

An **EGG ECONOMICS UPDATE**

Donald Bell, Poultry Specialist  
 Cooperative Extension - Highlander Hall-C  
 University of California, Riverside, CA 92521 USA  
 Phone (909)787-4555 \* Fax (909)787-7251 \* Email don.bell@ucr.edu

## California Egg Processing, Transportation, and Marketing Costs - 2000

Analysis by  
 Don Bell, Poultry Specialist, University of California

### Introduction

During the spring and summer of 2000, the University of California Poultry Specialist conducted a survey of 12 commercial companies that process and market more than 80% of the table eggs in California. Firms were about equally distributed between the two major egg production centers of the state (Central and Southern California). The survey was designed to determine typical costs for the various stages of processing and delivery. This included:

1. Processing
2. Packaging
3. Trucking
4. Marketing

The survey also included hourly wage rates for plant, supervisory, and management personnel. Packaging costs were also determined.

Participants were asked to provide per dozen costs based upon a 4-week production of "packed" eggs. Undergrade eggs; breakers, pet food and losses were excluded from the calculations. All costs were assigned to "packed" eggs.

### General definitions are given below:

Labor costs: including benefits

Plant operations costs: utilities, disposal fees, maintenance, small tools, replacement parts, etc.

Building depreciation: 20 year life

Equipment depreciation: 8 year life

Interest: 10% of half value

Overhead (for processing and delivery): accounting, office supplies, taxes, telephone, insurance, etc.

Trucking: assembly: labor cost to palletize for store delivery or cross-docking.

truck cost: drivers, fuel, maintenance, lease, depreciation, interest, repairs, etc.

Marketing: sales staff and expenses.

An overall summary of results is listed in Table 1.

**Table 1 . Summary of Egg Packaging and Marketing Costs - California - Summer 2000**

Item	Cents per dozen	% of total
Processing	9.83	37.9
Trucking	4.51	17.4
Marketing	1.38	5.3
Packaging	10.25	39.5
Total	25.97	

Table 1 lists the costs per dozen for the average of the 12 companies in the study. Some companies failed to include all data for all listed items and therefore certain data is missing. The summary, though, is calculated by dividing by the number of actual entries for each item..

The above summary includes USDA inspection and 15 one-dozen cartons packed in a one-half case container. Cost would be reduced by 0.83¢ per dozen if USDA inspection were not required and by another 5.46¢ per dozen if flats and a 30-dozen case were used in place of cartons and half-case. In this case, total costs would be reduced to 19.68¢ per dozen.

Estimated costs (including USDA inspection and one-dozen cartons)	25.97¢/dozen
Estimated costs (without USDA inspection with one-dozen cartons)	25.14
Estimated costs (including USDA inspection with cases and flats)	20.51
Estimated costs (without USDA inspection with cases and flats)	19.68

Car-toned eggs in wire baskets would have a completely different cost based upon their purchase price, expected life, repairs, and relative efficiency of handling.

A wide range in costs between companies was seen in each of the categories of cost. Such variability is due to:

- \* the number of eggs being processed relative to the type and speed of equipment and labor force,
- \* the mix of orders and packaging materials required to serve the company's markets,
- \* a wide range of hourly wage rates resulting in a 3 cent per dozen difference in labor costs,
- \* the proportion of assembled vs one-size palleting,
- \* transport distances and the size of deliveries,
- \* the quality of eggs being handled.

Table 2 lists typical results for each specific item and the number of firms listing each item.

**Table 2. Egg Processing, Transportation, and Marketing Costs\* - Summer, 2000**

Item	Cents per Dozen	No. of Firms	Years
<b>Processing</b>			
Labor	4.65	11	
Plant operations	1.45	11	
Depreciation	1.14	10	
Interest	0.62	10	
Overhead	1.14	10	
USDA	0.83	7	
<b>Total minus USDA</b>	<b>9.00</b>		
<b>Trucking</b>			
Assembly	0.50	5	
Other	4.01	4	
<b>Total</b>	<b>4.51</b>	<b>9</b>	
<b>Marketing</b>			
<b>Total</b>	<b>1.38</b>	<b>7</b>	
<b>Total of P, T, and M (all items including USDA)</b>	<b>15.71</b>		
<b>Material costs</b>			
One dozen carton	7.49	9	
18 egg carton	10.46	9	
Filler flat	4.65	8	
15 doz. cube	41.39	9	
30 doz. case	78.62	9	
<b>Labor cost/hr (\$)</b>			
Plant	10.14	6	
Super	18.19	4	
<b>Mngr</b>	<b>26.80</b>	<b>5</b>	

\*Based upon the assumption that the average company had all the costs listed at the rate for the average plant with the costs.

Firms that process and market eggs must be careful to properly price individual orders in relation to the costs of each product and service. Generalizing costs and prices is not an effective way of cost accounting and individual customers may not prove profitable when price concessions are given and generalized costs are applied to expensive demands.

Realistic costs must be determined for each way of doing business:

1. Type of pack
2. Size and distance of delivery
3. Store-door with multiple products per pallet vs warehouse delivery of truck-load quantities

Similarly, discounts or sales concessions must also be placed in the perspective of “How much is this costing us? With such long periods of below cost of production, the marketing department can’t continually push marketing concessions back on the production department of the company as if these costs weren’t hurting the company overall.

These costs were collected in mid-2000 and have been subject to change in the intervening months. California’s minimum wage rate has increased. Fuel and power costs have risen. Packaging costs have gone up. And, finally, the costs of doing business in proximity to urban population centers has also increased. It’s imperative that the egg industry continue to monitor its costs during this rapidly changing period.

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University of California  
Riverside, CA 92521  
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