



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE DEPARTMENT OF AGRICULTURAL ECONOMICS

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INCREASED FEED PRODUCTION MEANS LARGER POULTRY AND EGG SUPPLIES

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BUMPER FEED GRAIN AND SOYBEAN HARVESTS in the 1975-76 crop year will encourage production in the U.S. poultry and egg sector. The USDA estimates that for the first six months of 1976, broiler output will increase by 10 percent and turkey output by 20 percent over the same period in 1975. Egg output will increase by 2 or 3 percent during the first three months of 1976, compared to the same period in 1975, then fall back to year-earlier levels for the next three months.

This type of reaction is fairly typical early in a period of falling feed prices. Periods of high feed cost tend to cause lower production and increased prices for pork, poultry, and to a lesser extent, beef. When feed prices break downward, poultry and egg output usually increases before pork and beef, because of the much-shorter production cycles involved in the poultry and egg sector as opposed to the red meat sector. Increased poultry and egg output continues to be profitable until pork and beef output can respond to lower feed costs--generally, a six- to nine-month period.

The increase in poultry and egg production over the next six months will probably result in somewhat lower retail prices for these products. Broilers, which re-tailed for about 45 cents a pound in the last quarter of 1975, will average around 41 to 43 cents per pound for the next six months. Grade A white eggs, which have been averaging about 75 cents a dozen at retail, may move downward as much as 5 to 7 cents a dozen over the next six months. Retail turkey prices are likely to drop 5 to 8 cents by June, in relation to the October-December, 1975, price level of about 75 cents a pound.

This scenario could be changed if there are major disturbances in the feed grain-soybean price situation during the next six months. The most likely possibility for such change here would be revisions in the export demand for wheat, corn, and soybeans.

The price and production picture for poultry and eggs during the last half of 1976 is much less clear. To a large extent, the situation in this market during that period will depend on two factors--red meat production and developments in the new-crop

feed grains and soybeans. The production of red meat seems likely to be higher than current levels, tending to somewhat depress the production and prices of poultry and eggs. However, any substantial increases in feed costs during the last half of 1976 could result in sharply curtailed poultry and egg supplies and in rising retail prices for these products.

The above material was prepared by Dr. T.E. Elam for this newsletter.

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