

# Farm Talk

Jerry Webb

The Delmarva Poultry industry is keeping a stiff upper lip in the face of some difficult economic problems. It's hard to smile when it hurts, and that's just how most of the broiler people feel right now.

They've been losing money for several months, and it doesn't look as though

they'll turn the corner until at least the end of the year.

To appreciate the dilemma they're in, you have to understand a little about the business. In economic terms, it's called a vertically integrated industry.

What that means is that a few firms control virtually all broiler production, pro-

cessing, and marketing on the peninsula. These firms own just about everything that's involved in producing chickens. That includes processing plants, feed mills, truck fleets, hatching facilities, and research farms.

The only thing they don't own are the chicken houses where the broilers are raised. Those belong to a lot of farmers who take care of chickens on contract with the integrators, and who are paid on a pre-determined schedule for their efforts.

So when we say the broiler industry is losing money, we're really saying that seven or eight companies are losing money. One insider told me there's no way any one of them is losing less than a nickle a pound on every chicken that's produc-

ed. And some are losing more than that.

When you consider that total broiler production on the peninsula will exceed 400 million birds this year and each chicken will weigh about four pounds, you're looking at a lot of nickles. And those losses are shared by relatively few companies.

Before you become too alarmed about the state of the industry, you should also consider that the industry went through a time of prosperity, several years, in fact, when broiler profits were quite good. Whether they saved any of those profits for the eventual hard times is uncertain, but my source says that's not the nature of the industry.

In the good times they expand and improve, so there usually isn't much cushion to

carry them through loss periods.

The broiler industry hasn't always been organized this way. What we now have is the result of almost 60 years of evolution, starting in a little chicken house in Ocean View, Delaware, in the early twenties when Mrs. Wilmer Steele decided to sell all of her young chickens as fryers rather than keep them for her laying flock. That was the documented birth of the broiler industry.

From there it grew and spread throughout the country to its present state of a multibillion-dollar industry with reportable production in 21 states.

The backyard flocks of the twenties gradually grew into the feed company-owned flocks of the forties and the processor-owned birds of today.

There was a time when farmers bought young chicks, raised them, and sold them to the highest bidder.

Then came a period when the feed companies arranged for contract growers with the companies providing the feed and the birds, while the farmers provided the houses and the labor. At the proper time, they were sold to a processor.

Hard times, expansion, good business sense, a lot of things changed that too. A few companies now take huge losses and remember the good times of yesterday.

Under the arrangement, Delmarva's broiler industry has been a dominant factor. Compared to other areas around the country, the Delmarva peninsula ranks fourth in total production behind Arkansas, Georgia, and Alabama.

It produces more birds

than Texas, California, Pennsylvania, and a bunch of other states.

The industry employs more than 17,000 people, has an annual feed bill of almost 340 million dollars and uses virtually every bushel of corn and soybeans that can be raised here on the peninsula, plus some more that must be brought in.

Some say the broiler industry is unique in the way it's organized. Others have said it's just ahead of its time, that other farm enterprises will eventually go the way of broilers. Some are predicting already that hogs will become part of a vertically integrated system in the not-to-distant future, with the small producers left without a market.

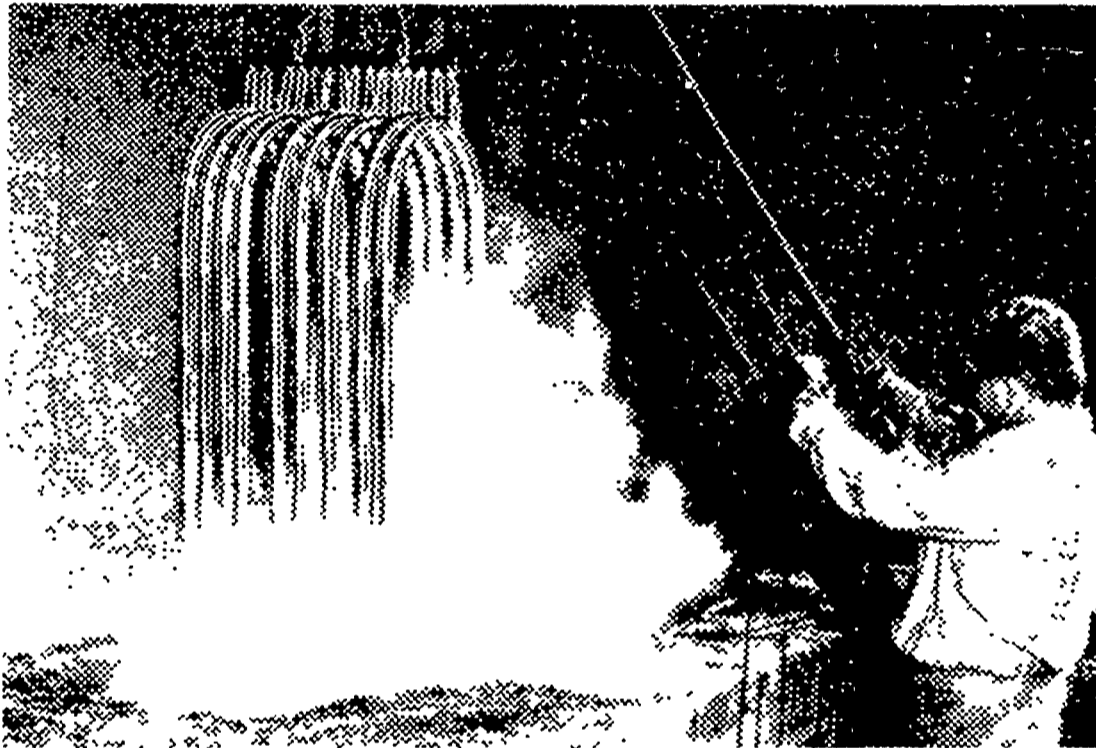
The Delmarva Poultry Industry raised almost \$283,000 in its annual fund drive concluded recently. That's about \$20,000 more than its goal and a considerable accomplishment, considering the staggering losses the industry is currently suffering.

But the stiff upper lip prevails and in the words of DPI president Paul Twining, Jr., "We must aggressively continue to promote the superior aspects of chicken as a staple in the American diet. Chicken is one of the most economical, nutritious, well-balanced, versatile meats available to the consumer."

What about the future for the industry? Everybody seems optimistic. My source feels most processors will start showing a profit by the end of the year.

He also thinks one or two from that handful of companies might not make it through the crunch.

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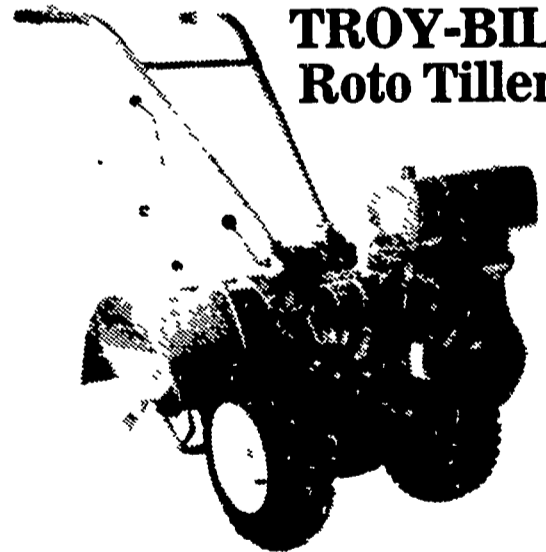
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