

Poultry outlook for '86

COLLEGE PARK, MD — One might look at the U.S. meat production complex and ask "Why are broilers and turkeys faring so much better than beef and pork?" Various explanations are being offered, but no one explanation is the complete answer.

Over the past several years, a number of things have occurred. Americans have reputedly become more health-conscious and cut back on red meat consumption because of dietary health questions on meat and fat.

During the past year, red meat retailers have tended to set a "margin target" to be made regardless of demand and price. Poultry has benefited from the big health discussion.

But probably most important, the poultry industry has responded and catered to consumer desires on every level from fast food offerings to a wide ranging array of further-processed selections in the grocery store targeting time-pressed consumers.

Broilers

There have been record-large total meat supplies since 1983. A predicted reduction in red meat supplies during the first half of 1985 never materialized. The cheaper feed that enticed beef and pork producers to maintain production and withhold animals from market also encouraged higher broiler production.

Broiler production during 1984

was 5 percent higher than 1983, and production during 1985 will be about 5 percent higher than 1984. Cattle and hog prices remained depressed during most of 1985.

While a far cry from the 55-cent 1984 average price, broiler prices have averaged from 47 to 52 cents this year. In contrast to beef and pork producers, broiler firms generally covered their costs.

Despite decreases in hog and fed cattle members, there will still be plenty of red meat available, and that should continue to hold broiler prices in check.

Combined with an ever-increasing broiler production, these red meat supplies will probably keep broiler prices under 50 cents during the final quarter. The 1985 broiler price peak was about 55 cents during early September.

If broiler house capacity had kept pace with broiler firm aspirations, these firms would probably be over-producing and facing below cost prices already.

Between low feed costs and newly, completed broiler houses, the broiler industry is likely to become over-aggressive in early 1986, leading to its own price downfall and negative returns.

Beef production is expected to be down in 1986. Hog numbers will be down, but a pick-up in pork production could occur in the final months of 1986. The slackening in beef and pork production may be

sufficient for the broiler industry to salvage positive returns in 1986 despite an expected 5 to 6 percent increase in broiler production.

Turkeys

Since turkey processors broke up the stereotype of turkey meat being a "once-a-year treat", consumption has responded in a positive manner and price has remained on a favorable level. The positive returns to turkey producers during the last half of 1984 and during 1985 has encouraged expansion.

Turkey production will be about 6 percent higher in 1985 than in 1984, spearheaded by a 12 percent increase in the first quarter compared to that quarter in 1984. The 1985 annual average price will be around 70 cents, down only 4 to 5 cents despite a hefty production increase.

Overoptimism may take its toll in 1986. Output is likely to increase 5 to 7 percent over 1985. Pork production is expected to pick up again in late 1986. Thus, more red meat will compete with increased turkey and broiler supplies, forcing turkey prices lower.

If too many turkeys go into storage to avoid the lower price, cold storage holdings could be burdensome on prices in 1987. Fourth quarter 1985 prices averaged 70 to 74 cents. With the expected increase in production, 1986 prices will average in the mid-

60's.

Eggs

It was just too good to resist, so egg producers didn't resist. Layer numbers had been low, egg prices were high and feed costs were coming down. Everybody got into the act with productive replacements.

The resulting larger and more productive national laying flock pushed egg production up and egg prices down in 1985. Several months of marginal or below-cost returns have induced a cut-back in layer numbers.

After a delayed reaction, egg

production has also slacked off and allowed prices to recover to a break-even level or better.

Egg producers not only reduced their production flock numbers, they also cut back on replacement orders. These cut-backs are being reflected in fourth quarter 1985 and will carry over into 1986.

Egg production will be down about 1 percent in late 1985 and will probably stay down sufficiently during 1986 for prices to improve. The outlook is for the 1986 price to average 67 to 73 cents per dozen, about 7 cents better than the 1985 average price.

Cargill to add four research stations

MINNEAPOLIS — The Seed Division of Cargill will expand its research capabilities by adding four new research stations at Lansing, Mich., and Evansville, Ind. Sorghum research stations will be added at Seward, Neb., and Corpus Christi, Texas.

Bruce Priebe, president of Cargill's Seed Division, said the new locations represent the company's commitment to develop higher-yielding corn and sorghum hybrids for its Cargill, PAG and Paymaster brands. Breeding work at the new stations will begin next spring.

"With the addition of these locations, we will have 19 research stations throughout the United

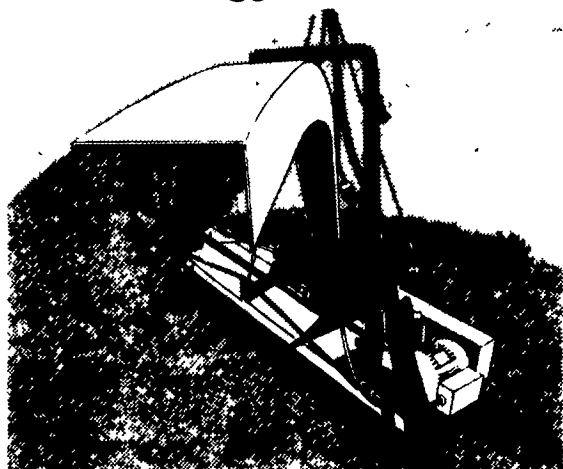
States that develop hybrid corn, sunflowers, sorghum, wheat and cotton. The new stations will help us improve our hybrid line for an even broader range of maturities," he said.

Priebe said the new corn station at Lansing will concentrate on development of early season hybrids while the Evansville station will develop late-season hybrids. Work at the Seward, Neb., sorghum station will include development of early and medium-maturity hybrids while the Corpus Christi station will develop late-season sorghum hybrids.

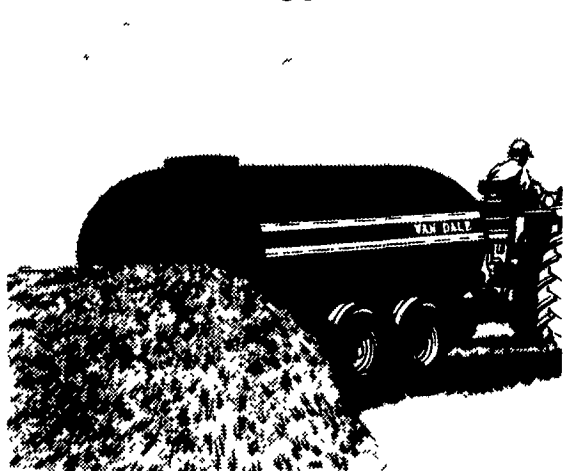
Cotton breeding projects previously conducted at Temple, Texas, now will be conducted at Corpus Christi, Priebe added.

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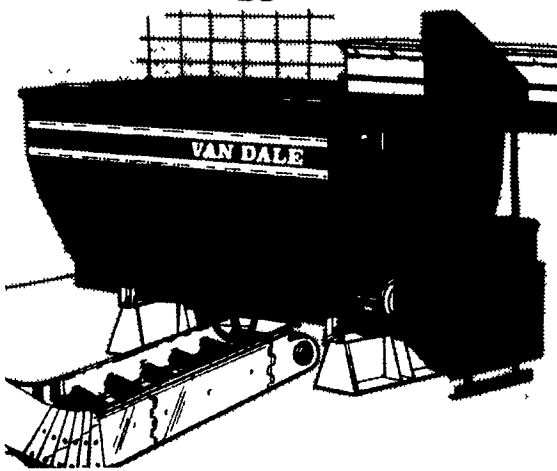
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