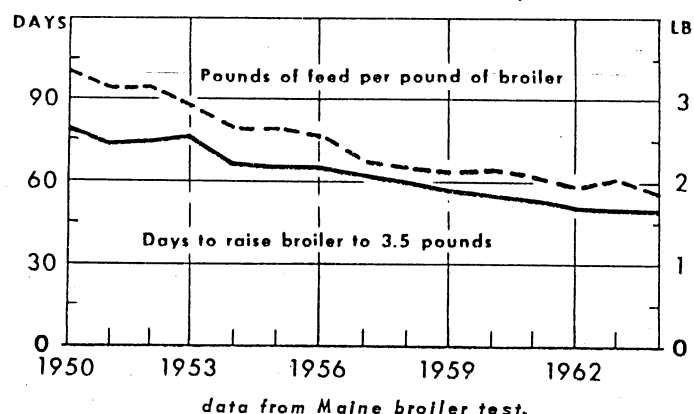
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Federal Reserve Bank of Chicago - -

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THE BROILER INDUSTRY has changed rapidly in recent years in line with the trend to greater efficiency and larger operations common to much of the agricultural sector. The number of poultry farms has dwindled sharply, with those remaining being both much larger and more highly integrated with processors and feed manufacturers than previously. Greatly improved efficiency has substantially lowered the cost of producing broilers, permitting markedly lower prices for consumers.

Substantial Gains Achieved in Broiler Production Efficiency



The dramatic gains achieved in broiler production efficiency over the past several years are illustrated by data from the Maine broiler performance test. Since 1950, the feed required for each pound of gain under test conditions has been trimmed from 3.3 pounds to less than 2 pounds in 1964 and the time needed to raise a live broiler to 3.5 pounds has been cut from about 11 weeks to about 7 weeks during the same period. While these results are better than those achieved by most commercial operations, they do indicate what can be done in terms of increased efficiency through the adoption of innovations in nutrition, breeding and disease control.

Sustained expansion of output despite substantial price declines during the past decade indicates that poultrymen have been utilizing many of these developments. Broiler production increased almost steadily from the end of World War II through 1961, with the most rapid expansion occurring during the last 10 years. During the period, 1950 through 1961, broiler production more than tripled, while over the same interval, the average annual price of broilers declined from 27 cents to 14 cents per pound. Since 1961, broiler production and prices have alternately risen and declined but the trend has clearly been in the direction of higher production and lower prices.

Broiler prices in the 12-month period ended June 1964 were near a record low, averaging 14 cents per pound or more than a cent below the corresponding year-earlier level. During the second quarter of 1964, prices declined to about 13.7 cents per pound, reflecting greater



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supplies of competitive meats as well as larger broiler production. Red meat and broilers have been in abundant supply for the past several months; in the second quarter, red meat production exceeded the year-ago level by 9 per cent and the slaughter of young chickens was up 7 per cent.

Broiler prices have improved somewhat in recent weeks, reflecting reduced placements of broiler chicks during the second quarter and the subsequent reduction in broiler production. Production in the latter weeks of July was down 1 per cent from year earlier and prices averaged about 14.8 cents per pound. This improvement in prices may, however, be short lived. Egg settings for broiler chick hatch and placements of broiler chicks—apparently spurred by higher prices—have been stepped up in recent weeks. In the three weeks ended August 1, chick placements in 22 states exceeded the year-earlier level by about 6 per cent. Eggs set for broiler chick hatch were also 6 per cent greater, indicating that chick placements in the weeks to come will be above year-ago levels. This would point to increased broiler production during the third quarter. Also, although pork production is expected to be smaller than a year ago, larger prospective output of beef and turkey may increase the total supplies of competitive meats. Broiler prices during the fourth quarter, therefore will probably be, on balance, below the 13.9 cents average in the corresponding 1963 period.

United States exports of farm products in the fiscal year just ended rose sharply to a record \$6.1 billion. This was nearly 20 per cent above the record levels of about \$5.1 billion in each of the two previous years. A favorable aspect of the expansion in farm exports was that almost all of the gain was in commodities exported for dollars. Commercial sales of farm commodities for dollars rose to a record \$4.6 from \$3.6 billion in 1963 and also increased as a proportion of total agricultural exports to about 75 per cent from less than 70 per cent in each of the three preceding years. Shipments under Government-financed programs totaled \$1.5 billion or about the same as in 1963.

Prospects for continued high levels of agricultural exports appear to be good although not as favorable as in the past year: The Soviet Union will probably not be purchasing wheat from the United States and grain purchases by western European countries are likely to be smaller because of better crops this year.

Roby L. Sloan
Agricultural Economist