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THE OUTLOOK FOR EGGS AND POULTRY IN 1953

Statement presented by Edward Karpoff, at the 30th  
Annual Agricultural Outlook Conference, Washington,  
D. C., October 22, 1952

The current year has not been a good year for egg producers. For most turkey producers, marketings made in November and December will largely determine how good a year it will be; but the experience to date of year-round producers of small turkeys has been less favorable than last year. Broiler producers, despite their ups and downs, have fared moderately well so far in 1952.

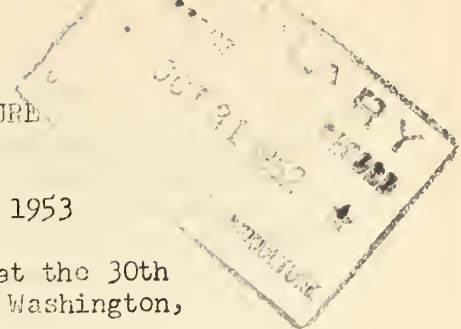
For egg producers, the prospect that I am going to outline is a definite improvement from 1952. For broiler growers, on the average I expect a slight decline in profits. For turkey producers, the outlook for 1952 marketings is from some increase in turkey prices between now and the holidays; but the rises are not likely to carry prices to last year's levels. If this expectation materializes, fewer turkeys will be grown in 1953, and probably they will sell at higher prices than in 1952.

In the meetings yesterday and the day before we have heard that economic conditions for the next 10 to 12 months are expected to remain good. That is the most important factor governing the poultryman's economic outlook, since it is an index to the general conditions of consumer demand which are expected for 1953.

Against an expected good consumer demand in 1953, we will have a reduced supply of eggs. On October 1, there were 10 percent fewer pullets on farms than a year earlier. Together with the hens that will be kept for a second laying year, these pullets will probably result in 2 to 4 percent fewer layers and potential layers on farms January 1, 1953 than a year earlier. Even allowing for some increase in rate of lay, this suggests a smaller 1953 egg output than 1952's record high production.

Compared with 1952, the reduction in 1953 egg production is likely to be most pronounced in March, April, and May, which normally are among the months of lowest egg prices. In those months, increased hours of daylight boost the rate of egg production per layer to around 60 percent, and it is hard to attain further improvements in that rate. Therefore, year-to-year changes in springtime egg production are likely to reflect changes in numbers of layers on farms, which at that time will still be closely related to the 2 to 4 percent reduction expected for January 1 numbers.

The springtime supply of eggs, slightly smaller than a year earlier, will be offered in markets that reflect continued business prosperity in the U. S. This supply will have to go around for 2-1/4 million more people



than were in the population a year earlier. However, despite smaller supply and a better demand than in the spring of 1952, there still will be a surplus of eggs in the spring of 1953 beyond the needs for immediate consumption and for hatching. There is such a surplus every year, and it goes into cold storage. What the storers of eggs are willing to pay is a big influence upon springtime egg prices. They are, in effect, the marginal outlet for springtime egg production.

To size up what effects this marginal outlet - storage - might have on 1953 egg prices, let's assume that 1953 egg production in March, April, and May will be 2 percent below 1952. Let's further assume that only the same number of eggs will disappear into consumption channels (this assumes that the increased population will offset some decrease from the record-high per capita consumption, which in turn was associated with very low egg prices this spring). The results of this arithmetic suggest that in the given 3 months of 1953 there will be 1 million cases fewer eggs available for storage --as either shell or frozen--than the 4-1/2 million cases that were stored in the corresponding 3 months of 1952.

Against this reduced supply for storage, I would expect a good demand from breakers and storers of frozen egg, although perhaps a slightly reduced demand from the storers of shell eggs. In 1952, shell eggs were about 40 percent of the peak stored stocks, while frozen were 60 percent.

The expectations for a good demand next spring for eggs for breaking and freezing follow from the premium--which is expected to continue--which frozen egg presently commands over its springtime cost plus storage charges. It also is indicated by the likelihood that by the early spring of 1953, stocks of frozen egg will be down to a lower level than this spring.

Since August the shell egg deal has been less favorable than earlier in the season, but in future years merchants will continue to store shell eggs (a) in anticipation of sharp rises early in future summers, as happened this year, and (b) to have an assured egg supply on hand in order to take care of steady customers, regardless of short-term profit considerations.

Higher egg prices next spring, if they occur as anticipated here, will result in a larger number of chickens being raised in 1953 for laying flock replacement. With feed costs likely to be near to current prices, the egg-feed ratio might be as much as 10 percent above the ratio in the spring of 1952 and the number of chickens raised might increase by as much as 5 percent from 1952's figure of 617 million.

Broiler production probably will increase slightly in 1953, but not by the 9 or 10 percent increase that is in sight for 1952. The slowed rate of increase is expected because producers and financiers are coming to recognize that broiler production is no longer the bonanza that it used to be. After several years in which the annual rate of growth reached 25 percent, the supply of, and demand for, broilers seem to be equated at a



price level which no longer attracts a lot of net new capital to the industry. The opportunities for assured profits through all months of the year no longer exist; at average prices such as the 28-1/2 cent broilers and \$5.50 feed that are about the average that have prevailed so far this year, the producer has to be skilled and efficient to have a chance to make fair profits.

The smaller net growth that is foreseen for the broiler industry, despite the above statement about the degree to which it has matured, is likely to come in areas to which poultry must now be shipped long distances.

In view of the potentially larger broiler supply, and increased competition from red meats, broiler prices in 1953 may average slightly lower than in 1952.

The 1953 turkey outlook is a hard one to discuss in view of the fact that the major part of 1952 marketings have not yet been made. But it seems to me that these remaining 1952 marketings should be made on a rising market. If farmers have adhered to their August intentions, they have already sold a larger proportion of their current turkey crop than was the case last year. In most regions the increase in early sales may have been so great as to leave no more turkeys for November and December sales than were available last year. The two regions that are the clear-cut exceptions, with definitely more late turkeys than last year, are the North and South Atlantic. In the North Atlantic States this excess may not be serious, since the States are a deficit area anyhow.

Turkey prices also are being bolstered by U.S.D.A. purchases, which in mid-October were running at the rate of about 1-1/2 million pounds per week. Cumulative purchases to mid-October, since the program began in September, were 11 million pounds of eviscerated turkeys.

Even if turkey prices improve, there is likely to be a decline in next year's output of both heavy and light breeds of turkeys. Unless price developments of the next few months surprise us, it would seem that the demand which might be expected for next year's crop just doesn't justify a production as large as the 59 million birds being produced this year. Some of the financing agencies that have been behind this year's expansion are reported to have been disappointed with the results, and some reports have it that in 1953 there will be less encouragement from those sources toward an expanded output.

This represents the highlights of the 1953 Outlook issue of The Poultry and Egg Situation, a processed publication issued by the Bureau of Agricultural Economics.