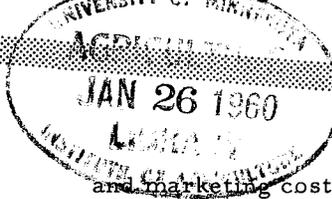


FACT
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MARKETING EGGS

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and C. V. Hess, Agricultural EconomicsThe Marketing Problem

1. Only about 30 percent of the eggs produced in Minnesota are currently marketed and consumed within the state. This means that a suitable market outside the state must be found for nearly three-fourths of our state's egg production. Producer egg prices vary considerably within Minnesota, depending upon what portion of the eggs produced in each area can find a local market.
2. There are two "deficit" areas of the state which present entirely different marketing problems for producers.
 - (a) The largest deficit area is northeastern Minnesota. This area has a limited production of eggs mainly because of a limited home-grown feed supply and undeveloped marketing institutions; but it has a substantial consumer market because of the large centers of population, including Duluth, Superior, and the Iron Range cities. Prices to producers of this area are usually the highest in the state and sometimes reach a level twice as high as the prices in the surplus areas. Many sales are made direct to consumers or to retailers so that the "marketing chain" is short.
 - (b) The other deficit area is the Twin Cities area, including Ramsey and Hennepin counties. Producer prices are usually higher in this area than in the regular surplus areas, but not nearly as high as in the northeastern Minnesota deficit area. The rather limited deficit area of Ramsey and Hennepin counties is surrounded by heavy surplus-producing counties. Therefore, there is only a limited protection against inshipments.
3. All other areas in Minnesota are "surplus" areas. Lower prices in these areas are a reflection of the distant retail prices minus the higher handling, processing, packaging,

and marketing costs. To compare prices received in the surplus areas with prices paid by consumers in St. Paul-Minneapolis has little merit because: the Twin Cities are not the normal and regular market for these surplus egg-production areas; the producers who are the normal and regular suppliers to the Twin Cities market, as already indicated, obtain higher prices for their eggs.

4. There is, however, much unexplained variation in egg prices throughout the state. Prices paid to producers at country markets vary considerably. Farmers and local handlers have limited knowledge of prices paid at alternative market outlets because of inadequately developed market-news service. Also, on many farms the egg enterprise is a relatively small part of the total farm business and too little attention is given to marketing.

Market Considerations

1. Egg producers should constantly keep in mind that their eggs are really not yet sold when they are delivered to, or picked up by, the local assembler or buyer. The quality and condition of the eggs when they reach the distant and final destination has real significance to the producer in terms of a continued good market at favorable prices. Stated differently, he has a real stake, and should have a real interest, in the total egg-marketing process. Only through the maintenance of uniformly high quality eggs moving into the market in a reasonably steady flow can producers expect to achieve a secure and attractive market for their eggs.
2. Since the demand for eggs is quite stable throughout the year, seasonal fluctuations in supply will cause prices to vary considerably. Adjustments in volume in response to outlook forecasts will help keep supply and demand in closer balance. This should prevent a serious and prolonged drop in egg prices which otherwise would result in income losses to producers. Producers can adjust seasonal and

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annual levels of production by varying the number of chicks purchased and culling rate of pullets, as well as the time and the extent to which older hens are sold.

There is a natural lag between the changes in market conditions and the effect of such changes on the prices paid to egg producers. The marketing chain or marketing system is like a long pipe line. Within the pipe line there are reserve supplies. Changes in terminal market conditions are, therefore, usually not immediately reflected at the producer level, and are frequently intensified when they are reflected. The economic factors are sometimes supplemented by psychological factors of pessimism or optimism regarding the long-time supply and demand situation and market prices.

Marketing Opportunities

Egg producers in deficit areas of the state have local and more direct market outlets which should be explored first. Serious problems arise for these producers during the flush production period or reduced demand periods when temporarily the area has a surplus of eggs without established marketing channels through which to route the surplus.

Producers in predominantly surplus areas can, as individuals or groups of producers, form producer cooperatives. This is done to gain volume and thus cost reductions in the assembling, grading, candling, packaging, transporting, promotion, and search for a good market. Volume also gives them the advantage of greater bargaining power. Existing processing plants may also be a possible outlet for eggs on a profitable basis by use of basic principles mentioned above.

The growth of integrated egg production and marketing arrangements presents a challenge to the Minnesota egg industry. Some will find it to their advantage to participate in such a program. Others can and will continue to operate independently. By a recognition of the

forces behind this development each egg producer will be able to make a more intelligent decision on which way to go. Integration usually means a larger egg operation, provision of financing and technical advice on production, a rigidly controlled quality program, and perhaps the assurance of a market at some premium over regular market price. Many producers will have to ask themselves these questions: Can I finance myself and do I have the technical know-how to manage a larger flock producing quality eggs? Is integration necessary for insuring production of a quality egg?

Things to consider in integration:

1. Equitability of the contractual arrangement and the basis for terminating it.
2. Division of management responsibility.
3. Will the added capital and management required under the integrated arrangement enable you to use your present capital to greater advantage?
4. What is the actual cost of this added capital and management provided through the integrated program? Can you get the same feeds, capital, and management from other sources such as banks, feed dealers, the Extension Service, etc.?
5. Are you willing to make a major capital investment that must be paid off over a much longer time period than the life of the contract?
6. Will participating in a vertically integrated production and/or marketing program increase your net income over a long period of time?

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