

Poultry Meat

Los Angeles market price-making efficiency slowed by decentralization

Kenneth D. Naden

An important characteristic of the Los Angeles poultry meat market is the absence of a central market place.

Central markets exist in Los Angeles for fruits and vegetables; for livestock; and for flowers; but the market for poultry is decentralized. It is spread out into as many small markets as there are processors. The buying and the selling of each processor are somewhat independent of those done by the others, and each one must make individual arrangements. Bids and offers for poultry occur on the farm instead of in the city.

Efficiency Reduced

The efficiency of the price-making process is seriously reduced because of the following effects of decentralization:

1. Information concerning live poultry receipts on the market is difficult to collect. There is no physical gateway through which all the poultry must pass in order to be counted. Since there are over 100 buyers of live poultry in the Los Angeles area, each one would have to be contacted daily to obtain his shipments. This would be quite expensive if physically possible at all. As a result, no information is now available concerning daily or weekly fluctuations in supply of live chickens. Knowledge concerning changes in supply—and demand—is extremely important in arriving at sound prices. In this market, changes in supply and demand are first revealed by the eagerness or reluctance of buyers to obtain a supply.

2. Information concerning prices received by farmers is made more difficult to collect and interpret. This is because the conditions of bargaining are different for every sale and because differences in quality are difficult to translate into prices. In the central market place, the actual quality of a lot can be seen and the price received is known by everyone. Adequate price reporting can partially offset this effect of decentralization.

3. Bargaining over the sale of poultry is done between individual producers and buyers on the farm instead of in the city. Buyers of agricultural products usually are better informed and have more economic power than individual producers. An important standard of sound price-making is that the parties to the bargaining process have equal economic strength.

Equality is more likely to occur when pricing is done in a central market place than when it is done on each farm.

4. Producers in general do not have assured outlets for their birds. A central market place would offer an outlet for all kinds and qualities of chickens at any time. This would mean sale at low prices sometimes, but this is preferable to being unable to sell at all. To offset the absence of a central market, buyers and sellers attempt to make private arrangements for sale of poultry. This is a form of verbal contract which assures the buyer of a supply in times of high prices, and the producer of a market outlet in times of low prices. The uncertainty concerning outlets undoubtedly adds to the cost of producing and procuring chickens. Producers whose output is not covered by some arrangement are in and out of the market according to the level of prices. They all seem to act in concert causing sharp changes in the supply of chickens on the market. This in turn makes for sharp price fluctuations and high turnover of producers.

Los Angeles is a deficit market for poultry meat and imports about 70% of the amount consumed.

Poultry meat in the Los Angeles area is handled primarily by country buyers, city processors, and retailers.

The country buyers may be independent merchants or agents for processors. The merchants—known in this area as hucksters—buy and sell live poultry wherever they can, do no processing, and usually own only a truck and a set of crates. Agents buy only for a specific processor.

City processors are of two types: large-scale operators who sell their product at wholesale; and stores which sell live or dressed poultry at retail. Some processors combine both wholesale and retail sales. The functions of these processors are also influenced by a city ordinance which prescribes that all poultry sold in the city must have heads attached or be inspected prior to sale. As a result, the large processors usually sell their product in the New York-dressed condition. The live poultry store offers live birds for sale which are then killed, picked, and cut up immediately after being purchased.

Most retail sales of poultry are made in food stores in the city. Consumers have the alternatives of buying poultry New

York-dressed, or drawn and cut up. Dressed poultry is usually found in the meat market and the drawn, cut-up poultry is usually frozen and handled in the grocery section of the same store.

Producers may also do their own marketing when conditions permit. This is done by processing the chickens on the farm where grown and selling to passers-by or to meat markets and restaurants.

Country processing plants, dressed poultry receivers, and brokers are of considerable importance in the Los Angeles poultry market. These agencies handle the poultry arriving from outside the local area. Some country processors are located in California and ship fresh-killed poultry into the city. Others are located outside California and ship in their product fresh or frozen—depending upon the distance, condition of the product, and price relations.

Producers in the local area use the following alternative outlets for poultry meat they have to sell: direct sale to consumers, restaurants and markets, sale to hucksters, and sale to buyers for large and small city processors. Direct sales usually involve processing the chickens on the farm. It is estimated that 13% of the total produced locally goes to this type of outlet. Hucksters take an estimated 50% and other buyers take the remaining 37% of the supply.

A central market place is not essential for sound price-making of a commodity but the information which it would furnish is essential. A decentralized market can work as well as other types provided adequate information is available.

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CALIFORNIA AGRICULTURE

Progress Reports of Agricultural Research, published monthly by the University of California College of Agriculture, Agricultural Experiment Station.

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Agricultural Information
W. G. Wilde Editor and Manager

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