



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

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BROILER AND TURKEY PRODUCTION WILL REMAIN HIGH

RELATIVELY FEW ILLINOIS FARMERS produce either broilers or turkeys. However, the status of those two industries is of major importance to producers of corn, soybeans, and hogs. Producers of broilers and turkeys are major consumers of corn and soybean meal. In the most recent year for which data are available, they took about 10 percent of all of the corn consumed by livestock and 25 percent of all of the soybean meal. Broilers and turkeys are major competitors with red meats for consumer dollars. Any change in broiler production affects hog prices nearly as much as a comparable change in pork production affects those prices. The primary reason for the current extreme weakness in hog prices is the huge supply of pork, but a major increase in broiler and turkey production is a contributing factor, too.

The history of broiler and turkey production is one of long-term, major increase. Broiler production was 3.7 billion pounds in 1960. It increased to 7.2 billion pounds in 1970, an annual rate of increase of 9.3 percent. In 1978, production was 9.9 billion pounds and the annual rate of increase for the period was 1.6 percent. Production rose to 10.9 billion pounds in 1979, an increase of 10.4 percent from 1978.

Turkey production in 1960 was 948 million pounds, increased to 1,568 million in 1970, and to 1,984 million in 1978. The annual rate of increase averaged 6.5 percent from 1960 to 1970, and 1.6 percent from 1970 to 1978. The production of broilers and turkeys in 1979 was 2,182 million pounds, an increase of 10 percent over 1978. Interestingly, turkey production remained at a nearly constant percentage of broiler production throughout the 19-year period. Turkey output was 25.6 percent of broiler production in 1960, 21.9 percent in 1970, 20.1 percent in 1978, and 20 percent in 1979.

The production of poultry meat has increased rapidly in relation to red meat production. In 1960, broilers plus turkeys constituted 16 percent of the production of beef, veal, lamb, and pork combined. By 1970, the figure was 23.5 percent; in 1978, 31.1 percent; and in 1979, 35.1 percent. The increase in relation to pork production was even greater. Poultry meat production was 35.8 percent as great as pork production in 1960, 60.2 percent in 1970, 89.9 percent in 1978, and 85.6 percent in 1979. Both 1970 and 1979 were years of usually large pork production. U.S. consumers now use nearly 90 percent as much poultry as pork.

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Broiler production was sharply above its long-term, average profitability from mid-1977 through mid-1979. Broiler prices have been substantially below cost since June of 1979. The price of broilers decreased from 47.7 cents per pound during the second quarter of 1979 to 40.8 cents during the third quarter. This coincided with a major reduction in hog and cattle prices.

There is a biological time lag for expanding and contracting broiler production. About 10 months elapses between the placement of pullet chicks in broiler hatchery supply flocks until broiler chicks are placed, and about 2 additional months until broiler meat is produced. Cumulative placements fell below year-earlier levels in August of 1979, shortly after broiler production became unprofitable. This should translate to less broiler production by the third quarter of 1980. Production during the second quarter may be about 4 percent above year-ago levels.

Turkey production remained profitable throughout 1979, although profit levels were much below the high level of 1978. In late 1979, farmers in the major turkey-producing states indicated that they planned to increase their 1980 output by 9 percent. This may make turkey production unprofitable in 1980.

The big expansion in broiler and hog production is over. Beef production will continue to decline. If current production indications materialize, livestock prices should stabilize and turn moderately higher during the second half of 1980.

T.A. Hieronymus
T.A. Hieronymus, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

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