

## Nobody Here But Us Chickens

The productive ability of the American agriculture machine is often wondrous to behold. This capacity is usually scientifically oriented, dynamic, highly receptive to changed technology, willing to search and experiment for the better way. These attributes represent American agriculture at its finest. Nowhere are these qualities more apparent than in the broiler production complex. Days-to-market for a live broiler are falling at the rate of two days per year. Feed conversions in the area of 2.2 are commonplace (pounds feed/pounds gain). Researchers have battered this down close to one to one on uneconomic rations. Someday 1.2 might be commonplace. Broiler production is unquestionably the most scientific and most automated segment of agriculture in America today.

On the other hand, the same marvelous producing machine can be disorganized, astoundingly non-market-oriented, obtuse, and unresponsive to common sense. Nowhere are these qualities more apparent than in the broiler production complex. Instead of cutting back in response to unfavorable prices, production last year was increased. Placements do not decline or pickup anywhere near as much as seasonal demand changes would indicate. (The seasonal apparently stems from marked reluctance to stand hip deep in snow and barbecue chicken on an outdoor grill). One would think that current great financial control of the broiler industry by relatively sophisticated big feed companies would lead to greater market orientation and better marketing plans but it doesn't seem to have done so. Apparently growers reject all suggestions of reduction in placements and feed companies are reluctant to press the issue as the grower will simply change feed suppliers.

These anomalies make any discussion of future broiler placements an extremely hazardous guessing game. All of the signs of the last year or so pointed to lower production, but the figures kept climbing. Since broiler feeds account for at least 20% of mixed feed sales, and have a potential for rapid change that other segments of the domestic feed business do not possess, a guess on broiler numbers is absolutely essential in any assessment of meal demand. Since meal price and demand prospects determine in no small way what bean crush level and crush profitability will be, the broiler grower exerts a considerable, albeit unconscious, influence on bean and soybean oil prices. Since this season is witnessing an intense difference of opinion on bean crush volume, it behooves all of us to re-examine some broiler economics in the hope of picking up a clue. The current broiler/feed relationship is at an all time low. (Fig. 1). This is of course only a partial indicator of trouble, since the broiler business might have gone from immensely profitable to only satisfactory on identical chart action. Actually the business is in real trouble (Fig. 2). The costs plotted here, like all costs, are open to some interpretation but it seems certain that, with feed prices in this range, out-of-pocket costs (including some grower payment) are certainly 14 to 16¢ per pound everywhere and at all seasons.

If you ask why people stay in such a locked-loss business and why more are entering it all the time, it appears to me that only two replies are possible. Either they like to be around chickens or they see better days ahead. Better days presumably means cheaper feeds or higher live broiler prices. Since all of the announced policies of the current administration have been strongly antithetical to sharply lower feed prices, there can be no reasonable expectation of help from that direction. However if one assumes that broiler marketing orders might be invoked in the next year or so, then apparently foolish actions begin to make some sense. Marketing orders would mean forcing higher prices by mutually agreed total and seasonable placement controls. Heavy past settings would give an advantageous base for a nice share of the market later at more rational prices. Unless the base history were weighted by a seasonal, which seems unlikely, then the grower who currently uses intelligence and cuts back in response to the seasonal will be disadvantaged under marketing orders. Newcomers are entering now to avoid being frozen out later since marketing orders would almost certainly restrict additional entry to

U.S. COMMERCIAL BROILER/FEED RATIO  
MONTHLY AVERAGE

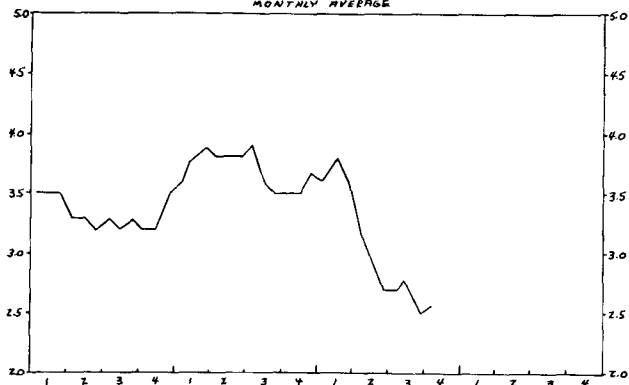


Fig. 1.

AVERAGE PRICES RECEIVED BY U.S. FARMERS FOR BROILERS  
(APPROXIMATE PRODUCTION COST PER 3/4 LB. BIRD (LIVEWEIGHT))

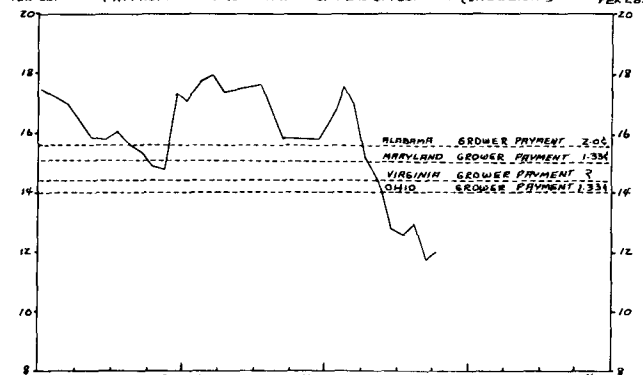


Fig. 2.

AVERAGE WEEKLY BROILER CHICK PLACEMENTS BY MONTH

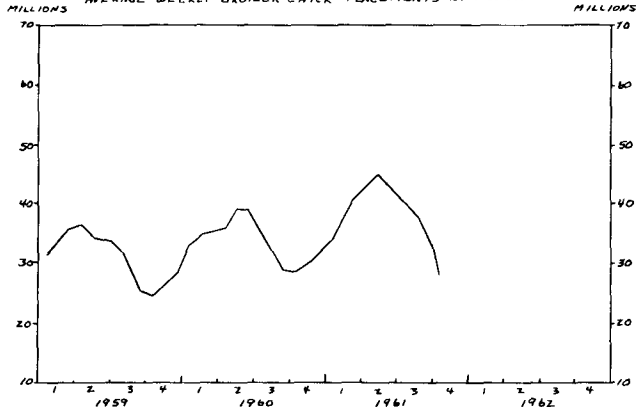


Fig. 3.

practically nothing. Thus in effect, the whole production complex might currently be losing vast sums of money as a form of "investment" in future profits. If this is the case, then we must assume that unless growers run out of either money or conviction or both, that broiler settings will stay high. Now obviously there is a point at which many operators will decline to make the additional "loss investment" and depart from the industry. If their facilities are allowed to lie idle, this will mean reduced placements and consequently lowered meal consumption. If however it is simply a case where lone operators are squeezed out one-by-one and other operators with the same conviction and a fresh bankroll replace them, then placements will stay up and so will meal consumption. Whether marketing orders are the answer to the industry's problems I don't know. I would think that they are not the "cure-all" that U.S.D.A. seems to feel they are. There must be better ways.

Now it may be that the above is not a valid view of the situation at all. Maybe operators are just plain hopeful rather than hopeful for a reason. If this is true, then price will reduce numbers both now and in the spring. We will have to watch the weekly figures very closely.

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