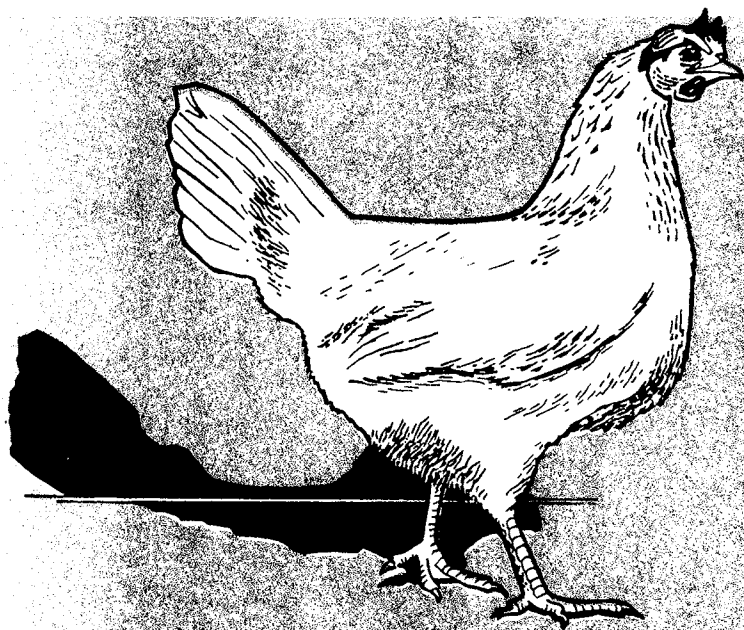


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# **COSTS and RETURNS**

BY R. MANN  
ITHACA, N. Y.

SEP 23 1970



**Commercial  
Egg-  
Producing  
Farms**

**New Jersey**

# 1964

## FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1964 costs and returns studies have been conducted on the following:

- Dairy Farms, Northeast and Midwest
- Corn Belt Farms
- Egg-Producing Farms, New Jersey
- Broiler Farms, Maine, Delmarva, and Georgia
- Cotton Farms
- Tobacco Farms, Coastal Plain, North Carolina
- Tobacco-Livestock Farms, Bluegrass Area, Kentucky
- Wheat Farms, Plains and Pacific Northwest
- Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1964 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1964.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

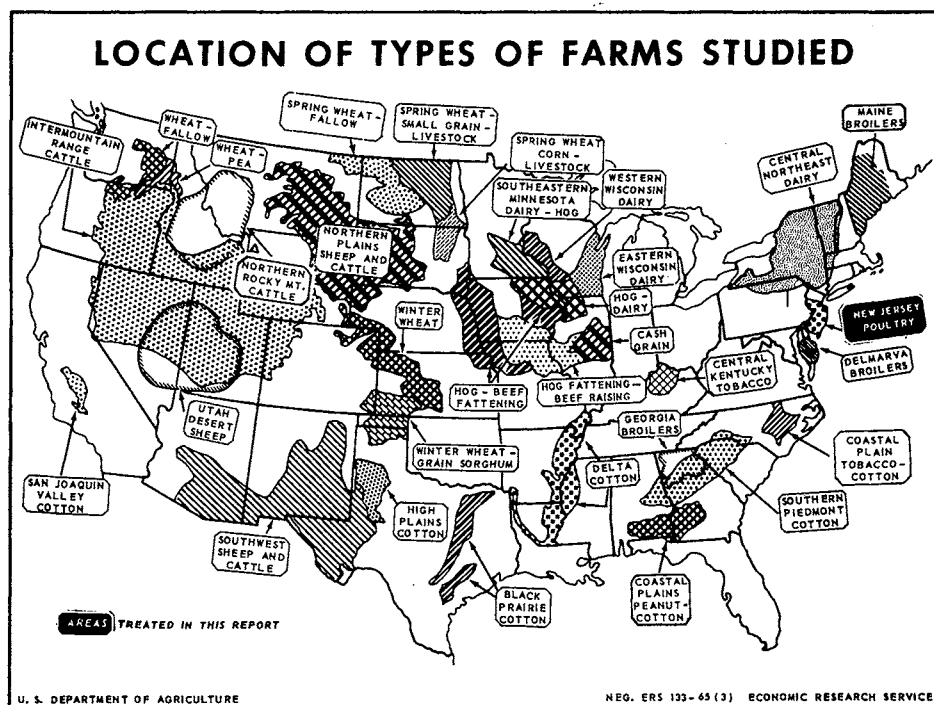


Figure 1

# **COSTS AND RETURNS**

## **COMMERCIAL EGG-PRODUCING FARMS**

### **NEW JERSEY, 1964**

Everett O. Stoddard, II and John W. Carncross<sup>1</sup>

In 1964, net farm income on typical commercial egg-producing farms in New Jersey averaged \$2,470 per farm (fig. 1, table 1). Net farm income for these producers was \$377 higher than in 1963 and \$728 more than the 1957-59 average. Increased production of 1,539 dozen eggs per farm and a 12 cent per hundredweight decrease in prices paid for laying mash offset a 1.4-cent per dozen decline in egg prices compared with a year earlier.

Total cash receipts declined \$635 per farm in 1964 from a year earlier as income from both eggs and cull layers decreased (fig. 2). In 1964, marketings of eggs and cull layers were the highest on record for these farms. But prices received were the lowest. As in recent years, farmers encountered some difficulty in disposing of cull layers. Normal marketing channels were reluctant to take birds. Some operators even gave away small quantities of culls just to dispose of them.

In 1964, egg prices received by these New Jersey producers averaged 32.7 cents per dozen. Egg prices were 1.4 cents per dozen below the 1963 level and were 4.3 cents under the 1957-59 average. This price was an average of all grades and sizes including cracks, checks, etc., and methods of sale (i.e., wholesale, retail, etc.). The price was also the price to producers after all marketing charges, commission fees, transportation costs, etc., were deducted. These producers sold at least 90 percent of their eggs wholesale. Some producers had small retail outlets and roadside stands. Therefore, considerable variation existed in average egg prices received within this area.

From 1963 to 1964, egg prices in New Jersey declined 1.4 cents compared with a drop of 0.6 cent for the country as a whole. In recent years, New Jersey producers have received a higher price than the U.S. average for their eggs. (See chart on page 7, U.S. and New Jersey, Prices Received by Farmers for Eggs). But the margin has been narrowing since 1957. Other production areas, especially the South, have been supplying the major Eastern metropolitan areas with dependable supplies of quality

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<sup>1</sup> Agricultural Economist, formerly with the Farm Production Economics Division, Economic Research Service, now Marketing Specialist, Packers and Stockyards Division, Consumer and Marketing Service, U.S. Department of Agriculture and John W. Carncross, Professor Emeritus, Department of Agricultural Economics, Rutgers University. The New Jersey Agricultural Experiment Station is a cooperator in the continuing study of costs and returns on commercial egg-producing farms in New Jersey.

Table 1.- Organization, production, costs and returns, commercial egg-producing farms, New Jersey, 1957-59 average, 1963 and 1964

Item	1957-59	1963	1964 <sup>1/</sup>
	<u>Number</u>	<u>Number</u>	<u>Number</u>
Laying hens on hand, Jan. 1.....	4,687	5,050	5,100
Chickens raised.....	3,042	2,856	2,964
Average number of layers on hand, during year.....	4,080	4,696	4,718
Eggs per layer on hand, during year.....	195	196	199
Total labor used.....	5,200	5,080	4,990
Operator and family.....	4,280	4,170	4,090
Hired.....	920	910	900
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Total farm capital, Jan. 1.....	42,090	44,080	45,430
Land and buildings.....	32,850	34,500	35,960
Machinery and equipment.....	1,890	2,260	2,260
Livestock.....	7,350	7,320	7,210
Total cash receipts.....	25,410	26,900	26,265
Eggs.....	24,658	26,121	25,552
Cull layers.....	752	779	713
Total cash expenditures.....	25,487	25,862	24,969
Feed purchased.....	19,286	20,081	19,300
Baby chicks.....	1,419	1,142	1,123
Brooder fuel.....	183	131	127
Other poultry expense.....	490	571	504
Machinery.....	926	1,028	1,036
Farm buildings.....	1,530	914	915
Labor hired.....	840	961	927
Taxes.....	434	563	570
Telephone.....	33	45	45
Electricity.....	230	248	251
Insurance.....	34	47	48
Miscellaneous expense.....	82	131	123
Net cash farm income.....	-77	1,038	1,296
Value of perquisites.....	922	983	1,034
Change in inventory:			
Livestock.....	182	72	140
Machinery and buildings.....	715	---	---
Gross farm income.....	26,514	27,955	27,439
Operating expenses.....	24,772	25,862	24,969
Net farm income.....	1,742	2,093	2,470

<sup>1/</sup> Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

# INCOME AND EXPENDITURES

## Commercial Egg-Producing Farms, New Jersey

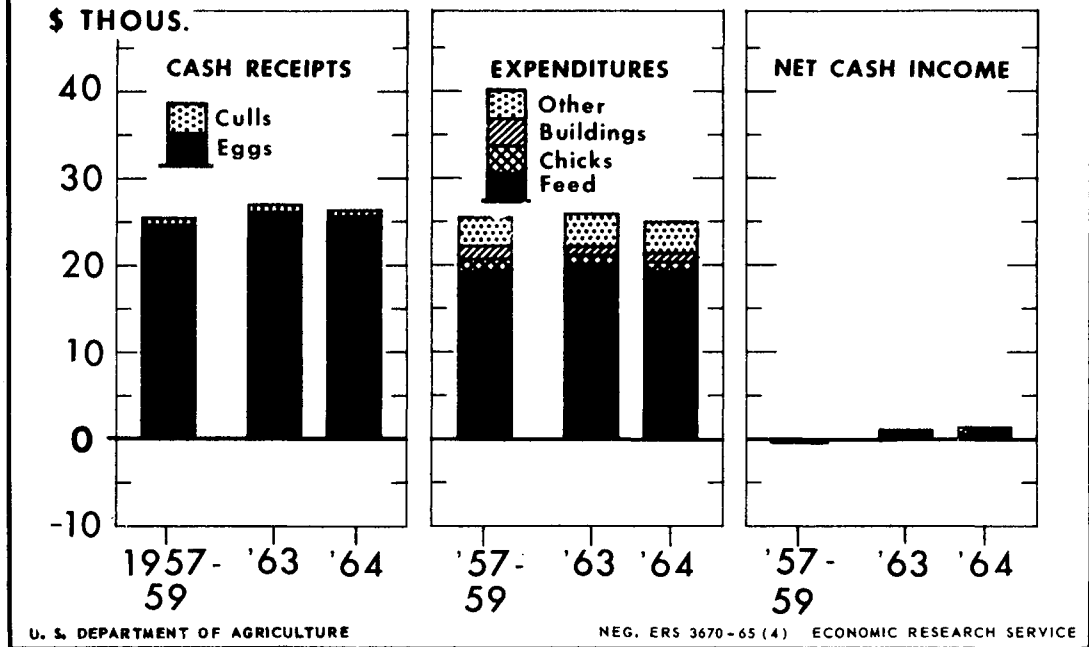


Figure 2

eggs. New Jersey poultrymen produced a much larger proportion of large white eggs than other white egg areas. But the margin between large and medium white eggs in the New York market declined about 9 percent in 1963-64 from the previous 5-year period. Thus, market proximity and the premium for large eggs have become less of a competitive advantage for these New Jersey producers than in the past few years.

In 1964, these New Jersey producers sold 78,140 dozen eggs per farm. This was an increase of 1,539 dozen over the previous year. Producers maintained an average of 4,718 layers per flock in 1964, 22 layers more than during the previous year. The rate of lay averaged 199 eggs per layer compared with 196 in 1963. Part of this increase

was because of a slightly younger layer flock in 1964. Also, these poultry farmers are following better management practices than in previous years.

Egg production per layer in New Jersey trended upward until about 1957. (See chart on page 7, U.S. and New Jersey, Egg Production Per Layer). Little improvement occurred from 1957 through 1963. In 1957, the rate of lay in New Jersey averaged 195 eggs. This was only 1 egg less than in 1963. For the country as a whole, the rate of lay averaged 199 eggs in 1957 and 213 eggs in 1963, an increase of 14 eggs. An older flock age (the ratio of hens to pullets) and disease combined to plague the industry in New Jersey.

Total farm operating expenses on these New Jersey farms in 1964 declined \$893 per farm--despite the

larger flock size and more pullets raised--compared with a year earlier. Lower feed prices were mainly responsible. In addition, feed consumed per layer and pullet was slightly less. These operators paid \$71.40 per ton for laying mash in 1964. This was \$2.40 less than a year earlier. Prices paid for chick starter and grower mix declined about the same amount per ton. The operator paid \$34.10 per 100 in 1964 for sexed baby chicks, \$1.90 less than in 1963. Expenditures increased slightly for farm taxes, machine, and custom work hired. The latter costs are associated with the clean-out operation.

In previous years, vegetable farmers cleaned out many laying houses for the manure. Now, because of increased labor costs, many poultry farmers must clean out the houses and place the manure in piles for the vegetable farmer to haul away. Only about one-fifth of the farmers in the past several years have had the manure removed at no additional expense other than using regular farm labor and machinery. Another one-fifth cleaned out their own buildings and used the manure on their own farms. Most of the remainder hired all this work.

Operators have been trying to hold down expenses. Hired labor is one example. Some farmers laid off hired labor in 1964 to help decrease expenditures. Operators continued to hold to a minimum any expenditures for buildings and equipment, repairs, and replacements. Occasionally, some producers remodeled from a floor-type to a cage-type operation in 1964. But there has been almost no new construction in this area.

In 1963, some producers expanded their operation by leasing empty

poultry facilities. Annual leasing costs averaged between 20 and 25 cents per layer depending on the quality of the buildings and equipment and whether or not there was a dwelling on the premises. In 1964, many of these operators quit leasing. In some cases, the leased unit was several miles from the home farm and considerable time was spent in travel. Also, some difficulty was experienced in obtaining reliable hired labor and in maintaining good supervision of both units.

In the past 5 years, incomes have been so low that many producers could not finance chicks, feed, etc., for replacement flocks. Since 1959, these operators have retained over 40 percent of the previous year's pullets for a second year of production. This compared with about 30 to 33 percent in earlier years. When operators keep the birds another year they try to force the molting of the birds so they will begin laying about the same time. This is commonly known as recycling and is accomplished by withholding feed or water from the birds for several days.

By deferring income (35 cents per bird) from the sale of cull layers, these operators maintained flocks without the large capital outlay needed for normal replacements. The cost of feeding these cull layers through the molting period was at most 60 cents per bird. Thus, the producer had a layer for another year of production at about one-half the cost of raising a pullet.

On the production side, hens in their second year lay about 20 percent fewer eggs than pullet flocks. Also toward the end of the season hens begin to produce poorer eggs. However, production in the second year consists mostly of large eggs.

In 1963-64, prices received by New Jersey producers for large white eggs averaged 7.4 cents more per dozen than for medium white eggs. Some farms supplying special markets probably netted more income from older-age flocks. However, producers as a whole have probably suffered as a result of the poorer performance of older flocks.

Net farm income is the return to the operator and unpaid members of the family for their labor and management on the farm and the return to total capital. Farms in all the costs and returns series are considered to be owner-operator units. This allows comparability of management and labor returns among all the farms. No allowance has been made for payment of rent, interest, or mortgage. The net farm income on these New Jersey farms from 1959 through 1964 averaged as follows:

Net farm income

1959.....	\$-523	1962.....	2,433
1960.....	5,158	1963.....	2,093
1961.....	4,959	1964.....	2,470

The average net income for this period--\$2,765 per year--was not enough to meet all family living expenses and still repay farm mortgages and operating loans. The number of layers in New Jersey declined nearly 40 percent from January 1, 1959, to January 1, 1965, compared with a decline of 2 percent for the country as a whole. After 1959, many smaller producers or those with other farm or off-farm alternatives quit poultry farming in New Jersey. A continuing price-cost squeeze has forced out many more producers including some large-size units in the past several years.

The profitability of specialized egg operations depends largely on 3 main factors: (1) Rate of lay, (2) price of feed, and (3) price of eggs (table 2). Proper management practices can increase the rate of lay with only small marginal increases in feed costs. Those growers receiving discounts for bulk, cash, or large-quantity purchases of feed can increase the net return through lower feed prices. Every 1 cent less per hundredweight paid for feed would increase the net farm

Table 2.--Influences of specified factors on income to commercial egg-producing farmers, New Jersey, 1964<sup>1</sup>

Factor	Annual change in income	
	Per layer	Per farm
	<u>Cents</u>	<u>Dollars</u>
1-cent-per-dozen change in egg prices.....	16.58	782
1-cent-per-pound change in fowl prices.....	4.50	94
1-cent-per cwt. change in laying mash.....	.89	42
1-egg change in rate of lay <sup>1</sup> .....	2.276	108

<sup>1</sup>Adjusted for feed consumption.

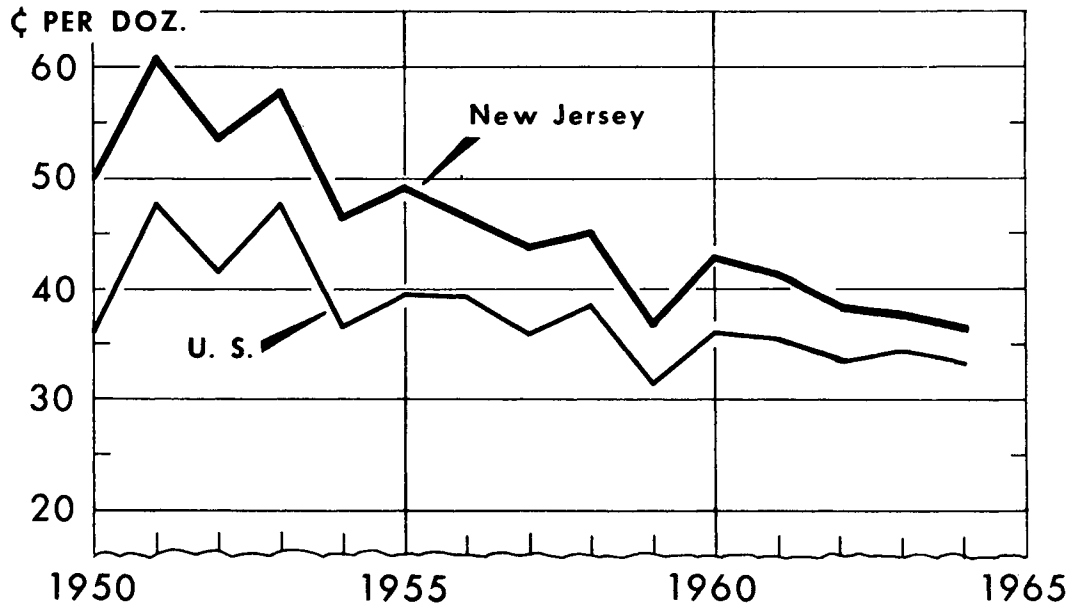
income by \$42 per farm. Receipts from the sale of eggs comprise nearly all the cash receipts on these farms. An increase of only 1 cent per dozen in egg prices in 1964 would have resulted in one-third more net farm income to these growers. An increase of only 7 eggs per layer would have done the same thing. The influence of these

factors is usually accumulative instead of offsetting. Thus, considerable variation would exist in income even for the same-size farms. Flocks on poultry farms with better management will produce higher quality eggs at higher rates of lay than the average. Efficient operators would also be more likely to receive discounts for cash purchases.



U. S. and New Jersey

### PRICES RECEIVED BY FARMERS FOR EGGS

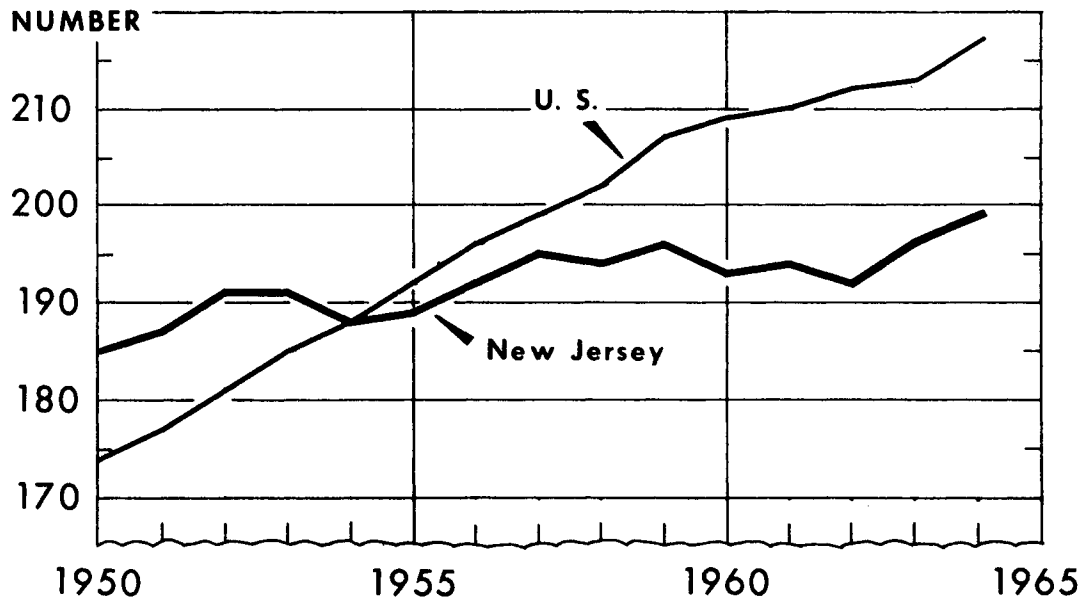


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### EGG PRODUCTION PER LAYER

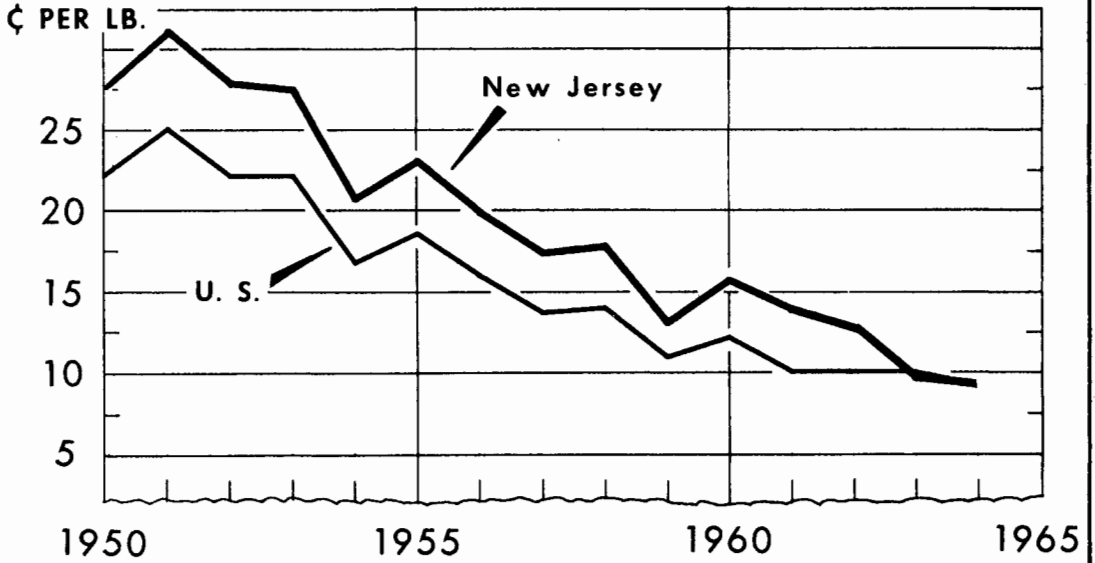


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### PRICES RECEIVED BY FARMERS FOR FARM CHICKENS

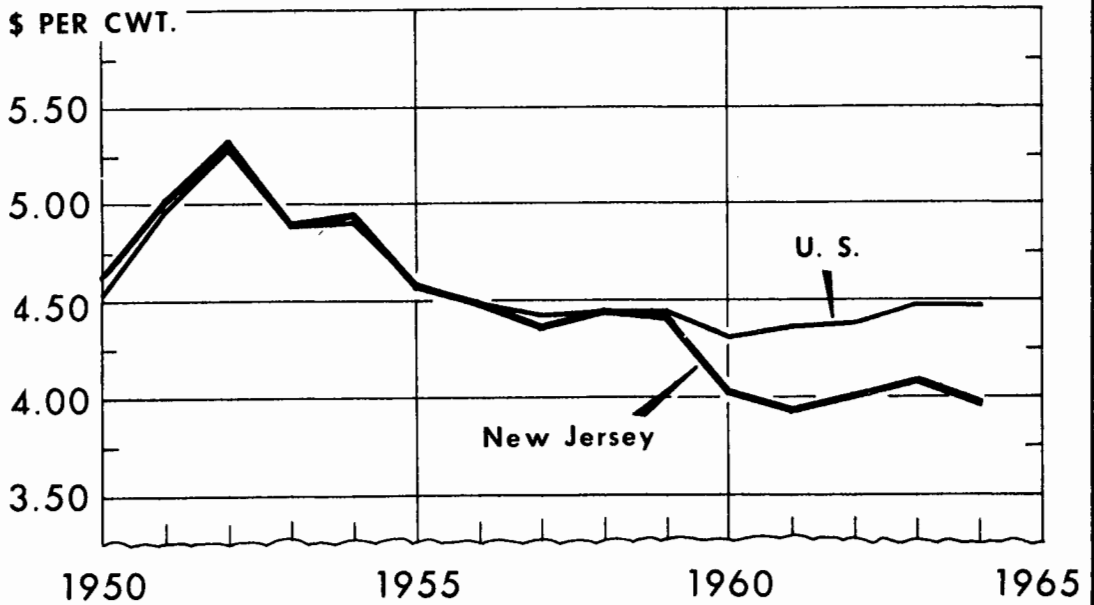


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### PRICES PAID BY FARMERS FOR LAYING MASH



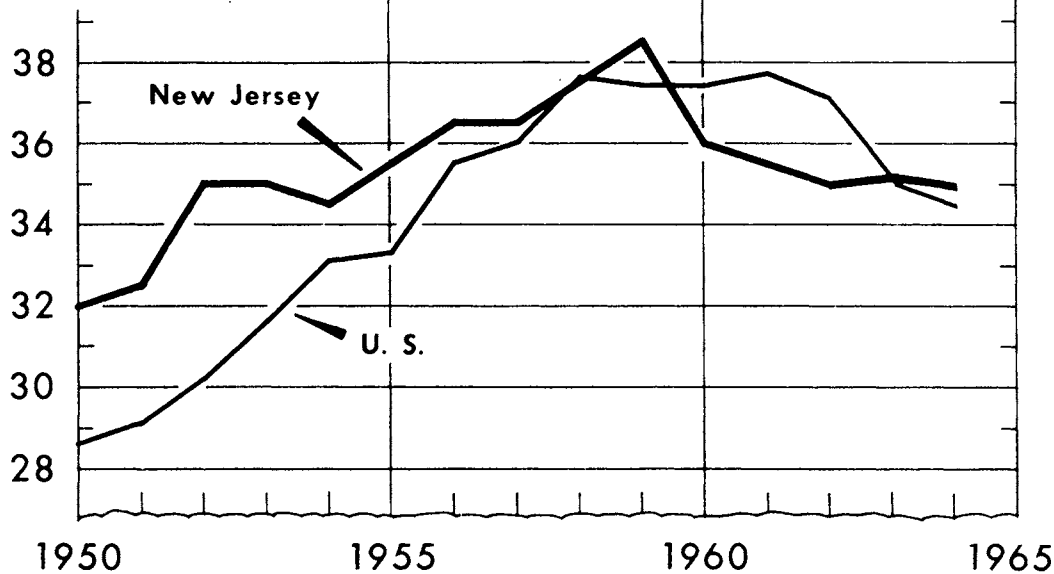
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### PRICES PAID BY FARMERS FOR SEXED PULLETS

\$ PER 100 CHICKS

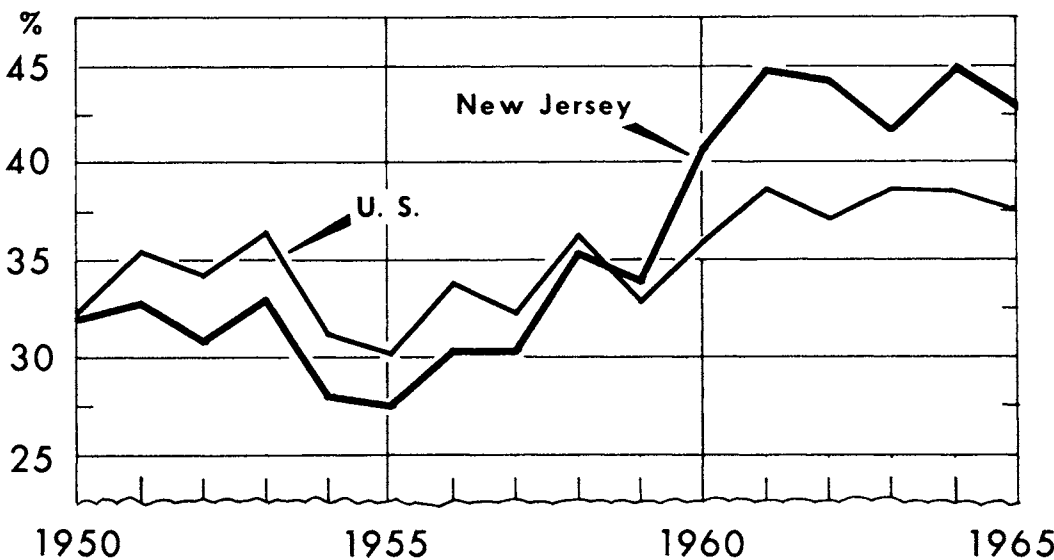


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### HENS AS A PERCENTAGE OF HENS AND PULLETS ON HAND, JAN. 1



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