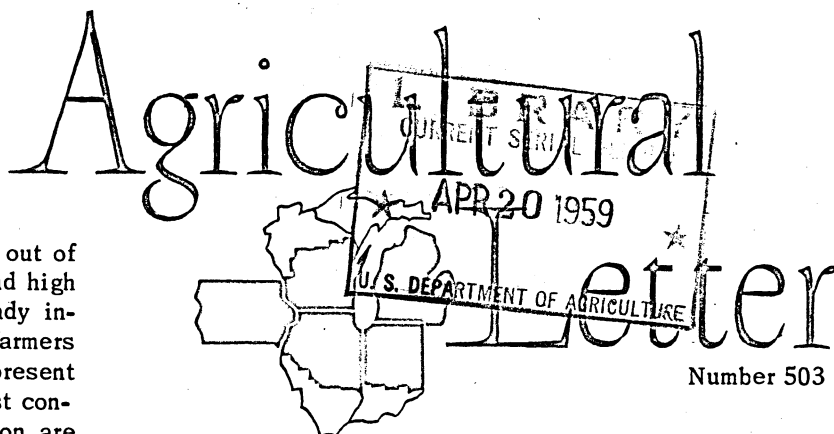


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Federal Reserve Bank of Chicago - -

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POULTRY AND EGG PRODUCTION, shoved out of the limelight by the increase in hog production and high prices for cattle, have continued quiet but steady increases. Broiler chickens, while important to farmers in only a few areas of the Seventh District, represent an important alternative to pork and beef for most consumers. Thus, developments in broiler production are of concern to cattle and hog farmers, especially this year when hog production is being increased substantially.

Broiler chickens account for 70 per cent of the total supply of poultry meat. This ratio has grown steadily from the 36 per cent in 1949. The traditional farmyard chickens have been displaced largely by broilers and now account for only 13 per cent of all poultry meat, compared with 46 per cent a decade ago. Turkeys have provided an almost constant proportion of total poultry consumed in the nation, about 17 per cent.

Production of broilers has increased almost steadily in the postwar period. The year 1958 brought a gain of 15 per cent over 1957 and the increase continues into 1959. Hatchery settings of eggs for broiler type chickens in 1959 have been 10 per cent above a year ago.

Prices for broilers have sagged under the pressure of heavy supplies. In 1958, farmers received an average price of 18.3 cents per pound, a decline of one-half cent from 1957. In January-March 1959, the average has been 17.3 cents and the U. S. Department of Agriculture foresees little likelihood of increases before June when a seasonal increase in demand for broilers usually begins. However, even when prices dropped to near-distress levels last November and December and again in March, placements of broiler chicks remained above the year-earlier levels.

The relative decline in the supply of farm chickens can be related to two major factors: the increase in broiler production and changes in egg production.

High feed conversion efficiencies achieved by specialized broiler chickens combined with consumer acceptance of the new product has brought strong competition for the farm chicken in the retail meat counter.

Changes in egg production have reduced the number of farm chickens produced as a by-product of the traditional process by which the farmer's wife earned "egg money." Not only are more eggs laid per hen, but farmers' shift to the purchase of "sexed chicks" has reduced the number of cockerels raised in providing replacements for laying flocks. Thus, in 1952, one cockerel chick was purchased along with each two pullets; today, one cockerel is purchased with each four pullets.

Farm chickens and eggs are important in Seventh District states. Iowa is the leading state in the production of farm chickens as it is also in the production of eggs. Altogether, the five states of this District account for 24 per cent of the eggs and 27 per cent of the farm chickens marketed.

Egg production in 1958 was 5,055 million dozen, slightly above the previous year. Prices received by farmers in the U. S. averaged 37.5 cents per dozen, up 7 per cent from 1957. However, prices declined sharply last fall. The moderate temperatures which prevailed over most of the country enabled the "old hens" to continue laying beyond their usual period. This, together with an increase of 10 per cent over 1957 in the number of pullets raised for replacement flocks, brought egg production in the last three months of 1958 5 per cent above a year earlier, and prices declined 15 per cent.

In January and February 1959, egg production was up 4 per cent and in March exceeded year earlier by 11 per cent. As a result, egg prices at farms on March 15 averaged 33.8 cents per dozen, 7 cents below 1958 and the lowest since July 1957. Prices have declined sharply since mid-March, and wholesale prices have reached the lowest level since 1942.

A low egg-feed price ratio in the winter and early spring usually results in farmers raising fewer pullets for flock replacement. However, farmers' intentions, as reported in February, were to raise the same number as last year. If these intentions are carried out, flocks will continue increasing well into 1960.

DAIRY PRICE SUPPORTS in the marketing year beginning April 1, 1959 will be continued at the same level as in 1958—\$3.06 per hundredweight for manufactured milk and 56.6 cents per pound for butterfat. In announcing the support price, the Secretary of Agriculture stated that this price level was necessary in order to assure an adequate supply of dairy products. Milk production in 1958 declined slightly from 1957, and the number of dairy cows was reduced nearly 3 per cent. Commodity Credit Corporation purchases of butter and cheese in the year ending March 31, 1959 have been reduced nearly one-half from year-earlier levels. Nonfat dry milk purchases, on the other hand, have increased.

Research Department