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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*)

U.S. Estimated Cost of Producing Table Eggs/Income at the Farm Level- 2004

The table below lists our estimated farm egg production costs and farm income for 2004 and 2003. This represents the third such report for the entire U.S. egg industry by the author. Feed costs are based upon regional published prices for corn and soybean meal. A common feed formula and overhead costs were used to calculate feed prices (see Memo #37 – Jan, 2004). Pullet costs were based upon regional feed prices and regional chick prices. Egg production was assumed to be 34 dozen/hen (two cycles). Individual firms within a region are expected to differ from their region's averages for a variety of reasons. Regions are expected to vary as well. For the U.S. average, 6 regions were included. These data are meant for comparison purposes only.

Farm egg prices are defined as the price received for un-processed farm eggs The price varies by the region of the country. Representative prices for the entire country are difficult to estimate because most eggs today are sold first as processed eggs (cleaned, graded, sized, and cartoned) and the "farm price" may not be used or reported. Others are eggs produced for breaking purposes as opposed to cartoned eggs. For this report, egg income at the farm level is based upon "Market Egg" prices (producer blend non-processed) as published in **Agricultural Prices** – a series very similar to the "nest-run" prices published by Urner Barry.

Table 1: U.S. Estimated Cost of Producing Table Eggs/Income at the Farm Level – 2003/04 (cents/dozen)

Costs	2004	2003
Feed (3.45 lbs/dozen)	26.2	24.3
Pullets (cost/34 dozen)	7.2	7.0
Labor	3.0	3.0
Building and Equip. depreciation	2.9	2.9
Interest	1.8	1.8
Misc.	5.0	5.0
Total	46.1	**44.0**
Income	53.7	59.4
Net	+7.6	+15.4

USDA NASS "Agricultural Prices" reported lower prices (53.7 cents) for 2004 compared to 59.4 cents for 2003. Their estimates are for "all eggs" (market, table, not hatching). This quote is approximately 0.2¢ per dozen higher than the 4-region UB nest run quotations for the 2000-2004 period.

Assuming that nest run eggs on a monthly basis represent the entire production, Table 2 illustrates the relationship between costs and income by month. (UC cost estimates are based on published 6 region corn and soybean meal prices; income is based on USDA "Market Egg" prices as published in **Agricultural Prices**.

Table 2. Seasonal Farm Costs and Egg Income - U.S. (2004)

Month	Cost of Production	Estimated Income (eggs only)	Net Returns
J	47.6	80.6	+33.0
F	49.1	74.5	+25.4
M	50.7	100.0	+49.3
A	52.5	61.4	+8.9
M	51.3	46.8	-4.5
J	49.8	49.6	-0.2
J	48.0	39.9	-8.1
A	42.7	33.4	-9.3
S	41.7	35.1	-6.6
O	39.6	30.3	-9.3
N	40.0	43.6	+3.6
D	40.4	48.8	+8.4

In summary, 2003 was considered to be a one of the best years in history for the average U.S. producer of table eggs. The year 2004 started with very high egg prices followed by months of below cost egg prices. Overall income over costs for the year were estimated to be 7.6 cents/dozen

At the prices and costs assumed in the above tables, profits per hen were estimated to be about $1.67 per hen (assuming 22 dozen eggs per hen).

The reader should be cautioned to place these results in the proper context. Such profit levels are the exception to the rule and should not be construed to mean anything other than a one-year windfall resulting from a combination of reduced supply and improved demand factors. Cost/price relationships in January of 2005 have resulted in a negative profit picture during a period when higher egg prices are normally expected.