

Poultry Marketing in Bay Area

market trend information and organization of poultry marketing in Bay Area studied

John Abbott

A vital aid to Bay Area producers who market poultry on a day-to-day basis is the daily Federal-State report of prices paid by processors for live birds delivered to San Francisco plants.

However, a comparison of prices paid at the Petaluma auction in 1949, and by East Bay processors in selected months of 1950 and 1951 indicated a definite time lag between the market news reports and the pace of actual transactions. Part of this lag may be attributed to a natural caution and part, to the market situation among the San Francisco firms contributing information.

Selection of Classes

A major obstacle to effective price reporting, and to solving the broader problem of establishing uniform grades of quality, lies in the selection of classes of definite economic significance.

Two marrow weight categories of fryers are distinguished. Prices of the lighter birds are susceptible to changes in the prices of Leghorn broilers for which they may be substituted in some quarters. Prices of dressed fryers at the wholesale level are not reported. Yet the survey in 1951 indicated that in the East Bay cities, shipments of such birds constituted over 40% of the fresh chicken meat supply and were closely competitive with live fryers of local origin.

Absence of Grading System

Probably the greatest impediment to full use of the reporting service and to efficient communication in the whole poultry market is the absence of a generally accepted grading system.

Business is conducted in terms of first quality birds. Prices are governed so closely by the published base price—and their prearranged relationships—that the full weight of bargaining is concentrated on the element of quality judgment. Where the buyer depends on a certain flock to meet specific retail commitments, the seller may be able to move all his birds at first quality prices. With an urgent seller and a reluctant buyer a high proportion of the flock might be graded down, and broad differentials deducted from the agreed price.

Grading of live birds is difficult. The

conditions under which it is carried out in ranch sales aggravate the problems posed by divergent standards.

A serious obstacle to the establishment of uniform grade standards is the difficulty of devising a set which would be economically sound in all potential fields of employment. Breast blisters and skin tears may detract from the sale value of birds displayed whole, yet bear no financial significance to a merchandiser of cut-up and packaged birds.

Research and the example of the egg market show that retail customers will buy all grades at appropriate prices. Base price premiums of 1¢ to 3¢ per pound were paid to raisers of special breeds of fryers in 1951. The reported price for first quality produce should take these premiums into account.

Organization

Groups of fryer raisers—in the Hayward area and in Sonoma County—have considered the co-operative form of organization as a means of strengthening their market position. Bargaining groups are marketing fryers successfully in other parts of the state.

Co-operative processing involves production and marketing operations in which regular turnover and consistent quality are vital determinants of financial success. In a competitive environment a co-operative may feel obliged to purchase members' birds as and when offered, but can not buy elsewhere when called upon to maintain supplies to its regular market outlets. The quality and timing of uncontrolled offerings by the members of the co-operative may impair processing and marketing efficiency.

In several parts of the country such impairment has been relieved by granting freedom to make decisions to a single organization of producers. Private and co-operative processors plan their suppliers' production patterns in accordance with estimated future market requirements. Killing dates for specified flocks are allocated in advance. Farmers order chicks from the hatchery accordingly. Birds are slaughtered at the most profitable age relative to the price of feed and the rate of conversion. Production credit may be obtained more easily when a flock has a guaranteed market. At the same

time, these integrated production and marketing organizations may get favorable outlets with chain grocers seeking consistent supplies.

Price Differentials

So long as competition prevails, and demand and supply are free to change, prices remain indeterminate. The average differentials between the farm prices obtained for first quality fryers by a cross section of Hayward raisers and those paid by Oakland processors on comparable dates during three selected months of the years 1950 and 1951, ranged from 0.3¢ to 0.5¢ per pound.

Scale economies from integration in production and marketing in the Central Valley and elsewhere, will continue to put pressure on producers and traders remaining outside such groups. Two escape routes are apparent: the same type of economies may be sought in a parallel integration distributing graded produce over a wide market area; or, continuous producers of high quality birds may rely on close adaptation to consumers' and retailers' requirements.

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