

Charting a Smooth Course for Eggs

It's long been one of the egg industry's major problems: instability of output and prices. Hence, instability of income for the egg producer.

And so this was one of the leading problems considered by USDA's egg marketing team when it began its study of the egg industry earlier this year. Unlike many other businesses, the egg industry has not had the cushion of increased demand within which to solve its supply problems.

Demand drops

Per capita demand for shell eggs has dropped sharply since World War II. Back then, each American ate roughly 385 eggs per year—compared with about 322 today. Mainly blamed are changing eating habits—particularly the shift away from large breakfasts—and adverse publicity linking cholesterol (which egg yolks contain) to heart disease.

Because shell eggs lack any close substitute, have no large secondary market, and are largely preferred as a fresh product, demand is highly inelastic. The result: slight changes in egg supplies produce large changes in prices.

Instability of output and prices plague the industry on both a seasonal and a cyclical basis.

Seasonal oversupplies stem from traditional layer hen placement patterns that cause

production to peak in the spring months. Producer prices usually bottom out in May, and pick up as supplies begin to contract later in the year.

Lengthy price dips

Of greater concern is the egg price cycle. Unlike seasonal ups and downs, cyclical fluctuations in recent years have been marked by long price troughs and short price peaks. Cyclical price movements of 3-4 years duration since 1965 have resulted from unexpected changes in demand, and technological advances that produced sharp increases in supply.

The egg marketing team cited several methods to stimulate demand and alleviate price depressions.

To smooth over seasonal price dips, the industry should step up promotion of fresh shell eggs. The value of eggs as a protein source, and favorable consumer prices should be emphasized. This may prove the quickest way to ease seasonal surpluses, as table eggs move through marketing channels in a matter of days.

Processed eggs

A second move against low seasonal returns is to develop processed egg products that are easy to prepare, have long shelf lives, and are acceptable substitutes for other food products. Manufacturers would tend to concentrate production when

prices are seasonally low.

The marketing team also recommended that government agencies that regularly purchase eggs for various distribution programs should expand and coordinate purchases during low seasonal price periods.

Regarding prolonged lows of the egg price cycle, the egg marketing team noted that demand expansion programs should make reasonable price levels their goal. This is to prevent prices from dropping so low that producers incur large losses or leave the business in excessive numbers.

Clearing the market

The team added, however, that prices should not be maintained at such high plateaus that markets aren't cleared and public agencies accumulate large supplies.

The marketing team saw promotion and development of processed egg products with wide consumer appeal as one way to smooth cyclical as well as seasonal price depressions. Substantial demand for processed egg products might give rise to a broad base egg market with a relatively stable "floor" price.

The egg team noted that government programs might have to be expanded considerably during long price troughs. For example, foreign distribution of high protein egg products might be enlarged under P.L. 480.

Many developing nations are

approaching self-sufficiency in carbohydrate feeds, but most lack sufficient protein foods. Large quantities of shell eggs could be processed into foods with build-in appeal for consumers in these countries.

Expansion of the School Breakfast Program, which uses large amounts of both shell and processed eggs, would provide a broad domestic outlet.

The School Breakfast Program currently feeds 1 million breakfasts a day (180 days a year) in 8,000 schools. Enlargement to 30,000 schools and 4-5 million breakfasts a day is under consideration.

Several other programs that could increase demand are the Nonschool Feeding Program, conducted during the summer

1980 Beef

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Turning to the factors that would tend to encourage or discourage expansion of cow numbers, the opinions varied. Nonetheless, ERS found some common threads:

Government's role

The majority of the panel members believed that public policy would favor continuing programs to spur expansion of cattle raising. But the respondents felt the impact on beef production would be greatest if accompanied by incentives to shift cropland to forage production on a whole-farm basis.

Beef production in the future may be influenced by restrictions on antibiotics. "How much so," the ERS report said, "will depend on which drugs are withdrawn and what substitutes are found." Increased regulation of herbicides, pesticides, and fertilizers could check crop output and raise forage production.

Higher calving rates would directly contribute to beef supply—they're expected to rise from 90 percent in 1970 to 91.6 percent in 1980—as would lower calf death rates, which are likely to decline from the 5.8-percent rate of 1969.

Though larger herd sizes will be the case in 1980, a high proportion will still remain in small herds, averaging under 50 head.

About calf weights, the panel figured they'd average about 50 pounds heavier for a 205-day-old steer calf in 1980 for the eastern half of the country, and almost as much in the Southwest. Weight gains would result from improved selection of breeding stock, crossbreeding, and improved nutrition of cows and calves.

months, and the Child Day Care Center Feeding Program.

Another possibility is USDA's Commodity Surplus Disposal Program, which provides surplus commodities to the needy. During periods of low egg prices, large shares might be purchased for current and future distribution. Purchases could be moderate as prices rise.

Though government programs can have a significant impact on egg use, the egg industry itself must play a larger role in lifting demand.

Limits on expansion

The marketing team also cited the need for limits on supply expansion as fundamental to realizing long-term benefits from increased demand.

Previous promotion efforts by the industry have often been fragmented, underfinanced, and short-lived. The marketing team suggested that promotion could be better coordinated if funded through a national "checkoff" program.

Under the program egg producers would contribute a set amount per case to a national egg board. The funds would be used—according to predetermined guidelines—to finance promotional and research efforts on a pervasive, nationwide level.

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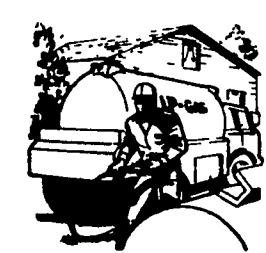
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