

Ammon Gives Positive Action Ideals

Richard I. Ammon, executive director of the Northeastern Poultry Producers Council recently presented his ideas on the poultry situation at the Southeastern Pennsylvania Poultry Meeting at Quakertown. Ammon's topic was "Egg Producers At The Cross-Roads. Which Way Is Best?" His text where he lists his five "Positive actions we might take individually and collectively as an industry," is reported in part as follows:

"First is our started pullet buying and selling practices. While orderly buying and selling are practiced in some areas, too much of it is still quite speculative. Too many producers still take a chance on picking up their replacement stock at bargain prices — buying pullets 'off the shelf' or, having entered into an advance order agreement, think nothing of canceling the order shortly before delivery — often for no better reason than that they found something that appeared to be better or cheaper. The practice, of course, has been worked both ways. Sometimes started pullet growers will renege on an order because they found a higher-priced buyer. On a falling egg market, this practice becomes a form of Russian roulette to see who is stuck with the pullets. And since no one can afford to destroy 20-week old pullets, they all find a home, they all produce... and thus contribute to over production at the very time when it hurts most.

"As Harold Florea pointed out in a recent editorial in Poultry Tribune, the answer to this problem is self-discipline and fair play. We've got to develop a code of ethics in this industry by which orders and agreements are honored and a man's word is as good as his bond. Producers should order their replacement stock well in advance of needs and on a firm agreement which could only be cancelled for certain specified, emergency reasons. Pullet growers, in turn should honor such agreements and discontinue 'speculative' raising.

"A second positive action we could take is to give up the special privilege accorded farmers long ago of using the cash accounting system of bookkeeping. This was first proposed to the industry at a summit conference of industry leaders held in Cincinnati in 1961. It proved very unpopular then, but a lot of producers have since come to realize that cash accounting has become an instrument of self destruction for the egg industry.

"When you are on the cash accounting basis and enjoy a good year, it's only good business — and perfectly legal business, at that — to make forward purchases of all manner of inputs and pay for them in the current tax year in order to reduce your tax obligation. There is considerable evidence to indicate that this was at the bottom of much of the expansion that took place in 1965, 1966 and 1967.

"On the other hand, producers who use accrual accounting may not be able to grow as rapidly, but they will have a much better chance of coming through a period of low prices in solvent condition. If producers were given a period of time to change over to accrual accounting without penalty, this stimulant for expansion by tax postponement would be removed. As a result, the whole industry would be healthier and individual operators would still retain their freedom to make decisions and to grow.

"A third positive action also comes under the heading of 'self-discipline'. It has to do with reporting, tabulating and disse-

mination of production and marketing statistics. USDA statistical reports are used throughout the industry for literally thousands of decisions daily. I believe the government's statisticians are honest men who are trying to do the best possible job. That's not to say that USDA reports and the techniques used to produce them can't be improved. My pet gripe is that in this day of computers and all kinds of electronic gadgetry, we still have to wait nearly two years for the agricultural census reports.

"More importantly, though, is the admitted inaccuracy of many of the reports. Statisticians can only compile and report what's given to them and today a large volume of eggs completely by-passes the dealers and handlers who report the statistics. In addition, there are a number of sizeable operators who refuse to report anything, to say nothing of the long-held suspicion of many that some deliberately distort the reported figures.

True or not, the fact remains that inaccurate reports upon

which important business decisions are made are worse than none at all. So it seems to me here might be another plank for our platform of ethics. But let's go one step further and sit down with the government statisticians in an honest effort to improve the reporting, tabulating and disseminating of production and marketing statistics.

"My fourth suggestion for positive action has to do with our egg price discovery system and price reporting by Urner-Barry. Seems to me that all most folks have done in recent times is damn the system without suggesting a really workable alternative. A recent top-notch scientific study of the New York Mercantile Exchange and Urner-Barry's reporting indicates the system has been remarkably accurate in consistently 'discovering' or developing true market value for eggs. Now that doesn't mean it's perfect, but it does indicate to me that the least we should do is stick with the system and try to improve it.

"There are a number of things we could do. For example, while

the Exchange has slowly improved its quality standards, they still leave much to be desired. Right now, NEPPCO, in cooperation with our southern friends, is attempting to have the quality standard for the top grade of eggs traded on the Exchange upped to 90% Grade A or better. It's now 80%. With a little pressure, we'll probably get 85%. But if all the producers who trade with New York based Exchange members raised a ruckus, we'd get it up to 90% in no time. We believe this would not only stimulate more trading on the Exchange, but would produce a price for a product that more closely resembles the quality of eggs being traded throughout the country today.

"Then there's the problem of the Urner-Barry market reporter. The more information he has available on inventories and egg movements across the country, the more accurate will be the price he reports — and the less he will have to rely on Exchange and New York street trading for his judgments. A group of egg dealers in central Pennsylvania has been successfully operating a clearing house for such information for over a year. They furnish this information regularly to Urner-Barry — and in the

process, they have come to know, respect and rely on each other a lot more than was ever the case in the past. I commend these men and would hope that before long we could establish a whole chain of such clearing houses across the country.

"My fifth and final proposal for positive action concerns our cooperatives. I know this still raises the fur of some of my independent, commercial friends, but farmer cooperatives are as much a part of our free enterprise system as any other form of business entity. True, they once were granted certain advantages over their independent competitors, but so were the airlines and many other industries in their formative years.

"Unlike airlines, though, our egg marketing cooperatives have never enjoyed outstanding growth or success. The principal reason, in my judgment, lies with their producer patrons. In too many cases, the producer used his co-op as a dump for eggs he couldn't otherwise sell. As a result, co-op eggs have not had the best reputation in the market place.

"Then, too, producers who were elected to co-op boards of directors were not business or market oriented, they balked at

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