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Expected Costs and Returns in YOUR EGG BUSINESS

University of Illinois · College of Agriculture
Cooperative Extension Service

Keeping accurate records does not guarantee added returns. But records help a good manager assemble facts about his business that will enable him to make sound decisions.



SPECIALIZATION is the key word in the egg business. The industry is changing rapidly and providing new opportunities for those who can meet its requirements.

What personal qualities do you need to be a good poultryman? To be an outstanding one, you must have and use the qualities of a good businessman. You must gear your operation to save time and energy in caring for your flock. You have to keep records and know exactly what it costs you to produce a dozen eggs.

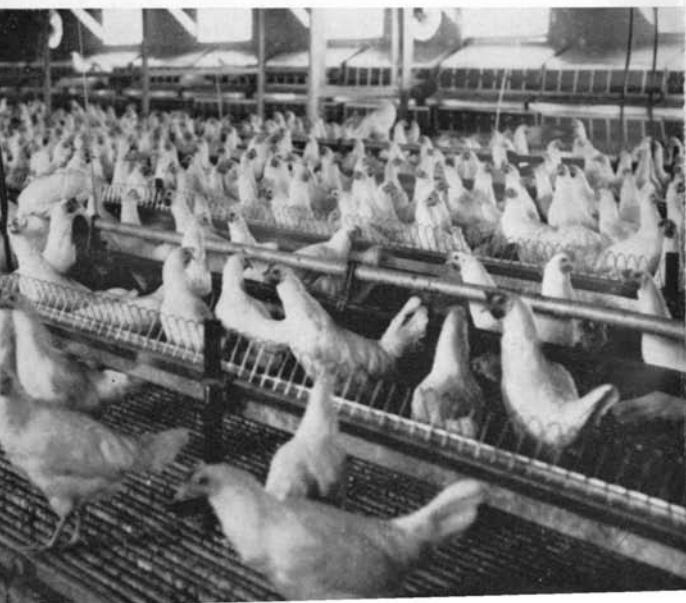
You also need to study the market and produce what the buyer wants. You will need a refrigerated egg room for holding eggs until you market them, because this room will make it possible for you to market at least 93 percent of your eggs as Grade A each week.

Although poultry farming is a 7-day-a-week job, it does not require hard labor. It does require keeping up to date on what is going on in the industry and it does require applying new ideas and practices as they are proved successful.

WHAT DOES IT COST TO GET STARTED?

Getting started in the business may involve a considerable outlay. How much money you will need varies widely and depends on the size of the

This is one possible arrangement of equipment in a 36-foot wide, clear-span poultry house. Note location of feeders and waterers over the pit area with nests along sidewalls.



operation, type of buildings, kinds of equipment, and pullet cost. Some estimated costs are given here. They are based on the purchase of ready-to-lay pullets, because ready-to-lay pullets make it possible for you to get started in the business without investing in brooding facilities.

	Per bird	Per 1,000 layers
Laying house and egg room.....	\$2.25	\$2,250
Equipment.....	1.65	1,650
Pullets, 24 weeks old.....	2.00	2,000
Total.....	5.90	5,900

If you build a brooder house and install equipment in it, add another \$2.60 per bird.

The size of the flock is important. You can make more efficient use of your labor, mechanical equipment, and refrigeration if you have a flock of 5,000 or more hens. You can usually find better markets, if you have a large volume of eggs to sell.

To determine what size of flock is right for your situation, be sure to consider such things as:

- (1) how much income you want from the business;
- (2) how the egg-producing business fits in with your other farm enterprises or other employment;
- (4) how you are going to market your eggs; and
- (5) how you can finance the operation.

Of all these problems, money is probably the biggest single one. Not many egg producers have enough money in the bank to operate their business or expand it without borrowing. Many poultrymen are financing their laying operations with loans from the Production Credit Association, Farmers Home Administration, hatcheries, banks, private individuals, and feed companies.

Lending agencies throughout the state have no hard and fast rules they follow for lending. Each area — and in many cases each lender — has its or his own set of rules for making loans.

The most important thing to remember when you set out to borrow money is to be prepared. Know your farm and its potential. Have a budget that will show what the money is to be used for and how it is to be paid back. Above all, do not expect to borrow money just because you need it or would like to have it.

HOW CAN YOU KEEP PRODUCTION COSTS DOWN?

To increase your profits on a poultry farm without increasing the size of your flock, you must either get more for what you sell or produce it for less. The things you can do about your selling price are limited, so you will usually have to fall back on cutting your costs to improve your profits.

Your goal should be to keep production costs down to 25 or 26 cents per dozen. The figures used here are based on field observations and experiences of successful Illinois egg producers. Figures are for a year and are based on an annual rate of lay of 20 dozen eggs. You can use these costs as an immediate goal. If you beat them, so much the better. Some poultrymen have already done so and are shooting for new lows.

	Per dozen eggs		Yearly cost for each 1,000 layers
	Cents	Per-cent	
Feed.....	12.60	49	\$2,520
Hen depreciation.....	7.56	30	1,512
Building depreciation and maintenance.....	.68	3	136
Equipment depreciation and maintenance.....	1.30	5	260
Interest on investment.....	1.77	7	354
Miscellaneous.....	1.65	6	330
Total.....	25.56	100	\$5,112

Feed is by far the largest single item of cost in egg production. On most farms, it makes up about half the production costs. You can reduce feed costs by improving feed conversion or reducing the cost of feed per pound, or both. Here a feed conversion rate of 4.2 pounds per dozen and a feed cost of \$60 a ton are used. On this basis, the monthly feed cost will be about \$210 for each 1,000 layers.

Hen depreciation is the second largest cost. It represents the difference in value of the hen at the beginning of and end of the laying period, including a proportionate share of the death loss in the flock. Initial cost of the mature pullet and rate of lay have the strongest effects on the cost of eggs per dozen, but mortality can affect it too. A mature



An efficient and practical laying house is a real asset to any poultry farm. To make sure you are making a wise investment when you build one, give careful attention to proper design and construction.

pullet cost of \$2.00 and a yearly rate of lay of 20 dozen eggs are used here. It is assumed that the hens are maintained for a 15-month laying period with a total production of 24 dozen eggs, a mortality rate of 12 percent, and a salvage value of 21 cents for each remaining bird.

Although the original building cost may seem high (\$2.25 per bird housed at $1\frac{1}{4}$ square feet), it is relatively small when depreciated over a 20-year period on a per dozen-egg basis. Yearly building maintenance is figured at 1 percent of the original building cost.

Equipment depreciation is based on an original cost of \$1.65 per bird and an expected useful life of 7 years. Maintenance on the equipment is figured at 1.5 percent annually.

Interest on the investment is figured at 6 percent for all money invested in housing, equipment, and chickens. Miscellaneous expenses include lights, water, litter, insurance, taxes, and drugs.

A labor charge is not used here because the cost of labor varies so widely, depending on the amount of mechanical equipment, effective work methods, size of flock, and wage rates. Consequently, if you use hired labor, you should subtract its cost from your labor and management returns.

HOW MUCH RETURN CAN YOU EXPECT?

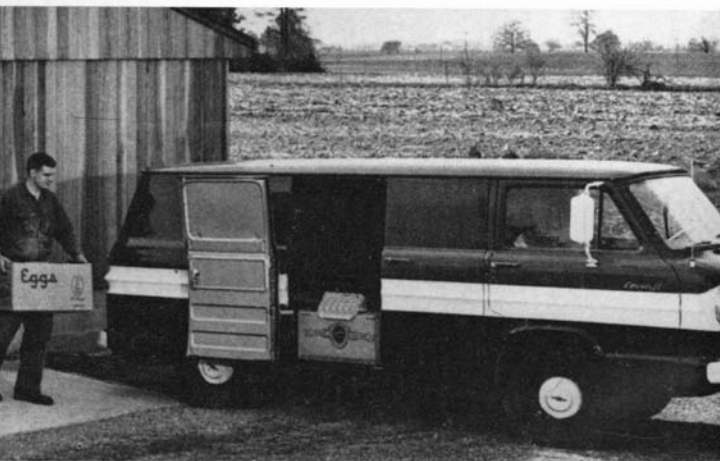
Two things are important for a good return: (1) a high rate of production; and (2) a good price for your eggs.

Modern egg-producing flocks usually reach their peak production when the birds are from 30 to 36 weeks old. The peak rate in well-managed flocks will reach 90 percent. After the peak, production moves downward. But for the year, production should average about 66 percent if each bird lays 240 eggs.

Your method of marketing will also affect your returns. Most poultrymen have at least considered marketing directly to consumers, stores, restaurants, or hotels rather than to wholesale egg-grading stations. But before you decide to market directly, you should carefully consider the "headaches" direct marketing can cause. You will have to be a good salesman and you must be able to take complaints in stride to sell to retailers or consumers. More producers fail in salesmanship than in any other area of direct marketing. Also you must anticipate the amount of additional labor that direct marketing requires.

The cost of processing and delivering eggs in cartons to retail stores will average 6 to 9 cents a

To get the highest returns possible from the egg business, every producer should plan a marketing program.



dozen for large firms. Most producers who market directly will handle fewer dozens than large firms. As a general rule of thumb, you should figure you will need at least 10 cents a dozen above the wholesale price to pay for the added costs and make a small profit.

To help you figure what your income should be, the following egg sizes and prices have been set as goals. The percentages of various sizes have been established from random sample tests and experimental results. Prices are determined from egg price trends in recent years.

Egg sizes	Anticipated percentage of various sizes	Calculated price per dozen, cents
Extra large and jumbo	22	34
Large	49	31
Medium	20	26
Others (not over 3 percent checks and cracks)	9	20
Total	100	..
Average	29.67

Yearly labor and management returns are 82 cents per bird based on the average egg-selling price of 29.67 cents a dozen and costs of 25.56 cents. For each flock of 1,000 layers, this amounts to \$820. Figured another way, the gross monthly egg income is about \$495 per 1,000 birds or \$285 over feed costs.

Perhaps the figures given here will help you plan for future egg production or help you check present production costs and returns. You can, with presently available strains of layers, feeds, and equipment, exceed these goals and increase your profits.

For more information, consult your county farm adviser or a poultry extension specialist at the University of Illinois. Either can help you plan a production and marketing program. Local hatcherymen, feed dealers, and others in the industry can also provide valuable assistance. Since there is a tendency for poultry production to be concentrated in certain areas, it often helps to visit these areas for new ideas on housing, equipment, and management.

YOU CAN INCREASE YOUR PROFITS by using a sound marketing program, getting a good feed conversion rate, increasing production per bird, and keeping costs of feed and birds down. You can add to your annual income —

- 20¢ per hen for each 1¢ increase in average price you receive per dozen eggs
- 15¢ per hen for each decrease of $\frac{1}{4}$ pound of feed used per dozen eggs
- 30¢ per hen for each 5 percent increase in production
- 16¢ per hen for each 20¢ saved in buying or raising pullets
- 21¢ per hen for each reduction of \$5.00 per ton in feed cost

This circular was prepared by H. S. JOHNSON and S. F. RIDLEN, Poultry Specialists in Extension.

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