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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR POULTRY AND EGG

Talk by Herman Bluestone  
Economic and Statistical Analysis Division  
at the 43rd Annual Agricultural Outlook Conference  
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Larger broiler and turkey production is in prospect for 1966. Poultry output may expand more rapidly than demand, causing prices to broiler and turkey producers to average lower than in 1965. Per capita consumption of chicken and turkey are expected to reach new highs--exceeding the 33 pounds and 7.4 pounds currently estimated for this year. Egg production, on the other hand, probably will rise only a little from the 1965 level. The increase in eggs may not be great enough to arrest the 14-year decline in per capita consumption. Thus, civilian use next year may be down slightly from the 307 eggs in 1965. Early in 1966, prices to egg producers probably will be well above this year's depressed level, but for the year as a whole may average about the same as in 1965.

The poultry market was unusually strong in 1965, due largely to less competition from red meats and continued growth in the economy. Broiler and turkey producers are selling about 6 percent more poultry this year at prices about 5 percent higher than in 1964. This contrasts sharply with the situation in the previous 2 years when red meat supplies were expanding and increases in broiler production of 4 and 3 percent led to lower broiler prices. Continued strength in poultry prices in 1965 quickened the pace of output expansion as the year progressed. Total poultry production ran only 2 to 3 percent above a year earlier in the first and second quarter. In the third quarter it was up almost 10 percent and in the fourth quarter will be up by an even wider margin.

Broiler production probably will begin 1966 about 10 percent above a year earlier and may continue to run substantially higher than in 1965 through next summer. Larger production is likely to be encouraged by the recently improved financial condition of the industry, by the upturn now under way in layers producing broiler hatching eggs and by the prospect of lower feed prices and a continuing decline in red meat supplies. The increase in broiler output in the first half of 1966 may be so large that broiler prices will average under a year earlier. If these low prices materialize, they would tend to temper the growth in broiler production as the year progressed but probably would not bring expansion to a halt. Moreover, once the production upturn loses steam, it may require a few months for broiler prices to recover. Broiler demand tends to weaken temporarily following a period of rapidly increasing consumption. Also, late in 1966, the decline in red meat production is expected to be reversed.

The indicated number of layers producing broiler hatching eggs in July-September was up 2 percent from the 1964 level; in January-April it will be up 10 percent from a year earlier. There is no fixed relationship between broiler breeders and broilers produced, particularly on the upside. For example, broiler chick hatchings 12 percent above a year earlier in October-December 1965 came from a breeder flock only 2 percent larger. However, once poultrymen have invested in broiler breeders they have an incentive to utilize hatching eggs for chicks as long as the value of the eggs for this use exceeds the price that could be obtained in the table egg market and as long as the value exceeds the variable costs of producing the eggs.

Higher turkey prices and lower feed costs this year appear to have set the stage for a large increase in turkey production in 1966. Farm turkey prices in January-October averaged 22.5 cents per pound compared with 21.2 cents in the like 1965 period. Even though turkey feed prices in 1965 are averaging about the same as in 1964, feed costs per pound of turkey meat produced may be down this year from last as a result of further improvement in feed conversion rates.

Stepped-up hatching activity in recent months, reported intentions to keep more breeder hens, and increases in turkey breeders tested for pullorum disease, all suggest that production expansion for 1966 is already getting started. Poult hatchings in September ran 26 percent above a year earlier and eggs in incubators on October 1 were up 17 percent. Owners of breeder hens reported plans as of October 1 to keep 5 percent more breeders for the 1966 season than in 1965. And so far, intentions to keep more breeders have been confirmed by pullorum testings which were up 40 from a year earlier in July-September. Testings in this 3-month period last year accounted for about one-fifth of July-December testings.

The turkey crop next year will be up substantially from the 103.7 million birds raised in 1965 and probably will exceed the record large crop of 108.1 million birds of 1961. Light breed turkeys may show a greater increase in 1966 than heavy breeds because prices for fryer-roaster turkeys this year were up more than other classes. Intentions to keep breeder hens were up 9 percent for light breeds and 4 percent for heavy breeds. Among the heavy breeds, intentions for white breeds were up 22 percent but for other breeds they were down 13 percent.

The demand for turkey next year may not expand as much as in 1965 despite the prospects for larger exports, some further decline in red meat production and continuing growth in the economy. Turkey exports in January-September totaled 34 million pounds and were 34 percent above that period of 1964. Turkeys will have to face competition from much larger broiler supplies in early 1966. And coming into the main marketing season, consumers will have been eating a record large quantity of poultry which may tend to temper



the holiday turkey demand. Consequently, if turkey production increases as much as expected, 1966 turkey prices to producers probably would average below 1965.

Egg production in 1965 is likely to total about 179 million cases about the same as in 1964 and prices to producers are likely to average about 1 cent per dozen below last year's 33.8 cents. Prices were extremely depressed in the first quarter this year as markets temporarily became oversupplied, as a result of a sudden weather-induced upsurge in the rate of lay. But prices since August have been above a year earlier. This has been mainly the result of the anticipation of smaller egg production this fall and winter than last and procurement of dried egg solids by the Department of Defense.

The low prices early in 1965, following relatively low prices in late 1964, brought about a 7 percent reduction in the number of flock replacement chickens raised in 1965. On October 1 potential layers (layers and pullets not yet of laying age) totaled 374 million compared with 383 million a year earlier. There were 19 million fewer pullets, but 10 million more hens. The number of birds actually in lay totaled 300 million down from 302 million on October 1, 1964. Over the next several months, layer numbers may fall further below a year earlier because of increased liquidation of old flocks. In addition, only a small increase in the rate of lay is likely through mid-1966 because of more hens and fewer pullets in the laying flock and because layer productivity in the spring usually increases very little from year-earlier levels. Consequently, egg production in the first half of 1966 is likely to be down a little from a year earlier.

The marginal factor in egg production in the second half of 1966 is the number of replacement chicks hatched over the next 6 or 7 months. In July-September, hatchings of replacement pullets totaled 53.0 million, up from 51.5 million in July-September 1964. Eggs in incubators on October 1 for egg-type chicks were up 7 percent. Higher egg prices in prospect this fall and winter, together with lower feed prices, are likely to keep hatchings larger than a year earlier over the next several months. This would lead to a larger, younger and more productive national laying flock than in the second half of 1965. Consequently, egg production in July-December 1966 likely would be up from the second half of this year. By the end of 1966, output may be up more than 2 percent.

Reflecting shrinking production relative to the 1965 level, and the impact of continuing dried egg solids purchases by the Department of Defense, egg prices are likely to begin 1966 about 5 cents per dozen above the low levels of a year earlier. However, next spring egg production, as usual, will exceed consumption. During this period, the price of eggs is largely determined by the demand for storage which in turn depends on the expected spring-to-fall rise in egg and egg product prices. Therefore, if expanded chick hatchings over the next few months strengthen the expectation of

relatively large egg production and lower prices late in 1966, farm egg prices will be under pressure next spring. They may decline seasonally to around the year-earlier average of 30.7 cents per dozen. While egg prices next spring will depend largely on the expected seasonal rise in egg product prices, prices in the second half will be influenced mostly by actual market supplies during this period. Thus, if the prospective upturn in egg production in the second half of 1966 occurs, the expanding supplies probably would limit the usual spring-to-fall rise in egg prices. Consequently, by the fourth quarter of next year, egg prices probably would be below the year-earlier level.