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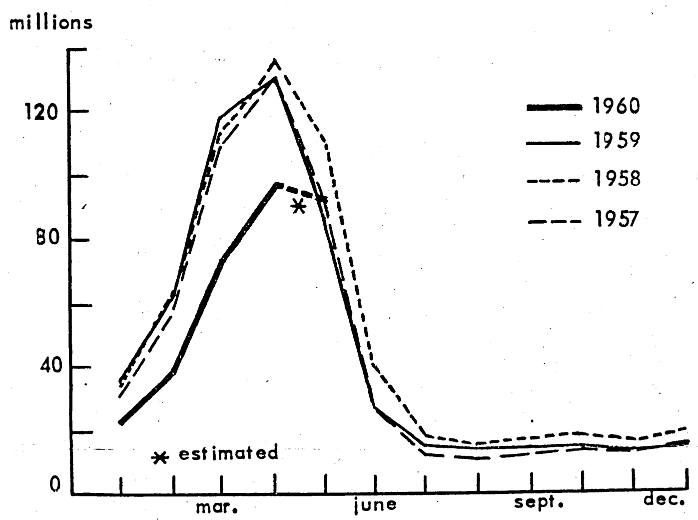
CYCLICAL UPS AND DOWNS characterize production and prices of many agricultural commodities. Eggs, while of lesser importance to the agricultural sector than hogs or cattle, provide a good example of this cyclical behavior.

Typically, egg production has a pattern of rising one year and declining the next, with prices moving in the opposite direction. In the first five months of this year, hatchings of egg-type chicks were one-fourth below the same period last year. As a result, the per capita egg supply as estimated by the U. S. Department of Agriculture will be about 325 eggs compared with 347 last year. The effects of the cutback in production have already become apparent. Prices received by farmers for eggs in April climbed to 36 cents per dozen, the highest since the beginning of 1959. While the May price dropped to 33 cents, this was substantially above the 25 cents in the same month last year. Furthermore, according to Government forecasts, egg prices are expected to continue above last year by as wide or even wider a margin this summer and fall.

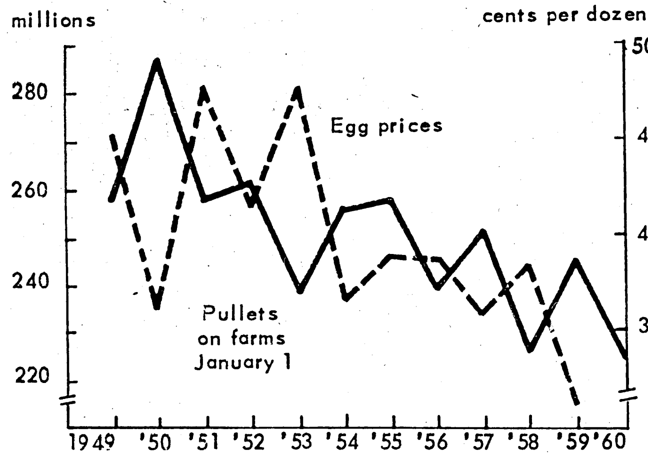
Monthly Hatchings of Egg-Type Chicks



If prices continue well above 1959 through the remainder of 1960, egg producers will probably increase their purchases of egg-type chicks next winter and spring. This would bring an expansion in egg production during 1961, which in turn would depress prices and incomes of egg producers.

Periodically during periods of low egg prices, groups of producers appear before Congress to request Government aid. However, when prices are in their high phases, producers usually have relatively good returns and the pressure for Government action disappears. While consumers have to pay higher prices during this period, the relatively small importance of expenditures for eggs in the typical consumer's budget apparently makes most consumers more or less insensitive to price changes. Thus, consumer interest in possible legislation to stabilize supplies and prices remains inactive.

Egg Prices Follow Cyclical Pattern
Opposite to Number of Pullets



Any Government program to stabilize egg prices would have to be based upon a stabilization of production since price fluctuations are primarily a result of changes in supply. Consumer demand for eggs, except for a long-term downward trend, remains relatively stable from year to year. Furthermore, consumer demand has become more inelastic as personal incomes have risen; that is, small changes in supplies now bring relatively larger price responses than before. On the production side, replacement pullets for the laying flock are delivered to farmers in the late winter and spring of the year, with 75 to 80 per cent of egg-type chicks hatched from January through May. But the production decisions farmers make early in the year are not reflected in terms of market supplies of eggs until late summer or early fall.

Thus, the cycles of production and prices appear to be self-perpetuating and may be expected to continue. The reason, of course, is that many farmers adjust their production in response to current prices and give inadequate consideration to prospective supplies and prices. This is the situation also for hogs and cattle. While these cycles of production and prices have been studied intensively and publicized widely, it apparently is still impossible to make accurate projections of prices a year or more into the future and to get most farmers to respond to prospective instead of current prices. Will the result continue to be overproduction and low prices to producers followed by unused productive capacity and high prices to consumers?

Research Department