

DIRECT MARKETING OF EGGS IN OHIO

Ralph L. Baker, Extension Economist, Poultry Marketing and
Emil Malinovsky, Extension Specialist--Poultry Science

Ohio is unique among the states--its nearly 11 million people are widely scattered over the state. Forty-three of the state's 88 counties have populations of 50,000 or more people. Since it takes 1,300 hens to supply the shell eggs used by each 1,000 people, there are 43 counties in which the demand for eggs equals the production of 65,000 or more hens. The top county is Cuyahoga with a requirement of about 2.2 million hens. It is the only Ohio county with more than a million population. Among the 43 counties are 14 with populations of 100,000 to 499,999 and four counties with populations of 500,000 to 1,000,000.

As a result of the widespread distribution of Ohio's relatively large population, there are undoubtedly more eggs marketed directly from producers to retailers, institutions or consumers in Ohio than in most states.

Some Attributes of Direct Marketing

Studies have shown that direct marketing is likely to return more per bird or per dollar invested in the poultry enterprise than in the case of eggs being sold to a processor. In years of low prices, the direct marketer is likely to have a higher return per hour. In years of relatively high prices he is likely to have a lower return per hour than producers selling eggs to processors.

Direct marketing provides a means for a livelihood when the size of operation might make it impossible to do so otherwise. This is because of the higher income per bird with a given amount of investment.

There are also fewer handlings of eggs in direct marketing, which should mean less breakage and a lower cost for any particular size of operation. Further, the direct marketer may have an advantage over handlers and processors by being able to obtain the same quality labor at a lower cost per hour. In many instances, this is family labor which would otherwise contribute less to family income.

However, most direct marketers are not large enough to achieve the in plant economies of most egg processors. A number of studies show that the cost of processing eggs goes down as volume goes up to at least 200,000 to 300,000 cases per year. Even in flocks of less than 10,000 birds, there are economies to size. For instance, the time required for processing eggs by producers selling a thousand or fewer dozen eggs per week in 1962-63 averaged more than four times that of producers who were selling more than 6,000 dozen eggs per week. However, there were wide variations within size groups.

The average direct marketer, because of the size of his operation, has more problems supplying the sizes of eggs wanted by his customers than does the egg processor whose wider outlets and larger volume permit more shifting among outlets during a given week. The direct marketer, particularly, has a problem of supplying retailers who wish to special eggs.

The direct marketer of eggs cannot compete, price-wise, with the retailer if the retailer uses eggs as a traffic builder and makes up the loss by selling his customers more other items on which he takes a normal mark-up.

Ohio record keeping flocks showed that it took about twice as much labor per hen for producers who were marketing 75 percent or more of their eggs directly to consumers, retailers or institutional outlets such as restaurants, hotels or hospitals than for producers who were marketing 75 percent or more of their eggs to processors. However, in 1967, producers in the flock record analysis averaged 39.7 cents a dozen for eggs marketed directly as compared to 25.7 cents a dozen for eggs sold to processors.

As an example of low and high price year differences, in 1967, a low price year, the difference between producers who marketed 75 percent or more of their eggs to processors and those who marketed 75 percent or more directly was 12.2 cents a dozen for all eggs sold. In 1966, which was a relatively high price year, the difference was 10.4 cents a dozen. In each case, the direct marketer got the higher price.

Average costs of the direct marketers were 10.4 and 10.7 cents a dozen higher in 1966 and 1967, respectively.

Survey of Direct Marketers

In 1962-63, 279 producers and direct marketers of eggs in Ohio were visited at their farms to learn the kinds of outlets used for eggs, problems associated with various types of outlets, time required in performing the marketing activities and the ways different

producers resolved different types of problems. Data were also obtained on the number of birds, age of operator, possibility of a successor in the direct marketing business and similar information.

In 1969-70, the same producers were sent questionnaires to learn whether they were still in egg production and marketing, how many birds they were then marketing eggs from, and similar types of information. Of the 279 in the original group, information was received on 204 in 1969-70. Most of these answered by mail questionnaire. Of the 204 producer-marketers who answered the questionnaire, 99 were no longer in the egg production or direct marketing business. Ninety-one were still both direct marketing and producing eggs. Nine had shifted to selling to a processor or contract producing eggs and five were marketing eggs but were no longer producing them. They bought their eggs from other producers.

Table 1.--Number of Hens in Flocks of Producers in 1962-63
And 1969-70, By Status in 1969-70

Status in 1969-70	Number of Respondents	Number of Hens	
		1962-63	1969-70
Producing and Direct Marketing Eggs	91	387,499	558,062
Neither Producing Nor Direct Marketing	99	254,444	46*
Marketing Eggs but Not Producing Eggs	5	32,250	0
Contract Production or Selling to a Processor	9	29,100	63,400
Totals	204	703,293	621,508

*For home use.

Those who went out of production did so for many reasons, including factors associated with the family such as retiring, illness, death in the family, or when some member of the family--usually children--no longer were at home to help with the eggs.

There were 44 producers who had expanded production and direct marketing of eggs since 1962-63 and 27 who had the same numbers of hens in 1969-70 as they had in 1962-63. Twenty were still producing

Studies in Agricultural Capital and Technology

and direct marketing eggs but had fewer hens than in 1962-63.

Production Changes

The 71 producers in the survey who were continuing to market at least as many eggs in 1969-70 as in 1962-63 made many changes in recent years. For instance, 19 of them changed from floor layers to cage operations. Another seven added new laying house equipment. Five had changed the strain of the bird which they used. Ten were buying pullets instead of raising them. On the other hand, three had shifted from buying pullets to raising them. All in all, 44 of the 71 producers reported making some change in their production pattern in the last three years. Most of these were by producers who had increased production.

Marketing Changes

Some of the changes made in marketing included three buying and installing new grading equipment, four cartoning more eggs, and five doing less house-to-house selling. But there were two who were doing more house-to-house selling. Two had installed vending machines and one had already taken the vending machine out since it didn't work well with his customers. The pricing basis was changed by five producers. Four producers had increased the margin charged over the price quotation used as a base. Another producer shifted to charging the same price the year around. Other changes in marketing included changing outlets for surplus eggs, collecting by the month instead of weekly, more store selling, more institutional selling and more advertising.

Practices of Those Increasing Production

About 82 percent of the producers who expanded production cleaned their eggs by machine compared to 67 percent for those who kept the same number of hens in both 1969-70 and 1962-63. Eighty percent of those who had increased production, as compared to about 55 percent who had not changed the number of hens, size graded their eggs by machine.

All but five of the 44 producers who expanded egg production candled all eggs and 21 of the 27 with the same numbers of hens in both 1962-63 and 1969-70 candled their eggs.

It was common practice for family members to help with the production and marketing of eggs in the group who expanded production as well as those who kept the same number in both 1962-63 and 1969-70. Thirty-eight of the 44 producers who increased production had family help and 22 of the 27 who kept the same number in both periods had family help. Their help was most often the wife, children or both. In addition, other members of the family helped with the egg production and marketing activities, including brothers, sisters, fathers and grandfathers.

Special Group of 25 Producers

In 1970, extra information was obtained by on-farm interviewing of 25 of those who had increased production or remained the same. These 25 producers had 269,000 hens and marketed 116,281 dozen eggs in the week preceding the interview.

Table 2.--Number of Dozen and Percent of Eggs Sold By Major Type Outlet, 25 Producers, One Week in 1962-63 and 1970

Type Outlet	1962-63		1970	
	Dozen	% of Total	Dozen	% of Total
Consumers	14,185	22.6	19,884	17.1
Retailers	40,473	64.3	72,595	62.4
Institutional Users	5,640	9.0	15,285	13.1
Egg Processors	1,350	2.1	5,655	4.9
Other	<u>1,260</u>	<u>2.0</u>	<u>2,862</u>	<u>2.5</u>
Total	62,908	100.0	116,281	100.0

The 25 producers had 70 percent more hens in 1970 than 1962-63 but sold 85 percent more eggs. This is undoubtedly a reflection both of a higher rate of lay and purchase of more eggs by the producers.

As indicated in Table 2, retailers were the most important outlet for the 25 producers in both 1962-63 and 1970. Although the retailer

percentage of total marketings decreased slightly in the seven years, the increase in number of dozen was considerably more than total sales to outlets other than retailers in 1962-63 and above the increase from 1962-63 to 1970 for all other outlets. Total sales were higher in every major category, however.

The only combination of outlet and place of delivery which decreased during the seven year period was sale to retailers at the farm.

Nine of the 25 producers delivered eggs to consumers homes in 1970 and for two producers this was the most important outlet. However, sales to consumers at the farm were more than double those at the home of the consumer. More than half as many eggs were sold to consumers at other non-farm outlets as at the consumer's home. These included at work, a vending machine in a city, and selling at a city market. All producers sold some eggs to consumers.

Twenty of the 25 producers delivered eggs to retailers. It was the most important outlet for 13 of the 25 producers and 23 sold some eggs to retailers. For one producer, sales to retailers at his farm constituted the most important outlet. A total of eight producers sold to retailers at the farm.

Institutional users bought most of their eggs at their place of business. Institutional users include restaurants, hotels, hospitals, and schools. Twenty-one of the 25 producers sold some eggs to institutional outlets. Nine of the 25 sold some eggs to egg processors but more than one half of all the eggs sold to processors were sold by one operator who had shifted to an off-farm job and the egg operation was being shifted from direct marketing.

Problems of 25 Direct Marketers

Problems of direct marketing as indicated by the group of 25, in order of importance, were correlating supply and demand, time consuming or confining, the cutting of prices by processors, low prices some buyers want to pay, and the low prices of those who do not wash or candle their eggs.

Several other problems were mentioned by one producer. They were getting rid of old hens, getting litter, consumers believing that large size and high quality are synonymous, manure disposal, housing surrounding farm, too many small deliveries, high cost of labor, consumers moving, price fluctuation, and coordinating total operation. Credit was not generally a problem, but because of high interest rates one producer charged an extra one cent a dozen for credit.

COUNTIES IN WHICH 25 DIRECT MARKETERS ARE LOCATED



Twelve of the 25 producers mentioned correlating supply of eggs with demand as a problem. This overall problem was reflected by such individual problems as getting customers to understand the egg size variation that occurs with age of layers, getting rid of small eggs, keeping customers supplied, retailer sales variation, low price for surplus eggs and the necessity of keeping two or more flocks of layers.

Direct marketing being confining or time consuming was mentioned by 11 of the 25 producers. Another reflection of the same problem was the indication by one producer of having little privacy.

Four of the 25 producers mentioned price cutting by processors. This was reflected in the assertion that the retailer used eggs as a loss leader and the supplier assisted the retailer with a price reduction.

Resolving Supply and Demand Problems

Twenty-two of the 25 producers added new birds to the flock more than once a year to even out the distribution of egg sizes. Seventeen producers added new birds three or more times a year. New additions to the flock were as high as eight times a year.

Twenty of the 25 producers bought eggs from another source to even out quantity and sizes. Six producers regularly bought from another source and 14 occasionally made such purchases. Purchases were made predominately from other producers but some of the producers bought from processors. Nine of the producers sold surplus eggs to processors.

Suggestions on other methods to be used in correlating supply and demand were direct marketers working together and exchanging eggs, increase production only when there is definite demand for more eggs and a corollary to the above suggestion--cut-back production if eggs are not needed for customers.

Time Consuming Adjustments

As previously mentioned two producers had installed vending machines but one had already removed his machine because it did not work well with his customers. Data were not obtained on the number of producers using the honor system in which the consumer gets eggs from a household-type refrigerator and leaves the money for the eggs in a cash box. This system seems to generally work well if the farm is not located close to a large city and only the amount of money

needed for most customers to make change is left in the cash box.

From 1962-63 to 1970, eight of the 25 producers discontinued house to house delivery of eggs to cut down on time. One producer shifted to selling unclassified eggs. This, however, puts less emphasis on quality than some producers believe necessary for a successful direct marketing program.

Other methods being used to reduce the time spent were: buying more eggs, adding new washing and grading equipment, adding mechanical feeding and egg gathering equipment, and buying pullets instead of growing them.

Other Steps to Improve Direct Marketing

The 25 direct marketers were asked what the producer could and should do to improve. Most producers thought egg quality should be kept high. Sixteen sold their hens by the time they were 20 months old and one force molted his layers. On the other end of the scale, three producers kept their layers until they were 24 months of age or older. This results in larger eggs but generally means thinner shells and lower interior quality.

Some direct marketers indicated that there is little exchange of eggs or ideas among direct marketers and that more should be done.

Another suggestion was that the producer could make more money by giving better service to the retailer. One facet of service changed considerably from 1962-63 to 1970--that of delivery of eggs to retailers. In 1962-63, 15 retailers picked up at the producer's farm 13.1 percent of the eggs sold by the 25 direct marketers. By 1970, eight retailers were picking up 5.5 percent of the eggs sold by these direct marketers.

Other suggestions for helping the retailer included: helping with display, provide him with literature, use attractive cartons and make deliveries at regular times so he can depend upon you.

One opinion that differed somewhat from others was that the producer should have a complete operation from growing the pullets to retailing the eggs.

Five of the 25 producers were planning to discontinue direct marketing in the near future. The reasons they gave were: freeway will take traffic away from our place, lack of help, age of operator, and confining operation.

Some of the remaining producers will undoubtedly continue to expand production.

1171/600

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U. S. Department of Agriculture. Roy M. Kottman, Director of the Cooperative Extension Service, The Ohio State University.