

# Poultry Patter



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## WHAT TO EXPECT IN 1979?

*Melvin L. Hamre*

Melvin L. Hamre, Professor and Extension Poultry Specialist

### Egg Outlook

After a period of red ink for most egg producers earlier this year, egg prices have returned to a profitable level this fall. Returns to producers should remain favorable in 1979 if production shows little increase as is expected.

Feed costs for egg production are above the same period a year ago and may show an increase during most of 1979. Corn prices in many production areas will be at or above last year's levels even with a record corn crop. Soybean meal prices are running well ahead of last year's prices and are expected to remain at higher levels during most of 1979. Other production costs are expected to continue to rise. With general economic conditions at a favorable level, growth in consumer income, and high red meat prices, favorable returns to egg producers can be expected with a laying flock at the projected national level.

The following outlook information is taken from remarks of William E. Cathcart, Agricultural Economist with the Economics, Statistics, and Cooperatives Service, at the USDA National Agricultural Outlook Conference, just concluded.

Egg production this fall is expected to be near year-earlier levels but may pick up a little in early 1979. However, more of the eggs produced will go for hatchery purposes and result in higher prices than in 1978.

Output for all of 1978 will total around 2 percent above 1977. This year's gain in output was due to both a larger laying flock and a higher rate of lay. Egg production was up 5 percent in January 1978 but tapered off to 2 percent higher in September. The 5 percent gain in January was caused by about a 2½ percent increase in both layer numbers and output per hen, whereas, all of the September gain resulted from higher output per hen. The drop in layer numbers relative to a year ago was caused by reduced replacement pullets.

Layer numbers on October 1 and egg-type pullets for flock replacements during the balance of 1978 are about the same as in 1977. The rate of lay will slip closer to 1977 levels in coming months. Thus, egg output during the remainder of 1978 will be near a year ago.

Layer numbers may pick up in early 1979 and average slightly above 1978 largely because of a substantial increase in the broiler hatchery supply flock. Egg-type chicks hatched during July-September 1978 suggest that replacement pullets for the first quarter of 1979 will about equal a year earlier. Flock numbers may also get a boost from reduced culling of mature hens from the relatively high rates in January-March 1978.

The rate of lay will likely continue up, but an older flock should keep the gain well below the 2 percent increase registered in the first quarter of 1978. Total egg production during the first quarter of 1979 will likely be up from this year, perhaps around 1 percent.

There will likely be a few more replacement pullets than a year earlier next spring. However, producers are expected to

be in a loss situation and the additional pullets likely will be largely offset by heavier cullings of old hens.

Laying flock numbers after mid-1979 will largely depend on profitability during the first half when producers will make decisions about the number of pullets to produce for second half flock replacements. Favorable profits in January-March would likely lead to increased hatch of egg-type chicks. This could push the laying flock size to a little above 1978 levels next summer.

Prices during the first half of 1978 for cartoned Grade A large eggs in New York averaged 58 cents a dozen, about 8 cents below a year earlier. The lower price was largely due to a 3½ percent increase in output. However, as output slipped back closer to 1977 levels, prices rose during the summer and, at 63 cents a dozen, averaged nearly 2 cents above July-September 1977. Prices likely will show some further increase this fall and continue strong in early 1979 before declining as usual next spring. Prices during October-December 1978 are expected to average in the mid-60's compared to 59 cents in fall 1977. If output increases are small in early 1979 as expected, first quarter egg prices will remain above year-earlier levels and likely average in the low-to-mid-60's. Prices may weaken seasonally to the upper 50's next spring and below their cost of production and marketing. If producers hold layer numbers to only a small increase in the second half of 1979, prices next summer could about match the 63 cents a dozen for July-September 1978.

Domestic egg consumption will be up slightly in 1978. This year's use is estimated to be up about 1 egg per person from 1977, to 273 eggs per person. If the estimate materializes, it will be the first year since 1971 that per capita consumption has shown an increase. Egg production this year will be up around 2 percent but increased exports, hatchery use, and population gains, will be largely offsetting.

### Investment Tax Credit

The revenue act of 1978, recently signed by the President, applies the 10 percent investment tax to the poultry housing structures and equipment. The Internal Revenue Service has challenged the cost of the housing structure itself in the past and generally not allowed the tax credit even though there had been a tax case favorable to a producer in this regard. The recently passed legislation makes the entire cost of the house and equipment eligible for the investment tax credit. The producer can depreciate the total cost of the building and equipment over its normal useful life without any reduction for the investment tax credit that has been obtained.

The investment tax credit is 10 percent of the full cost of floors, walls, and roof of the building and all its equipment which has at least 7 years useful life on a depreciation schedule. On equipment with a useful life of 5 years but less than 7 years, two-thirds of the credit is allowed. One-third of the credit can be obtained on equipment which has a useful life of 3 years but less than 5 years.

Tax credit is taken when the building and equipment is placed in service. There are limitations on the maximum amount of tax credit that can be claimed. If the limit is exceeded, it is possible to claim back to prior years or carry forward to the following years.

The new legislation spells out how the investment credit applies to poultry operations. If poultry housing has been recently constructed, check with an accountant or tax advisor to obtain the appropriate tax credit for the investment. Amended tax returns or claims for refunds can be submitted for tax credit allowable—not taken. If it has been more than 3 years since the tax return has been closed, the credit probably will not be allowed. A tax advisor or attorney can best advise on these claims.

### Midwest Poultry Convention

Upper Midwest poultrymen should circle February 8, 9, and 10—dates of the annual Midwest Poultry Federation Convention at the Radisson Hotel, Minneapolis. Federation officers and committees are active with behind-the-scenes plans.

Many egg industry members have attended prior Midwest Conventions which have been 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 in the educational sessions, business meetings, exhibits, and social events. Program details will be printed in the next issue of Poultry Patter.

### Eggshell Damage

Eggshell damage from end of packing line to supermarket was studied in three states in an attempt to find more efficient and less costly methods of egg handling. A copy of the report, ARS-NE-93, is available from the Market Operations Research Laboratory, Beltsville Agricultural Research Center, Beltsville, Maryland 20705.

The study evaluated eggshell damage between the end of the packing line and storage at the supermarket by age of hen, season of the year, and the type of pack used in transport. Both corrugated paperboard cases and wire baskets were used. Parallel-stacked and cross-stacked patterns of the egg cartons within the cases or baskets were studied.

Damage occurring between the end of the packing line and storage at the supermarket ranged from 0.29 percent checks for birds under 40 weeks old to 2.02 percent checks for birds over 60 weeks old. There was no significant difference in the rate of leakers between age groups. Damage ranged from 0.79 percent checks in eggs shipped in winter to 2.20 percent in summer. The winter season showed a lower rate of leakers than at other times of the year. From the 2 percent of eggs checked before leaving the packing plant come 22.5 percent of the total leakers at the supermarket. These checked eggs had over 10 times the chance of becoming leakers by the time they reached the supermarket than the sound shelled eggs.

The rate of checks cross-stacked in cases (1.28 percent) was significantly lower than those parallel-stacked in cases (1.68 percent). While average breakage found was not great, its significance to the industry toward consumer satisfaction with cartoned product at retail is important. A study of packing and handling methods can help keep checks to a minimum and reduce the incidence of leakers in cartoned eggs at the retail store.

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