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Georgia's Poultry Industry and Its Impact on the Local Economy and Global Trade

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Abstract

The following paper describes and contextualizes the state of Georgia's poultry industry and its impact on the local economy and global trade. As consumer and industry demand for poultry continue to rise, Georgia emerges as the top producer of poultry in the USA. Historically and economically important to the Peach State and the world, this paper touches trends in Georgia's broiler industry, Georgia's role in the global broiler market, factors affecting Georgia broiler exports, and implications for Georgia's agricultural sector and state economy. Today, being a poultry farmer in Georgia means more than serving the family, county, or state—it means serving the nation and the world.

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Introduction

The poultry industry was changed immensely by Jesse Jewell, a civil engineer and businessman from North Georgia. Mr. Jewell started selling baby chicks and feed to Georgia farmers on credit, buying back adult chickens at a price that covered his costs and guaranteed the farmers profits. After gathering enough farmers to reliably produce broilers—chickens specifically raised for meat—Mr. Jewell invested in his own processing plant and hatchery. This single action gave vertical integration a permanent place in the structure of the poultry industry and is credited with revolutionizing the Georgia poultry industry (New Georgia Encyclopedia 2014). Mr. Jewell's small-scale, backyard operations are now massive production centers that employ thousands of people and produce poultry for very specialized consumers. Poultry is currently the largest segment of agriculture and agribusiness in the state of Georgia and comprises almost half of the state's agricultural production (Figure 1). As consumer demand and industry demand for poultry continue to rise, Georgia emerges as the top producer of poultry in the country. Today, being a poultry farmer in Georgia means more than serving the family, county, or state—it means serving the nation and the world.

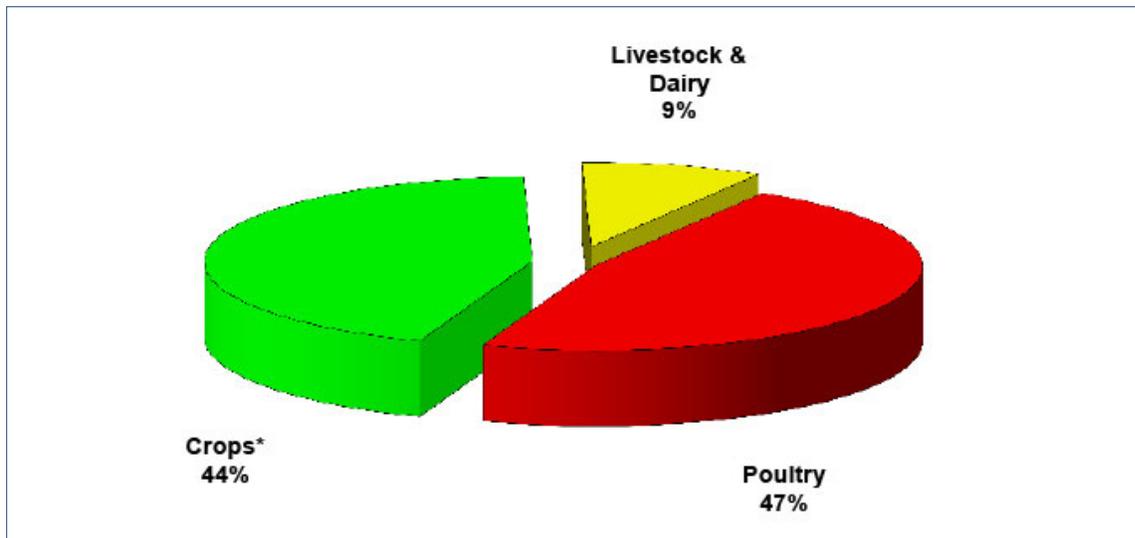


Figure 1. Poultry is the Largest Segment of Agriculture in the state of Georgia

Note. Percent by total commodity. Crops include row crops, vegetables, nuts, nursery greenhouse, hay and turf grass.

Source. Prepared by Georgia Poultry Federation. University of Georgia, 2011 Farm Gate Value Report.

Updated July 2014.

Trends in Georgia Broiler Industry

As previously mentioned, Georgia is the top producer of poultry and broilers in the U.S. Since the 1970s, broiler production has increased five-fold from approximately 1.5 billion pounds per year to 7.5 billion pounds per year (Figure 2).

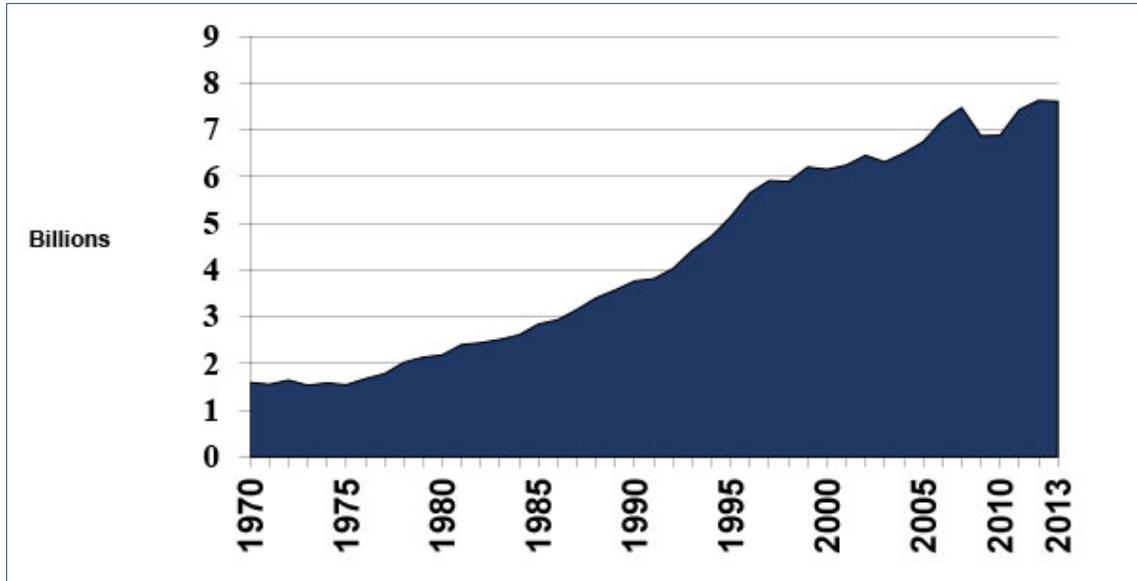


Figure 2. Broiler Growth in Georgia. Pounds Produced: 1970 - 2013

Source. Georgia Poultry Production. USDA NASS. Updated July 2014.

Aside from Georgia, Arkansas and Alabama are also top states for broiler production and they have been for several decades. In 1992, Arkansas was the top producer of broilers and Georgia was third for production. Today, Georgia is at the top while Arkansas is third (Figure 3). While the second and third place positions for broiler production have changed several times, Georgia has unequivocally held the top spot for more than 15 years. Furthermore, the gap between production in Georgia and the next highest producer has also been steadily increasing since 1996, suggesting that Georgia is gaining stronger footing of its position as the top producer of broiler chickens in the U.S.

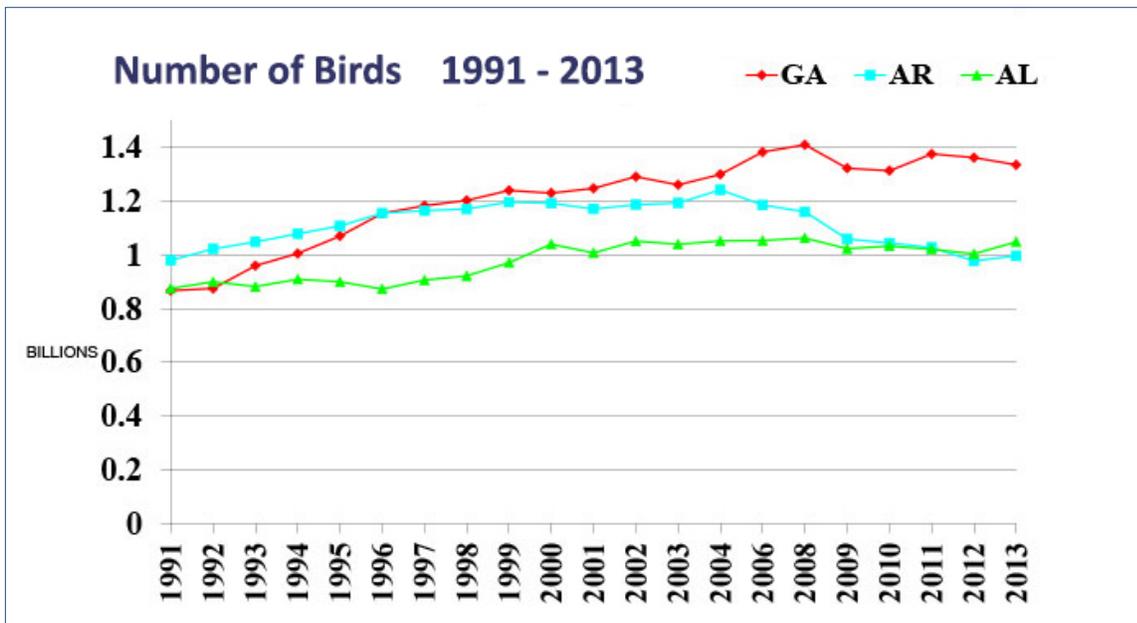


Figure 3. Top Three States in Broiler Chicken Production, 1991 - 2013

Source. Georgia Poultry Production. USDA-NASS. Updated July 2014.

Another trend in the broiler industry has been steady improvements in various aspects of broiler production. From 1925 to 2012, the weight of an average broiler more than doubled while the number of weeks needed grow a chicken fell by 56%, the pounds of feed required for each pound of chicken fell by 61%, and the percent mortality fell by 78% (Figure 4). This suggests that innovative technology and techniques have led to the production of bigger chickens without compromising the amount of feed and time needed to grow them. In the next few decades, the broiler industry will probably be peaking in its innovations in growing time and feed efficiency.

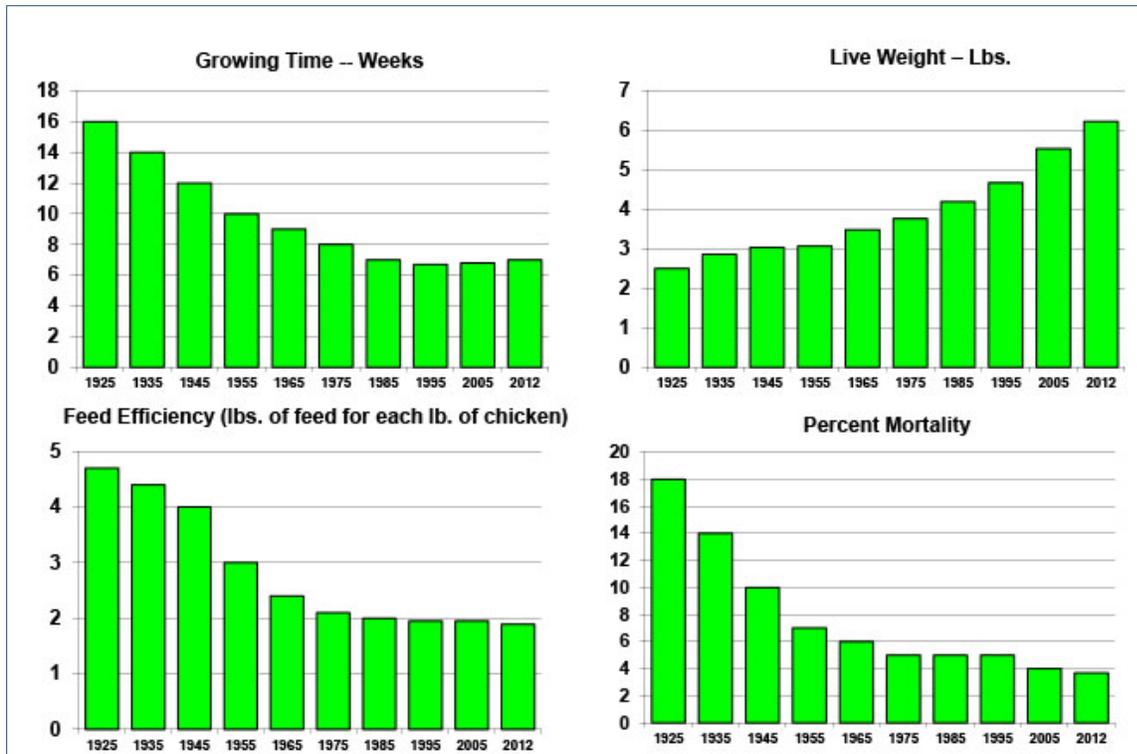


Figure 4. Trends in Broiler Performance. Research and Innovation Have Led to Dramatic Progress in Broiler Performance

Source. University of Georgia. Prepared by Georgia Poultry Federation

A final trend worth noting in the Georgia broiler industry is that the types of products being sold by wholesalers are changing. In 1965, most chickens were sold whole while fewer than 30% were sold as cut-up parts or further processed. Since the start of this millennium, only about 10% of broilers are being sold whole while 40% are being sold cut-up and 50% are being sold further processed (Figure 5). This trend suggests that consumer preference has changed dramatically over time, with more people buying cut-up and value-added poultry products such as chicken nuggets, wings, etc. rather than whole chickens.

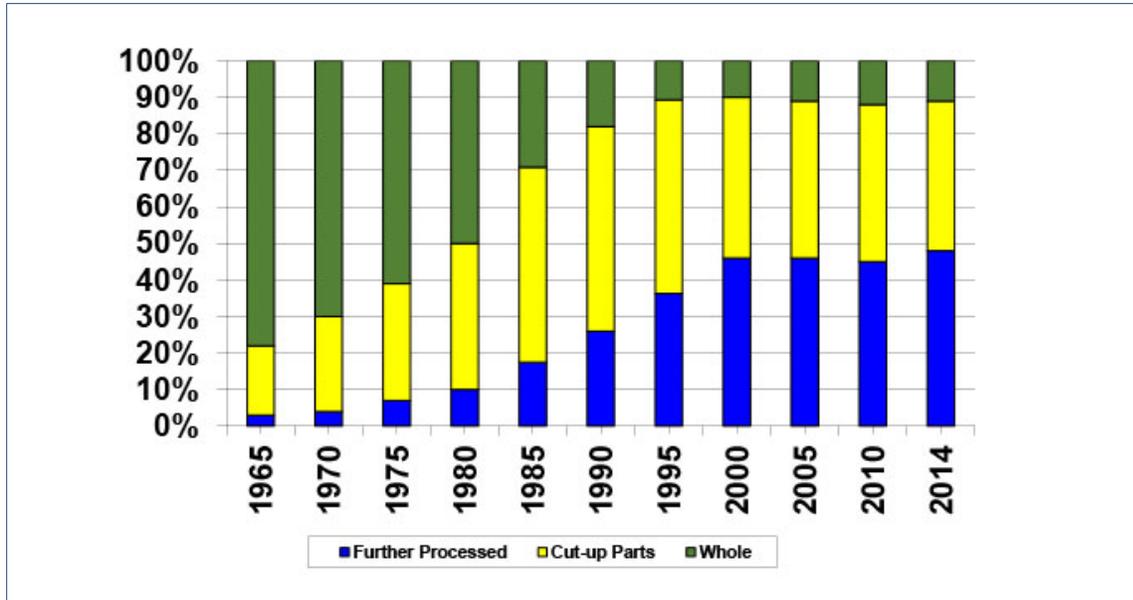


Figure 5. Trends in Poultry Product Sales
The Georgia Poultry Industry Continues to Develop New Value-Added Products

Source. USDA & National Chicken Council (2014 Forecasted) Updated July 2014. Prepared by Georgia Poultry Federation

Georgia’s Role in the Global Broiler Market

The U.S. poultry industry is the world's largest producer and second-largest exporter of poultry meat after Brazil (U.S. Department of Agriculture, Economic Research Service 2012). According to the U.S. Department of Agriculture (USDA), U.S. broiler production reached 8.22 billion broiler chickens in 2013 with a total live weight of 50.6 billion pounds (U.S. Department of Agriculture, National Agricultural Statistics Service 2014). Of the 49,655,600 pounds of broiler meat produced in 2012, Georgia was responsible for more than 15% of it at 7,625,000 pounds. Every other top producing state of broiler meat produces less than 6,000,000 pounds (USDA Poultry – Production and Value 2013). As the country’s top producer of broiler meat, Georgia is a significant player in determining how much gets exported into the world market, particularly to Mexico and Canada (USDA Livestock and Poultry: World Markets and Trade 2014).

The Georgia poultry industry also contributes to the state and national economy through the export of poultry products. According to the USA Poultry & Egg Export Council (USAPEEC), 2013 was a record-setting year for exports of U.S. chicken and turkey. Combined export value climbed to \$5.527 billion, 1.3 per cent higher than 2012, while export quantity was 4.1 million metric tons, up one per cent (World Poultry 2014). Georgia exported approximately 539,600 metric tons of broiler chickens valued at \$685 million in 2013 (U.S. Department of Agriculture, Foreign Agricultural Service 2014). These figures represent 15% of total U.S. broiler exports of 3.64 billion metric tons valued at \$4.62 billion.

Georgia is strategically located for the export of goods because it is home to the Port of Savannah which moved 32 percent of the total U.S. waterborne poultry exports (USDA Agricultural Marketing Service 2013). The recent passage of the Water Resources Reform and Development Act of 2014 will allow the deepening of the Savannah Harbor as proposed in the Savannah Harbor Expansion Project (SHEP) (Georgia Ports Authority 2014). This will certainly provide greater opportunities for the export of poultry produced in Georgia.

Factors Affecting Georgia Broiler Exports

Factors that have contributed to U.S. broiler meat exports include increased efficiency in domestic production, income and population growth in domestic markets, shifts in currency exchange rates, trade policy and trade conflicts, and relative price changes for other meats (Davis et al. 2013).

Increased exports of poultry also means increased production which translates into increased use of corn and soybean for poultry feed. Corn and soybean farmers and allied industries therefore derive economic benefits from poultry farmers—a vital partnership that boosts the local and national economies. In general, exports from the United States are predicted to remain virtually unchanged as shipments to top markets such as Mexico and Canada remain strong (USDA Livestock and Poultry: World Markets and Trade 2014). Global feed prices impacts how much it costs to raise chickens, so they directly impact the cost of production. At the same time, the success of the poultry industry promotes the success of the feed industries: it is a mutual, symbiotic relationship.

Implications for Georgia's Agricultural Sector and State Economy

The 2nd Congressional District of Georgia is the largest district in Georgia by size, encompassing all or parts of 29 counties in Georgia. The region is mostly rural and its lifeblood is agriculture. Companies that produce and process chicken are an integral part of the economy in this district, employing as many as 4,469 people directly through positions such as raising the chickens and handling the equipment for processing poultry. These companies also generate an additional 6,424 jobs in supplier and ancillary industries. Companies in these industries supply goods and services to the industry, such as transporting feed to the farms and providing veterinary care for the animals (Dunham, J. and Associates 2012) (Table 1).

Table 1. Economic Impact of the Chicken Industry in the 2nd Congressional District of Georgia

	Direct	Supplier	Induced	Total
Jobs	4,469	4,162	2,262	10,893
Wages	\$161,338,800	\$242,504,000	\$98,409,000	\$502,251,800
Economic Impact	\$1,096,039,900	\$861,223,800	\$289,959,500	\$2,247,223,200

The jobs the poultry industry provides and the taxes it pays to the federal and state government contribute to the wellbeing of the economy as a whole. In 2011, the poultry industry was responsible for as much as \$2.25 billion in total economic activity throughout 2nd Congressional District, creating or supporting as many as 10,893 total jobs. The broader economic impact flows throughout the economy, generating business for firms seemingly unrelated to the chicken

industry. Real people, with real jobs, working in industries as varied as banking, real estate, accounting, and even printing all depend on the chicken industry for their livelihood.

In addition to creating jobs, the poultry industry also generates sizeable tax revenues. In Georgia, the industry and its employees pay about \$2.08 billion in federal taxes and \$1.30 billion in state and local taxes (Dunham, J. and Associates 2012) (Table 2).

Table 2. Taxes Generated In Georgia

Tax Impact	Business Taxes
Federal Taxes	\$2,082,422,100
State and Local Taxes	\$1,304,696,700
Total Taxes	\$3,387,118,800

The University of Georgia (2012) estimates the annual economic impact of the poultry industry from all activities from farm to processing to be \$28 billion per year. In fact, the poultry industry provides jobs to over 100,000 Georgians (Georgia Poultry Federation 2014). These jobs generate revenues for various allied industries and businesses such as suppliers of food, shelter, clothing, and consumer services.

On an average day, Georgia produces 29 million pounds of chicken, 6.3 million table eggs, and 5.5 million hatching eggs (University of Georgia 2012). Georgia has 105 counties that each produce over \$1 million worth of poultry annually. Of these, 59 counties have one or more facilities for broiler processing, fowl processing, further processing, breeding, egg packing, egg hatching, feed milling, and by-products processing (University of Georgia 2012). Major poultry processors based in Georgia include Gold Kist, Fieldale Farms, Claxton, Mar-Jac, and Cagle's. Other companies such as Tyson, Con-Agra, and Continental Grain are based outside Georgia but have operations in the state (New Georgia Encyclopedia 2014).

Conclusion

Georgia may be well known for its peaches, peanuts, and pecans, but poultry is certainly the biggest of the four “P’s” in terms of its major contribution to the local economy and global trade. Georgia is expected to continue leading the nation in poultry production and exports, thanks to the hard work and dedication of the citizens of Georgia to produce safe, wholesome, and top quality poultry products for domestic and foreign consumption.

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