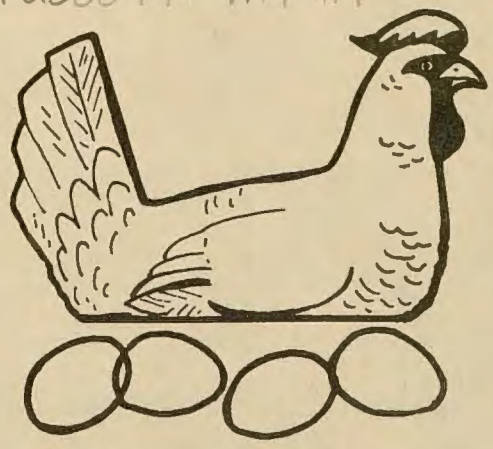

AGRICULTURAL EXTENSION SERVICE, UNIVERSITY OF MINNESOTA

Poultry Patter

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ITEMS OF INTEREST TO MINNESOTA'S EGG INDUSTRY

Melvin L. Hamre, Professor and Extension Poultry Specialist

Tax Credit for Feedlot Pollution Control

A 10-percent credit can be taken by Minnesota farmers on the state income tax return for feedlot pollution control equipment and facilities installed in 1975, says Philip Goodrich, University of Minnesota agricultural engineer.

For example, an operator may deduct 10 percent of the cost of a liquid manure spreader or a number of other pollution control devices from Minnesota taxes. This tax credit is available only in the year that the equipment was purchased or structures were installed, so the operator should make sure credit is claimed this year. State income tax credits for pollution control equipment installed in 1975 are claimed on Minnesota income tax form Schedule PC. These forms are available at tax offices. Operators can use information from their Minnesota Pollution Control Agency Feedlot Permit to fill out the returns. If an operator has not yet obtained a permit, permit applications are available from the Pollution Control Agency, 1935 W. County Road B2, Roseville 55113.

For more information, ask for Agricultural Engineering Fact Sheet 20, "Tax Benefits For Feedlot Pollution Control," from any County Extension Office or the Bulletin Room, University of Minnesota, St. Paul, MN 55108.

The Future of the Family-Size Producer

Can the family-size egg producer compete with the owner-integrated egg complexes that are becoming a part of our industry? This question has often been asked. Coordination either by ownership or contractual arrangement has been increasing in the egg industry. More and more production has moved out of the hands of the independent family-size egg operation and into coordinated or integrated production, processing, and marketing complexes. These complexes have more control over all phases of the production through marketing processes and can take advantage of economies of volume operation to reduce total costs to the system. These complexes may include feed mills, brooding and rearing operations, laying houses, and egg processing plants.

If these complexes continue to be constructed, what is the future of the family-size egg producer? Can these producers participate in a coordinated production-marketing system operated as a cooperative to remain a viable part of the egg industry? A study was conducted to determine if a cooperatively coordinated but decentralized egg production-marketing system made up of family-size production units could be economically viable. The study compared cost structures that were calculated for two simulated coordinated egg complexes—one a centralized owner integrated complex and the other a decentralized contract production complex. Several cooperatives currently operating coordinated egg production-marketing systems supplied technical and cost data from which calculations were made in the study.

Both model complexes developed were assumed to be of the same size and to perform essentially the same functions. The operations would include feed processing, started pullet and layer units, shell egg processing, marketing of shell eggs and spent fowl. The complexes had a housing capacity of 512,000 pullets and 1.2 million laying hens, producing 1.1 million started pullets and 21.1 million dozen eggs annually. The decentralized complex would consist of a cooperative-owned feed mill and egg packing plant located in the center of a production area with a 30 mile radius. The cooperative would deliver feed and assemble eggs from the producer as well as coordinating the production activities of 16 contract pullet producers and 40 contract egg producers scattered over the production area. The centralized complex would be owned and operated by a single firm with its facilities situated on a 180-acre site. It would include a feed mill, 16 pullet houses, 40 laying houses, and an egg packing plant.

In the study the decentralized complex required a total investment of nearly $10.9 million. Egg production and processing costs were estimated at $9,753,000 a year, or 47.12 cents a dozen eggs. Production costs amounted to about 80 percent of the cost of the processed eggs. The total investment for the centralized complex was estimated to exceed $10.8 million. Total operating costs were estimated at $9,704,000 a year, or 46.88 cents a dozen eggs. Production costs were about 84 percent of the total cost of processed eggs.

Family-size producers operating a cooperative decentralized egg production system would have difficulty competing in an industry dominated by a centralized owner-integrated complex according to the study. It would cost a decentralized complex nearly $49,000 a year more than a centralized complex to produce and process shell eggs: a quarter of a cent per dozen more. If the decentralized complex labor costs were to assume a wage rate equal to the centralized production labor, decentralized costs would exceed the centralized by more than $340,000 a year, or 1.6 cents a dozen more.

The cooperative complex might compete with the owner-integrated complex if it could be more efficient than the model assumed. Cooperative producers might improve production efficiency, either in feed conversion or rate of lay, as well as reduce the costs associated with feed distribution, egg assembly, and field service. To be viable the participants in a cooperative complex probably would have to accept somewhat lower returns on their resources than the owner-integrator.

This is an interesting study since it takes a look at one aspect of change that could take place in the future organization of the egg industry in an area. Full documentation is provided for the assumptions made in the study. You can get a copy of the

study, Marketing Research Report 1055, Viability of a Cooperatively Coordinated Egg Complex, from the Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250.

Midwest Poultry Convention

Upper Midwest poultrymen should circle March 3, 4, and 5—dates of the annual Midwest Poultry Federation Convention at the Radisson Hotel, Minneapolis. Federation officers and committees are actively planning the convention.

Many egg industry members have attended previous Midwest Conventions, planned to provide an all-industry show for the entire poultry industry of the Upper Midwest. Mark your calendar now and plan to join other midwest poultrymen and women in the educational sessions, business meetings, exhibits, and social events.

Wednesday, March 3, 1976
Pullet Growing Workshop
Boyd J. Bonzer, Chairman

2:00 p.m. "Started Pullets or Stunted Pullets"
—Dr. Charles W. Howe, Hyline International, Dallas Center, Iowa

2:45 p.m. "Vaccination Programs—How and Why"
—Dr. R. W. Winterfield, professor of pathology, Purdue University, Lafayette, Indiana

3:15 p.m. "What We Have Learned About Debeaking Pullets"
—Oscar Nygard, Lakeview Hatchery, Clear Lake, South Dakota

Thursday, March 4, 1976
Poultry Finance Workshop
Jack Backman, Chairman

9:00 a.m. "Does the Poultry Industry Need Credit?"
—Dr. Dean Portinga, Allstate Hatchery

9:15 a.m. "What Records will Help a Poultryman Obtain Credit?"
—Keagle W. Davis, director of client services Touche-Ross and Co.

10:15 a.m. Coffee

10:30 a.m. "Income tax planning can help preserve cash for expansion and a good credit rating"
—Brian E. MacNeill, Touche-Ross and Co.

11:30 a.m. Questions

12:00 noon Adjourn until 1:30

Issued in furtherance of cooperative extension work in agriculture and home economics, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Roland H. Abraham, Director of Agricultural Extension Service, University of Minnesota, St. Paul, Minnesota 55108. We offer our programs and facilities to all people without regard to race, creed, color, sex, or national origin.

William Arnold, Chairman

1:30 a.m. "What does a lending agency need to extend credit?"
—James A. Achter, Lease N.W. marketing officer

2:15 p.m. Sources of credit
—Chairman, Wayne F. Berthiaume, administrative assistant, Minnesota Bankers Association

Banks
—Charles Pederson, Farmers & Merchants State Bank

Farm Credit Administration
—Beryl Brandt, Federal Intermediate Credit Bank

Farm Home Administration
—Leslie Matts, Farmers Home Administration, St. Paul

Leasing
—James A. Achter

Evaluation of Equity Financing
—William Arnold, vice president, Northwestern National Bank

Thursday, March 4, 1976
Egg Production Workshop
Bob Sparboe, Chairman

2:00 p.m. "Task Force Approach to Solving Egg Production Problems"
—Tim Cain, Production Manager, Yoder, Inc., Kalona, IA.

2:30 p.m. "Are You Losing Production from Moldy Feed?"
—Dr. Pat Hamilton, Professor of Microbiology and Poultry Science, Department of Poultry Science, North Carolina State University, Raleigh, N.C.

3:00 p.m. "Managing Profits from Egg Production"
—Jerry Bookey, Nulaid Foods, Inc., San Leandro, CA.

3:30 p.m. Panel — Questions

Friday, March 5, 1976
Egg Marketing Workshop
Dr. M. L. Hamre, Chairman

10:00 a.m. "What Is Possible in the Retailing of Eggs?"

10:30 a.m. "An Aggressive Retail Procurement Program"
—Herbert Gabriel, Consultant, Stamford, Conn.

11:00 a.m. "Producer and Packer Response to Retailers Needs"
—Dan Gardner, General Manager, Milton G. Waldbaum Co., Wakefield, Nebraska

These are the workshops that you might be interested in as a member of the egg industry. You will also want to view the exhibits, talk to other industry members, and take part in some of the social functions.

Agricultural Extension Service
Institute of Agriculture
University of Minnesota
St. Paul, Minnesota 55101

Roland H. Abraham, Director

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