

Overproduction May Bring Falling Egg Prices, UEP Says

The spectre of overproduction and falling prices may again be looming on the horizon of egg producers. A recent letter from United Egg Producers to its members warns of dangers ahead if the current trend of increasing pullet placements, and the resulting overproduction of eggs, is allowed to continue.

According to UEP, "production judgements being made by egg producers now will determine profit or loss for the next eighteen months (March 1970 through September 1971) If our industry blindly disregards good business methods now — as it has done in the past — we are in for the greatest price depression since 1942

The key to a rational balance between egg production and the demands of the market, UEP says, is a systematic control of egg-type pullet hatches and pullet placement. Layers, unlike the machines of a manufacturer, cannot be held idle while the market is being stabilized.

For its producer-members,

UEP recounted the disastrous conditions that led to the unstable cyclic swings of the egg market during the past five years:

"For the twelve months ending in May 1965, we produced the lowest egg-type pullet hatches in recent U.S. history: 241,924,000 pullet chicks. This cutdown was due to low egg prices. New York top large eggs averaged 36c in 1964. But because chick placements was so low, the result was very high prices in late 1965 and all of '66. . . . From that low hatch point in May 1965, the 12-month total increased every month (except one) over 22 straight months until it reached a high of 290,425,000 pullets in March 1967 — an increase of twenty percent. The result was disastrous.

"By the first half of 1968," UEP continued, "prices had fallen to 31.1c, and the net for almost all producers had fallen to about 20c per dozen. Many producers were forced into bankruptcy and those who were not have yet to make up their losses from the 1967-68 defeat."

There are signs now that producers are repeating the prac-

tices that led to the egg market crash of two years ago, according to UEP. Because prices have again risen, pullet placements are also beginning to rise. As of July 1, 1969, total pullet hatchings for the preceding 12 months had risen to 260 million chicks.

As UEP told its producer-members, "The red flag is again waving."

If wild market swings are to be avoided in the future, UEP said, producers must break out of the unfortunate cycle which dictates that pullet placement is cut back when egg prices are falling and increased when prices are rising — only to cause another serious depression in egg prices. Such short-sighted practices, UEP says, tend to keep the market in an unstable condition and work to the detriment of all egg producers. The industry's experience with oversupply in the face of inelastic demand, UEP told its members, has the effect of forcing down the price of all eggs "until financial ruin causes enough selling to bring the supply back into line with demand."

UEP also warned its producer-members of the dangers

of force-molting, a practice that artificially increases the total of egg-producing layers. "It is this combination of record numbers from a 818,700 level in 1967 to molted," UEP asserts, "plus the staggering 12-month total pullet placements, which brings the greatest-ever threat to egg prices."

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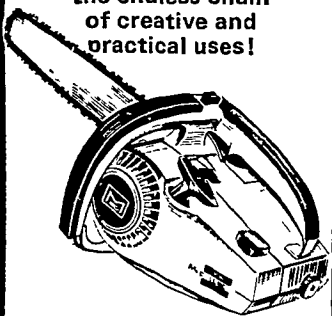
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