



POULTRY
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Pullet Production Costs

The production of ready-to-lay pullets has become an important segment of our poultry industry.

It is a contract type of business in which the producer agrees to perform certain management practices to develop a salable pullet. A contract is necessary to assure there will be a home for the pullets at a given date. The egg producer also needs to be assured that he will have pullets to fill his house at a given time.

Generally the contracts have provided a reasonable profit for a well-managed, large pullet-rearing unit. Because of the contract nature of the business, it is advisable to know all the costs involved and who will pay them.

A successful pullet operation requires a good poultryman to raise the pullets, a field serviceman to promote the business, and a salesman to sell the birds. No one person has the time or ability to do a good job in all of these areas. There must be a sharing of talents and profits.

Services provided by the various persons involved in the contract should be itemized. There are many variable costs; these should be designated for each production unit.

CHICK COST

Chick cost is one of the big variables because of the differences in the breeding programs that go into the development of the chick. Chick cost now varies from a low of 40 cents to a high of 50 cents per chick. Usually the buyer of the pullet has very definite ideas as to the strain of birds desired. For this reason the pullet grower should use a name brand chick that is popular in that sales area. It could be the most expensive day-old chick. Therefore, the pullet price must be adjusted to reflect the cost of the day-old chick.

FEED COST

Feed cost is the largest item in pullet production. The price of feed varies, but usually it will fluctuate within a rather narrow range. Most programs call for a definite feeding schedule with positive control on the amount of feed that should be fed, as well as the feed formula and kind of ration. With this type of feeding program, the feed cost can be projected quite accurately. It takes 14 to 16 pounds of feed to raise a pullet for its first 20 weeks. Feed costs can be calculated on a per-bird basis using feed consumption figures and the current feed price.

HOUSING AND EQUIPMENT

Housing and equipment costs are a real expense and must be included in the cost of pullet raising. If you have a new house and are making payments on it, then you are very much aware of this. Even if the house and equipment are paid for,

you are entitled to income for its use. A depreciation schedule should be set up allowing 20 years for depreciation on the building and 10 years on equipment. These depreciation costs should be divided by the number of birds raised per year.

INTEREST

Interest on your investment should be figured as a production cost, since money used for buildings and equipment could be earning interest for you if invested. It may be included with the payments for the building, but it is usually shown as an item separate from depreciation cost.

ENERGY COSTS

The time of year and weather conditions will have an effect on the fuel required to brood day-old chicks. Since two flocks can be produced a year, you normally have one winter and one summer brooding season. These costs can be averaged out for the year, since it is desirable to maintain a uniform pullet price.

VACCINATION AND MEDICATION

The cost of the vaccination program will have only minor variations. Vaccine prices are relatively stable and vaccination programs will change only slightly from flock to flock unless there are major disease outbreaks in the area. Medication costs vary, but under good management they should be small. If your rearing program requires a rather high medication cost, then you had better change your sanitation practices. It is far better to spend some time and money preventing trouble than to wait and have to spend money treating disease. Outbreaks of disease may make the flock more difficult to sell as well as reducing the number of salable pullets. The medication cost is a good barometer to evaluate your sanitation program.

LABOR COSTS

Labor requirements are rather hard to assess, especially if laborers are involved in caring for other farm enterprises. There is a rather constant need for day-to-day care of the flock. This routine labor costs about 3 cents per bird per month, or 15 cents per bird during the growing period. This is based on the use of automatic feeders, waterers, and a ventilation system that needs minimum attention. This is the minimum labor cost for the routine care of the flock.

MANAGEMENT COSTS

Management costs are often shared by contractors. Whoever does this work is entitled to payment. It involves planning, checking the birds, giving vaccinations, ordering feed, and de-beaking, plus many other decisions that take time and effort.

RISK

Risk is a cost that is hard to establish. For any business to survive, it must have a portion of its earnings allocated to unforeseen losses from abnormally high mortality from disease or accidents, cancellation of an order, or anything that may interfere with the sale of the pullets at full contract price. In some years the losses are much higher than in others. The low-loss years must pay for the high-loss years.

PROFIT

There must be a profit for all parties involved. Nobody will stay in a business just to break even. Each participant should share in the return in relation to his or her contribution of goods and services.

SUMMARY

Table 1 shows the average expenses encountered in the production of ready-to-lay pullets. This is merely a guide to help you determine how your own expenses compare. The good managers and the good producers will have lower costs, but most producers can improve their position if they realize what categories are making their expenses high. Careful analysis of a good set of expense records will tell what needs improvement.

Table 1. Pullet Production Costs*

	Cost per pullet	Cost per 1,000 pullets
Chick	\$.45	\$ 450
Feed	1.00	1,000
Depreciation on house, equipment	.20	200
Interest on investment	.20	200
Fuel & electricity	.08	80
Vaccination & medicine	.06	60
Labor	.15	150
Miscellaneous	.06	60
Subtotal:	\$2.20	\$2,200
Management, promotion, and sale	.14	140
Risk	.05	50
Profit	.05	50
Grand total:	\$2.44	\$2,440

*As of October 1979.

The last three items in the table can be shared in various ways among the parties involved. The cost of moving the birds is generally considered a cost of management. Certainly the producer is entitled to a share in the profit.

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