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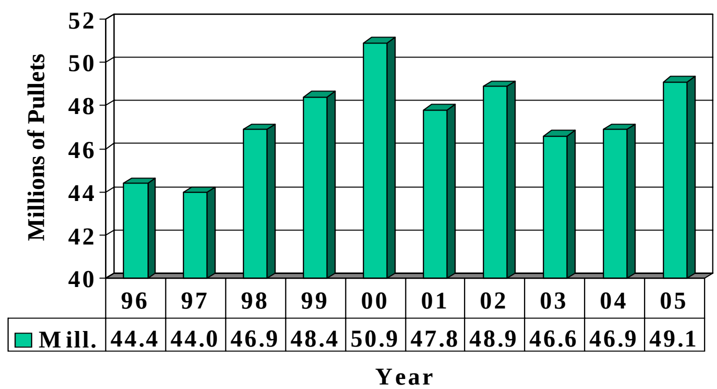
Don Bell's Table Egg Layer Flock Projections and Economic Commentary - 2004

(***This report was written by Don Bell, University of California Poultry Specialist, emeritus, under the sponsorship of United Egg Producers***)

First Quarter Replacement Pullet Additions – 1996 to 2005

Current chick hatch data through October exceeds the previous year by almost 5 million pullet chicks. In addition, the November 1 "Eggs in incubator" report lists an increase of 27% over year-earlier numbers. The hatch numbers can be projected forward to March of 2005 and illustrate an **alarming trend** compared to recent year pullet placements. The figure below demonstrates the number of pullets added to the U.S. laying flock during the first quarter of the year (through 2005) for the past ten years.

Replacement Pullet Additions
1999 to 2005

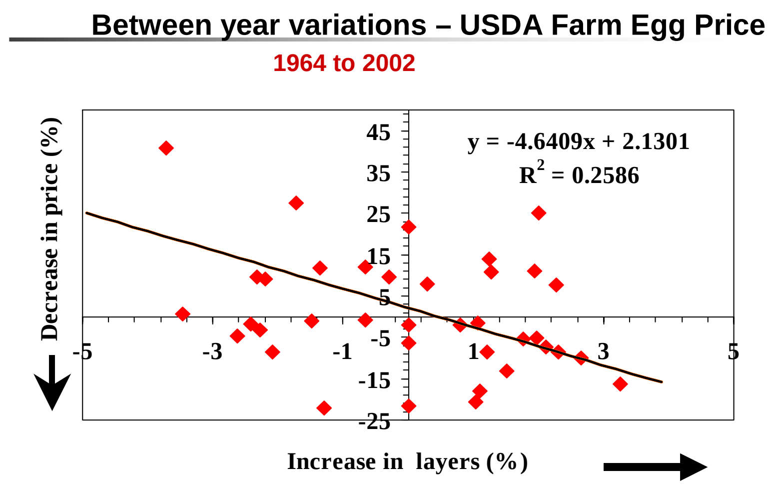


During this period, only the year 2000 exceeded the current projected pullet placements. As most of you may recall, the period 1999 to 2002 was one of the poorest egg price periods in recent history. California losses for this period, for example, totaled an estimated $3.78 per hen. The reduced placements in the following years (2003 and 2004) resulted in one of the highest egg price periods in history.

The Effect of Layer Numbers on Egg Prices

Between 1964 and 2002 (forty years), we observed a negative relationship between the percentage change in the national layer flock from one year to the next and the farm price for eggs as reported by the USDA. This relationship indicated that for every 1% change in layer population, a 4.6% change occurred in egg prices in the opposite direction - a negative relationship.

Egg Prices by Layer Numbers
(% change)



Increasing layer numbers
Decreasing prices!

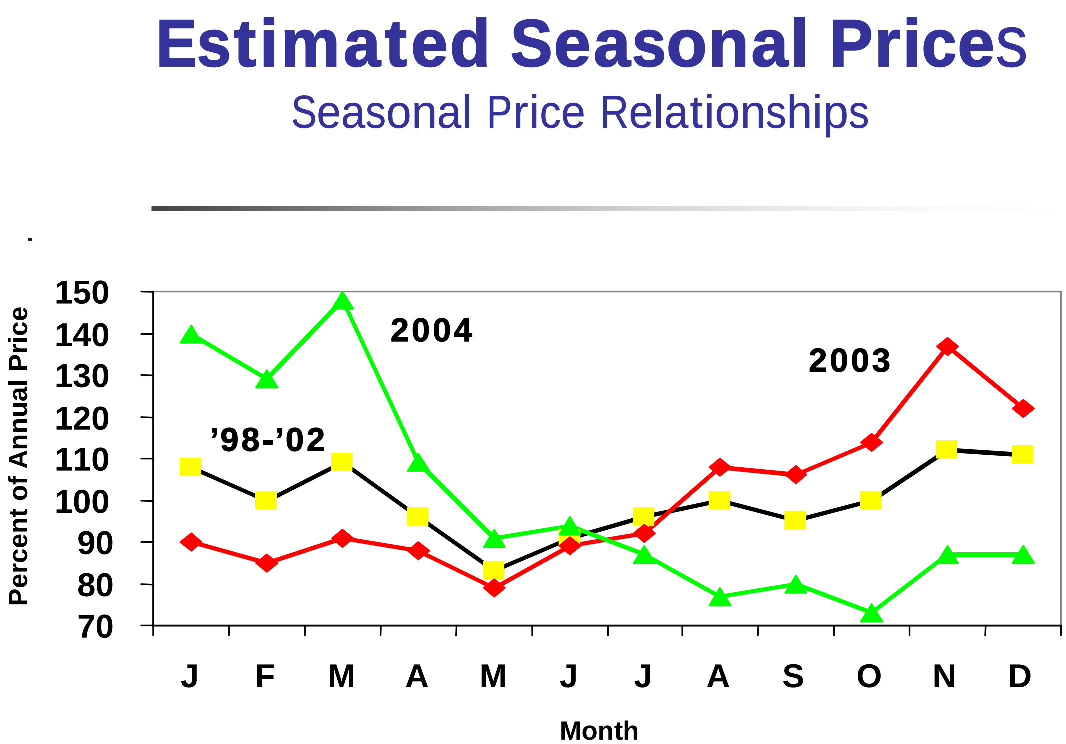
Source: USDA Farm Prices)

Even though there were numerous exceptions to the rules that "more hens means lower egg prices" and "less hens means higher egg prices", the relationship was still significant. Also of significance was the unaccounted for variation in price representing more than 74% of the total variation. This undoubtedly reflects changes in consumer demand, the imperfections of the pricing systems, as well as other unknown contributors.

The 1% more layers (referred to in the chart) is equal to about 2.8 million layers in today's industry. This would affect egg prices by 4.6% or about 2.3 cents/dozen assuming 50 cents per dozen as an average egg price. Another way of expressing this relationship is "One million more hens will reduce egg prices by 0.82 cents per dozen or $.18 per hen". Another way of looking at this is "One million fewer hens will improve egg prices by 0.82 cents per dozen or $.18 per hen". Assuming a national flock of 280 million, this would be equivalent to $50 millon.

Recent Changes in Seasonal Price Relationships

Historically, April through September egg prices are usually below the annual average price while the remainder of the year prices are at or above the annual average. November and December Midwest Urner-Barry prices during the 1998 to 2002 period were 112% and 111% respectively of the annual average price. January and March were 108% and 109% of their respective annual prices. (the lowest prices occurred in May at 83% of the annual average.

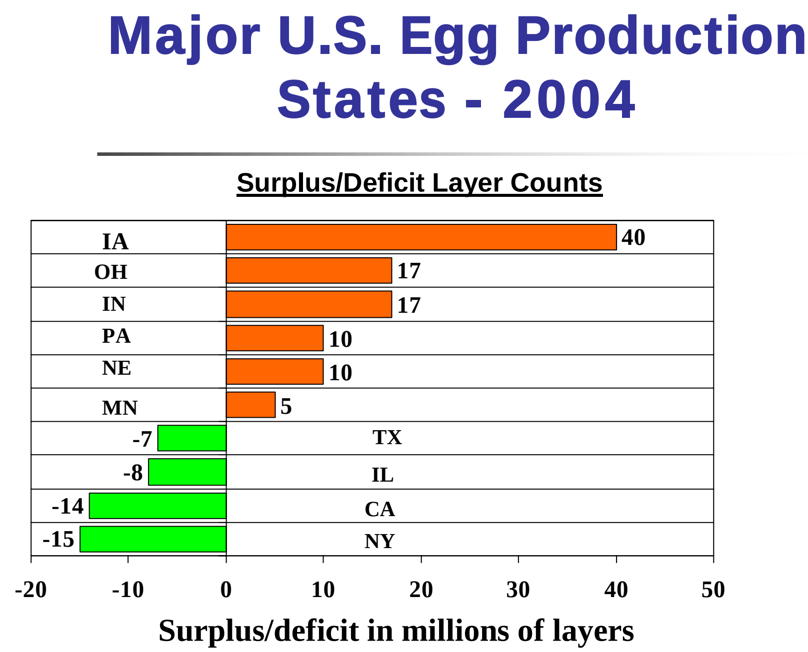


Based on UB MW quotations for large eggs

In 2003 and 2004, egg price trends occurred over a **two-year period** with an increasing monthly pattern throughout 2003 followed by a decreasing monthly pattern throughout most of 2004. The lowest prices in 2004, for example, occurred in October as opposed to the usual May. The chart below illustrates this unusual pattern.

Major U.S. Egg Production States – Surplus/Deficit Layer Counts

The table below illustrates which states are surplus relative to their own in-state consumption vs those with major deficiencies – expressed in layer numbers.



A copy of "Towards a Profitable Egg Industry – Economic Issues (Nov. 2004)" may be obtained from the author at **don.bell@ucr.edu**

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