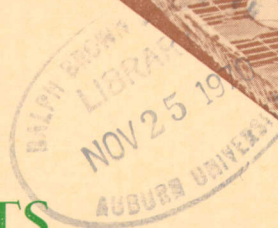


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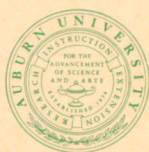
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EGG INDUSTRY ADJUSTMENTS



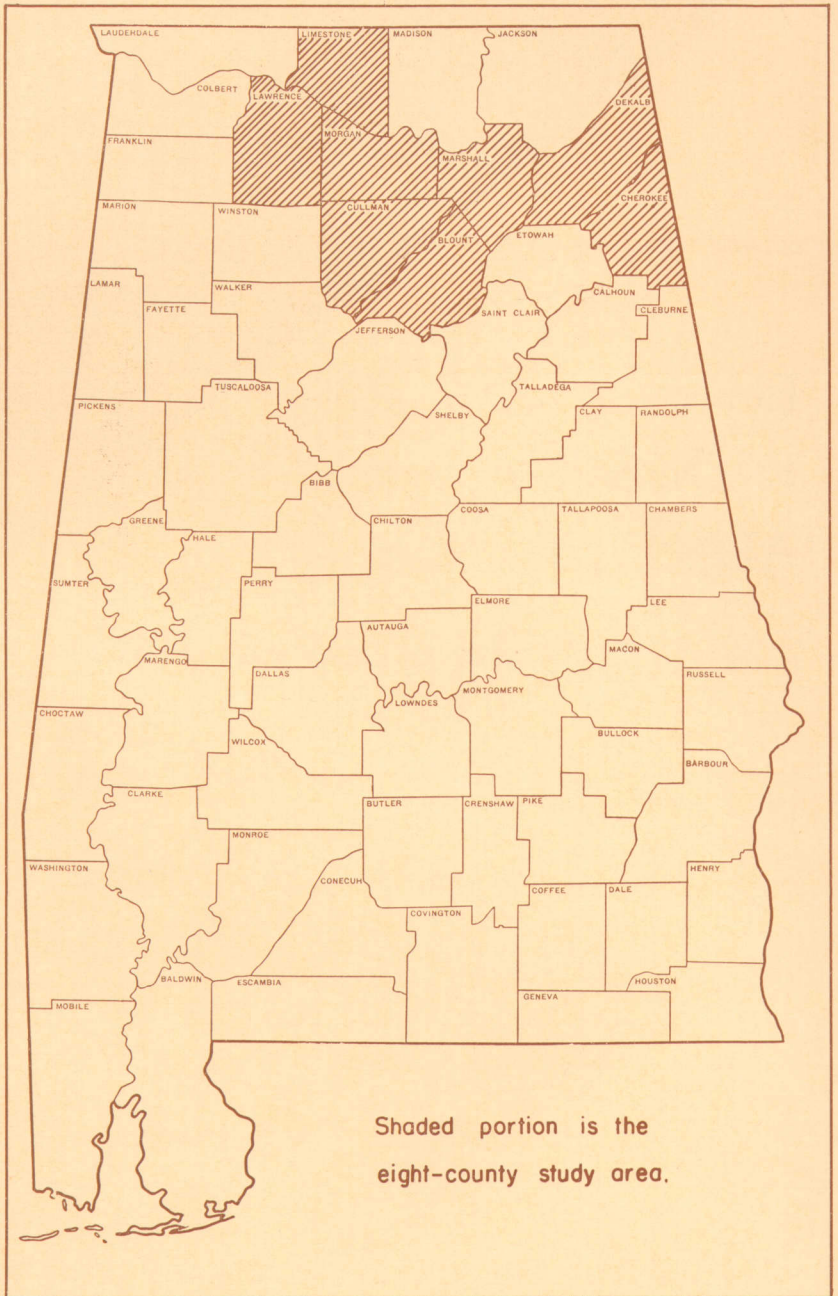
in an 8-county area of northern Alabama



AGRICULTURAL EXPERIMENT STATION
AUBURN UNIVERSITY

E. V. Smith, Director

Auburn, Alabama



DEFINITION AND EXPLANATION OF TERMS

Contract. A contract is a legal agreement between two or more persons that is enforceable by law. To be contractual and valid from a legal standpoint, an act must be based upon a mutual agreement by parties who are, according to law, competent to enter into a contract. A contract must be for a legal purpose, and it must include consideration (such as the payment of money, the delivery of goods, or the promise to do or refrain from doing some future act) given by each party to the contract.

Contractor. A contractor was defined as an individual or business that offered a contract for egg production. Under a contract arrangement, hens owned by the contractor were housed and cared for by the contractee—a service for which the contractee received a payment of a specified price per dozen. Feed, medicine, technical advice, and marketing of eggs were provided by the contractor.

Contractee. A contractee was defined as a farmer producing commercial table eggs under the terms of a contract. The contractee furnished housing, equipment, and care for the birds owned by the contractor. The contractee was normally paid a fixed price per dozen eggs produced. Some contracts contained a bonus provision providing for additional payment to the stated rate, if good management was performed. The basis for such a bonus was usually rate of feed conversion (pounds of feed required to produce a dozen eggs).

Independent producers. Farmers producing and marketing eggs from a private flock were classified as independent producers. The independent producer owned the birds, housing, and equipment, and was responsible for providing feed, medicine, and management necessary to maintain the flock and market the eggs.

Nonproducer. A term applied to persons who were commercial egg producers when a previous study of this group was made, but who are now out of egg production.

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Egg Industry Adjustments in an 8-County Area of Northern Alabama

S. C. MASSINGILL, *Instructor of Agricultural Economics*

MORRIS WHITE, *Professor of Agricultural Economics*

EGG PRODUCTION in Alabama has increased at a rapid rate in recent years. Factors that have tended to accelerate development of the egg industry were: (1) a reduction in acreages of row crops, (2) development and adoption of modern technology in the egg industry, (3) improvements in roads and water transportation facilities, and (4) a trend toward commercialization of southern agriculture.

Production increased from 1,149 to 2,358 million eggs, or 105 per cent, between 1958 and 1966, Table 1. Eggs produced per layer increased from 189 to 215 per year (14 per cent) during this period, while feed efficiency was improving 0.6 feed units per dozen eggs (9 per cent). Gross income from eggs in Alabama rose from 44.6 to 86.3 million dollars—a 94 per cent increase between 1958 and 1966.

TABLE 1. EGG PRODUCTION, PRICES, FEED EFFICIENCY, AND GROSS INCOME
FROM EGGS, ALABAMA, 1958-1966

Year	Production	Production per layer	Price per dozen	Feed units ¹ per dozen eggs	Gross income from eggs
	<i>Million</i>	<i>Number</i>	<i>Cents</i>	<i>Number</i>	<i>Million dollars</i>
1958.....	1,149	189	46.6	6.7	44.6
1959.....	1,273	195	38.4	6.6	40.7
1960.....	1,304	201	43.1	6.4	47.9
1961.....	1,382	204	42.4	6.3	52.6
1962.....	1,687	206	41.2	6.4	62.6
1963.....	1,950	212	41.4	6.1	69.3
1964.....	2,177	217	40.5	6.1	74.2
1965.....	2,248	220	39.7	6.0	75.8
1966.....	2,358	215	43.9	6.1	86.3

¹ Feed unit—The nutritive equivalent of 1 pound of corn (0.8 lb. of T.D.N., or 1,600 digestible calories). Source: *Poultry and Egg Situation*, No. PES 244, November 1966.

TABLE 2. SELECTED COUNTY, AREA, AND STATE EGG PRODUCTION AND RELATED DATA, 1959 AND 1964¹

County	Hens and pullets of laying age	Percentage of state total of hens and pullets	Volume of eggs sold	Value of eggs sold	Value of all farm products sold	Percentage eggs were of all farm products sold
	<i>Number</i>	<i>Per cent</i>	<i>Dozen</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Per cent</i>
Blount, 1959.....	571,591	7.44	5,753,180	2,209,221	9,514,282	23.22
1964.....	1,215,895	11.50	19,481,074	7,889,835	17,035,942	42.31
Cherokee, 1959.....	167,534	2.18	1,252,906	481,116	7,249,640	6.64
1964.....	338,940	3.21	4,921,398	1,993,166	9,843,062	2.68
Cullman, 1959.....	625,082	8.14	5,778,887	2,219,093	21,303,694	10.42
1964.....	1,372,253	12.98	18,009,899	7,294,009	38,441,697	18.97
DeKalb, 1959.....	377,406	4.91	3,508,006	1,347,074	20,561,869	6.55
1964.....	766,282	7.25	10,707,219	4,336,424	28,636,567	15.14
Lawrence, 1959.....	99,222	1.29	603,023	231,561	9,695,034	2.39
1964.....	264,531	2.50	3,739,358	1,514,440	13,141,034	11.52
Limestone, 1959.....	239,768	3.12	1,839,194	706,250	13,302,511	5.31
1964.....	249,273	2.36	3,619,512	1,465,902	14,882,507	9.85
Marshall, 1959.....	245,509	3.20	1,528,223	586,838	15,529,333	3.79
1964.....	458,974	4.34	6,198,417	2,510,359	19,407,821	12.93
Morgan, 1959.....	180,620	2.35	1,167,106	448,169	9,366,677	4.78
1964.....	338,684	3.20	4,895,035	1,982,489	13,801,831	14.36
Total, 1959.....	2,506,732	32.63	21,430,525	8,229,322	106,523,040	7.72
1964.....	5,004,832	47.34	54,703,313	22,154,842	155,190,461	14.28
State, 1959.....	7,681,756	100.0	58,931,981	22,629,881	414,263,399	5.46
1964.....	10,571,364	100.0	147,140,877	59,592,055	537,079,890	11.10

¹ Alabama Census of Agriculture, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., 1959 and 1964.

Hens in the eight northern Alabama counties included in this study (see map) produced 37.18 per cent of the eggs sold in the State in 1964, and this area had 47.34 per cent of the laying hens. Receipts from the sale of eggs accounted for 14.28 per cent of the value of all farm products sold in the eight-county area, or \$22,154,842 in 1964, Table 2.

STUDY OBJECTIVES AND PROCEDURES

The overall objective of this study was to evaluate recent-year adjustments in the egg industry of an eight-county area of northern Alabama. Specific objectives were:

(1) To determine adjustments in status, size, and attitudes that contractors made in contract operations between 1958 and 1966,

(2) to determine adjustments in status, size, and attitudes that producers made in egg enterprises in those years, and

(3) to determine why contractors and producers made such adjustments.

Managers of 10 contract offering agencies (feed manufacturers, feed dealers, egg buyers) who were contacted in a 1958 study were interviewed in 1966 to determine what adjustments had been made in contracts, size of firms, and attitudes of contractors.

Interviews were also conducted with the 89 farmers (independents and contractees) who were involved in the previous study to determine what adjustments they had made in the production and marketing of eggs. Information pertaining to size of farm, size of egg enterprise, status of egg producer, method of financing, production practices, marketing practices, and anticipated changes in the egg enterprise was collected.

Information obtained in these interviews was compared with that collected in 1958, and an analysis was made of the changes that had occurred during the intervening years in the egg industry within the eight-county area.

ADJUSTMENTS IN CONTRACT PROVISIONS

Rate of Payment

A major adjustment in contract provisions in the past 8 years was relative to rates of payment. Average payment per dozen had declined for each egg size group by 1966, amounting to 1.50 cents decrease for large and 1.25 cents for medium and small, Table 3.

TABLE 3. PRICES CONTRACTORS PAID PER DOZEN FOR EGGS, BY SIZE OF EGGS, EIGHT COUNTIES, NORTHERN ALABAMA, 1958 AND 1966

Contractor	Price per dozen for each size of eggs							
	Large		Medium		Small		Dirty, pee-wees, cracks	
	1958	1966	1958	1966	1958	1966	1958	1966
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
A.....	6	4	6	4	6	4	3	4
B ¹	6	5	6	4	6	3	4	2
C ²	--	4	--	4	--	4	--	4
D ³	8	8	8	7	8	4	4	3
E ¹	6	4	5	4	5	4	2	4
AVERAGE.....	6.50	5.00	6.25	4.60	6.25	3.80	3.25	3.40

¹ Contractor had bonus provision in 1966 based on feed conversion.

² Contractor did not begin contracting until after 1958.

³ Contractor paid producer on a sliding scale between 4 and 12 cents per dozen depending on market price.

Two contractors in 1966 paid a flat rate of 4 cents per dozen eggs picked up regardless of size. A sliding scale based on Thursday's closing market quotation for mixed eggs at New York was used by one contractor to determine rate of payment to contractees for large, medium, and small eggs. This appeared to be a favorable payment plan for contractees in that it allowed them to benefit from a rising market and yet provided security against a falling market. Contractees were guaranteed a minimum payment of 4 cents per dozen eggs delivered regardless of how low market price fell. Rate of payment was determined as follows:

<i>New York mixed market price, cents</i>	<i>Price paid to contractees, cents</i>
33½ and below.....	4
34 to 36½.....	5
37 to 39½.....	6
40 to 42½.....	7
43 to 45½.....	8
46 to 48½.....	9
49 to 51½.....	10
52 to 54½.....	11
55 and above.....	12

Cracked and B grade eggs were bought at half the price paid for each size of eggs (large, medium, and small). Pee-wees were paid for at half the price of small eggs.

Bonus Payments

Forty per cent of the contractors in 1966 offered bonus plans providing for additional payments to rates given in Table 3, as compared with one-third in 1958. Bonus payments were based

on feed conversion (pounds of feed required to produce a dozen eggs). Offered to stimulate improved management, the bonus was a payment for management rather than for labor.

The following was a bonus provision from one of the contracts that was being used in 1966.

— as a bonus to the contractee, if earned, the contractor will pay the contractee a feed conversion as follows:

<i>Feed conversion rate, lb. per dozen eggs</i>	<i>Bonus paid to producer cents per hen</i>
4:30 and over.....	none
4.29 - 4.25.....	1
4.24 - 4.15.....	2
4.14 - 4.05.....	3
4.04 - 3.95.....	4
3.94 - 3.85.....	5
3.84 - 3.75.....	6
3.74 - 3.65.....	7
3.64 - 3.55.....	8
3.54 - 3.45.....	9
3.44 and under.....	10

The number of hens on which the bonus, if earned, is based will be the average of the number of pullets at 22 weeks of age and the number of hens in the flock at final sale or sales for salvage. The feed conversion shall be computed by dividing the total dozens of eggs received by the contractor or his agent from said flock into the total pounds of feed fed to the flock after 22 weeks of age.

An incentive plan based on feed conversion in 1958 read as follows:

As a bonus to the contractee, if earned, the contractor will pay to him, forthwith following the sale of all the flock of chickens by the contractor, as is hereinafter provided, a sum of money based upon the feed consumption of the flock over the period of time beginning when such flock first comes into thirty per cent (30%) production of eggs to and including the time when the same is sold by the contractor, provided such are in the custody of the contractee until delivered to the contractor for sale, with such a bonus to be calculated as follows:

<i>Feed conversion rate, lb. per dozen eggs</i>	<i>Bonus paid to contractee, cents per dozen eggs</i>
5.01 and over.....	none
5.00 - 4.51.....	1
4.50 - 4.01.....	2
4.00 or less.....	3

Such feed consumption per dozen eggs will be determined by dividing the number of pounds of feed consumed by the flock of chickens, over the period of production specified above, by the number of dozen eggs produced by the flock over such said period of time.

Producers had to be more efficient in 1966 than in 1958 to earn a bonus. Comparison of the two bonus provisions reveals

that producers had to have a minimum feed conversion rate of 4.29 in 1966, as compared with 5.00 in 1958, to earn a bonus. To earn the minimum bonus of 1 cent per hen, a flock had to produce an average of 20 dozen eggs per hen on 85 pounds of feed in 1966. In 1958, a flock could earn the minimum bonus of 1 cent per dozen eggs delivered by producing 20 dozen eggs per hen on 100 pounds of feed. To obtain the maximum bonus of 10 cents per hen in 1966, a flock had to produce 20 dozen eggs per hen on 68.8 pounds of feed. The maximum bonus in 1958, 3 cents per dozen eggs delivered, was earned by producing 20 dozen eggs on 80 pounds of feed. In 1966, the maximum value of the bonus would have been 7 cents per hen on an annual basis, assuming hens were held 15 months, feed conversion rate was 3.44, and production was 20 dozen eggs. Maximum bonus value per hen in 1958 would have been 60 cents per year, assuming hens were held 15 months, with feed conversion rate of 4.00 and production of 20 dozen eggs.

Age of Pullets Furnished

Contractors were placing pullets at ages ranging from 10 to 20 weeks. The average age of pullets supplied to contractees increased from 13 weeks in 1958 to 16 weeks in 1966.

Length of Contract Period

Length of contract periods changed little in the 8 years between 1959 and 1966. Normally the contract period extended through the completion of the laying period for a flock. The laying period either covered a specified time or ended when production dropped below a specified percentage. After completion of the laying period, arrangements between a contractor and contractee were made for a new flock, if the contractee's performance had met approval of the contractor. All contractors reserved the right to liquidate a flock when they felt the contractee was negligent in management.

Common Contract Provisions

Services supplied by both contractors and contractees remained about the same in 1966 as they were in 1958. Services supplied by both parties were somewhat standard in all contracts. A majority of contracts provided that the contractor would supply 10- to 20-week-old pullets, feed, medicine, egg cases or cartons, and technical advice. Producers were required to supply housing, equipment, and labor necessary to maintain the flock.

TABLE 4. NUMBER AND PER CENT OF CONTRACTORS REQUIRING CERTAIN EQUIPMENT AND PRACTICES OF CONTRACTEES, EIGHT COUNTIES, NORTHERN ALABAMA, 1958 AND 1966

Provision	Contractors requiring in 1958		Contractors requiring in 1966	
	No.	Pct.	No.	Pct.
To be a full time poultryman	1	11	0	0
Specified type and size of house	6	67	4	80
Specified type and number of nests	7	78	4	80
Specified litter and sanitary practices	9	100	5	100
Regular medication	--	----	3	60
Feed bins	4	44	5	100
Brand or kinds of feed	9	100	4	80
Time of gathering eggs	6	67	5	100
Number of times/day for gathering	9	100	5	100
Equipment used in gathering eggs	8	89	3	60
Lighting in house	9	100	5	100
Egg room refrigerated	4	44	5	100
Egg cleaner or washer	1	11	3	60
Eggs graded	2	22	0	0
Case all eggs	9	100	4	80
Carton eggs	0	0	1	20
Cull hens	3	33	1	20
Furnish labor for catching old hens	5	56	3	60
Maintain an all weather road	9	100	3	60

Other provisions relating to equipment and production practices required of producers by contractors are given in Table 4. Eighty per cent of the contractors in 1966 required a specified type and size of house as compared with only 67 per cent in 1958. All contractors interviewed in 1966 required producers to have bulk feed bins, whereas only 44 per cent had required this provision in 1958. All contractors interviewed in 1966 required specified times for gathering eggs as compared with only 67 per cent in 1958. Another provision that has experienced great change is the requirement of a refrigerated egg room. This was required by all of the contractors in 1966, up from only 44 per cent in 1958. In 1966, only one contractor required that hens be culled, whereas three had this requirement in 1958. Culling of commercial laying hens has been virtually eliminated because increases in productivity of hens and increased cost of labor have made it an uneconomical practice.

ADJUSTMENTS IN STATUS, SIZE, AND ATTITUDES OF CONTRACTORS

Discontinued Contract Operations

Five of nine contractors interviewed in 1958 had discontinued contract operations by 1966. Two contractors gave low egg

prices as the reason they had ceased operation. Reasons given by others were: (1) merged with another company, (2) decided to produce all eggs on company owned and operated farms, and (3) contractees did not hold to terms of contract. The number of birds that contractors had under contract at the time they discontinued contract operations ranged from 10,000 to 150,000.

Changes in Contractors' Opinions on Flock Size

Contractors have changed their opinions in regard to maximum and minimum size flocks to be placed on contract. Maximum size flocks reported by contractors in 1958 ranged between 5,000 and 8,000 birds, with the average being roughly 6,000. In 1966, contractors reported a willingness to contract on maximum size flocks of 10,000 to 25,000 birds, with the average being approximately 17,000. There was a direct relationship between number of hens a contractor had on contract and the maximum size of flock he was willing to place on contract.

The minimum size flock that contractors were willing to place, was 2,000 birds in 1958 and 4,000 birds in 1966, Table 5.

Contractors considered optimum flock size to be between 3,500 and 5,000 birds in 1958. In 1966 they suggested 8,000 to 12,000 birds as optimum.

Larger flock sizes allowed contractors to achieve economies of scale in delivery of chicks and feed and in egg pickup.

Volume of Active Contract Operations

The five active contractors in 1966 had a total of 84 contractees engaged in table egg production with a total of 740,000 hens under contract, Table 5. Two contractors owned 66 per cent of the 740,000 hens under contract. Number of contractees per contractor ranged from 9 to 28, with an average of 17.

Contractors have been increasing the number of hens placed under contract. The four who were operating in both 1958 and 1966 had increased the number of birds on contract from 129,700 to 615,000 during the 8 years. The number of contractees had grown from 53 to 75, or 42 per cent. Average size of flock per contractee for the four contractors increased 237 per cent, going from 2,434 to 8,200 birds. A distribution of flocks by sizes for the different contractors in 1958 and 1966 is recorded in Table 5.

A trend among contractors has been that of increasing the number of birds without substantially adding to the number of contractees. One contractor reduced the number of contractees from 19 to 12 between 1958 and 1966, but increased the number

TABLE 5. SIZE OF CONTRACT OPERATIONS AND CONTRACTORS' OPINIONS OF MAXIMUM, MINIMUM, AND OPTIMUM SIZE OF CONTRACT FLOCKS, EIGHT COUNTIES, NORTHERN ALABAMA, 1958 AND 1966

Contractor	Contractees		Hens on contract		Maximum size of contract flock		Minimum size of contract flock		Preferred size of contract flock	
	1958	1966	1958	1966	1958	1966	1958	1966	1958	1966
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
A.....	7	28	25,000	260,000	5,000	25,000	2,000	5,000	3,500	10,000
B.....	25	25	50,900	230,000	8,000	20,000	2,000	5,000	4,000	8,000
C ¹		9		125,000		20,000		5,000		12,000
D.....	19	12	50,000	75,000	7,000	12,000	2,000	2,500	5,000	10,000
E.....	2	10	3,800	50,000	5,000	10,000	2,000	3,000	4,000	10,000
Total.....	53	84	129,700	740,000	25,000	87,000	8,000	20,500	16,500	50,000
Average.....	13	17	32,425	148,000	6,250	17,400	2,000	4,100	4,125	10,000

¹ Contractor C did not start contracting until after 1958.

of birds under contract by 50 per cent. Another contractor had 352 per cent growth in number of birds under contract while holding the number of contractees constant after 1958.

There were no flocks of more than 6,000 hens reported in 1958. Twenty-six per cent had less than 2,000 hens and 66 per cent fewer than 3,000. In 1966, 70 per cent of the flocks were larger than 6,000, and none had fewer than 2,000 hens. Flocks of 12,000 or more hens comprised 14 per cent of the total flocks and 38 per cent of the birds in 1966.

Complaints of Contractors and Contractees

General complaints of contractors against contractees were: (1) failure to look after small things, (2) neglect of birds, (3) failure to follow full instructions, and (4) failure to spend adequate time in the hen house. A major complaint of one contractor was that contractees would contract for a flock and then hire someone to care for the birds. The contractor said this created communication difficulties in that he was not quite sure with whom he was dealing.

Contractors stated contractees had made the following complaints: (1) their costs were going up, (2) contract price was not high enough, (3) contractors start pullets too young, and (4) contractors require contractees to hold hens too long. Contractors tended to regard these complaints as rather routine and did not expect to make any significant changes because of these complaints.

CHARACTERISTICS OF PRODUCERS AND NONPRODUCERS

Age and Education

A comparison of farmers who had continued a commercial egg enterprise with those who had dropped the enterprise between 1958 and 1966 was made on the basis of selected characteristics.

Farmers who had discontinued the egg enterprise were approximately 6 years older on the average than those who were continuing. Three out of four commercial flock operators were between 40 and 60 years of age. Eight farmers who were interviewed in 1958 were no longer living in 1966.

There was little difference between the groups in the number of years of formal education attained. The range for both groups was from 5 to 17 years. Approximately two out of five in both

groups had 10 to 12 years in school; a slightly greater proportion reported 9 or less years.

Acreages and Enterprises

Farms of those who had continued with a commercial egg flock contained between 2 and 381 acres. Twenty-three per cent of those who had discontinued commercial egg flocks owned no land, but farm size of those who did own land ranged from 2 to 830 acres. About one out of four farmers in both groups rented some land, but a majority rented less than 60 acres. In contrast to the 78 per cent of farmers with commercial flocks who operated land based enterprises, only 45 per cent of those who had discontinued flocks operated such enterprises. Land based enterprises were defined as enterprises that required cropland or pasture land. Because poultry required neither cropland nor pasture land, it was not considered a land based enterprise.

Types of major enterprises, other than commercial egg flocks, were similar for the two groups. Except for truck crops, the major enterprises were present on a greater proportion of the farms that had commercial flocks, Table 6. Farmers who did not have commercial egg flocks had more acres of crops but fewer head of livestock per farm than those with commercial flocks.

Off-farm employment was most common among farmers who had discontinued the commercial egg enterprise, Table 7. Within this group a majority of those who worked off the farm did so on a full-time basis. Only about one out of four farmers with commercial egg flocks worked off the farm, and this generally was on a part-time basis.

TABLE 6. DISTRIBUTION OF EGG PRODUCERS AND NONPRODUCERS BY CROP AND LIVESTOCK ENTERPRISES, EIGHT COUNTIES, NORTHERN ALABAMA, 1966

Crop or livestock	Producers		Nonproducers	
	Proportion growing	Acres or livestock per farm	Proportion growing	Acres or livestock per farm
	<i>Per cent</i>	<i>Number</i>	<i>Per cent</i>	<i>Number</i>
Crops				
Corn.....	40.6	25.6	27.7	38.4
Cotton.....	38.0	14.4	19.0	19.2
Truck crops.....	3.1	9.0	8.5	14.0
Livestock				
Beef cattle.....	59.0	32	21.3	23
Market hogs.....	22.0	5-800	13.0	3-500
Brood sows.....	28.1	18	22.8	25

TABLE 7. DISTRIBUTION OF PRODUCERS AND NONPRODUCERS BY AMOUNT AND TYPE OF OFF-FARM EMPLOYMENT, EIGHT COUNTIES, NORTHERN ALABAMA, 1966

Off-farm employment	Producers		Nonproducers	
	Number	Per cent	Number	Per cent
Amount				
Full-time.....	1	3.1	17	36.2
Three-fourths time.....	6	18.8	4	8.5
Half time.....	1	3.1	3	6.4
One-fourth time.....	1	3.1	1	2.1
None.....	23	71.9	22	46.8
TOTAL.....	32	100.0	47	100.0
Type				
Professional work.....	1	11.1	5	14.7
Self-employed business.....	2	22.2	7	20.6
Skilled labor.....	5	55.6	6	17.6
Common labor.....	1	11.1	7	20.6
Retired or other.....	0	0.0	9	26.5
TOTAL.....	9	100.0	34	100.0

ADJUSTMENTS IN STATUS, SIZE, AND ATTITUDES OF PRODUCERS

Present Status of Producers

In 1958, the sample group of 89 egg producers included 46 contractees and 43 independents. When these same individuals were contacted again in 1966, 64 per cent had ceased production of eggs; 15 per cent were producing eggs as contractees; 12 per cent were still operating as independent producers; 7 per cent were producing hatching eggs under contract; and 2 per cent were raising starter pullets under contract to hatcherymen. Distribution of the group by numbers was as follows:

<i>Status</i>	<i>Number</i>
Nonproducers.....	57
Contractees.....	13
Independents.....	11
Hatching egg producers.....	6
Starter pullet producers.....	2
TOTAL.....	89

Dates and Reasons Operators Discontinued Commercial Egg Enterprises

The greatest percentage of operators who discontinued the commercial egg enterprise disposed of flocks in 1960 because of low egg prices. Other years with high dropout rates were 1962 and 1965. In each case these terminations followed a year in

which price had declined. Percentages of producers terminating their flocks in these years were as follows:

Year	<i>Percentage terminating flocks</i>
1959.....	7
1960.....	32
1961.....	9
1962.....	18
1963.....	7
1964.....	7
1965.....	18
1966.....	2

Reasons for discontinuing the enterprise varied among individuals, but shortage of labor was given by the largest percentage. A contributing factor could have been that approximately 51 per cent of this group was engaged in some type of off-farm employment. Other major reasons for terminating flocks were unprofitability of egg production, poor health, and death of operators. Reasons given for terminating egg enterprises were:

<i>Reason</i>	<i>Per cent of nonproducers</i>
Shortage of labor or time.....	36
Unprofitable enterprise.....	22
Death of operator.....	14
Poor health of operator.....	11
Age of operator.....	4
Quit farming.....	4
Dissatisfied with contract.....	4
Sanitation problem with caged birds.....	2
Remodeling laying house.....	2
House destroyed.....	2

Flock Size When Enterprise was Discontinued

Individuals who discontinued commercial egg production had smaller flocks than those who retained the enterprise. Of those who dropped the enterprise, 65 per cent had flocks of less than 4,000 birds, and only 8 per cent had more than 7,000 birds when they terminated. The following is a distribution of flock sizes of 55 nonproducers when they terminated:

<i>Flock size</i>	<i>Per cent of flocks</i>
1,999 or less.....	35
2,000 - 2,999.....	20
3,000 - 3,999.....	11
4,000 - 4,999.....	2
5,000 - 5,999.....	13
6,000 - 6,999.....	11
7,000 - 7,999.....	0
8,000 - 8,999.....	2
9,000 - 9,999.....	0
10,000 and over.....	6

Size of Flock Managed by Operators

Size of flock managed showed little difference between contractees and independent operators, averaging 10,750 and 11,300 hens, respectively. Average size of flocks producing hatching eggs was smaller, and averaged approximately 6,300 hens. No operator of a hatching egg flock had more than 11,000 hens.

Opinions of Producers Regarding Flock Size

Thirty-nine per cent of the contractees, half the independents, and one-third of the hatching egg producers considered flocks of 15,000 to 20,000 to be the maximum size for a "typical" egg producer.

Minimum flock size was considered to be between 5,000 and 11,000 hens by 69 per cent of all the contractees and independents, and by 83 per cent of the hatching egg producers.

Flock size of 15,000 to 20,000 hens was considered optimum by 46 per cent of the contractees, 50 per cent of the independents, and 17 per cent of the hatching egg producers.

Attitudes of Producers on Joining a Bargaining Association

Attitudes were varied about joining a bargaining association. The following question was asked of all producers: "If under a contract agreement you were not making an amount equal to what you think you should make, would you consider getting together with fellow producers to form a bargaining association to negotiate for changes in your contract?" Sixty-nine per cent of the contractees, all the independents, and 50 per cent of the hatching egg producers answered yes. Those answering yes replied that they thought the benefits of such an organization would be more bargaining power for producers, which would result in higher contract prices and more agreeable contract provisions.

Of the individuals not favoring a bargaining association, 29 per cent stated that they did not like such organizations, and 71 per cent said they thought little could be accomplished by such an organization.

Producers' Choice Between Contract and Independent Operation

Egg producers were asked, "If you were advising a neighbor who wanted to go into market egg production, would you advise him to go under contract or stay independent?"

Eighty-five per cent of the contractees and all of the inde-

pendents said they would advise a new producer to go under contract production. When asked their reason for such advice, 80 per cent stated that less risk was incurred as a contractee, 10 per cent replied that less capital was required as a contractee, and the remaining 10 per cent said a contractee has an egg market guaranteed.

The 15 per cent of the contractees that advised going to independent production thought egg production was more profitable as an independent operation.

SUMMARY AND IMPLICATIONS

Summary

Contract provisions for commercial egg production have changed relatively little between 1958 and 1966, with rates of payment representing the major change. Average prices paid per dozen by contractors in 1958 were 6.5 cents for large eggs and 6.25 cents for medium and small. Rates of payment per dozen had declined for each egg size group by 1966. The average decrease per dozen amounted to 1.5 cents for large and 1.25 cents for medium and small eggs.

Services supplied by contractors and producers remained about the same as in 1958. A majority of contracts specified that the contractor would supply 10- to 20-week-old pullets, feed, medicine, egg cases or cartons, and technical advice. Producers were required to supply housing, equipment, and labor.

Five of nine contractors interviewed in 1958 had discontinued operations by 1966. Two gave low egg prices as the reason they had ceased operation. Reasons given by others were: merged with another company, decided to produce all eggs on company farms, and contractees did not hold to terms of the contract.

The four contractors who were operating in 1958 and 1966 had increased the number of birds on contract from 129,700 to 615,000 during that period, a jump of 374 per cent. The number of contractees had risen 42 per cent, from 53 to 75. Average size of flock per contractee for the four contractors increased 237 per cent, from 2,434 to 8,200 birds.

There were no contract flocks of more than 6,000 hens reported in 1958; 26 per cent had less than 2,000 hens and 66 per cent fewer than 3,000 hens. In 1966, 70 per cent of the contract flocks were larger than 6,000, and none smaller than 2,000 hens was reported. Flocks of 12,000 or more hens comprised 14 per

cent of the flocks, but accounted for 38 per cent of the birds in 1966.

Of the original sample of 89 egg producers in 1958, only 34 per cent were still engaged in egg production in 1966. Major reasons for ceasing operations were: (1) labor shortages, (2) producers feeling that laying hens were an unprofitable operation, and (3) poor health and death of operators. Most of the discontinued operations were small flocks, 35 per cent having fewer than 2,000 hens and 54 per cent less than 3,000 hens.

In 1966, average flock size for contractees, independents, and hatching egg producers was 10,753, 11,300, and 6,300 hens, respectively. Fifty-four per cent of the contractees and 64 per cent of the independents had flocks of less than 11,000. Flocks larger than 15,000 hens were reported by 31 per cent of the contractees and 27 per cent of the independents.

Implications

The change from a deficit to a surplus producing area has contributed to increasingly complex and acute problems in marketing eggs in Alabama. Alabama's egg marketing problems will intensify in the future as commercial egg production continues to increase, and as more and larger markets are sought to handle the increased supply.

The egg industry will continue to be both vertically and horizontally coordinated. Most contractors plan to increase both number of producers and number of hens under contract arrangements. Indications are that contracts for egg production will become more formal in the future as contractors shift from oral to written contracts.

A majority of new egg producers will probably produce eggs under contract arrangements because of smaller capital requirements and the potential for transferring risk to contractors.

Size of laying flocks and use of labor saving equipment will continue to increase as labor costs continue to rise and economies of scale are realized by both contractors and producers.

Contractors will likely be confronted with producer bargaining associations in the future. Producers indicated a willingness to join a bargaining association if one seemed necessary. The main deterrent to such organizations was lack of leadership. Rising cost of farm labor and fixed rates of payment for eggs, at a rate that contractees consider relatively low, will provide an incentive for producers to form bargaining associations to seek higher rates of payments in contracts.