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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR POULTRY AND EGGS

Talk by William E. Cathcart
Economic and Statistical Analysis Division
at the 1973 National Agricultural Outlook Conference
Washington, D. C., 1:45 p.m., Tuesday, February 20, 1973

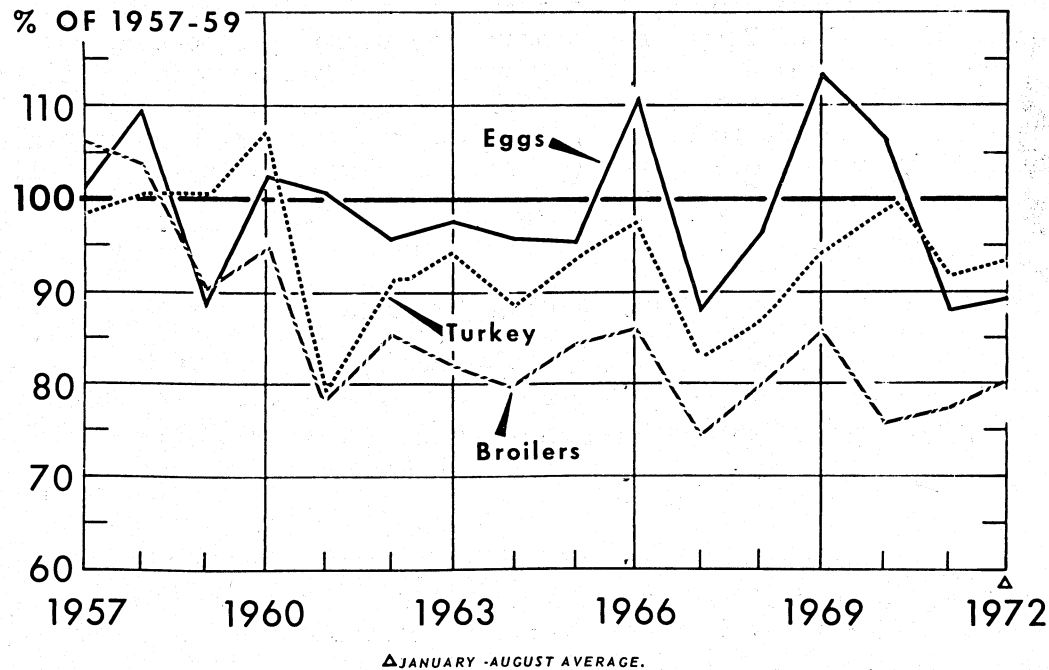
A year ago, I candled the outlook for 1972. And what I saw, essentially, was that 1972 would turn out to be a little brighter for producers. Broiler and turkey production would increase, while egg output would ease. I suggested prices would be higher for both poultry and eggs.

Although fluctuating, prices for broilers and turkey were higher but egg prices didn't make it over 1971 levels until November. The heavy output and higher prices for poultry did brighten the income picture, sending broiler and turkey income to record levels. This does not necessarily mean that net income was higher. Feed costs were lower in the first half of 1972 but increased sharply in the second half. In addition, costs of most other production items were higher in 1972.

Now let's put the outlook for 1973 in the candling machine. Prospects for this year again are favorable for poultry and egg producers but the demand for broilers and turkeys may not be as strong in the second half as in 1972. Consumer demand will be strengthened by growing consumer incomes and more people employed than ever before. Red meat prices will stay relatively high, especially in the first half. However, increasing red meat supplies during the second half of the year will mean greater competition for poultry. With only small to moderate increases in broiler and turkey output, prices for most of this year likely will be above 1972. Egg prices, currently well above 1972's low levels, will decline seasonally this spring but continue substantially higher through the spring and summer.

Cost of producing poultry and eggs during most of 1973 will be well above 1972, largely as a result of sharply higher feed costs. Strong domestic and export demand for grains and soybeans and limited availability of fish meal pushed up poultry feed prices sharply in the last quarter of 1972 despite large 1972 corn and soybean crops. Feed costs are expected to stay well above 1972, at least until prospects for the 1973 crops are firmed up. Costs of most other production items are likely to continue the upward trend of recent years. In mid-January the index of prices paid by farmers for production items, including interest, taxes, and wage rates, was 12 percent above mid-January 1972.

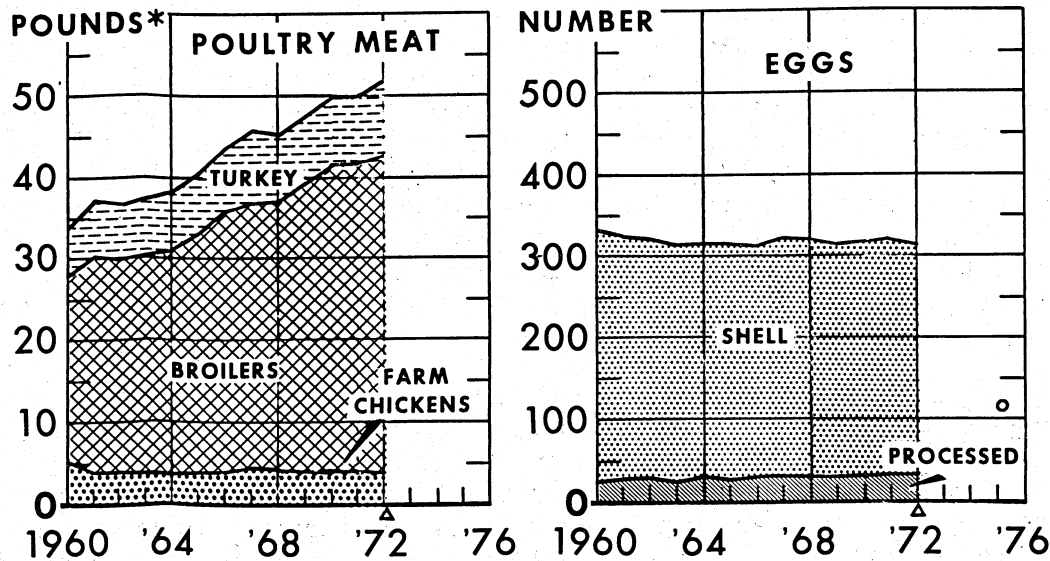
PRICES OF POULTRY AND EGGS



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PER CAPITA CONSUMPTION OF POULTRY AND EGGS



*READY -TO -COOK WEIGHT. ○ CONVERTED TO SHELL EQUIVALENT. △ ESTIMATED.

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Consumption of poultry and red meats in 1972 totaled 241 pounds per person, down about 1 pound from 1971 as a result of lagging pork output. Chicken consumption gained $1\frac{1}{2}$ pounds to nearly 43 pounds per person, and turkey was up a half pound to a record 9 pounds. The previous record turkey consumption was 8.6 pounds per person in 1967. Beef and veal use was up a little more than two pounds to 118 pounds per person while pork consumption slipped nearly 6 pounds to 67.4 pounds. Lamb and mutton eating gained slightly to 3.3 pounds.

Eggs

Egg output for 1973 likely will total moderately below the 197 million cases produced in 1972 and the record 199 million cases produced in 1971. Production has been below year-earlier levels since last April. Previously production had been above the same months a year earlier since May 1969. Lower 1972 production resulted because there were fewer layers in the flock throughout the year, although there was a 2 percent increase in productivity.

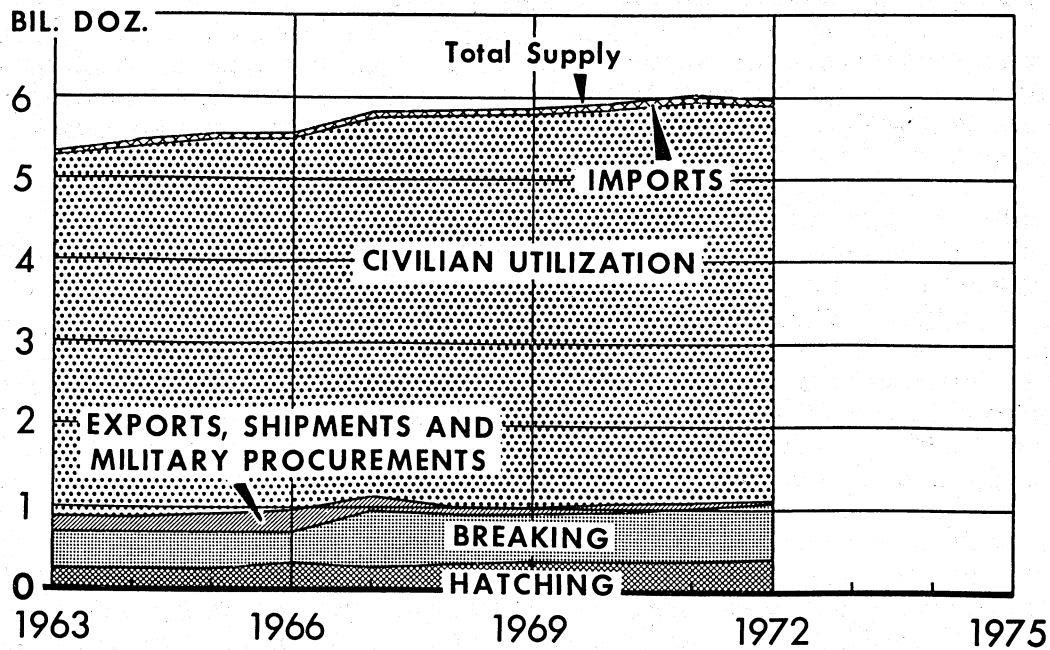
Large egg supplies and depressed prices during much of 1972 caused producers to place fewer pullets in their laying flocks and cull heavier during the first 8 months of the year. In addition, large numbers of hens were eliminated from the laying flock, primarily in California, in the effort to control the outbreak of Exotic Newcastle disease. Many of these have not yet been replaced. The U.S. laying flock was smaller throughout 1972 and on January 1 this year totaled 308 million layer, 21 million less than on January 1, 1972. On December 1, 1972, as a result of reduced hatchery activity last summer, there were nearly 2 million less replacement pullets than on December 1, 1971. However, this decline was largely offset by an increase of about 2 million pullets under 3 months old on December 1. The replacement egg-type chick hatch during December was up 4 percent but the number of eggs in incubators on January 1 was 3 percent below a year earlier. Thus, pullets available for flock replacement during the first half of 1973 will be about the same as in the like period of 1972.

The laying flock size will draw near to year earlier levels as 1973 progresses. As we move through the year flock size likely will stabilize and begin to trend upward relative to a year earlier. Through mid-1973, any increase in flock size relative to 1972 will largely have to come from reduced culling and increased forced molting. Higher egg prices likely will hold culling of old flocks well below 1972 when culling was heavy because of depressed egg prices. Also, many flocks that normally would go to slaughter this year will be molted. At the start of this year the number of molted layers in California and Washington had been molted at least once.

A smaller laying flock will hold 1973 egg output moderately below 1972. Output early this year will be down 5 percent or more, but it will gain relative to 1972 as the year progresses and may average near a year earlier in the closing months of 1973.

Egg consumption in 1972 totaled around 315 eggs per person, 7 fewer than in 1971 and the lowest on record. Each person used an average of 277 shell eggs

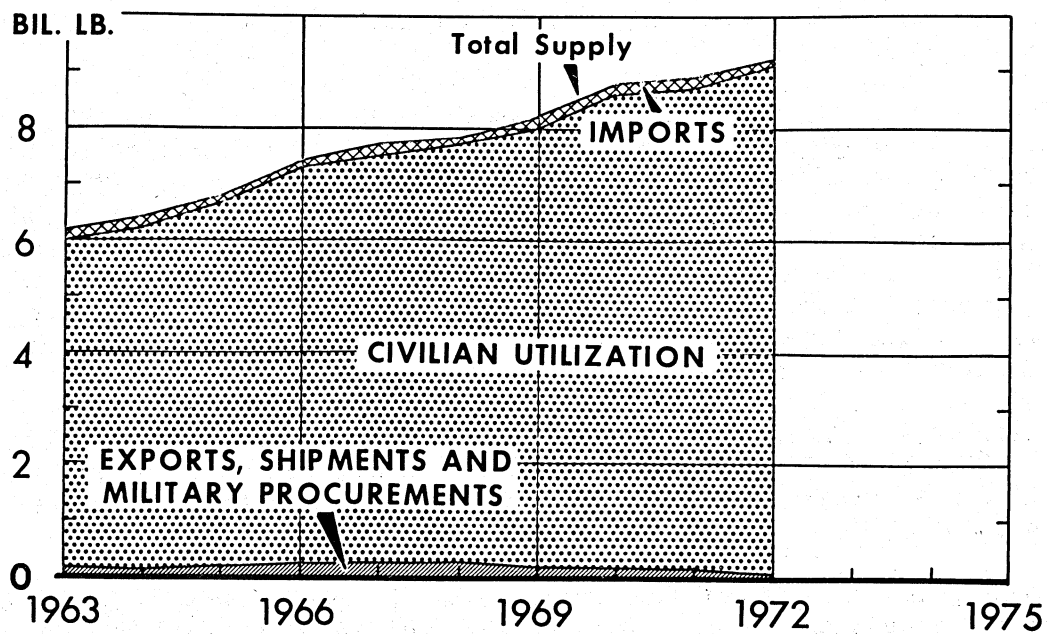
EGG SUPPLY AND UTILIZATION



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CHICKEN SUPPLY AND UTILIZATION*



*READY-TO-COOK WEIGHT.

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and the equivalent of 38 eggs in processed form. This compares with 285 and 37 for 1971. Per capita consumption for 1973 will decline further, reflecting smaller output and increasing population.

Egg prices were slow to respond to falling output in 1972. Large supplies and weak demand kept egg prices during much of last year at their lowest level since the early 1940's. Egg prices strengthened in the summer, weakened in September, then increased sharply in the closing months of the year. Even with the sharp price increases in the fall, prices received by producers for all eggs sold in 1972 (including hatching eggs and eggs sold at retail) averaged only 31.5 cents a dozen, about a half cent above the very low 1971 prices. However, prices paid to Georgia and Iowa producers for Grade A large eggs averaged 27.4 and 25.3 cents a dozen, a half cent below 1971.

Egg prices this year are strong. Producer prices for all eggs sold (including hatching eggs and those sold at retail) averaged 49.5 cents a dozen in January, 19.7 cents above January 1972. In late January Georgia and Iowa producers were being paid around 48 and 46 cents a dozen for large Grade A eggs, more than double a year ago. Egg prices are expected to continue strong in coming weeks as Easter approaches and output lags a year ago. Prices will decline seasonally in the spring before strengthening as usual during the second half. Prices this year are expected to average moderately above 1972's low levels with the margin narrowing as the year progresses. Reduced egg supplies and continued high prices for other high-protein foods will bolster egg prices. In addition, a few more eggs may go for hatchery purposes during the year. The use of shell eggs by breakers during early 1973 may be down but likely will gain later in the year as stocks of egg products decline.

Broilers

Prospects for broiler production this year are a bit clouded because of high feed prices. With the exception of 1971, broiler numbers each year have exceeded the previous year, increasing at an average rate of about 100 million birds or about 5 percent a year since 1960. Despite a small decline in numbers in 1971, broiler meat output was higher as a result of heavier marketing weights. The average liveweight of broilers marketed has trended up at about 1 percent a year since 1960.

During 1972, Federally inspected slaughter plants produced 7.8 billion pounds of broiler meat, ready-to-cook weight, up 7 percent from 1971's record output. The increase came both from more birds and a moderate increase in the average weight of birds slaughtered. These plants slaughtered 2.9 billion birds last year, about 160 million more than in 1971. The share of the broilers raised being slaughtered in Federally inspected plants has continued to trend upward in recent years. During 1971 nearly 93 percent of the broilers produced went through these plants. This was up nearly 5 percent from 1968 when the Wholesome Poultry Products Act was implemented. Federally inspected plants share in 1972 probably increased to around 94 percent of the total.

Sharply rising feed costs last fall and uncertainty about feed costs in 1973 caused producers to cut back on chick placements. Although broiler

prices were above a year earlier, so were feed costs. Broiler chick placements generally have been below a year earlier since late December. Placements for winter market supplies averaged about 2 percent below a year earlier, with most of the decline in supplies for March. Placements for early spring marketing will continue lower and expected higher feed prices during much of this year probably will hold broiler output near year-earlier levels through the summer. In addition, gains in pork supplies may dampen expansion plans in the last half of 1973.

The broiler hatchery supply flock this year will continue below a year ago, but the margin likely will narrow late in the year. Placements for the broiler hatchery supply flock have lagged year-earlier levels since mid-1970. Based on pullets placed 7 to 14 months earlier, the broiler hatchery supply flock apparently continues to trend lower and run below 1972 levels. Despite a smaller flock there likely will be adequate eggs to provide for moderate increase in broiler output in the summer and fall if desired. The supply flock is producing more eggs per hen and the hatchability of eggs continues to gain and more chicks survive the growing period.

Broiler prices were relatively strong in 1972 considering the sharp increase in broiler meat output. Smaller pork supplies and generally higher red meat prices in 1972 held broiler prices above the prior year in the winter, but further expansion of broiler output in the spring pushed prices down to the 27-cent level. Prices moved above 1971 levels in August when output eased, and for all of 1972 broilers averaged about 28 cents a pound, a cent above 1971.

Prices strengthened more than usual early this year and for January the 9-city wholesale price averaged around 32.8 cents a pound, 6 cents above the same month of 1972. Increased consumer incomes and high red meat prices likely will hold broiler prices moderately above 1972 levels through the summer.

Turkeys

The 1972 turkey crop was up 7 percent from 1971 and 1 percent above the previous record 1967 crop. Rising turkey prices and falling cold storage turkey stocks last fall may lead to some further expansion this year despite sharply higher feed costs.

Consumption in 1972 outpaced production so cold storage turkey stocks on January 1 were down 5 percent to 212 million pounds, the lowest carryover stocks since 1970. Turkey meat consumption last year totaled nearly 9 pounds per person compared with 8.5 pounds in 1971 and the previous record consumption of 8.6 pounds in 1967. Also, more turkey moved through government channels for school lunch and direct food assistance programs. USDA purchased the equivalent of about 97 million pounds of ready-to-cook turkey in 1972, up 31 million from 1971. Much of the increased use was in further processed form. During 1972, about 36 percent of the total turkey meat output in Federally inspected plants was further processed. This compares with 34 percent in 1971.

As of January 1 turkey producers in 20 States planned to raise around 127.6 million turkeys this year, 4 percent more than in 1972. These States

accounted for 96 percent of the 1972 turkey crop. A year ago growers in these States indicated plans to raise 1 percent more turkeys but ended up with 8 percent more for 1972. Turkey breeder hens on farms in 26 States on December 1 were up 2 percent. But because of the upward trend in the number of poults placed per breeder hen, the size of the breeding flock likely will not be a limiting factor in the 1973 turkey crop.

The September-December poult hatch for marketing in the first half of 1973 was up around 17 percent. Turkey eggs in incubators on January 1 were up 10 percent but weekly reports for 10 important States show that the weekly egg settings during January averaged about 3 percent below a year earlier in these States. In recent years the trend has been towards a larger share of the crop being raised for marketing in the first half of the year. For example, 26 percent of the turkey meat output in Federally inspected slaughter plants in 1972 was during January-June, up from 20 percent in 1970.

Turkey prices lagged year-earlier levels last spring and summer largely as a result of large turkey and broiler supplies. On January 1, 1972, cold storage turkey stocks were up 5 million pounds, and first half 1972 turkey production was up 15 percent. Prices gained after mid-year and moved well above 1971 levels in the closing months as the demand for turkeys continued strong.

An unusual price situation developed in late 1972 with prices for young toms moving above prices for young hens. This likely was caused by increased demand for larger turkeys for further processing. New York wholesale prices during 1972 for young hens 8-16 pounds ranged from about 35 cents a pound in the spring to 41 cents in December and 14-20 pound young toms from 33 cents in the summer to 42 cents in December. For all of 1972 young hens prices averaged 36.4 cents a pound and young toms 35.2 cents compared with 37.5 cents and 33.9 cents in 1971.

Prices in the first half of this year likely will decline as usual but average above a year earlier despite increased output. Turkey meat supplies will be moderately larger in the first half. But there will be increased demand for turkeys for further processing. Also, demand will benefit from increased consumer incomes, and continued high red meat prices. In addition, USDA has purchased 24.9 million pounds of turkey for delivery in the first half of 1973. However, increased turkey production combined with large pork supplies during the main marketing season (September-December) likely will hold prices late this year below the sharp runup of late 1972.

Poultry and Egg Prospects for Coming Years

Prospects through 1985 are for expanding production and consumption of broiler and turkey meat. Egg production will continue to increase slowly as consumption per person may show some further decline before leveling off. Prices likely will increase from the average of recent years, reflecting the upward trend in the general price level.

These projections are based on a number of assumptions, some of which may not materialize. These assumptions are (1) population increases below those of recent years; (2) a steady growth in the economy with a slowing of the rise in the general price level; high employment levels and higher labor costs; (3) continued strong demand for red meats at prices relatively stronger than for most other farm products; relatively stable feed prices.

Consumption of chicken and turkey meat is expected to continue the upward trend of the 1960's and early 1970's. Population growth, rising incomes, and relatively higher prices for red meats will expand the consumption of poultry meat in coming years. Consumption of chicken and turkey meat is projected to increase from the 50 pounds per person in 1971 to around 62 pounds by 1985. Chicken meat probably will continue to account for more than 80 percent of the total poultry consumed in 1985. Consumption of chicken meat in 1985 may total around 52 pounds per person, about 11 pounds above 1971. Broiler meat will account for about 48 pounds of the total.

If the liveweight of broilers marketed averages around the 3.7 pounds of 1971, the number of broilers raised in 1985 would total around $1\frac{1}{4}$ billion above the 2.9 billion produced in 1971.

Per capita turkey meat use by 1985 probably will increase more than a fifth to 10.5 pound ready-to-cook weight. This would suggest that the number of turkeys raised in 1985 will total about 165 million, 45 million more than in 1971.

Total consumption and production of eggs will expand slowly in coming years. Egg use declined from an average of 328 eggs per person in 1959-61 to 320 eggs in 1969-71. Per capita use likely will decline further but may level out at around 300 eggs per person. Exports of eggs may change little by 1985. Eggs used for hatching will increase, mostly for broiler production.

Egg production in 1985 is expected to total about 6.6 billion dozen, 600 million dozen above 1971. This will require only a small increase in the number of layers. The number of layers needed will primarily depend on the rate of lay. Output per hen is expected to continue to gain and average about 235 eggs per hen by 1985 compared with 223 in 1971. This would require an average of 337 million hens to produce the 6.6 billion dozen eggs needed in 1985. This compares with 322 million hens in 1971 when egg output totaled 6.0 billion dozen eggs.