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FRESNO

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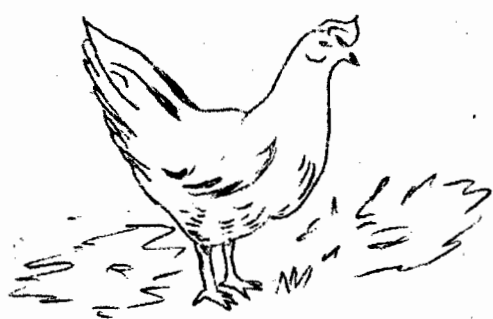
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COUNTY

FRYER COST

STUDY

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INTRODUCTION

This is the fourth annual summary of the Fresno County Poultry Meat Study. Ten records were completed for the record year ending May 1, 1954. The average of these ten records shows a small management income loss. (Management income is charged with the operators wages for work done and interest on his capital investment.)

This study was undertaken by the Agricultural Extension Service in cooperation with local producers of "fryers" or meat poultry for the purpose of finding out more about this business and the principles of its profitable management. Cooperators in the study provide detailed confidential income and cost reports on each brood and receive a detailed annual report and analysis of their business. This is the fourth report on a study of this kind and covers ten records. Some fundamental factors influencing profits can be clearly seen at work in the following tables.

TYPE OF ENTERPRISE

The local production of fryers for meat is different from most other agricultural enterprises in that space and capital required are small for a considerable volume of business. Turnover is rapid—about three to four complete production cycles from chick to fryer in a year. Chicks reach market weights in from 8 to 12 weeks. Chicks were all grown on "deep litter". All of the birds raised were of the American dual purpose breeds of chickens. These records cover the raising of fryers only and in no case was the production of eggs or mature birds included as a part of these enterprises.

Size in this type of enterprise is best measured in total number of birds raised during the year, which is shown in Table I to have varied from 4320 in record No. 51 to 11438⁴ in record No. 41. The former was a supplemental income for a retired serviceman involving his leisure time, while No. 41 was a full-time job for two men. Table I shows an average of three minutes of labor per bird raised. The land area involved in the fourteen records totaled 11.1 acres or averaged more than one acre per ranch. Current interest based upon cost of facilities less previous depreciation totaled 3.36 cents per bird raised or would be about \$336.00 for 10,000 birds. This low capital investment - \$5600.00 - and space required makes the business a relatively easy one to start or to discontinue. This may also account for the considerable turnover in producers, many probably entering it because it may look good temporarily only to find that they do not possess the requisite managerial ability or the resources necessary to carry over short periods when selling prices of the product are below cost of production.

During the past year, there have been very few people entering the fryer business because the short period outlook has been very gloomy. The long term outlook has not looked very good either and for this reason any of the growers who have been in the fryer business for a number of years are seriously wondering whether they can not profitably continue to raise fryers.

Ralph E. Pfof

Farm Advisor

Fresno County, California

UC Cooperative Extension

EXPLANATION OF TERMS

CHICKS STARTED is number bought plus overages or free extras.

FRYERS SOLD is number marketed and eaten at home.

PER CENT MORTALITY is the per cent of original chicks purchased plus overage, if any, which are unaccounted for in number of fryers sold.

AVERAGE COST PER CHICK - Table I - "Chicks started" divided by total cost of chicks.

CHICK COST - Table II - Fryers sold divided by total cost of chicks.

FEED CONVERSION is total feed used divided by weight of fryers sold.

MISCELLANEOUS INCOME PER POUND - Includes sale of sacks and manure and dividends on purchases divided by weight of fryers sold.

TOTAL COST is the sum of all expenses including the value of the operator's and family labor at \$1.00 per hour worked while birds were in the brooder house. Interest on capital investment at 6% per year (does not include interest on current feed or chick bill), depreciation on equipment and buildings, miscellaneous costs and rent.

TOTAL INCOME is the value of all poultry produced plus sale of sacks and manure and dividends on purchases.

MANAGEMENT INCOME is the amount by which the Total Income exceeds the Total Cost. If costs are larger, a net loss occurs which is designated by a minus sign (-) preceding the figure.

LABOR INCOME is the sum of the management income and the value of the operator's and family labor. It is the part of the gross income available to reimburse the poultryman for his labor and management.

FARM INCOME is the sum of the labor income and interest on investment. It is the net income of the poultryman above cash expenses and depreciation. It includes interest for the use of his capital, wages for his actual labor, and profit for his management.

COMPARISON WITH PREVIOUS STUDIES

Averages

	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Total income per bird	99¢	90¢	92¢	87.5¢
Total expenses per bird	89¢	85¢	94¢	96.5¢
Management income per bird	10¢	5¢	-2¢	9¢ -9¢
Pounds of feed required to produce a pound of meat	3.09	3.05	3.09	2.94
Total pounds of feed per bird	10.01	9.79	9.44	9.64
Per Cent of feed fed as mash	99.8%	100%	99%	99%
Total income per pound	30.6¢	28.1¢	30.0¢	26.6¢
Total costs per pound	27.4¢	26.6¢	30.7¢	29.3¢
Management income per pound	3.2¢	1.5¢	- 0.7¢	- 2.7¢
Weight of birds marketed	3.24	3.21	3.06	3.29
Price received per pound	30.6¢	28.1¢	29.9¢	26.6¢
Mortality	3.94%	4.34%	6.76%	4.45%
Average price per chick started	17.6¢	17.4¢	16.1¢	16.7¢
Hours of labor per bird	.07	.05	.06	.07

As can be seen on the opposite page, the Total Income Per Bird for 1953 is considerably lower than for the previous three years. This follows the general trend in markets as found in other branches of agriculture. Likewise, the cost of raising the bird has increased slightly due to a very small increase all along the line. The net result from the Management Income standpoint, is that it was very unprofitable to raise fryers during the time covered by this study.

The effects of breeding and feed formulation carried on in the fryer industry have made strides far outdistancing any expectations of a decade ago. If it were not for the low feed conversion and increasing market weights of birds, it would be impossible for the fryer industry to compete for livestock feeds.

There are still a number of managerial problems to be solved, by the individual grower which will enable him to cut his cost of producing a little bit. This is borne out by the figures given in the table on page 12 of this bulletin.

There is a great deal of discussion at present on the effect of out-of-state grown birds on our local industry. Regardless of the individual's opinion on this matter, he must bare in mind that if it were not for this out-of-state competition, the consumption demand would still be here and the birds would have to be produced in California and it is my opinion that we would have approximately the same price per pound that we have today.

TABLE I--Profit Determining Factors Per Pound--HIGH 5

RANCH NUMBER	48	44	49	86	43	Simple Ave.
Chicks started	20502	29580	16320	24525	11373	20460
Fryers sold	19420	28666	15735	23316	10675	19562
Per Cent Mortality	5.28	3.09	3.58	4.93	6.14	4.60
Ave. Cost Per Chick	16.37	16.67	16.67	16.29	16.92	16.58
Ave. Wt. Birds Sold	3.62	3.43	3.72	2.93	3.03	3.35
Ave. Price Per Lb.	28.20	27.62	24.04	29.19	28.07	27.42
Feed Conversion	2.78	2.78	2.67	3.03	2.97	2.85
Total Cost Per Lb.	25.39	26.35	25.16	31.54	30.80	27.65
Total Income Per Lb.	28.20	27.62	24.04	29.19	28.07	27.42
Farm Income Per Lb.	4.15	3.58	- 0.13	1.79	- 0.71	1.74
Int. On Inv. Per Lb.	0.11	0.60	0.00	0.79	0.16	33
Labor Income Per Lb.	4.04	2.98	- 0.13	1.00	- 0.87	1.40
Family Labor Per Lb.	1.23	1.71	0.99	3.35	1.86	1.83
Mgt. Income Per Lb.	2.81	1.27	- 1.12	- 2.35	- 2.73	- 0.43

TABLE I--Profit Determining Factors Per Pound--BOW 5

RANCH NUMBER	41	20	46	42	41 ⁵¹	Simple Ave.
Chicks started	114384	15400	29855	18360	4320	36463
Fryers sold	108807	14520	28936	17503	4110	34755
Per Cent Mortality	4.88	5.71	3.06	4.67	4.86	4.66
Ave. Cost per chick	16.49	17.96	17.05	16.67	16.75	16.98
Ave. Wt. birds sold	3.24	3.06	3.17	3.56	3.29	3.26
Avc. Price Per Lb.	26.45	24.26	26.36	25.33	27.03	25.89
Feed Conversion	2.91	2.90	3.35	3.01	3.01	3.04
Total Cost per Lb.	29.99	28.68	31.22	31.29	36.81	31.60
Total Income per lb.	26.45	24.26	26.36	25.33	27.03	25.89
Farm Income Per Lb.	- 0.31	- 1.14	- 2.14	- 2.79	- 0.09	- 1.29
Int. On Inv. Per Lb.	1.69	0.74	0.65	1.32	1.06	1.12
Labor Income Per Lb.	-2.00	- 1.88	- 2.91	- 4.11	- 1.15	- 2.41
Family Labor Per Lb.	1.54	2.54	1.95	1.85	8.63	3.30
Mgt. Income Per Lb.	- 3.54	- 4.42	- 4.86	- 5.96	- 9.78	- 5.71

TABLE II - Inputs, Costs, and Returns Per Bird Produced--High 5
Simple Ave.

RANCH NUMBER	48	44	49	86	43	Simple Ave.
Pounds of Food	10.05	9.95	9.91	8.88	9.02	9.56
Cost Per CWT.	5.93	6.20	6.11	5.80	6.00	6.01
Hours of Labor	0.04	0.06	0.04	0.10	0.06	0.06
Ave. Age	73	70	72	72	72	72

EXPENSES:

Feed	60	52	61	51	54	56
Vaccine & Medicine	1.37	1.18	1.04	2.84	1.23	1.53
Labor -- Hired	0.34	-	0.49	0.27	5.66	1.33
Family	4.45	5.89	3.68	9.81	-	4.77
Brooder Fuel	2.66	1.21	4.15	2.31	1.94	2.45
Lights, Litter, Misc.	1.41	0.82	5.23	1.13	2.66	2.25
Depreciation	1.16	1.67	0.15	3.39	0.64	1.40
Int. & Ins.	0.95	0.76	0.79	0.94	2.06	1.10
Int. on Investment	0.41	2.08	-	2.32	0.50	1.06
Chick Cost	17.3	17.2	17.3	17.1	18.0	17.4
Total Cost	91.90	90.51	93.47	92.28	93.54	92.34
Total Income	102.07	94.85	89.36	85.42	85.25	91.39
Mgt. Income	10.17	4.34	- 4.11	- 6.86	- 8.29	- 0.95
Labor Income	14.62	10.23	- 0.43	2.95	- 8.29	3.82
Farm Income	15.03	12.31	- 0.43	5.27	- 7.79	4.88

TABLE II--Inputs, Costs, and Returns Per Bird Produced--LOW 5

RANCH NUMBER	41	20	46	42	51	Simple Ave.
Pounds of Feed	9.45	8.88	10.62	10.71	9.93	9.92
Cost per CWT.	\$5.88	\$5.68	\$5.75	\$6.35	\$5.68	\$5.87
Hours of Labor	0.06	0.08	0.06	0.07	0.09	0.07
Ave. Age	76	70	75	72	73	73
EXPENSES:						
Feed	56¢	50¢	61¢	68¢	56¢	58¢
Vaccine & Medicine	2.55	.00	2.89	3.33	2.26	2.21
Labor--Hired	1.09	0.69	-	0.22	-	0.40
Family	4.99	7.77	6.19	6.59	28.42	10.79
Brooder Fuel	2.56	2.21	4.71	2.50	1.46	2.69
Lights, Litter, Misc.	4.41	0.94	1.09	1.54	1.99	1.99
Depreciation	3.02	1.89	1.79	4.00	6.15	3.37
Int. & Ins.	0.96	0.67	0.90	1.29	1.10	0.98
Int. on Investment	5.48	2.27	2.07	4.68	3.51	3.60
Chick Cost	17.3	19.0	17.6	17.5	17.6	17.8
Total Cost	97.24	87.74	98.97	111.14	121.27	103.27
Total Income	85.77	74.22	83.55	90.18	89.06	84.55
Mgt. Income	- 11.47	- 13.52	- 15.42	- 20.96	- 32.21	- 18.72
Labor Income	- 6.48	- 5.75	- 9.23	- 14.37	- 3.79	- 7.92
Farm Income	- 1.00	- 3.48	- 7.16	- 9.69	- 0.28	- 4.46

ANALYSIS OF COST STUDY DATA

In the previous four pages of cost study data, it will be noted that only two growers have a positive Management Income. One word of explanation should be included here and that is that each of these growers raised three broods of birds during the year and two of these broods were straight cockerels. If it had not been for these cockerels, these two growers would possibly have lost money from the Management Income standpoint. Grower No. 86 was quite efficient in all parts of the cost study except from the Labor standpoint. This person had a little over 10¢ Labor Per Bird which dropped him to fourth place in Management Income, but he was third highest from the Farm Income standpoint. One factor accounting for this was that No. 86 had the highest income per pound of anyone on the cost study. However, this factor is not controllable and maybe next year he will not hit a high market everytime he sells his birds which would put him very low on any cost study.

It should also be noted that No. 43 did not do any of his own work in raising fryers and that this person ranked fifth in Management Income. In any other part of the United States, a great many fryers are grown in this same manner. It does not appear that under similar operations in California that one can hire all of the work done and have a profitable enterprise.

Anyone having questions concerning any figures in this cost study should contact the Farm Advisors Office in Fresno County or for further information on any analysis of this study which is not printed in this bulletin.

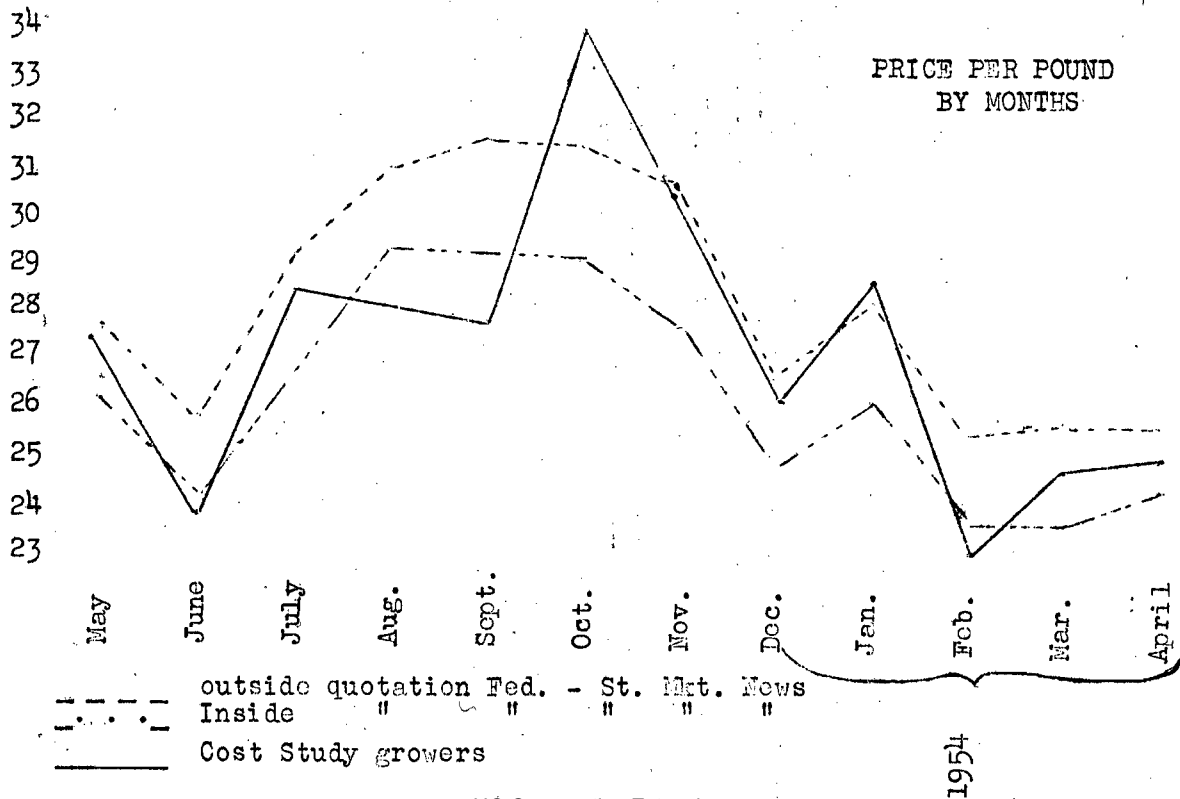
COST VARIATION VS. INCOME VARIATIONS PER POUND

Ave. Total Cost	29.31¢ variation	+ 7.50¢	- 4.15¢	
			11.65¢	
		spread		
Ave. Cash Outlay	25.59¢ variation	+ 4.60¢	- 2.13¢	
			6.73¢	
		spread		
Total Income Ave.	26.64¢ variation	+ 2.55¢	- 2.60¢	
			5.15¢	
		spread		

As many growers have been hearing from economists, for a number of years, it is not the price received for an article which determines profit, but it is primarily the cost of producing the article. In the above set of figures, this point is very evident in that there is a spread of 11.65¢ a pound in the cost of producing; whereas, there is only a variation of 5.15¢ a pound in total income. The cash out of the pocket cost is in between these two figures with a spread of 6.73¢.

The plus figure in the two cost figures varies more than the minus figure as might be expected because it is easier to pile on additional costs than it is to shave the costs of raising. The converse is true in income as it would naturally be expected since it is easier to pay a low price for fryers than it is to pay a high price.

PRICE PER POUND
BY MONTHS



The purposes of the study are:

1. To assist the grower in analyzing his fryer management.
 - a. By checking on the efficiency of his management.
 - b. By pointing out unprofitable practices.
 - c. By comparing his operation with that of other growers.
 - d. By determining where his money goes and why.
2. To obtain local information on the most profitable methods and practices now being used in fryer production.
3. To enable the fryer industry to be compared to other agricultural enterprises by comparison with their cost studies which are carried out in the same manner as this one.