

December 10, 2003

No. 35

Don Bell's Table Egg Layer Flock Projections and Economic Commentary - 2003

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

“High Egg Prices and Molting How Egg Prices Affect the Decision to Molt”

Today, we're experiencing some of the highest producer egg prices in history. Egg production companies are faced with making decisions relative to their management choices, which are completely new to them. The level of egg prices at the farm level has a major bearing on how farms are managed. This is especially true relative to the choice of replacement programs.

Replacement programs are chosen to optimize the return on investment over a long-range period. Enough rearing houses are built to provide the number of pullets for a no-molt program, a two-cycle program or a three-cycle program. In general, one grow-house will provide sufficient ready-to-lay pullets for three lay-houses for a no-molt program, five lay-houses when a two-cycle program is used, and seven lay-houses for a typical three-cycle program (2 molts).

In order to optimize returns, scheduling of new pullets and the sale of old hens are carefully orchestrated over time to minimize the “down-time” of housing. In addition, chick purchases to fill the replacement program are carefully planned – oftentimes years in advance. Once a general plan is in position, it is very difficult to make changes relative to short-term egg price situations. The length of cycles is planned to minimize the production of undergrade eggs - any deviation from planned molt and selling dates may lead to the production of excessive undergrade eggs thereby reducing the average value of all eggs. Generally, molting dates may be moved 5-weeks ahead or back without serious problems to take advantage of current prices, but the flock manager has to be concerned with the price and relative egg production and quality at the end of the cycle if changes are made.

Probably a more important question we must ask is: “Are current prices an indication of future trends or are they just market responses to temporary supply/demand conditions?”

During the past 20 years (1983 through 2002), U.S. annual producer egg prices for all eggs have averaged less than 50¢ per dozen during nine years, between 50¢ and 60¢ for seven years and more than 60¢ per dozen for the remaining four years. Overall, prices have averaged 52.3¢ per dozen for the twenty year period. Large egg prices (using normal relationships) would be estimated at about 57.3¢ per dozen.

Producer prices for the 15-year period between 1983 and 1997 averaged 54.5¢ per dozen or approximately 59.5¢ for large eggs. In the next 5-year period, 1998 to 2002, prices dropped to only 45.5¢ per dozen for all eggs or about 49.5¢ per dozen for large eggs. This ten-cent drop in prices resulted from an excessively large laying flock.

Prices have taken a major jump upwards in 2003. U.S. farm egg prices through November have averaged 58.0¢ or about 63.0¢ per dozen for large eggs. Prices at these levels have caused many producers to question their existing replacement policies. Are we entering a period of time for significant changes in the prices we receive for our eggs? If so, should we re-think our replacement policies? If prices justify the elimination of molting is the industry prepared to make a major investment in new rearing facilities?

Six Steps to Analyze This Question for Your Company

Tables 1 and 2 on page 3 summarize the expected returns from several different replacement programs at varying prices for eggs, pullets and feed. These are all based upon fairly high performance standards and two prices for each item – a total of eight price combinations. Table 1 lists the egg and fowl income minus feed and pullet costs per hen-housed per year for flocks sold at 80 weeks of age, for the best molting programs, and for a typical 65-40-0 program. (65 wks at first molt, 105 wks at sale, and no third cycle).

In general, molting appears to be justified only under low margin combinations of low egg prices and high pullet prices. When large eggs were priced at 60¢ per dozen, the 80-week non-molted program had the highest returns regardless of the price for feed or replacement pullets. Obviously, current egg price levels do not justify molting,

Steps to follow:

1. Become very familiar with the performance profiles for your current flocks. Summarize at least five of your most recent flocks.
2. Determine the level of prices you feel will prevail over the next ten years. Since this is a production decision, use prices you expect to receive for large unprocessed eggs.
3. Study the tables on page 3 relative to your existing program and determine if the performance figures stated in Table 2 compare to your results.
4. E-mail to Don Bell and request a sample print-outs of one or more of the example programs listed in Table 1: don.bell@ucr.edu
5. Study the print-outs you receive and make adjustments in the input to fit your own system. These print-outs will list the performance criteria used and will show the weekly performance expected for the selected program (one or two cycles).
6. Return to Don Bell for an analysis tailored to your specific conditions

If you are currently molting all of your flocks (as 75-80% of the industry does) and your analysis tells you that you shouldn't be, the only corrections available are to build additional rearing houses or purchase your extra pullet needs from an outside grower. **The decision to do so is heavily based upon the egg price level we expect for the future.**

