

Section 1

Introduction to the Poultry Industry

Notes

Slide 1

The commercial poultry industry, which is responsible for the production of most of the chicken and turkey meat, as well as most of the eggs, consumed in the US, has evolved over the past century to the scale that it is today. In this section we will cover factors that led to the development of the current commercial poultry industry. Covered in this section will be changes in production practices, vertical integration, and how consumer demand impacted the industry and the products produced.

Slide 2

The commercial poultry industry includes three segments: Broiler, turkey, table egg.

The commercial broiler industry is responsible for the production of the chicken meat

The commercial turkey industry is responsible for the production of the turkey meat

The commercial table egg industry is responsible for the production of shell eggs

Slide 3

The commercial poultry industry includes three segments: Broiler, turkey, table egg. In this section we will primarily focus on the broiler industry however, the material provided also applies to the turkey and table egg industries.

Slide 4

During the 1950s vertical integration revolutionized chicken production in the US. With the rise of vertical integration feed mills, hatcheries and processing plant came under the control of one company. Also, in the 1950s the Chicken of Tomorrow contest was hosted at the University of Arkansas. Poultry producers had come to appreciate the need for specialty bred chickens for meat production. These specialty bred chickens called broilers, a nod to their use primarily for meat production, became the top source for chicken meat.

The Chicken of Tomorrow was a contest for poultry producers to see who could produce the best broiler. This contest encouraged advances in genetics, nutrition and management

Slide 5

Clip from Chicken of Tomorrow video

NOTE: To play the video properly the actual video clip, provided on flash drive, will need to be on the computer or flash drive that you are using to run the presentation

Slide 6

The 1960s and 1970s were decades marked by developments in marketing, research and product development

During this period vertical integration reached the present day levels, and integrated companies grew and the allied industry was developed to supply the equipment and technical expertise to the integrators. Prior to the 1960s and 70s integrators had primarily focused on production however, during this time integrators became increasingly interested in meeting consumer demands through product marketing and branding. Consumer research and development of products to meet consumer demands began during this time also.

One avenue to better meet consumer demands was the growth of further processing. Further processing is considered anything beyond a ready-to-cook carcass. In this era, the major further processing innovation to cut carcasses into pieces. This was to supply the expanding fast food market and also increased consumer demand for chicken parts in grocery stores. Also, consumers were increasingly willing to pay for choice (preference) and convenience products.

Slide 7

During 1980s and 90s poultry production continued to shift towards large integrators as the primary supplier of chicken meat. Also, per capita consumption of poultry surpassed pork in 1985 and beef in 1992. This was in part due to the wide variety of products that were becoming available. As consumer preference began to shift away from buying whole birds thousands of products became available ranging from raw to fully cooked.

Slide 8

Today and for the past decade consumers have become increasingly interested in tasty and easily prepared products. Home meal replacement and home meal assembly kits have become increasingly available recently. This part of the industry, the development of new products and technologies is fiercely competitive and always proprietary for the developing company

Slide 9

Here is per capita meat consumption in the US from 1960 to 2008 in pounds consumed per person. 80s chicken surpassed pork, early 90s chicken surpassed beef. Notice how further processing in the 80s and 90s increased turkey consumption. Previously, very seasonal consumption, however, further processing techniques (deli loaves, sausages, etc.) has increased turkey consumption significantly.

Slide 10

From 1960 to 2008 if you look at the % of all products it becomes apparent how consumer demand has dictated how broilers are marketed in the US. The steady decline in the whole bird market is coupled with the increase in birds marketed as cut-up parts. In the 60s virtually none of the market was dedicated to value added products however in early 2000s as these convenience products surpassed cut-up parts in % of marketed products.

Slide 12

Let's explore vertical integration in depth! The introduction of vertical integration revolutionized the poultry industry. Remember, vertical integration brought all of the aspects of poultry production under the control of one company. Prior to the introduction of vertical integration the grower assumed all risk associated with raising broilers. This was because each segment of the industry was control of a different company and all individual groups were looking to maximize profitability resulting in high cost of production and high risk for the grower.

Grower was responsible for obtaining chicks and feed, once birds were market age there was no guarantee of a market for them to be sold.

With vertical integration there is a constant supply of inputs to the farmer (chicks, feed, etc.) and a guarantee of a market for the meat to be sold. Also, there is no risk the company not being able to fill market demands. Because of this profits can be maximized and risk minimized for all parties. Another advantage of vertical integration is that product can easily be traced through the entire production system from farm, to plant, to product

Slide 13

Under the umbrella of the Integrator are the feed mill, hatchery and processing plant. The farmer owns the houses (both commercial broiler and breeder) and the land. The integrator supplies the farmer with chicks from the hatchery and feed. In return the farmer has a market for the product, whether it is

broilers to the processing plant or hatching eggs to the hatchery. Also, the integrator provides the farmer with veterinary and technical service (service technician) for evaluating flock health and production, and acting as a liaison between the integrator and the company. Under the umbrella of the integrator is also the further processing plant (where value-added products are made), sales and marketing, and product development. Although there are many components of the integrator in producing meat these segments are the area where any profit is made. If the only product and integrated company produced was ready-to-cook carcasses there would be virtually no profit for the company. In fact, the integrator would probably not even break even on production costs.

Slide 14

Here you see that broiler production in the US is still heavily concentrated in the Southeastern portion of the country. The countries in dark red are responsible for 91% of broiler production in the US this is 7.81 billion head produced in 2011. The top 3 broiler producing states in the country are 1.) GA, 2.)AR, 3.) AL

Slide 15

Turkey production is much more geographically diverse than broiler production. It is also not as large, in terms of volume produced, an industry as the broiler industry. The states in dark green are responsible for 85% of the turkey production in the US; this equals 207 million head produced. Top three states for turkey production are 1.) MN, 2.) NC, 3.) AR

Slide 16

Similar to the turkey industry the commercial egg industry is more geographically diverse than the broiler industry. The states in dark blue are responsible for 98% of the commercial eggs produced, practically the entire country. There was 89.4 billion eggs produced in 2011. The top three states include: