

Poultry Meeting Topic: What to Do About Egg Prices?

Several local egg and boiler producers were among the large state-wide group to attend the 1971 Pennsylvania Poultry Federation meeting at the Sheraton Harrisburg Inn Wednesday.

Meeting theme was "Economics and Ecology" and most of the discussion involved the in-

dustry's current economic squeeze and the waste disposal issue.

On the economic issue, speakers indicated that feed costs are higher, flock size is up, and production is up, resulting in higher costs and lower returns. Herbert Becherman of Smel-

kinson Bros., Baltimore, a member of the National Egg Pricing Study Committee, repeatedly stated that the egg industry has a "stupid" pricing system. He noted that "you don't sell one more egg when you get 28 cents than 34 cents."

He also said that when prices are good, production is always increased until no one can make any money.

But Becherman noted that the present system of big production only started within the last 12 to 15 years. Before that, the industry primarily was made up of many small producers. The big production started in the South without any markets.

Since "production without markets," there has been what he termed an industry-wide effort to provide eggs cheaper than the competition. When eggs are too plentiful, there's no effort to cut production or increase efficiency, the price is simply cut, he said. "What can be more stupid than this?"

The solution, according to Becherman, is a two or three cent a case check-off to promote eggs and "to make sure we answer when someone gets on TV and says eggs are no good." Becherman was referring to recent TV shows in which eggs were attacked as detrimental to health.

Dr. Jonathan Tobey, first vice president, Chase Manhattan Bank, New York City, said the industry continues to undergo major changes.

He gave a pessimistic projection on egg prices. He said he had hoped that mid-1971, would be a turn-around point, as it was in 1968. "But there are some grave, question-



Betsy J. Ellsworth, Pennsylvania Poultry Industry Queen, comments at the industry's banquet Wednesday evening.

marks," including recent stepped up moulting of hens, he said.

He also cited industry expansion in the midwest and California area.

He said the Northeastern egg producers continue to have an advantage in distribution and service of markets. Closeness to markets is still the key for local producers, he said.

But he noted that continued higher prices for corn and rising freight costs have resulted in trends toward moving production closer to the source of feed in the mid-west.

He said the industry cannot survive on the recent 30 cent

large New York egg market. With a cost of feed and pullets at \$1.40 each, the cost per dozen eggs is now around 23 cents before other costs are considered, he said.

Despite present economic conditions in the egg industry, Dr. Tobey said his bank continues to get requests nearly every day from all over the country for capital to build 500,000 bird operations requiring roughly \$3 million. It's "a blessing in disguise" that money has been tight and unavailable for much of this expansion, he said.

He said the industry knows how many birds are needed to supply eggs at a profitable price, but everyone "wants to expand" beyond this level.

He said his bank's present stringent requirements for egg production expansion loans are: the borrower must provide 50 per cent of the money, have proven management ability, and a dependable market. The egg industry "needs a competitive market, but it doesn't need over expansion," he said.

Dr. Tobey also stated that farmers have been telling consumers for too long about how little food costs in relation to total spending. "Food is going to cost more and we had better start telling consumers they're going to have to pay more for it," he said.

He noted that farm income has been up 10 per cent since 1967 and costs up 18 per cent. "If this trend continues, we won't be in business long."

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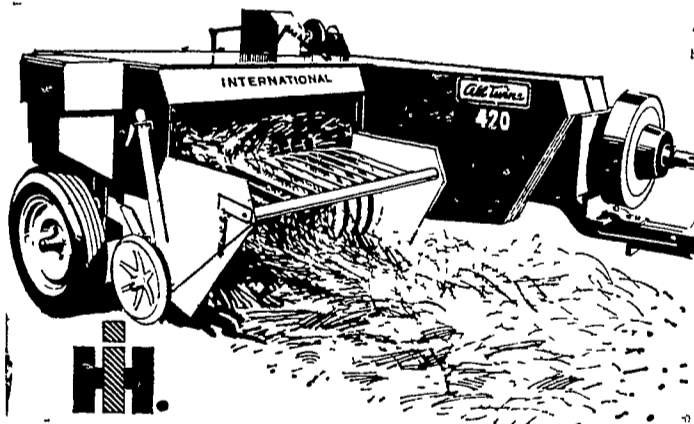
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