Poultry Outlook Released

Milton Madison
Assistant Professor
Poultry Science
Penn State

There is considerable disagreement between economists on the economic outlook for 1992.

Some have stated that we are now in our 18th month of recession, making this the longest downturn since the 1930s. Others have cited government statistics that show slow economic growth in the second and third quarters of 1991 as evidence of a short recession running from August 1990 to April of 1991. A continuation of slow economic growth in 1992 is expected by this group. A third group has been touting the double-dip recession, stating that the economy had a short recession, a short recovery, and returned to recession in November 1991.

The November data for industrial production supports the prospect of a new recession because it fell 0.4 percent from its level in October. Many retailers report sales for the holidays have been disappointing. The Federal Reserve Board was expected to reduce selected interest rates by one-quarter and one-half percent in December to encourage increased economic activity. Since many companies are increasing their equity-to-debt ratio and bank regulators are carefully screening credit commitments, it is questionable how much incentive lower interest rates will provide.

What are the implications of this economic outlook for the poultry industry? The current slow recovery from the 1990-1991 recession will not provide consumers with the confidence to increase their food spending budgets, especially spending at restaurants and for the higher priced items in supermarket display cases. While the economy is weak, I do not believe it will fall into recession in 1992 and the continuing recovery will be seen in most sectors of the economy.

Poultry Outlook

Total meat and poultry supplies for 1991 were 3 percent larger than in 1990. Another 3 percent increase is expected for 1992. This will be the eighth straight year of increases in meat availability.

Turkey markets felt the pressure of increased meat supplies in their peak marketing season, Thanksgiving. Even with fourth quarter production equal to 1990, wholesale prices in 1991 were held ten cents per pound lower than the previous year's Thanksgiving market.

Production for 1991 was a little more than 2 percent larger than in 1990, the smallest production increase since 1984, and prices were two cents per pound lower. With 1991 a break-even or small loss year for most producers, prospects for large meat supplies and higher feed costs should keep the brakes on production increases for 1992. Production growth of 3 percent for 1992 is expected, with some improvement in prices coming by next Thanksgiving.

Broiler production in 1991 was over 4 percent larger than in 1990. Prices for 1991 felt the pressure of increased meat supplies and were two cents lower than in 1990. Slightly higher production costs brought net returns for broilers to five cents per pound in 1991.

Stronger than expected exports in the last half of 1991 helped support broiler prices, another export record should be revealed when the final 1991 data are reported. Early last fall, the breeder flock had been expanded to 5 percent larger than the previous year and may reach nearly 8 percent larger this month. Large production increases will be possible if all these eggs are used to produce birds.

Early 1992 prices should give some indication of whether this large potential increase in production will be realized. Low returns early in the year will slow the annual production increase to 4 percent. Prices and returns will be slightly lower than the levels seen in 1991.

Egg production for 1991 was nearly 1 percent larger than in 1990. Shell egg demand on a per capita basis continued to decline. Total egg consumption dropped by nearly three eggs from 1990 to 1991, while processed egg consumption increased by four, leaving a net loss of seven eggs in the shell form.

A slowing in the total egg consumption drop is expected for 1992, (two eggs), but increased use of egg products should continue. If you are an egg producer, you must be producing increasing amounts of your eggs for breaking and processing uses or expecting more competition for your shell egg markets as more eggs are marketed as breakers. A 1 percent increase in egg production will be seen in 1992 with prices slightly lower than in 1991 and net returns at the wholesale level near four cents per dozen.

All poultry and egg producers will feel economic pressure to produce and market their products more efficiently in 1992, since food spending budgets will be tight.

Hay Auction

KUTZTOWN (Berks Co.) — At times it is difficult for farmers to find hay for their animals. It is even more difficult to find hay that has been tested.

Now you can find hay at the Kutztown Produce Auction located just east of Kutztown.

The hay and straw auctions will be held on the second and last Saturday of each month at 9:30 a.m. with the exception of Saturday, February 29. That sale will be held on Friday, February 28 at 9:30 a.m. prior to their annual farm equipment auction.

At the February 28 session, the Penn State nutrition van will be at the auction testing hay samples using the Near Infra-Red (NIR) test. This will allow buyers to know the quality of the hay before purchases are made.

This test will analyze hay samples for dry matter, crude protein, acid detergent fiber, neutral detergent fiber, total digestible nutrients, net energy for lactation, net energy for maintenance, net energy for gain, calcium, phosphorus, potassium, magnesium, horse digestible energy, and horse total digestible nutrients.

If there is interest, the van will return to the hay auction on each of the first Saturdays in March and April to continue the testing program. If you are interested in buying hay that has been tested, please support the hay auction on February 28.

For more information, contact the Kutztown Produce Auction at (215) 683-7161 or the Penn State Extension Service at (215) 378-1327.