



Poultry Patter

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HOW ARE MINNESOTA EGGS PRICED?

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PART II

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The Egg Pricing Process

Minnesota egg producers constantly ask "Just how are the prices paid us producers determined?" To answer this question requires us to begin with the pricing process at the large central markets, especially New York and Chicago, and to a lesser extent St. Louis, Los Angeles, and other markets.

The egg trade has long used a quotation system of pricing eggs to establish prices for transaction at other market levels. This system is a form of price leadership. The quotations are used as base prices in pricing formulas under long-term trading arrangements. The leadership is provided by small groups of traders in certain central markets who are active in establishing such quotations.

Most observers feel that this system of price quotations is not so much the result of the aggressive action of this small group of traders but rather the consequence of a passive acceptance of the quotations by many egg marketing firms seeking a convenient price formula.

Although quotation pricing is widely used in the egg trade, neither traders nor producers are very well satisfied with it. This is especially true in the case of the New York and Chicago markets. Among the major objections are claims that:

1. The quotations usually understate "true" market value of eggs.
2. Prices fluctuate a great deal more than supply and demand conditions warrant.

3. The quotation can be manipulated easily by skillful traders on the "inside".

Over 70 percent of Minnesota-produced eggs are marketed outside the state. Nearly all of the eggs are marketed on the basis of New York quotations. This holds true for Iowa, North Dakota, and South Dakota, which are also heavy surplus egg producing states.

The New York egg market is very complex and is continuing to change. The principal marketing firms are larger wholesale receivers and corporate food chains. The New York Mercantile Exchange provides facilities for public trading of eggs. The Urner-Barry Company and the Federal-State Market News Services report prices and other statistics of interest concerning the New York egg market. Both the Exchange and the Urner-Barry commercial reporting firm are integral to the price-making process in the market.

The large wholesalers and food chains buy wholesale lots of eggs from independent shippers, farmers' cooperatives, and producers under long-term quotation pricing arrangements. Purchases are generally made f. o. b. receivers' warehouses. Prices usually are the Urner-Barry quotations on day of arrival for a given grade and size of eggs, plus or minus an agreed upon differential. The Urner-Barry quotation attempts to reflect current and projected demand and supply conditions in the local market. But it is heavily influenced by the national supply-demand conditions indicated earlier because eggs can and do move freely between markets as needed. The base prices are the quotations published daily by the Urner-Barry Company, and are largely the result of the daily spot call.

Comparison of New York Urner-Barry quotations
with Minnesota reported country paying prices, 1963; cents per dozen

	Grade A Large			Grade A Medium		
	N. Y.	Minn.	Differentials	N. Y.	Minn.	Differentials
January	37.77	29.33	8.44	35.14	24.55	10.59
February	38.69	30.25	8.44	36.89	27.00	9.89
March	37.05	29.05	8.00	34.88	25.38	9.50
April	31.26	23.66	7.60	26.86	19.50	7.36
May	29.59	21.83	7.76	23.50	17.72	5.78
June	31.20	22.81	8.39	24.80	17.81	6.99
July	33.95	27.44	6.51	26.84	18.17	8.67
August	36.23	27.66	8.57	26.93	19.05	7.88
September	41.50	33.00	8.50	35.00	24.69	10.31
October	38.20	31.72	6.48	29.85	22.83	7.02
November	39.10	31.05	8.05	28.91	20.33	8.58
December	38.67	30.67	8.00	32.71	22.50	10.21
Unweighted annual average	36.10	28.21	7.89	20.19	21.63	8.56
Quality program prices	----	32.07	4.03	----	25.59	4.60

These quotations are used with customary trade differentials to provide a set of prices likely to move current supplies of eggs through normal distribution channels at normal trading margins.

The table shows a comparison of 1963 New York Urner-Barry egg quotations for Grade A Large and Grade A Medium eggs with the reported Minnesota country paying prices for the same quality eggs. Note the seasonal fluctuation; the usual high price in September, dropping consistently to a low in May. Note the rather consistent price differential throughout the year for the Grade A Large eggs, averaging nearly 8 cents per dozen. There was greater

seasonal fluctuation in this differential for the Grade A Medium egg, with Minnesota egg producers receiving an average of 8.56 cents per dozen less than the Urner-Barry Quotation. Some differential in egg price is necessary to cover the costs involved for services rendered by our egg buyers.

One of Minnesota's largest cooperatives handling "Quality Program" eggs exclusively, reports an average producer price in 1963 for both Grade A Large and Grade A Medium eggs of 32.07 and 25.59 cents per dozen, respectively. This is nearly 4 cents over the reported Minnesota paying price for all producers.



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OF POSTAGE, \$300

ROLAND ABRAHAM, acting director
Cooperative agricultural ex-
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