

An **EGG ECONOMICS UPDATE**

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CALIFORNIA PRODUCER EGG PRICES - 1999

Prices for large ungraded eggs at the producer level (farm) averaged 44.0 cents per dozen in 1999 compared to 56.2 cents in 1998. This was a decrease of 12.2 cents per dozen from 1998 prices and 19.0 cents below 1997 egg prices (63.0 cents per dozen)..

Blend egg prices to California egg producers averaged 38.8 per dozen for all eggs produced in 1999 compared to 49.4 cents in 1998. This represents a decrease in average prices of 17.2 cents per dozen below 1997

The large to medium price spread decreased to 13.7 cents per dozen in 1999 compared to 17.3 cents per dozen in 1998 and 15.5 cents in 1997. This would be expected because of the overall relatively low prices in 1999.

The prices listed for 1999 represent Southern California. Northern California prices are reported to be about 2-3 cents/dozen higher. The prices listed in this report represent prices the producer received for unprocessed eggs F.O.B. the farm. No deductions are shown for transportation, promotions, service charges or for any other purpose.

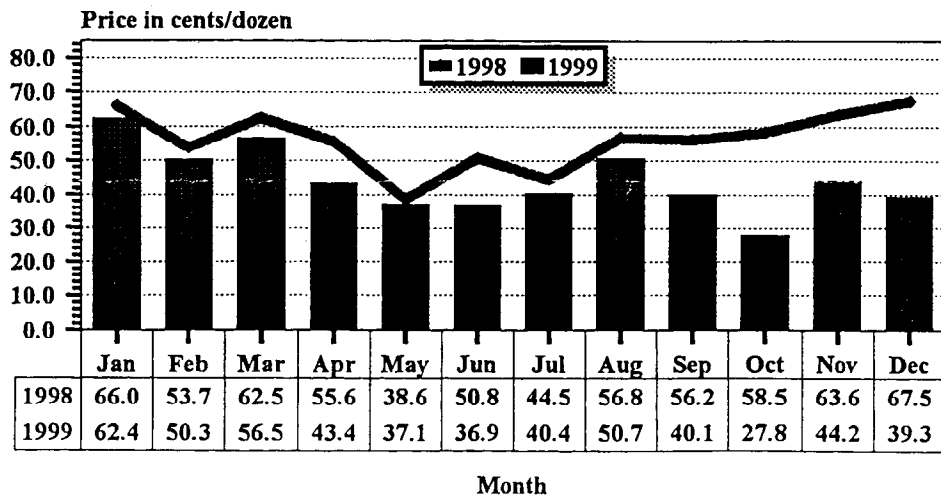
Prices are recorded on the following Monday after announcement on Thursdays. Transportation to the packaging plant, different posting dates, and miscellaneous service charges could lower these estimates by another 1 to 2 cents per dozen. Individual producers will receive more or less of the prices listed due to differences in egg size/quality patterns and different price arrangements with buyers. Eggs above large in size (extra large and jumbo) are usually priced at the same price as large.

Table 1. 1999 Producer prices (cents per dozen) - unprocessed

Month	Large	Medium	Small	Month	Large	Medium	Small
Jan.	62.4	45.5	25.5	July	40.4	22.0	11.0
Feb.	50.3	41.3	21.3	Aug.	50.7	26.8	11.3
Mar.	56.5	44.4	24.4	Sep.	40.1	25.3	10.0
Apr.	43.4	32.7	12.9	Oct.	27.8	16.2	8.0
May	37.1	29.0	10.0	Nov.	44.2	29.6	11.5
June	36.9	21.7	10.0	Dec.	39.3	29.3	13.8
Annual Average:				<u>Large</u>	<u>Medium</u>	<u>Small</u>	
				44.0	30.3	14.2	

Figure 1. Southern California Producer Egg Prices

1998 and 1999 (Large ungraded eggs)



Month
 1998 = 56.2 cts/doz, 1999 = 44.0 cts/doz

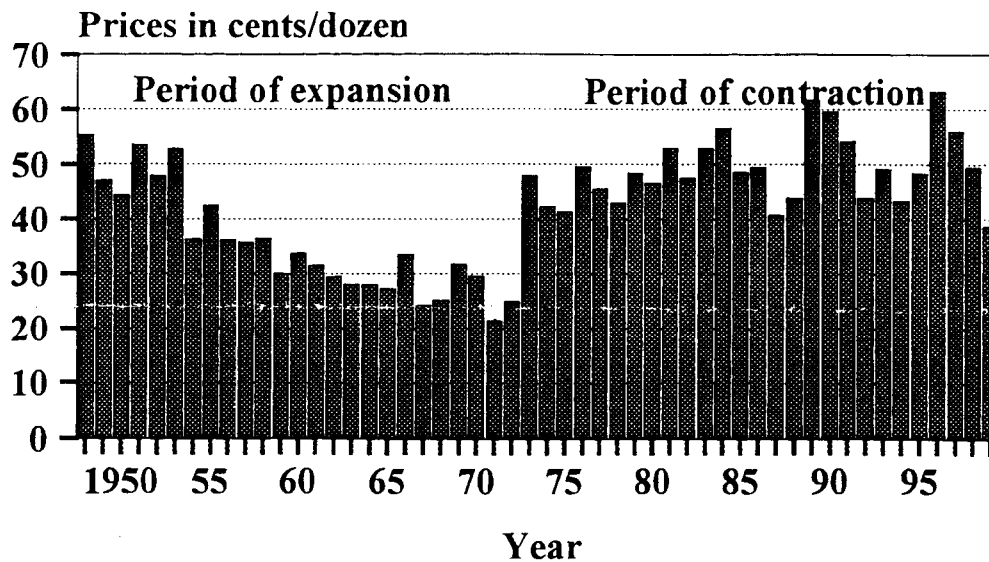
Table 2. Estimated blend prices - 1990 through 1999 (cents per dozen)

Blend	1991	1992	1993	1994	1995	1996	1997	1998	1999
75% large	59.4	48.3	54.0	48.3	53.4	69.7	63.0	56.2	44.0
15% medium	47.3	38.1	43.7	37.3	41.2	56.1	47.5	38.9	30.3
2% small	30.7	20.7	24.2	18.2	21.4	36.1	25.6	19.8	14.2
6% undergrade	31.5	26.1	28.6	24.2	26.7	34.9	22.1	19.7	15.4
2% loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Average	54.1	43.9	49.1	43.5	48.3	63.2	56.0	49.5	38.8

Table 3. Estimated blend prices - 1948 through 1999 (cents per dozen).

Yr	Cts.	Yr	Cts.	Yr	Cts	Yr	Cts.	Yr	Cts	Yr	Cts.	Yr	Cts.
48	55.3	56	36.2	64	27.9	72	25.0	80	46.6	88	43.9	96	63.2
49	47.0	57	35.8	65	27.3	73	47.9	81	52.8	89	61.7	97	56.0
50	44.4	58	36.5	66	33.6	74	42.2	82	47.5	90	59.6	98	49.5
51	53.4	59	30.0	67	24.3	75	41.3	83	52.8	91	54.1	99	38.8
52	47.9	60	33.8	68	25.2	76	49.5	84	56.6	92	43.9		
53	52.7	61	31.6	69	31.9	77	45.6	85	48.5	93	49.1		
54	36.4	62	29.5	70	29.6	78	43.0	86	49.5	94	43.5		
55	42.6	63	28.1	71	21.4	79	48.3	87	40.7	95	48.3		

**Figure 2. Estimated Blend Prices for Eggs
Southern California - 1948 to 1999**



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2000 OUTLOOK - EGGS AND FEED **CALIFORNIA**

This projection for 2000 represents the 22nd year of this project in California. However, this year we will use a new procedure. Price projections will be based upon the estimates of four different individuals or groups who make annual projections on a National basis.

Dr. Lee Shrader, Economist, Purdue University
United Egg Producers
USDA Economic Research Service
Don Bell, Poultry Specialist, University of California

The egg price projections are applied to "typical" seasonal trends relative to egg size and month of the year (1995-99). The result is a table of prices for each size for each month

Price projections for feed are obtained from Southern California feed companies and private nutritionists and represent typical feeds used for average egg production and feed consumption levels. The cost of production, by month, is calculated from a cost formula which reflects seasonal feed prices and feed conversion patterns.

FACTORS AFFECTING EGG PRICES IN 2000

Annual egg prices are fairly well correlated with the size of the previous 18 month hatch and, to a lesser degree, the current size of the National flock. In recent years, there have been notable exceptions to the relationship between current layer counts and current prices (1996 and 1997) The 1999 hatch of pullet chicks totaled 224.4 million compared to 219.2 in 1998 - up 5.2 million.

Hen counts for 1998 and 1999 and average expected hen counts for 2000 are shown in Table 1.

Table 1. Annual number of laying hens - 1998- 2000

Year	United Egg Producers	Univ. of California	Average
1998 (USDA actual)	n/a	n/a	255.4
1999 (USDA actual)	n/a	n/a	263.6
2000 (projected)	273.8	271.8	272.8

UEP and UC are projecting between 8 and 10 million more layers in 2000. Population growth requires about 2.5 million more layers each year.. This would indicate a second year in a row of serious surpluses. Costs also have an effect on egg prices and profits. Feed costs in 2000 are expected to be up about \$.30 per 100 pounds or a little more than one cent per dozen.

CALIFORNIA PRICE PROJECTIONS FOR 2000

Egg prices differ across the U.S. and price projections are usually based upon a specified "base" point. For example, Schrader uses the Midwest Urner-Barry large as his base. United Egg Producers (UEP) base their prices on Northeast Urner-Barry. California projections are based upon "producer prices for unprocessed eggs". For this reason, this year's projections will be based upon a consensus of expected "changes" applied to California prices

Table 2. Expected Price Changes, 1999 to 2000.

Forecaster	Price Change (cents/dozen)
Dr. Lee Shrader	Down 2.5
United Egg Producers	Down 8.2
USDA Economic Research Service	Down 4.0
Don Bell	Down 5.5
Consensus	Down 5.0

Southern California farm prices for large unprocessed eggs averaged 44.0 cents per dozen in 1999. Using the projections listed in Table 2, this would translate to 39.0 cents per dozen in 2000.

Table 3. Projected Farm Egg Prices by Egg Size and Month for 2000 * - (S. Calif.)

Month	Large	Medium	Small	PW	Under-grade	Blend Price
<u>Cts/doz.</u>						
JAN	42.9	34.6	20.2	10.1	15.0	39.1
FEB	39.5	33.7	19.8	9.9	13.8	36.2
MAR	41.4	34.9	21.0	10.5	14.5	37.8
APR	36.5	29.5	14.6	7.3	12.8	32.9
MAY	30.1	25.0	11.0	5.5	10.5	27.1
JUNE	32.3	23.0	9.6	4.8	11.3	28.3
JULY	36.2	23.0	10.8	5.4	12.7	30.8
AUG	40.4	23.5	10.6	5.3	14.1	33.9
SEP	40.1	25.6	12.3	6.2	14.0	34.6
OCT	37.0	26.1	13.8	6.9	12.9	32.6
NOV	45.5	37.9	24.2	12.1	15.9	41.3
DEC	46.1	35.8	22.5	11.3	16.1	41.7
AVG	39.0	29.4	15.9	7.9	13.6	34.7

* Based upon Southern California monthly price trends - 1995-99 farm prices.

COST OF PRODUCTION

Four individual estimates for layer feed prices in 2000 averaged \$6.72 per 100 pounds. Individual estimates ranged from \$6.58 to \$6.87. When applied to a typical feed conversion of 3.58 pounds per dozen for a two cycle flock and to the cost of raising a replacement pullet, the costs of production (per dozen) for table eggs for 1999 are estimated to be:

Feed - 24.1 cents (3.58 pounds x \$6.72/100 lbs)
 Replacement pullets - 7.1 cents
 Labor - 3.0 cents
 Misc. - 4.0 cents
 Building and equipment depreciation - 2.5 cents
 Interest - 2.0 cents
 Management - 1 cent

Total: 43.7 cents/dozen
 (19.6 cents - non-feed)

SEASONAL COST ADJUSTMENTS

Costs vary by the month as a result of seasonal feed price changes and feed conversion. Table 4 illustrates the expected seasonal trends.

Table 4: Seasonal trends in feed price, feed conversion and costs.

Month	Feed Price \$/100 pounds	lbs feed per dozen	Feed cost cents/dozen	Cost of Production cents/dozen
January	6.65	3.77	25.1	44.7
February	6.62	3.74	24.8	44.4
March	6.66	3.69	24.6	44.2
April	6.73	3.67	24.7	44.3
May	6.77	3.54	24.0	43.6
June	6.81	3.47	23.6	43.2
July	6.91	3.41	23.6	43.2
August	6.79	3.38	23.0	42.6
September	6.74	3.47	23.4	43.0
October	6.65	3.54	23.5	43.1
November	6.64	3.60	23.9	43.5
December	6.67	3.69	24.6	44.2
Annual	6.72	3.58	24.1	43.7

PROJECTED PROFITS PER DOZEN BY MONTH

Using the egg prices from table 3 (adjusted for egg size by the season) and variable costs from table 4, we can project seasonal profits for 2000 (Table 5).

Table 5. Expected seasonal profits (cents/dozen)

Month	Income	Costs	Profits		Month	Income	Costs	Profits
Jan.	39.1	44.7	-5.6		July	30.8	43.2	-12.4
Feb.	36.2	44.4	-8.2		Aug.	33.9	42.6	-8.7
Mar.	37.8	44.2	-6.4		Sept.	34.6	43.0	-8.4
Apr.	32.9	44.3	-11.4		Oct.	32.6	43.1	-10.5
May	27.1	43.6	-16.5		Nov	41.3	43.5	-2.2
June	28.3	43.2	-14.9		Dec.	41.7	44.2	-2.5
					Yr. Avg.	34.7	43.7	-9.0

The -9.0 cents per dozen is equivalent to - \$1.94 per hen.

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The material above is for planning purposes only. It is based upon representative production examples and the cost and income estimates of the participants in this survey for Southern California for 1999. No other representation of this information should be made.

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