

**United States Department of Agriculture
Agricultural Marketing Service
Poultry Programs
Market News & Analysis Branch
Fiscal Year 2006**

Appendix 1: Industry Year in Review

Eggs and Egg Products

During FY 2006, the Combined Regional price for Grade A, Large white eggs in cartons, delivered warehouse as reported by the Market News Branch averaged 60.30 cents a dozen. The FY 2006 prices fluctuated from a high of 86.24 cents a dozen to a low of 39.92 cents. For FY 2005, the Combined Regional price for Grade A, Large white eggs in cartons delivered warehouse averaged 54.80 cents a dozen with a high of 72.80 cents a dozen to a low of 40.42 cents a dozen. The high price during FY 2004 was \$1.21 a dozen.

Market News Branch estimated that for FY 2006 wholesale cost to produce USDA Grade A large white eggs in cartons and delivered warehouse averaged 71.54 cents a dozen compared with 71.97 cents a dozen the year before. The slight drop in average wholesale cost resulted primarily from lower feed costs. The highest average wholesale cost was in FY 1996 when the cost averaged 77.81 cents a dozen.

FY 2006, the unofficial estimated net loss averaged 11.24 cents a dozen for USDA Grade A large white eggs in cartons delivered warehouse compared with an estimated net loss of 17.17 cents a dozen the previous year. Net margins reached a high of 37.40 cents a dozen in January 1984. During the week of November 22, 2003, net returns to producers peaked at over 60 cents a dozen attributed primarily to the popular low-carb diet but by July 1, 2004, prices to first receivers dropped below cost of producing, grading, packing, and transporting the eggs.

Consumption

- Domestic per capita consumption for FY 2006 averaged 177.2 table eggs and 79.7 eggs in the form of egg products for the equivalent to 256.9 eggs, compared with 255.0 eggs and egg products for the prior year less than one percent increase during the year. The FY 2006 per capita consumption included 69 percent table eggs and 31 percent egg products. For FY 2007, USDA estimates per capita consumption will increase slightly to 259 eggs.

Production

- The Nation's table egg flock averaged 282,152,916 layers during FY 2006, 1.09 percent larger than the 279,114,000 layers last year. Table egg production for FY 2006 totaled 6,490 million dozen eggs, an increase of 2.78 percent over the 6,314 million dozen table eggs produced in FY 2005. USDA expects table egg production will increase during FY 2007 by 1.2 percent over FY 2006. The FY 2006 estimated feed cost averaged 25.28 cents a dozen compared with 25.71 cents per dozen the prior year. By comparison, feed cost in December 1980 averaged 38.75 cents a dozen. Feed costs are expected to increase during FY 2007 primarily because of the increasing demand for corn from the ethanol fuel industry.

Total shell eggs broken for egg products during FY 2006 amounted to 67,136,445 cases, 2,014 million dozen, down slightly from the 67,432,815 cased, 2,023 million dozen, broken in FY 2005. The egg products industry provided a market for 31.04 percent of total U.S. shell egg production in FY 2006, compared with the 32.04 percent the prior year. That slight decline in production should not be viewed as a trend since it represents less than 5 minutes of productivity per work day. Back in 1930, the egg products industry accounted for 7.6 percent of total shell egg production; in 1960, 8.9 percent; in 1990, 21.4 percent. A trend the Nation's egg industry should observe closely during the next few years is the increasing use of in-line egg breaking facilities. At the close of FY 2006, 44.50 percent of the eggs broken were derived from in-line facilities.

During FY 2005, in-line facilities provided 41.34 percent of the total number of cases broken. By comparison, in-line facilities in FY 2004 accounted for 39 percent of the total and during FY 2000, 25 percent of the total.

Prices for nest-run breaking stock delivered to breakers in the Central States during FY 2006 averaged 28.56 cents a dozen compared with 27.97 cents a dozen during FY 2005. Those prices are considerably lower than the 61.33 cents a dozen for FY 2004. The highest price for breaking stock that Poultry Market News Branch reported was 85.36 cents a dozen in November 2003 and the lowest price was 18.50 cents a dozen in June 1972.

During FY 2006, the Nation's egg producers exported 96,942,000 dozen eggs, 1.49 percent of total production compared with 107,823,000 dozen exported the prior year. During FY 2006 exports declined by more than 10 percent compared with FY 2005. Canada continued to be the leading importer of U.S.-produced table eggs during the year and accounted for 27.1 percent of the U.S total export volume. Hong Kong remained the second largest trading partner and accounted for 22.2 percent of the total. Mexico was our third largest trading partner in shell eggs and accounted for 14.1 percent of the total and The Caribbean was number four with 13.5 percent of the total.

Industry Changes

–Cal-Maine Foods, Jackson, MS, continued as the Nation's largest egg producer, followed by Rose Acre Farms, Seymour, IN; Moark LLC, Carthage, MO; Michael Foods Egg Products Company, Minneapolis, MN; and Sparboe Companies, Litchfield, MN.

During FY 2006, Cal Maine Foods accounted for 23.9 million laying hens which was 8.37 percent of the Nation's layer flock. During FY 2005, Cal Maine Foods reported 20.2 million laying hens which was 7.21 percent of the total flock size. The 5 largest firms owned about 82 million layers, 28.8 percent of the Nation's layer flock during FY 2006. The previous year, the same five firms owned 78.4 million layers, 28 percent of the Nation's flock. At present, the Nation's 65 largest egg producing companies, those with a million or more layers, own 248.3 million birds and account for 87.2 percent of the U.S. flock. For FY 2005, the 63 largest egg producing companies with a million or more layers, owned 243.3 million layers and controlled 86.8 percent of the Nation's layer flock. Concentration in the egg industry continues to intensify.

Acquisitions, mergers, and new construction continue throughout the egg industry during FY 2006 but at a slower pace than prior years. Rose Acre Farms began constructing a new complex to house about 4 million laying hens in Hyde County, North Carolina. In May, Golden Oval Eggs, Renville, MN and Thompson, IA, purchased five egg processing facilities from MoArk. Chesterfield, MO. Several layer farms in the mid-west continue to convert pit-houses to conveyor-houses and add cages to the lower level of their production units thus adding capacity to offset current cage-space rules. Most of the 3 million hens added to the Nation's layer flock during FY 2006 came from pit-house conversions. At the close of FY 2006, Iowa had 50,415,000 laying hens in production and added 2,296,000 layers during the year. Iowa now accounts for about 18 percent of the U. S. layer flock. Four years earlier, Iowa accounted for 36,770,000 layer hens, 13.4 percent of the Nation's layer flock.

Industry Issues

– During FY 2006, several smaller universities and colleges around the country continued to announce plans to purchase only table eggs from cage-free producers for use in their student dining halls. Most of those universities are not major buyers of table eggs; the University of New Hampshire, for instances, purchases 700 cases of table eggs during the school year. During mid FY 2006, the shell egg industry re-designed its Animal Care Certified logo on cartons of table eggs to read United Egg Producers Certified Program. Other events that impacted the Nation's egg industry during FY 2006 was the temporary closing of the Valley Fresh fowl processing plant in Mentone, IN, which disrupted the flow of spent hens for many weeks. Valley Fresh found a buyer for the facility and the new owners re-opened the plant. And plans to open a fowl slaughtering plant in Water Valley, MS, originally planned to start operations in September 2005, are still not moving forward. That plant has the capacity to process about 125,000 spent hens daily and is much needed by the egg industry. And the egg industry lost Mr. Gil Eckhoff on January 13, 2006. He was president of Henningsen Foods, Purchase, NY and was instrumental in developing worldwide markets for egg products.