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United States Department of Agriculture
Economic Research Service

OUTLOOK FOR POULTRY AND EGGS IN 1967

Talk by Herman Bluestone

Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C. 10:50 A.M., Wednesday, November 16, 1966

Increased production of eggs and poultry is in prospect for 1967. Egg production, which this year totaled the same as last year, may show the largest rise in more than a decade. The increase likely will be large enough to temporarily reverse the 15-year downtrend in per capita egg consumption. Broiler output likely will continue increasing about as fast as in 1965 and 1966--5 to 10 percent. Growth in turkey production in 1967 probably will not match the 11 percent gain in 1966, but should be in line with the average increase of the 2 preceding years--or around 5 percent.

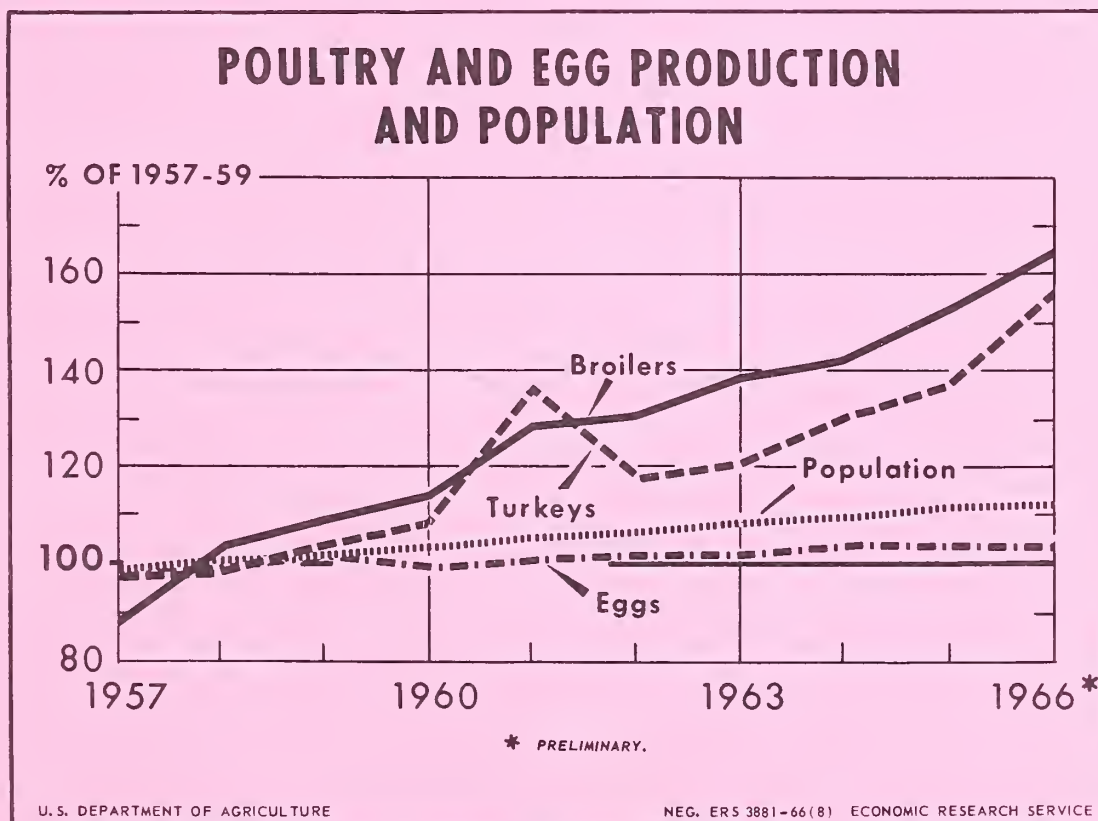


Figure 1

In expanding output, poultrymen are responding to an extended period of favorable prices. Until recently, and except for some earlier weakness last fall, broiler prices had been rising for more than 2 years. Turkey prices also rose in 1965 and 1966. Strength in 1965 egg prices didn't develop until the second half of the year, but in 1966 they have averaged the highest since 1958.

Price improvement for poultry was primarily the result of rapidly increasing consumer incomes, particularly in the low income groups, reduced supplies of red meat and increased military takings. The price rise for eggs also reflected smaller egg supplies during the first 8 months of 1966 compared with a year earlier.

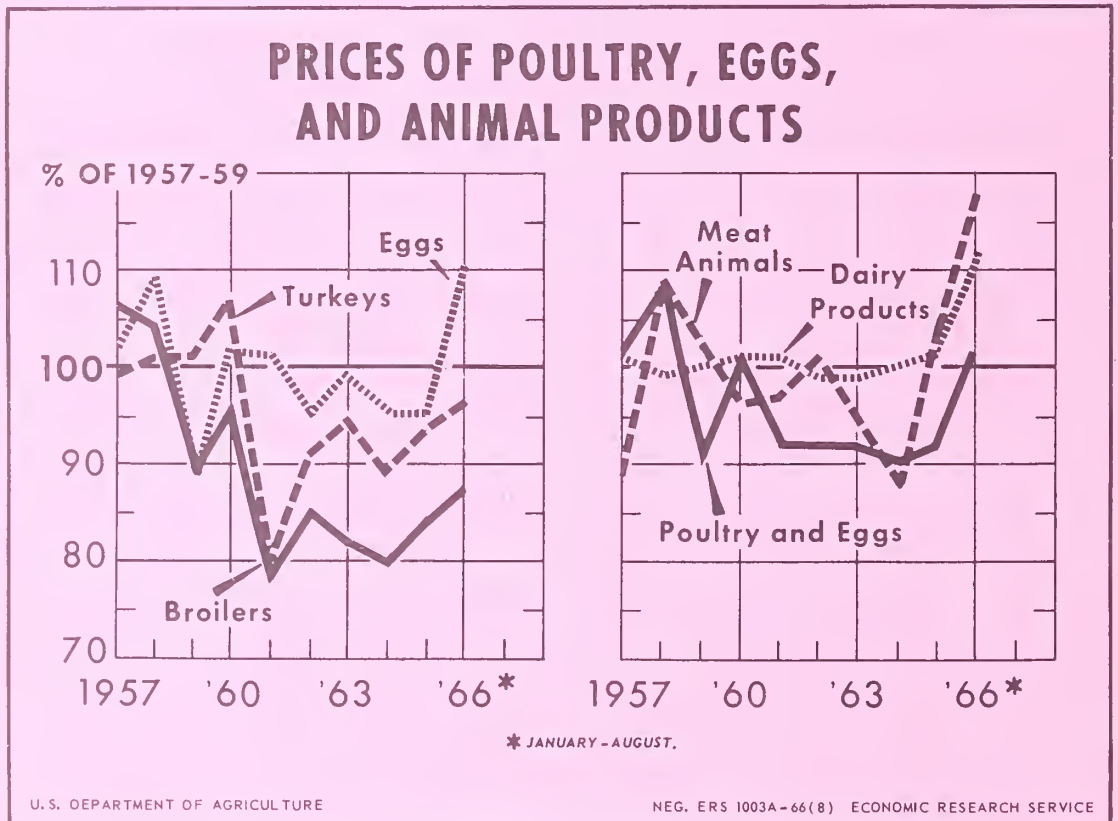


Figure 2

However, in recent months prices for a number high protein foods--broilers, eggs, pork and beef--have declined. Combined production of all these foods now appears to be increasing more rapidly than demand. This trend is expected to continue into early 1967 as expansion in total high protein food production gather momentum. Consequently, prices for poultry and eggs likely will average below a year earlier at least during the first half of 1967.

The lower prices could lead to some further pick up in exports of poultry and poultry products. This year, the strong domestic demand tended to hold back expansion in poultry exports.

In the second half of 1967, growth in total production of animal products may slow down as the uptrend in poultry and egg production is dampened by the lower prices and higher production costs (especially higher feed costs) that are likely to prevail over the next 5 to 7 months. If beef production declines sharply after midyear, as expected, total per capita supplies of high protein foods may actually be smaller than a year ago in the second half of 1967. Thus, prices for poultry and eggs probably will begin 1967 much below the 1966 level but likely will strengthen later in the year.

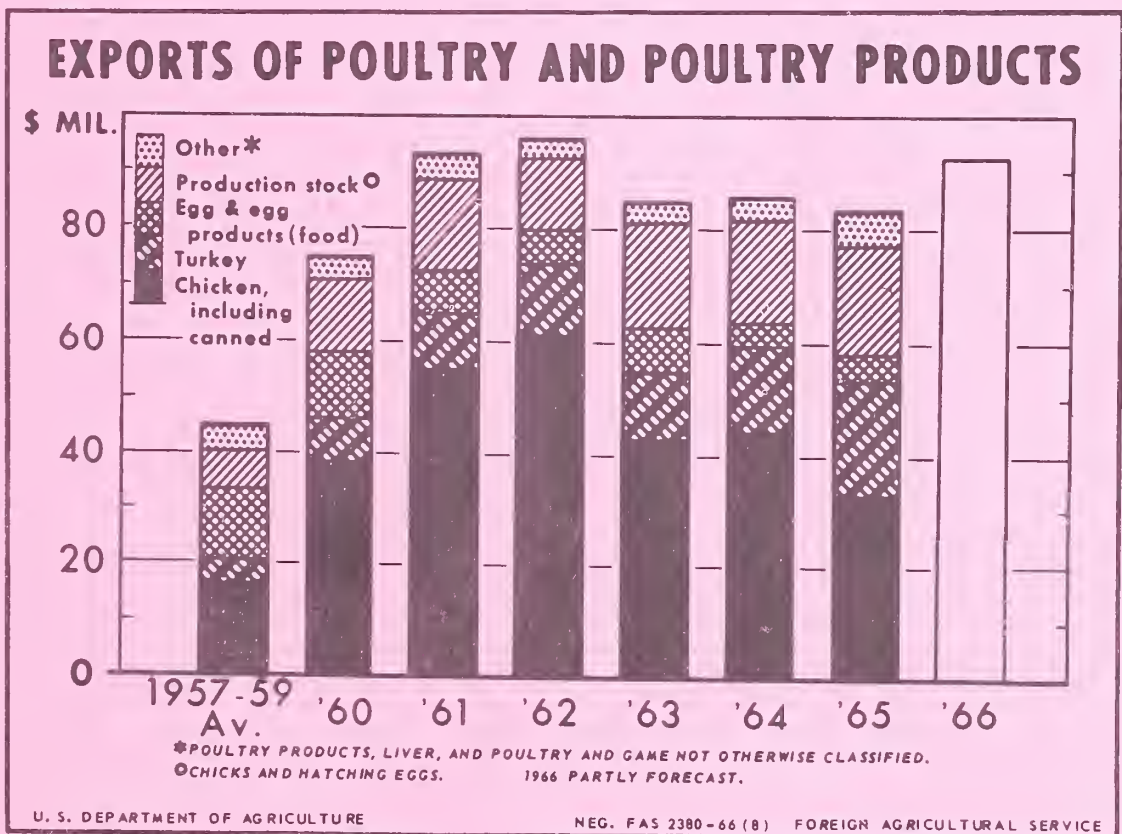


Figure 3

Egg production in 1967 may exceed the 182 million cases in 1966 by around 3 percent. Output during the first quarter of 1967 could be up as much as 5 percent above a year earlier, barring unusually severe weather.

The increase in egg production will result from the buildup now underway in laying flocks. Not only will the influx of new pullets enlarge the number of layers in coming months but, since pullets are more productive than hens, it likely will bring about a larger than average improvement in the rate of lay in 1967, especially during the first quarter of the year. In 1961-65, the rate of lay increased about 1 percent per year.

At the beginning of October, 386 million potential layers on farms were 4 percent more than on that date last year. Of this total, 58 percent were pullets, up from 52 percent on October 1, 1965. Most of the gain from a year earlier in potential layers should carry through to the early 1967 number of actual layers, and the record large hatches of replacement chicks of recent months probably will keep the Nation's flock larger and younger than a year earlier--at least through next summer.

Even if the hatch of replacement chicks were reduced sharply below a year earlier next spring, this would not begin to reverse the uptrend in egg production until the fourth quarter of 1967.

U. S. farm egg prices declined to 41.1 cents per dozen in mid-October from the mid-September peak of 42.5 cents, as egg production rose more than seasonally. The October price, however, was still 4.1 cents above a year earlier.

The uptrend in production and the downtrend in prices are expected to continue over the next 6 to 7 months. Egg prices to producers during the first quarter of 1967 are likely to average much below current levels--perhaps more than 5 cents per dozen below the relatively high prices of January-March 1966.

If egg production expands as expected, egg prices could run below the 1966 level through 1967, although the difference probably would narrow as the year progressed.

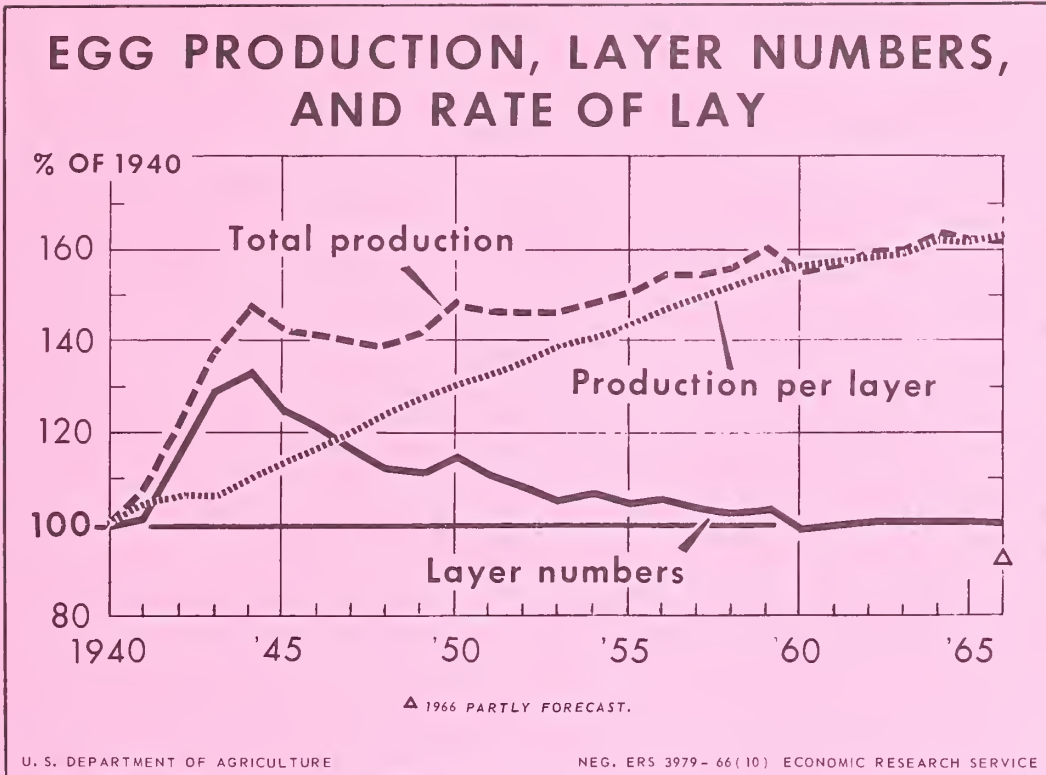


Figure 4

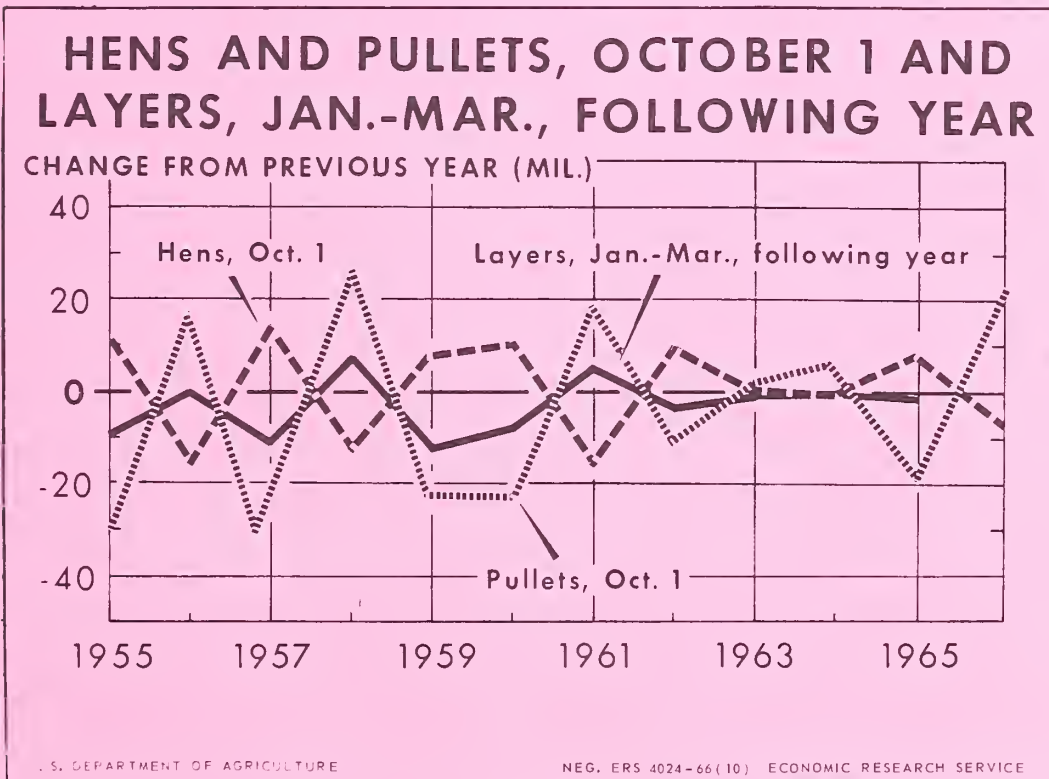


Figure 5

Hatchery activity over the past few weeks suggests that broiler production at the start of 1967 will be 5 to 10 percent above the 1966 level. Broiler output likely will continue well above the 1966 level in early 1967 because hatchery supply flocks will be expanding. In recent months, the Nation's broiler breeder flock was probably about 10 percent larger than a year earlier but early in 1967 it will be up about 15 to 20 percent.

Once investments have been made in hatchery supply flocks, most firms find it advantageous to utilize eggs from these flocks as long as broiler prices at least cover variable costs. Only when table egg prices are unusually high as they have been in recent months does it pay to divert large quantities of hatching eggs to market egg channels. Thus, with the lower level of egg prices in prospect for coming months, broiler firms, even if they expect prices to fall sharply, probably will only make marginal downward adjustments in broiler production unless they believe prices will fall and remain below marginal costs. Such adjustments include selling of supply flocks somewhat earlier than usual and setting only larger and higher quality hatching eggs, but exclude sizable liquidation of hatchery supply flocks such as occurred in 1961.

If firms expect demand to continue weak, they will reduce chick placements for supply flocks, but this adjustment requires about 7 months to take effect.

Broiler output in January-June likely will be up substantially from a year earlier but not as much as the 15 to 20 percent rise in broiler breeders. In the second half, the broiler industry probably will be in a better position to adjust production downward because the uptrend in pullet chick placements for hatchery supply flocks is likely to be reversed in coming months.

U. S. live broiler prices fell from 14.8 cents per pound in September to 13.3 cents in October as broiler demand declined seasonally and as competition from rising supplies of pork intensified. The October prices was .9 cent below a year earlier. Live prices in the first half of 1967 are expected to average more than 10 percent below the 16.4 cents per pound in January-June 1966. But, if the pace of output expansion slows later in the year, as expected, prices are likely to recover to 1966 levels.

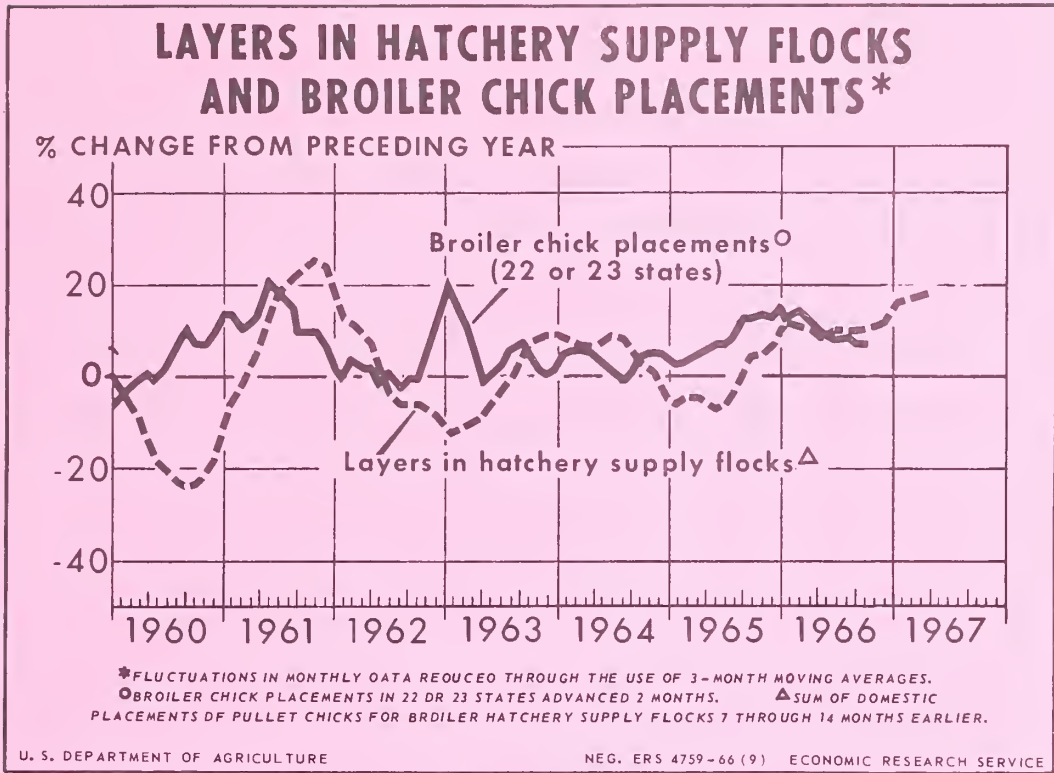


Figure 6

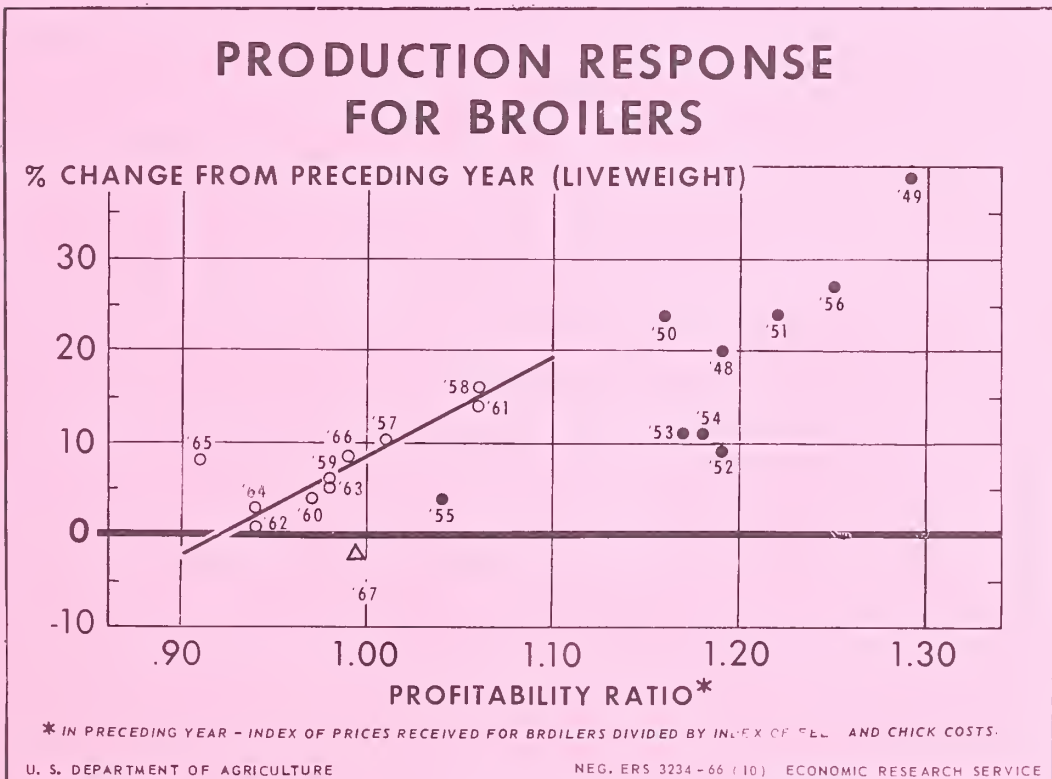


Figure 7

The turkey industry also appears to be gearing up for another increase in output in 1967. September hatchings and October 1 eggs in incubators, which will provide turkeys to be marketed early next year, although seasonally small, were up a tenth from a year earlier. Owners of turkey breeder hens, as of October 1, reported plans to keep 4 percent more breeders at the beginning of the 1967 hatching season than in 1966. So far this season--in July-September--intentions to keep more breeders have been borne out by the large increase over a year ago in the number of turkeys tested for pullorum disease by State Agencies. An increase in turkey production of around 5 percent would also be the expected response to the level of profitability of turkey production estimated for 1966.

Turkey prices early in 1967 are expected to run much below a year earlier because of greater competition from other foods. Fryer-roaster turkeys and hen turkeys which compete more directly with other meats are likely to be affected most. Tom prices early next year probably will continue benefitting from further growth in the demand for convenience foods that use turkey meat. The large expansion in prospect for poultry consumption in early 1967 and increasing pork production throughout the year also are expected to limit growth in demand for turkeys to be consumed next fall.

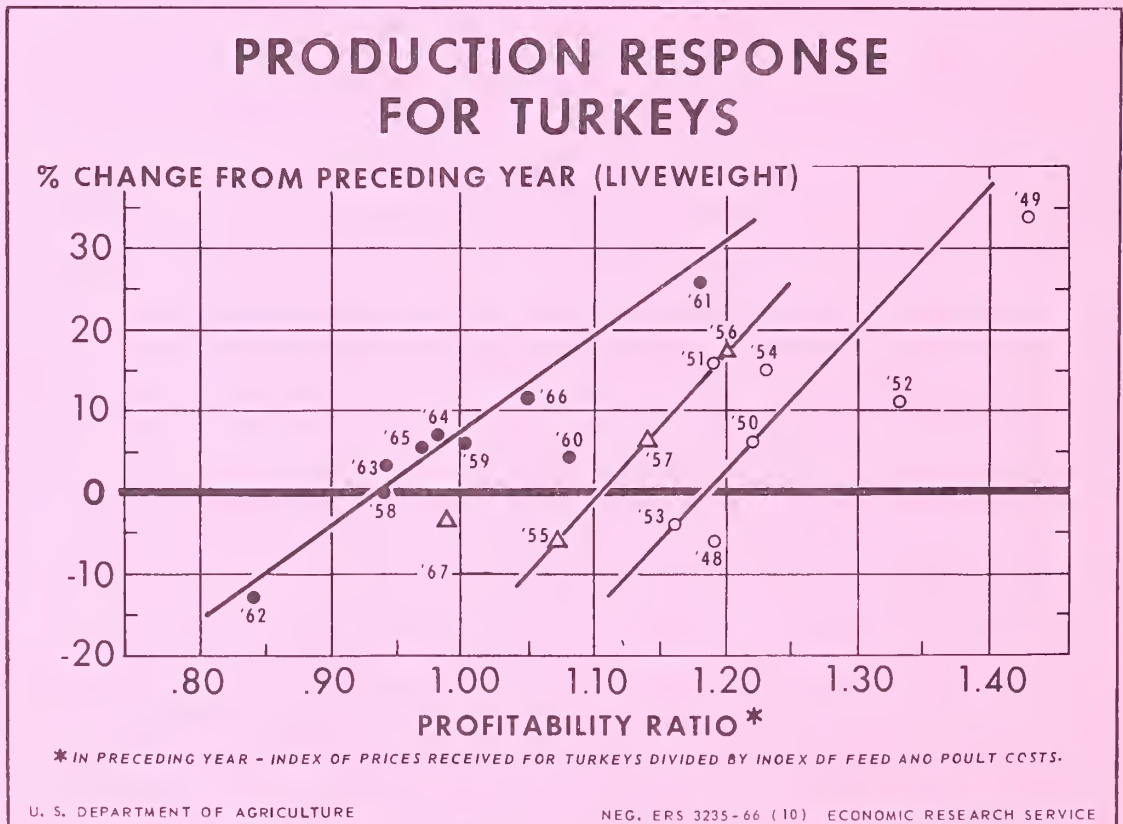


Figure 8