THE CHANGING WORLD OF POULTRY AND EGG MARKETS

DEFINITIONS

Demand - the quantity (amount at a price the consumer will pay) of a product that consumers/buyers desire.

Embargo - governmental order that has the effect of completely limiting trade between one country and another.

Inflation - sustained increase in price levels in an economy. This leads to a decline in the value of money and the consumer's money will not buy as much today and yesterday.

Sanction - governmental trade prohibition on specific products and/or services to another country. Sanctions can be thought of as partial embargoes and are often enacted due to nuclear proliferation violations or human rights violations.

Supply - the quantity (in this case, the amount of product the producer will sell at a given price) of product that the market can offer.

Tariff - the tax on goods either imported or exported from a country.

Trade - the buying or selling of goods and/or service

A fundamental of business is the law of supply and demand. Simply, this refers to the observed relationship that as the demand for a product increases, prices go up. Then with rising prices, new suppliers join the market and increase the supply. This will bring the price back to normal.

Ex. 4-Her, Mark, is the first to offer eggs for sale in the neighborhood. Only the Green family buys the eggs. The Greens pay $3.00 per dozen. The Greens tell their neighbors how much they enjoy these fresh eggs. Mark starts receiving orders from other neighbors. Soon he has more orders than eggs, so he raises his price to $5.00 per dozen and he still sells out. Some of his poultry club members hear how much he is making and start their own egg projects. With these 4-Hers also producing eggs, there are more eggs than buyers in the neighborhood. At this point, all the 4-Hers drop their prices so they can sell all their eggs.

You might think that producers could predict the demand for eggs or poultry meat, based on historical data and the predictions of economists. Then the producers could plan their flock sizes to meet demands in a way that eggs or meat would be profitable. This does work in countries that have a quota system, such as Canada. However, this means no one can just start an egg operation. You must obtain the “quota permission” from the government. In the United States we have a “free market” economy.

Unforeseen circumstances may disrupt egg production and prices.

Ex. When a disease wipes out portions of the American egg layer population (such as

Highly Pathogenic Avian Influenza), supplies decrease, and prices increase. The unaffected egg producers with the financial ability may then increase their flock sizes to take advantage of the high prices. However, when the producers whose flocks were lost to disease are able to stock new birds, the number of eggs being produced could be greater than demand, and the egg prices fall.

Ex. Political unrest, including international conflict and outright war, can complicate food animal production. Starting in 2021, the United States and the European Union imposed sanctions on Belarus. A relatively small European country, Belarus is the world's third largest producer of potash. Potash supplies potassium which is a crucial crop fertilizer. Sanctions on Belarus have increased the price of potash from non-sanctioned countries. In turn, this means high production costs for grain producers and consequently increased feed costs for poultry producers.

With the start of the Ukraine War in 2022, many became aware of the natural reserves and agricultural productivity in that part of the world. With farmers leaving their land to fight and with ports damaged, there was less grain from the traditional #2 exporter of all grain crops. While the United States has enough grain to export surplus, the reduction of Ukrainian grain going into the worldwide market drove up prices.

Ex. Legislation on farm animal management can also impact the cost of production. As more and more states pass legislation forcing producers to abandon traditional cage laying facilities and transition to cage-free, the price of production has increased. California economists calculated that it costs 24 cents more per dozen to produce cage-free eggs.

Domestic economic conditions and climate can result in price increases.

Ex. Inflation in the United States began rising in December of 2020 and by May 2022 reached the highest level in 40 years. A large part of the increase was due to surging oil and gas prices. The COVID pandemic forced many to stay close to home, work from home, and/or not travel. So, demand for gas decreased and the industry pumped and refined less gas. A new administration in the government in 2021 pledged to move the national economy away from gas and oil. While demand increased with citizens returning to work and travel, supplies remained low. Understandably, the oil industry was wary of making large investments to meet current demand, if the government planned to greatly restrict the use of oil and gasoline. You can quickly think of many parts of egg and poultry meat production that require oil and gas. So, it is no wonder that the prices for these products rose.

Severe droughts in many parts of the United State have serious impacts on food animal production. For grain producers relying on rainfall to directly water their crops, the drought effect is obvious. Other grain producers and animal production facilities may rely on water from reservoirs and rivers. With reduced rainfall, shortages result. Farmers may also plant fewer fields of grain due to water shortages. This in turn reduces grain supply and increases prices.

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