



**THE CHANGING ECONOMY  
OF THE  
EGG INDUSTRY**

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**THREE TOPICS**

1. **MARKET DRIVEN INDUSTRY**
2. **REGIONAL COMPARISONS**
3. **COST PLUS PRICING**

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**MARKET DRIVEN**

**VS.**

**PRODUCTION DRIVEN**

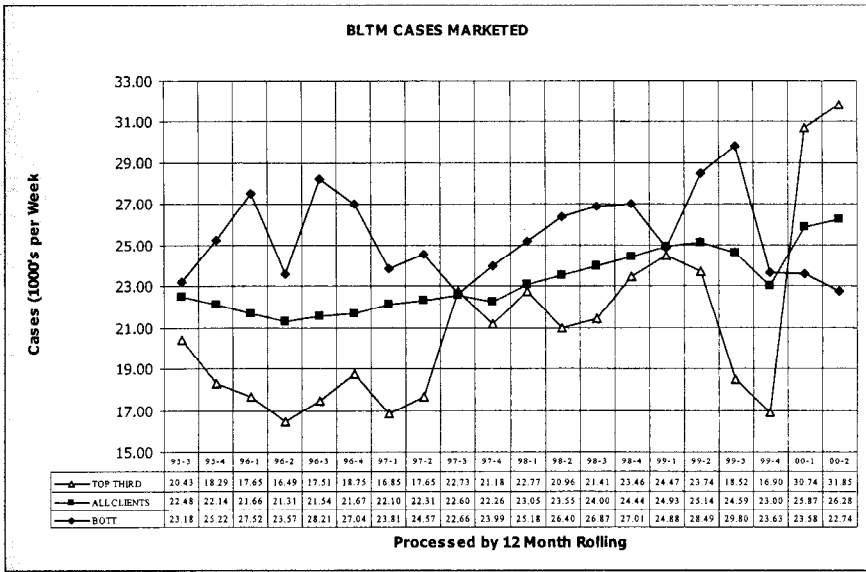
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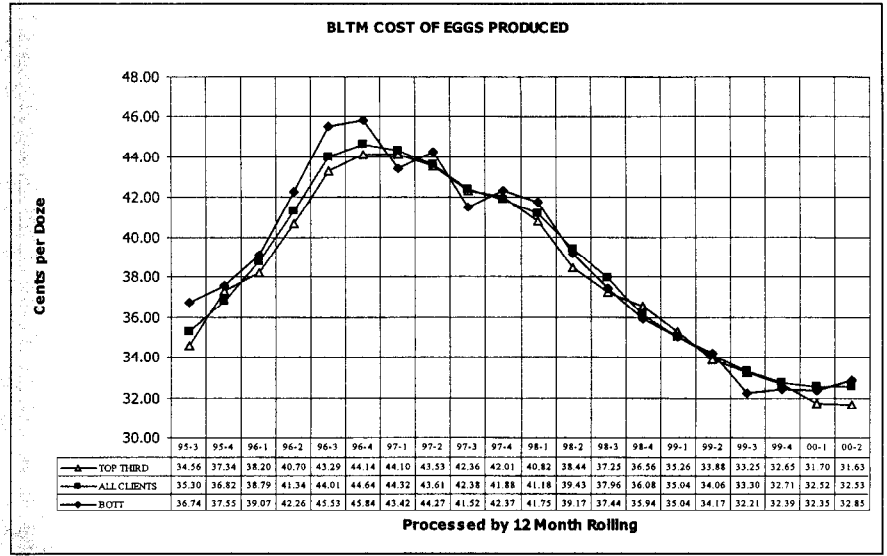
**THE BOTTOM LINE FOR TOP MANAGEMENT  
SYSTEM LOCATIONS**

| REGION                    | NUMBER<br>CLIENTS | TOP<br>THIRD | BOTTOM<br>THIRD | AVERAGE<br>NUMBER CASES<br>SOLD/WEEK |
|---------------------------|-------------------|--------------|-----------------|--------------------------------------|
| MIDWEST                   | 5                 | 3            | 1               | 35,917                               |
| SOUTHEAST                 | 6                 | 2            | 2               | 24,331                               |
| SOUTHEWEST/<br>WEST COAST | 8                 | 1            | 4               | 21,736                               |
| TOTAL                     | 19                | 6            | 7               | 26,287                               |

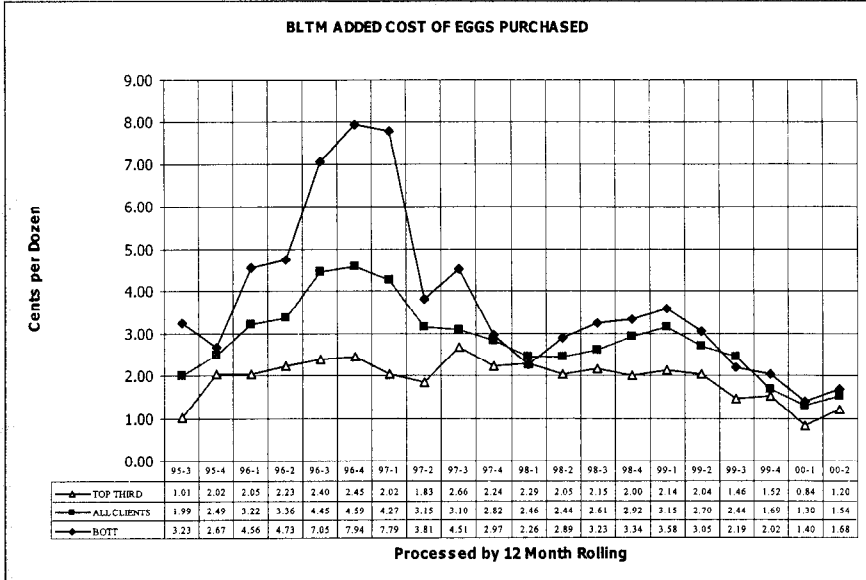
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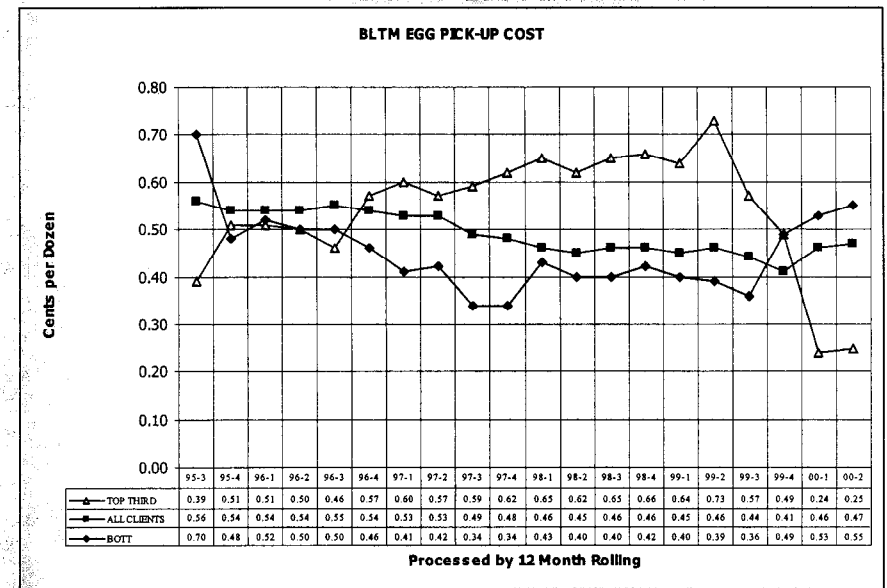
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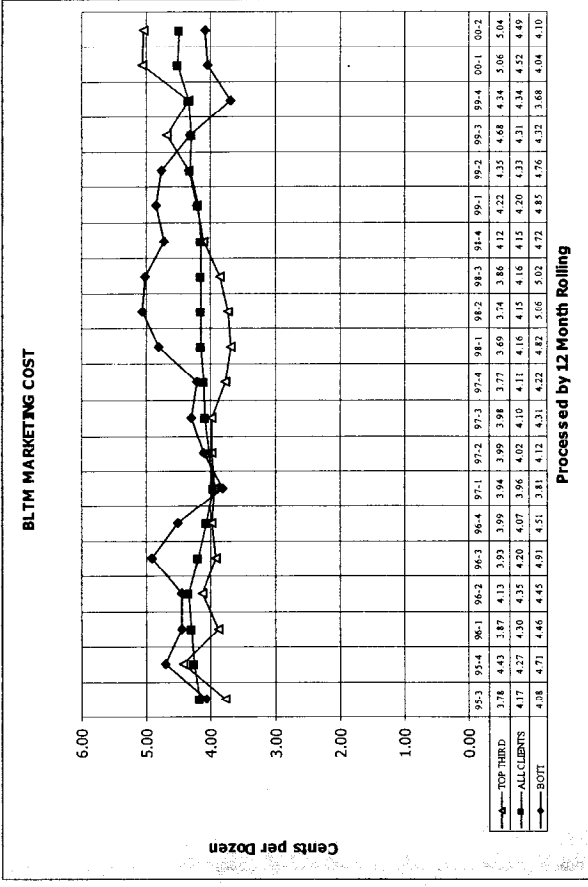
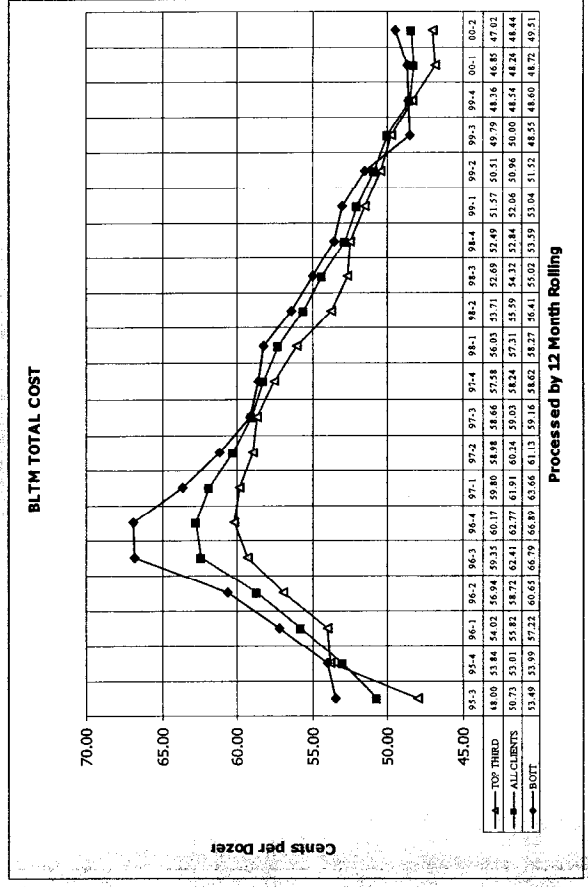
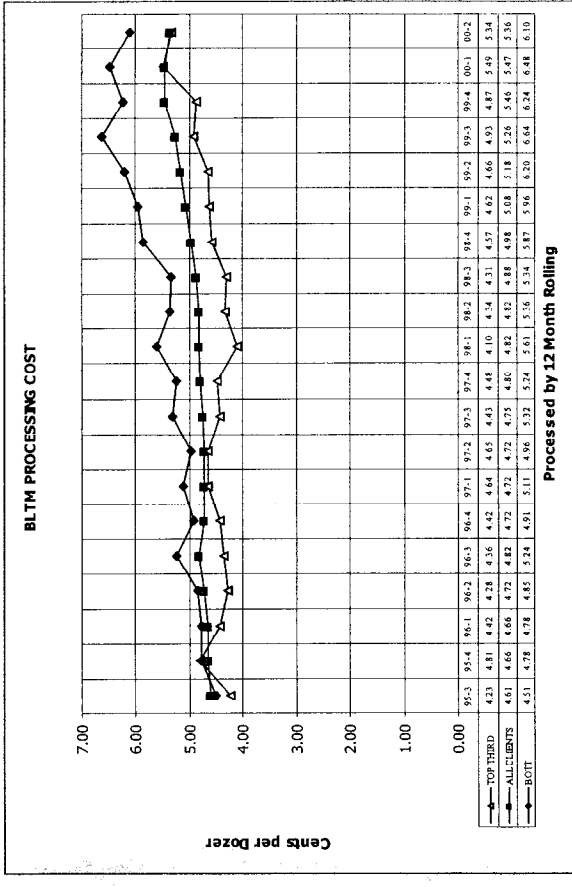
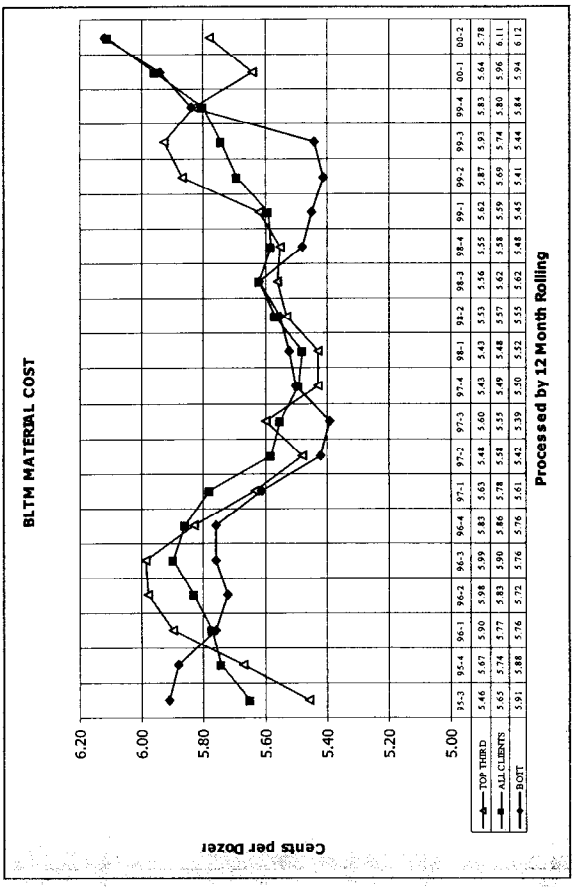
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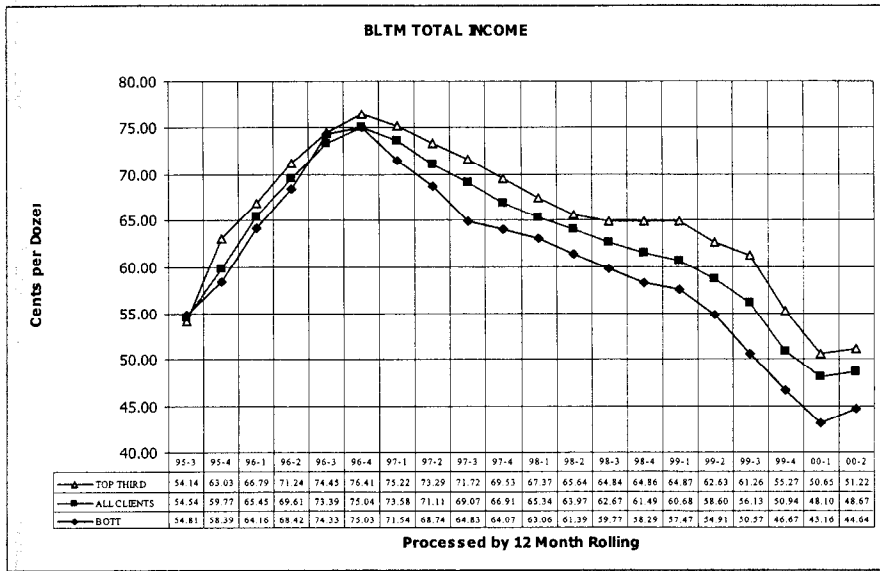


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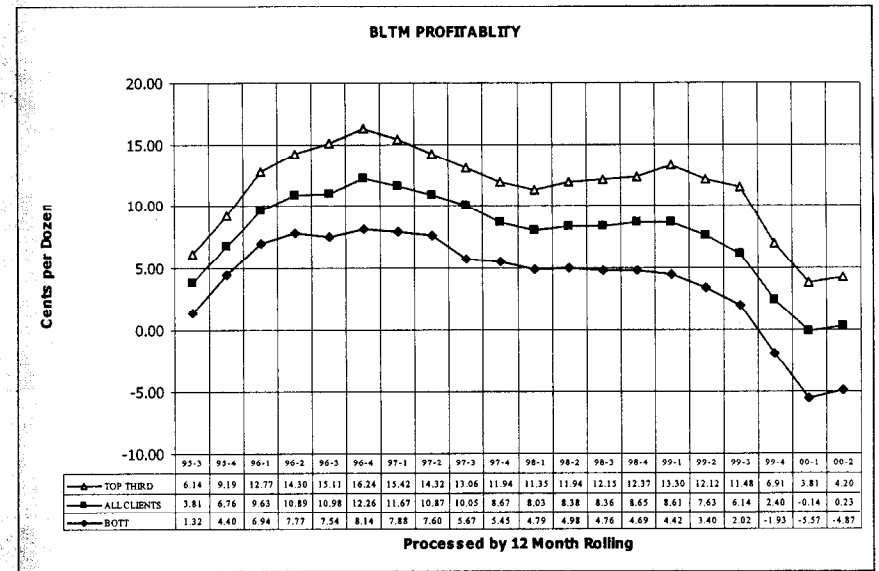


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### C.M.C. B.L.T.M. ANALYSIS REPORT

12 MONTHS ENDING JUNE 2000

| BOTTOM LINE<br>(19*) | PULLETS<br>(34*) | LAYERS<br>(41*) | PROCESSING<br>(24*) | MARKETING<br>(19*) |
|----------------------|------------------|-----------------|---------------------|--------------------|
| 1                    | 9                | 4               | 3                   | 2                  |
| 2                    | 20               | 20              | 15                  | 1                  |
| 3                    | 27               | 27              | 6                   | 4                  |
| 4                    | 13               | 38              | 16                  | 3                  |
| 5                    | SP's             | 29              | 5                   | 5                  |
| 6                    | 10               | 8               | 20                  | 9                  |
| 7                    | 11               | 19              | 9                   | 7                  |
| 8                    | 30               | 9               | 2                   | 11                 |
| 9                    | 22               | 31              | 13                  | 6                  |
| 10                   | 29               | 13              | 1                   | 12                 |
| 11                   | 16               | 7               | 11                  | 13                 |
| 12                   | 21               | 32              | 4                   | 8                  |
| 13                   | 24               | 36              | 8                   | 10                 |
| 14                   | 6                | 23              | 18                  | 14                 |
| 15                   | 3                | 15              | 17                  | 15                 |
| 16                   | 33               | 30              | 21                  | 16                 |
| 17                   | 17               | 35              | 24                  | 17                 |
| 18                   | 5                | 39              | 22                  | 18                 |
| 19                   | 31               | 37              | 19                  | 19                 |
| CLIENTS              | AVERAGE RANKS    |                 |                     |                    |
| 1-10                 | 19/34            | 20/41           | 9/24                | 6/19               |
| 11-19                | 17/34            | 28/41           | 16/24               | 14/19              |

\* Number of clients in the system.

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### THE BOTTOM LINE FOR TOP MANAGEMENT SYSTEM RANKING BY CLIENT CURRENT 12 MONTHS JULY 1999 - JUNE 2000

| Rank | Profitability Index<br>(Cents/Dozen) |        | BOTTOM THIRD                                |                         |
|------|--------------------------------------|--------|---|-------------------------|
|      | TOP THIRD                            |        |   |                         |
| 1    | B                                    | 14.34  | 13  | B -1.67                 |
| 2    | B                                    | 11.54  | 14  | C -2.41                 |
| 3    | C                                    | 3.71   | 15  | C -2.55                 |
| 4    | C                                    | 2.69   | 16  | A -3.45                 |
| 5    | B                                    | 2.52   | 17  | C -4.70                 |
| 6    | C                                    | 1.71   | 18  | B -7.88                 |
|      | Average: 31,855                      | 4.20** | 19  | C -8.48                 |
|      |                                      |        |   | Average: 22,746 -4.87** |
|      | <b>MIDDLE THIRD</b>                  |        |   |                         |
| 7    | B                                    | 1.56   | Average Cases Per Week: 499,467             |                         |
| 8    | C                                    | 1.24   | Average Cases Per Wk/Client: 26,287         |                         |
| 9    | C                                    | .56    | Profitability Index All Clients: 0.23**     |                         |
| 10   | B                                    | .27    | Cases:                                      |                         |
| 11   | C                                    | .15    | A is less than 10,000                       |                         |
| 12   | C                                    | .04    | B is 10,000 to 18,000                       |                         |
|      | Average: 24,851                      | .59**  | C is 18,000 or more cases marketed per week |                         |

\*\* Weighted Average

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## 12 MONTH BLTM TOP VS. BOTTOM THIRDS \*

|                  |             |
|------------------|-------------|
| PRODUCTION COSTS | 1.22        |
| OTHER COSTS      | <u>1.27</u> |
| TOTAL COSTS      | 2.49        |
| <br>             |             |
| TOTAL INCOME     | <u>6.58</u> |
| <br>             |             |
| TOTAL SPREAD     | 9.07        |

\* Cents per Dozen, July 1999 to June 2000

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## REGIONAL LAYERS ONLY COMPARISONS

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## LAYERS ONLY

Regional Profit Comparison\*

| Region     | APR-JUN 2000 |          |        | JUL 1999 - JUN 2000 |          |        |
|------------|--------------|----------|--------|---------------------|----------|--------|
|            | COST         | INCOME** | PROFIT | COST                | INCOME** | PROFIT |
| Midwest    | 31.2         | 29.4     | -1.8   | 29.9                | 30.9     | 1.0    |
| West Coast | 36.3         | 35.7     | -0.6   | 34.7                | 36.4     | 1.7    |
| Variance   | -5.1         | +6.3     | +1.2   | -4.8                | +5.5     | +0.7   |
| <br>       |              |          |        |                     |          |        |
| Midwest    | 31.2         | 29.4     | -1.8   | 29.9                | 30.9     | 1.0    |
| Southwest  | 35.3         | 32.4     | -2.9   | 33.2                | 33.2     | .0     |
| Variance   | -4.1         | +3.0     | -1.1   | -3.3                | +2.3     | -1.0   |
| <br>       |              |          |        |                     |          |        |
| Midwest    | 31.2         | 29.4     | -1.8   | 29.9                | 30.9     | 1.0    |
| Southeast  | 35.9         | 32.2     | -3.7   | 34.3                | 32.9     | -1.4   |
| Variance   | -4.7         | +2.8     | -1.9   | -4.4                | +2.0     | -2.4   |

\* Cents per dozen

Totals may vary due to rounding

\*\* Income Prices are Estimated

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## 12 MONTH COST COMPARISON

| ITEM           | W.C.       | M.W.       | DIFF        |
|----------------|------------|------------|-------------|
| FEED COST      | 23.08      | 17.90      | 5.18        |
| FARM COST      | 6.10       | 6.36       | -.26        |
| PULLET DEPREC. | 5.32       | 5.36       | -.04        |
| OTHER COSTS    | <u>.18</u> | <u>.31</u> | <u>-.13</u> |
| TOTAL          | 34.68      | 29.93      | 4.75        |

\* Jul 1999 - Jun 2000, all numbers cents per dozen

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## **COST PLUS PRICING**

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## **TYPES OF PRICING**

1. **SPOT MARKET**
2. **FORMULA**
3. **COST PLUS**
4. **RELATIONSHIP**

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## **C.M.C.'S NATIONAL STANDARD BASE PRICE**

1. National Standard Price would be based on C.M.C.'S national average costs.
2. It is a base price. Actual price (above or below) would be negotiated with each customer.
3. Worksheets would be available from C.M.C. for negotiations for qualified egg marketers.
4. Base Prices would be published quarterly on C.M.C.'S Web page [www.chilson.com](http://www.chilson.com)
5. Prices would only change as costs change.
6. Egg Marketer's would sign long term agreements with customer's at C.M.C.'s National Standard base price plus or minus agreed to adjustment.

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## **ADVANTAGES**

1. Neutral third party quoting the National Standard Price based on actual data.
2. Provides another marketing tool for selected customers.
3. Would not disrupt current marketing arrangements such as ECI, Urner Barry, or ECI Trading.
4. Base Price includes 8.5 cents per dozen for administration, interest and profit.
5. Includes actual grade/yield, outside purchase and all production, processing, material, marketing and distribution costs.
6. Financial institutions prefer regular income for financing purposes.
7. Eliminates wide swings in the market.
8. Cost Plus Pricing could be used to cover extra costs of animal welfare demands.

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## DISADVANTAGES

1. Marketer's could earn more or less profit depending on how efficient they are and the deal negotiated with the customer.
2. Customers may want out when eggs are cheap and marketer will earn less when eggs are expensive.
3. National standard price quote will lag one quarter.
4. Designed more for institutional businesses where wide price swings are undesirable. May not be acceptable to chain stores.

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### PROCESSING, PICK-UP, MATERIAL & MARKETING

|                               |             |
|-------------------------------|-------------|
| Egg Pick-up/Doz Picked up     | (.46)       |
| Egg Pick-up/Doz Marketed      | .16         |
| Processing Cost/Doz Processed | (5.33)      |
| Processing Cost/Doz Marketed  | 4.40        |
| Material Cost/Doz Processed   | (6.09)      |
| Material Cost/Doz Marketed    | 5.03        |
| Marketing Cost                | 4.13        |
| Cost of Eggs Purchased        | <u>1.68</u> |
| Sub Total (Act)               | (17.69)     |
| Sub Total (Mkt'd)             | 15.40       |

( ) = per dozen picked up or processed.

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## C.M.C. NATIONAL STANDARD PRICES

October - December 1999

| DATA BASE                       | NO. CLIENTS | AVG. NO. CASES/WK | AVG. NO. HENS |
|---------------------------------|-------------|-------------------|---------------|
| Production Cost                 | 42          | 17,439            | 1,180,897     |
| Processing, Material, Marketing | 22          | 25,327            | 1,369,613     |

### PRODUCTION COSTS

|                      |             |
|----------------------|-------------|
| Feed Cost Dozen      | 18.99       |
| Farm Costs           | 6.41        |
| Pullet Depreciation  | 5.29        |
| Other Costs          | .36         |
| Inventory Adjustment | <u>-.01</u> |
| Sub Total            | 31.04       |

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## COST SUMMARY

|  |             |
|--|-------------|
| Production Costs   | 31.04       |
| Processing, P.U., Mat., Mkt'g<br>And Outside Egg Purchases | 15.40       |
| Overhead, Interest, Profit                                 | <u>8.50</u> |
| Blend Price  | 54.94       |

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## **National Standard Prices April – June 2000**

|                                      |                    |
|--------------------------------------|--------------------|
| <b>National Standard Blend Price</b> | <b>54.94</b>       |
| <b>Grade/Yield Cost</b>              | <b><u>4.08</u></b> |
| <b>Total Large</b>                   | <b>59.02</b>       |
| <br>                                 |                    |
| <b>Large</b>                         | <b>59.0</b>        |
| <b>Medium</b>                        | <b>43.8</b>        |
| <b>Small</b>                         | <b>31.6</b>        |

## **THREE TOPICS**

- 1. MARKET DRIVEN INDUSTRY**
- 2. REGIONAL COMPARISONS**
- 3. COST PLUS PRICING**