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*Proposal To Be Presented at State Poultry Meeting Wednesday*

# Can Egg Industry Stop Bust?

Ray Delano will speak on how to avoid economic disaster from 1971 egg prices at the Pennsylvania Poultry Federation annual meeting next week, Wednesday, June 24 at the Hershey Motor Lodge.

The United Egg Producers representative was a last minute insertion into the program this week as the deep concern by leading poultrymen in Pennsylvania and across the nation in regard to the coming egg bust has deepened and spread.

Delano will speak at 3:15 p.m. on the subject: "1971 Egg Prices? How Egg Producers Can Avoid Economic Disaster." (A Lancaster Farming exclusive news analysis.)

In a page 1 article in Lancaster Farming on April 4 after the post-Easter 12-cent drop to the 37-38 cent range, Delano predicted that short term prices should hold at that range. But Delano also predicted that if the sharp increase in egg-type chick hatch set so far in the year was not stopped, the egg industry would be in serious trouble later in the year. Since Delano's comments the hatch has continued at the high levels Delano warned against.

In a letter to members of the Pennsylvania Poultry Federation this week, Donald E. Horn, federation president, announced Delano's speech as follows:

"IMPORTANT! LEARN HOW

YOU CAN PARTICIPATE WITH OTHER MEMBERS OF THE EGG INDUSTRY IN PREVENTING DISASTROUS EGG PRICES DURING THE COMING MONTHS. The information you read in the following paragraphs can be of vital importance to you as a member of the egg production industry. We encourage you to read this letter in detail and take the initiative to participate at the described June 24 meeting.

"The egg production industry has notoriously followed a 'Boom and Bust' pattern for the last decade. The price cycle of the 1967 period was disastrously low with some of the farm prices in Pennsylvania being as low as \$22 as an average price for flocks that were in production for eight months. By early 1970 the prices went to the other extreme, peaking out at \$.63 per dozen. These higher egg prices helped to balance the losses of 1967.

"According to USDA figures, egg type chick production is up 18 per cent over 1969. All knowledgeable marketing people feel that the poultry industry may be facing the lowest egg prices in 1971 in the history of the industry. One expert says that unless corrective steps are taken to reduce overproduction, the 1971 prices will make 1967 look as though the industry was relatively prosperous.

"About a year and a half ago egg producers formed a national

organization which is known as United Egg Producers (UEP). This organization is confronted with a real challenge in trying to develop a 'price discovery system' and to keep egg production in balance with demand. The UEP Board of Directors had an emergency meeting on June 9 to formulate a positive action pro-

(See page 6 for an analysis of the present egg market by a local man.)

gram that egg producers can follow to avoid disastrous egg prices in 1971.

"Mr. Ray Delano, affiliated with United Egg Producers, has been invited to appear on the Federation's Annual Meeting Program on June 24 for the purpose of explaining this important plan of action to the egg producers of Pennsylvania.

"We sincerely urge you to attend this meeting and learn how you can participate in this plan

designed to prevent disastrous egg prices in 1971. In addition to hearing about the UEP plan of action, you will also have the opportunity of hearing the other excellent speakers scheduled on the program," Horn concluded.

Other subjects slated for the day, which begins at 10 a.m., include poultry housing, legislation and regulations affecting the industry, the future in the 1970s and presentation of awards.

(Continued on Page 7)

## UEP Adopts Program Monday In Atlanta To Hit Egg Bust

A sweeping emergency program designed to help egg producers achieve voluntary compliance with USDA production guidelines for 1970 was announced by United Egg Producers in Atlanta on June 15.

At a meeting to announce UEP's recommendations to allied industry leaders, a UEP spokesman pointed to published production and hen population figures and said that the industry is "continuing its heading plunge toward economic disaster in late 1970 and all of 1971."

The spokesman stated that "only drastic and immediate voluntary action by the egg industry

can save the industry's small and medium-sized operators from extinction."

The action proposed by UEP to the industry follows the recommendations laid down by the USDA Guidelines through a four-step program:

1. Cut U. S. Egg Production by 8 per cent immediately by killing off old hens. One way of doing this would be to kill off all hens over 10½ months in production.
2. Hatch ZERO pullet chicks in August, 1970
3. Hold placements for July, September, October, November, and December to 1969 levels
4. Hold molting nationally at the same percentage for the period July 1 — December 31, 1970 that were molted January 1 — June 30, 1970

Without this action, UEP says a 10,000 bird operation stands to lose \$17,100 for the 18 month period of July 1, 1970—December 31, 1971 while a 100,000 bird operation would lose \$171,000.

If the guideline actions are taken, UEP says the same operations would show a profit of \$11,400 and \$114,000 respectively.

But, by avoiding the loss, UEP says the net gain would actually be \$28,000 and \$285,000 respectively.

These UEP loss projections are based on a large market wholesale quote of 37.3 cents a dozen, reduced 13 cents to make an average farm price and another 2 cents to account for surplus conditions for a net yield of 22.3 cents F.O.B. farm from July 1, 1970 through December 1971.

At the same time, UEP estimates production costs will average 28 cents a dozen for a net loss of 5.7 cents a dozen.

If the industry follows the four steps outlined by UEP, UEP estimates the wholesale large quote in the 18-month period will average 44.8 cents a dozen and there will be no 2 cent loss for surplus conditions, leaving an average farm price of 31.8 cents.

At the same 28 cent cost for the period, UEP projects a 38 cent a dozen profit under the guidelines, instead of the 5.7 cent

a dozen loss if the guidelines are not followed.

The UEP notes that the profit figures projected from carrying out the UEP program nationally are based on reducing egg production by five per cent nationally.

Unless the industry strives to meet the guideline goals, UEP's Statistical Department predicts there will be 327.2 million producing hens by December 1, 1970. This represents an increase of 13.9 million over the average hen population for July-December 1969. The USDA's guideline would yield an increase of only 4.7 million over the 1969 figure.

The difference between the guideline figure of 318.0 million hens and UEP's estimate is 9.2 million.

UEP says that the increase over the guideline figure would result in a weekly surplus of over 100,000 cases of eggs (30 dozen to the case) — a surplus that would have ruinous consequences for the entire industry.

At the June 9 emergency meeting of UEP's board in Atlanta, directors unanimously voted to recommend the program to the industry. The board also gave overwhelming support to a motion to spend up to \$100,000 to promote the program.

Members of UEP's Executive Committee in attendance at the meeting were Don Nicolaysen, president, Fred Adams, vice president, Mike Hirth; Maurice Stein, and R. L. Rossiter.

Regional and local informational meetings are being scheduled throughout the United States during the balance of June to inform egg producers about the program. Confirmed meetings to date are Atlanta, Roanoke, Raleigh, Shreveport, Los Angeles, Sacramento, Seattle, Lansing, New York, Maine and New Hampshire. Many other meetings are in the planning stages. (See Page 1 story on Pennsylvania meeting Wednesday.)

A spokesman pointed out that producers selling off old hens (Continued on Page 6)

## We Introduce New UEP Egg Market; Ray Delano Explains How It Functions

Lancaster Farming this week introduces the new United Egg Producers market. Launched nationally in May, the new market was reported "unrepresentative" due to lack of adequate data for the Northeast, our area, in the initial weeks.

But in the past couple of weeks the early problems have been overcome, according to local egg authorities, and Lancaster Farming introduces the new market as a regular service.

What is the new UEP egg market? How does it differ from the existing Uner Barry market?

The following explanation is based on comments Friday by Ray Delano, who will speak Wednesday at the Pennsylvania Poultry Federation meeting.

The Uner Barry price is the price one dealer is willing to pay another dealer. It is a wholesale price.

The UEP price is the price from the packer to the producer. It is the producer paying price.

The UEP price is the net price to the producer from the buyer

Regions	Large		Medium		Small	
	June 16 - 18	June 16 - 18	June 16 - 18	June 16 - 18	June 16 - 18	June 16 - 18
Northeast	30	32½	25	26	12	16
Northwest	24	29	19	24	12	12
Central West	23	27	18	22	11	11
Southwest	22	26	17	21	11	11
Midwest	27	29½	23	24	11	12½
Southeast	28	31	24	25½	14	15½
National average	27	30	23	24½	12	14

The UEP notes that these prices are "recommended paying prices for United Egg Producers members" and that the regions represent UEP regional members.

For Grade A eggs on a grade yield basis, picked up at the farm nest run

(For story on Uner Barry plans to explain innovations in its own market, see page 11.)

To compare the two prices, to start with the UEP price and arrive at the Uner Barry price would require addition of the following costs by the packer: transportation from the farm to the processing plant, use of the case in transportation, labor, overhead and other processing costs, case, material and transportation in shipment to market;

inventory loss; and profit to the packer.

The Uner Barry wholesale price is based on a 30-dozen case of loose graded eggs which are sized but not checked for quality. The average person would not accept these eggs without the added expense of grading.

The UEP price allows for the packer to do this grading.

Delano projects that in the long run, the producer price will reflect a true value and will become a "very realistic price setup."

A price gathering system has (Continued on Page 11)