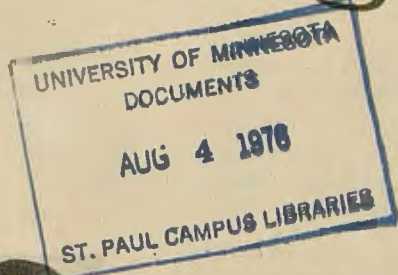




Poultry Patter



Volume 14, Number 5—July 1976

EGG PRODUCTION AND MARKETING COSTS

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The net returns from egg production and marketing show considerable year-to-year variation largely due to influences which are difficult for the producer to predict or compensate for during the life of a particular flock.

A recent 20-year summary of costs and returns points up that while producers income is quite variable, the plus years tend to be more prevalent than the lean years (table 1).

Market prices for eggs have not increased in the same proportion as most other consumer commodities. There has been a somewhat stable to downward trend in feed prices from mid-50's to 1973. During this time the number of pounds of feed required to produce a dozen eggs was reduced considerably and at the same time egg production per bird increased. Econ-

omies of scale in production and processing, efficiencies in marketing, and more direct marketing channels have all helped reduce costs. The recent higher feed prices and other costs of production and marketing inputs have increased production costs substantially. Returns to producers and processors will have to be adequate to meet these increased costs if returns to producers and marketers are going to be adequate to encourage production and investment in facilities. Increases in production and feed efficiency in the future are likely to be small. Industry-wide attention will have to be paid to supply management to avoid surpluses which can have a devastating effect on prices.

While these data do not actually reflect the experience of individual producers, they are estimates of the level and direction of change in egg production and marketing costs. Remember these figures are a compilation of facilities of varying size and efficiency. Information is currently being collected in a number of studies and surveys to provide more precise figures. This type of information can serve as a useful benchmark from which meaningful comparisons can be made. Since this is an ongoing project with quarterly updating, it will be interesting to follow the trends as compiled.

Table 1—Commercial market eggs: Annual production and marketing costs and prices and net returns at the farm and market levels, 1955-75

Year	Production costs ¹			Farm prices ²	Net returns	Market cost ³	Market price ⁴	Net returns
	Feed	Other	Total ¹					
	(cents per dozen, all eggs)			(cents per dozen, Grade A large, cartoned)				
1955	20.5	11.5	32.0	34.0	+2.0	48.5	50.9	+2.4
1956	19.6	11.7	31.3	33.9	+2.6	47.6	50.4	+2.8
1957	18.5	11.7	30.2	31.8	+1.6	46.0	47.0	+1.0
1958	18.6	10.8	29.4	33.8	+4.4	45.1	49.3	+4.2
1959	18.3	11.9	30.2	26.4	-3.8	45.6	41.1	-4.5
1960	17.5	10.8	28.3	32.2	+3.9	43.2	46.6	+4.2
1961	18.0	11.0	29.0	30.3	+1.3	43.9	45.3	+1.4
1962	18.0	10.6	28.6	27.2	-1.4	43.3	41.5	-1.8
1963	18.2	10.2	28.4	28.6	+0.2	42.5	42.4	-0.1
1964	17.5	10.2	27.7	27.8	+0.1	41.5	41.7	+0.2
1965	17.3	10.4	27.4	26.2	-1.2	40.6	40.5	-0.1
1966	18.2	10.0	28.2	33.8	+5.6	41.6	47.2	+5.6
1967	17.0	10.7	27.7	22.7	-5.0	41.1	37.1	-4.0
1968	16.2	10.8	27.0	27.7	+0.7	40.4	40.7	+0.3
1969	16.0	10.6	26.6	35.5	+8.9	40.4	49.8	+9.5
1970	16.7	11.6	28.3	31.5	+3.2	43.0	47.3	+4.3
1971	16.5	12.0	28.5	23.5	-5.0	43.2	39.5	-3.7
1972	17.3	11.6	28.9	24.6	-4.3	43.3	40.5	-2.8
1973	29.2	12.5	41.7	28.4	+6.7	58.1	64.3	+6.2
1974	31.0	14.4	45.4	45.2	-0.2	63.4	63.0	-0.4
1975	29.0	14.5	43.5	44.6	+1.1	61.8	62.9	+1.1

¹ Commercial production estimates develop from previous study for all production, commercial and non-commercial, 1955-71. Calculated by computerized formula monthly beginning in 1972, using studies and surveys. ² Derived from ERS prices spreads series, 1955-66, and from New York wholesale

prices, 1967-75. ³ Includes assembly, packing and cartoning, long-distance hauling, grade loss, etc. ⁴ Calculated from Bureau of Labor Statistics retail prices, less retailing and distributing margins, 1955-71. Prices of cartoned eggs to volume buyers in major markets, 1972-75. PES-290, JUNE 1976

An attempt has also been made to sample farms on a regional basis to determine variances in production costs by region (table 2). Egg production costs vary nearly 3 cents per dozen between major producing regions. While costs vary widely within each region depending on unit size, production efficiencies, and feed supply and formulating variances, they do show a trend to be somewhat lower in the South and Midwest than on the Pacific Coast and in the Northeast. The table compares the data collected by a cooperative project in Georgia, Missouri, and Pennsylvania with some California record summaries. During the 2-year period total costs not including management return and operator labor were 41.4 cents per dozen. Feed made up nearly 69 percent of the total cost; replacement pullets 20 percent; overhead 6 percent; and hired labor, utilities, and miscellaneous costs, 5 percent.

The records indicate that feed prices tended to be lower with large integrated complexes due to feed volume than with many smaller independent flocks or with contract flocks. Regional differences in feed prices were generally reflected in feed cost

per dozen in the Northeast, South, and Midwest with the amount of feed used per dozen eggs close to 4.2 pounds in all three regions. Feed use per dozen in California was about 4.7 pounds due to the larger proportion of older flocks with force molted birds: lower feed prices being offset by the higher rate of feed use. Layer mortality appeared lower in the flock samples in the Northeast and Midwest.

Laying flocks in the Midwest average only 3/4 as large as those in the Northeast and South and less than 1/3 the size of those in California. Hired labor appears to be a much larger cost item where larger flocks predominate and hired labor is substituted for family labor. Differences in size and types of farms as well as variations in record keeping systems make direct comparisons difficult.


Feed prices for egg producers dropped substantially after late 1974 and early 1975. The decline in feed prices has been somewhat offset by increases in other costs. Contract and independent producers' costs within each region averaged about the same.

Table 2—Commercial Egg Production Costs and Efficiency, Four Regions, 1973-74

Item	Northeast	South	Midwest	California ¹
Sample characteristics:				
Farms (no.)	67	103	51	22
Layers per farm (1,000)	24.2	28.2	19.2	60
Eggs sold per fm (1,000 cs.)	15.1	17.9	12.2	37.8
Rate of lay (% H.H.)	62.6	63.5	62.5	62.0
Feed conversion (lbs./doz.)	4.18	4.24	4.18	4.70
Mortality (%)	10.7	15.1	12.9	16
Costs, cents per dozen				
Feed	30.17	27.56	28.00	28.25
Replacement pullets	8.97	8.15	8.33	7.25
Hired labor	.47	.92	.80	2.15
Utilities	.70	.28	.55	.50
Other variable	.27	.69	.37	.40
Total variable costs	40.58	37.60	38.05	38.55
Depreciation	1.13	1.18	1.55	1.20
Repairs, maintenance	.20	.28	.20	.20
Taxes, interest	.80	.94	.88	1.40
Insurance	.17	.14	.18	.20
Total fixed costs	2.30	2.54	2.81	3.00
Total costs ²	42.88	40.14	40.86	41.55

¹ Interpolated mainly from San Diego County record summaries. Cost categories adjusted based on other area records. ² Not including operator labor, return to management, packaging, assembly and delivery operations. PES-289, MARCH 1976

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