

Lower market prices seen for poultry and eggs

WASHINGTON, D.C. — Prospects for the egg, broiler, and turkey industries in 1978 point to increased production and lower market prices. However, with feed prices lower than a year earlier broiler and turkey producers may show a small profit during much of the year. On the other hand, egg producers may be in a cost-price squeeze by next spring. So says William Cathcart, agricultural economist for the Economic Research Service of USDA.

Production costs for eggs, broilers, and turkeys likely will remain lower than a year earlier at least through the first half of 1978. Feed costs during January-June 1977 accounted for about two-thirds of the total cost of producing eggs and more than 70 per cent of the cost of producing broilers and turkeys. The lower cost of feed ingredients should more than offset the rise in the cost of other production items.

Expected growth in the general economy and a continued uptrend in consumers' incomes will help bolster the demand for poultry meat and eggs in 1978. Also, gains in total employment combined with some easing in unemployment will be a plus factor for the poultry and egg industries.

Poultry producers in 1978 will face stronger competition from larger supplies of red meats. The mix will also be different. Beef supplies are likely to be below 1977 levels with larger fed beef output being more than offset by reduced non-fed beef production. Pork supplies are expected to be well above 1977, especially during the second half of 1978.

The Outlook for Broilers

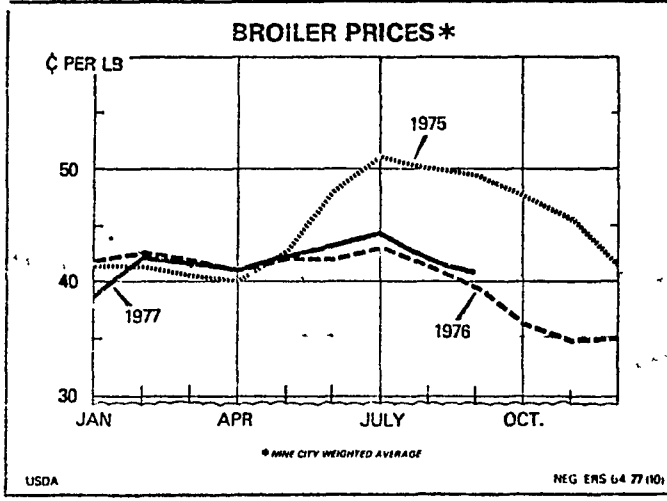
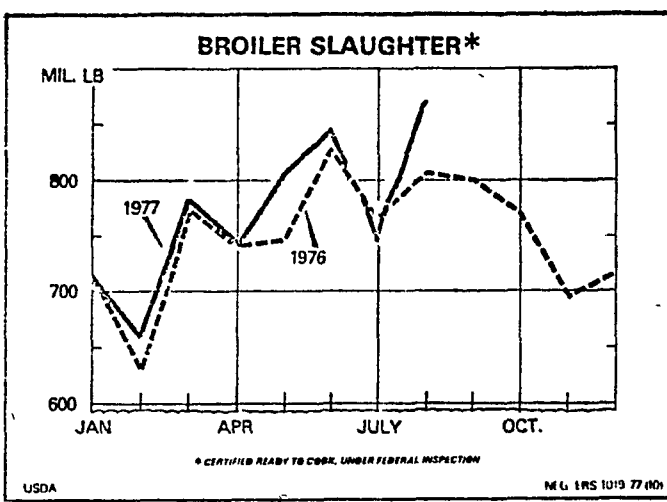
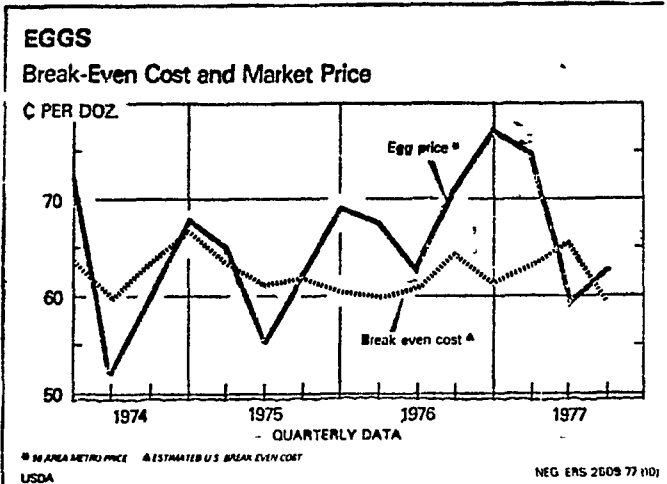
Broiler meat production in 1978 is expected to continue to expand. Larger supplies of competing meats and broilers will result in 1978

wholesale broiler prices averaging moderately below 1977 levels.

Broiler meat supplies in 1977 are large despite high production costs and poor profitability during much of the first half of 1977. Supplies for all of 1977 will be up around three per cent from 1976 and 15 per cent above 1975. Supplies would have been larger had it not been for the losses sustained from the extreme cold last winter and the abnormally hot weather in late spring and early summer.

Output of broiler meat in federally inspected slaughter plants this year through September exceeded a year ago by about three per cent. Last Summer's hot weather reduced the number of chicks placed for October's marketings to near year-earlier levels. However, as the weather moderated and feed prices declined, producers stepped up placements for late 1977 marketings. Chick placements suggest that there will be about a tenth more broilers than a year ago moving to market during the last six weeks of 1977. This corresponds with the weakest demand period of the year for broilers and likely will result in broiler prices dropping below the cost of production and marketing.

The large grain and soybean crops harvested this Fall, coupled with a relatively favorable profit situation in the Summer and early Fall, are expected to result in broiler producers holding production above a year earlier during the first half of 1978—perhaps by five to seven per cent. If feed price prospects continue favorable, producers will likely continue to hold production above a year earlier during the second half of 1978. However, the percentage increase may moderate from first half levels as producers adjust to sharply larger pork supplies. Despite large supplies of



red meats and broilers this year, broiler prices exceeded year-earlier levels during much of the year. Wholesale prices in 9 cities through September averaged 41.9 cents a pound, slightly above a year earlier. Wholesale prices during October remained fairly strong, but prices will decline more than usual in November and December because of the sharp increase in marketings. Prices in late November and December may drop to the mid-30's of a year earlier despite higher than year-earlier competing meat prices.

Broiler prices in 1978 will be bolstered by increased consumer incomes and lower beef supplies. However, larger broiler and pork supplies will be more than offsetting, and broiler prices are expected to average moderately below 1977.

If broiler output during January-June 1978 increases five to seven per cent from 1977 levels as now seems likely, broiler prices could average in the upper 30's, compared with 41.6 cents a pound during January-June 1978. However, the decline in broiler prices from a year earlier could be more than offset by lower production costs if feed ingredient prices turn out about as expected.

The demand for broilers has been strong in 1977. Per

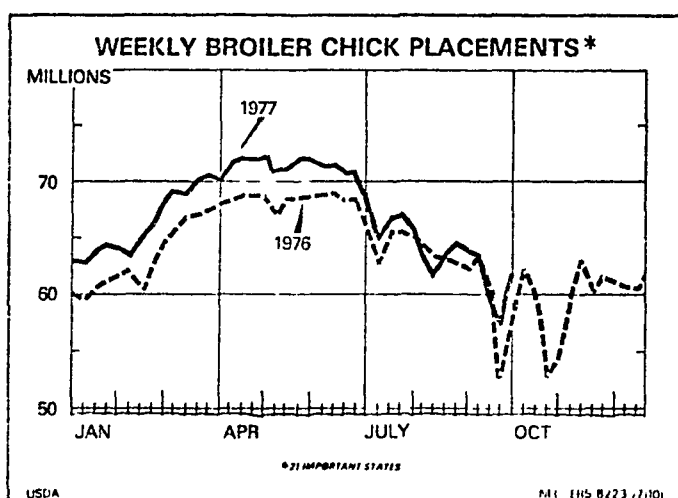
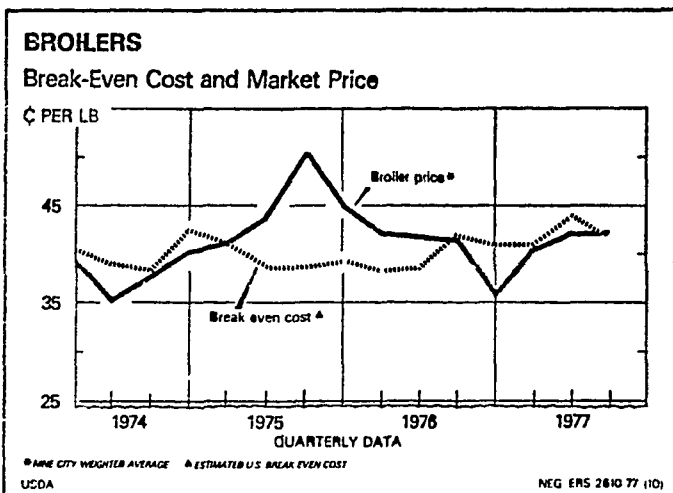
capita consumption of young chicken (primarily broilers) in 1977 likely will gain around a pound over the 40.4 pounds in 1976. If broiler output increases as expected in 1978, consumption of young chicken will likely increase one to two pounds from 1977 levels.

Exports of young chicken in 1977 may also exceed the record 287 million pounds of 1976. Through September this year, exports of whole young chickens and cut-up chicken parts totaled 235 million pounds, 20 per cent above a year earlier. Exports were relatively large during the last half of 1976 because of the substantial shipments to Iraq. Exports to Iraq during the rest of 1977 likely will be down sharply. Even so, exports for all of 1977 likely will be a new record.

The Outlook for Turkeys

Turkey production is expected to show a moderate increase in 1978, spurred by lower production costs and good profits in the fall of 1977. Larger production of competing meats and turkey will likely result in a moderate decline in turkey prices in 1978.

The 1977 turkey crop was estimated by USDA's Crop Reporting Board at 138 million birds, down one per cent from last year's record 140 million. This is in line



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