Exports have negative effects on egg prices

UNIVERSITY PARK — Are export markets a positive or a negative market for eggs? Can an export market be maintained when egg prices are profitable to egg producers? Are future exports destined to be only a surplus removal program?

Answering these questions, Penn State Poultry Marketing Specialist A. Kermit Birth said "exporting eggs could add to the instability of egg prices and have a negative effect even if egg exports are not subsidized by governments."

"In looking at the future of export markets, one must distinguish between long-term steady exports at prices profitable to producers and 'fill-in' exports. The latter would be exports shipped when egg prices for export from the United States are lower than prices for similar quality eggs available elsewhere.

"Long-term profitable export markets may be difficult to find, build, and maintain. Production of eggs in selected countries throughout the world is expected to increase two percent in 1982."

U.S. exports will continue to compete against government subsidized exports from other countries, as well as increased production at home and abroad, noted Birth. He pointed out that egg exports in 1981 equalled 234 million dozen or about four percent of the total year's production. This represented an increase of 64 percent over the previous year's export figures. Japan led the import market, receiving 31 percent of the U.S. egg exports.

Despite these increases in export sales, Birth observed, "payments to producers generally were not high enough to prevent business losses." The Penn State marketing specialist blamed "fill-in" exports and delayed production adjustments for the pricing problem.

"During the past year, filling of export orders not only reduced the egg supply at a given time, but the accompanying publicity in trade papers tended to strengthen prices beyond the amount consumers would pay for the remaining supply of eggs.

"Prices weakened more than expected shortly after the export order was assembled at dockside. This type of action delayed supply adjustments needed to make the egg production business profitable to the majority of producers in the egg industry."

Birth asked and answered the question of what would happen if export markets were lost. "It doesn't matter whether the loss is due to increased production in the countries which are importing eggs or in other exporting countries. If prices in the United States are about equal to the average cost of production when export markets are lost, production will have to be cut back if the producers are to receive profitable prices."

He emphasized the "demand for eggs is inelastic," pointing out a one percent change in supply causes a much larger change in price in the opposite direction.

Birth asked producers to consider the economic impact on producer and industry income if the surplus is removed by exports over the short term or if producers reduce their output by an amount equal to the export market.

An export order of eggs at a specific time can also complicate the decision-making proces of egg breakers, Birth stressed. It adds a new dimension in deciding whether to purchase eggs to be frozen and dried for future delivery or to delay purchase until later, all of which will impact on the price the eggs.

In summation, Birth said, "The export market for eggs is not likely to improve the profitability of the egg industry. It could have a disastrous impact on the industry if there is too great a dependence on fill-in export orders.

"The higher the percentage of egg production exported, the greater the risk of a negative influence on the egg industry."

Potter County DHIA Report

OWNER	BREED	NO. COWS	% DAYS IN MILK	LBS. MILK	LBS. FAT
Ivan Smoker & Sons	RH	98 8	86 3	21,369	784
Ivan Kibbe Jr	RH	89 2	90.9	18,797	760
Maynard Sherman	R&GH	51.8	84.6	19,645	690
Jack Thomas Sr	Mixed	43 0	88 7	18,844	689
John C Traub	R&GH	40 1	86 0	19,028	669
William H Currier	RH	59 9	85 4	18,342	669
Jay N Heisey	RH	73 9	88 1	18,373	652

OWNER NAME OR NO.	BREED	AGE	DAYS IN MILK	LBS. MILK	% FAT	LBS. FAT
William Currier						
See	H	7 11	284	22,584	3 5	796
Boots	H	3-6	259	19,541	3 8	752
Ivan Kibbe						
Freedom	H	2-7	305	16,347	4 7	763
George Barker						
Boots	H	8 2	305	21,680	3 5	763
Charles M Cornell						
Mickey	H	6-7	305	19,184	4 8	918
Kevin Risser						
Missy	H	4-6	305	18,550	4 3	792
Titus Risser						
Patty	H	7 0	305	19,911	3 9	779

Milk Check

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no one can be sure now what the situation will be at that time and some flexibility is needed to make an equitable decision. It is pointed our that this was one of the failings of the program in the past because it didn't allow the support price to fall below 80 percent of Parity when market conditions indicated that it should.

The counter argument, of course, is that it puts too much decision making on the Secretary who may be subject to political or budgetary pressures that would influence the support price as it has even with Congress in the past.

NMPF Proposal

The Dairy Stabilization Program proposed by the National Milk Producers Federation is about 180 degrees away from the administration's request. It provides for a two price system that would keep the present support price for 90 percent of the milk production and pay for the other ten percent at prices that would make it competitive in world markets.

It would provide year end refunds for producers who lowered production during the year. For those who didn't, the average price would be about a dollar lower. Government purchases would be limited to five billion pounds of milk equivalent compared to last year's 13 billion pounds. The remainder of the surplus milk would be paid for out of the lower prices on the ten percent of the milk from producers who didn't cut back.

The reason for the 90 percent, 10 percent split is because government purchases last year were equal to ten percent of the milk produced. If you can cut production by ten percent all the milk can be sold commercially and reduce government purchases to what is needed for other federal programs.

Another difference in the NMPF plan is to establish a National Dairy Board of milk producers to direct the program including the sale of surplus dairy products to foreign countries. This takes the responsibility from the Secretary of Agriculture and gives more control to the producers particularly in foreign sales.

A separate proposal from the Dairy Stabilization Program but part of the NMPF plan is a contribution by all producers of five cents a hundred to finance a national effort to promote the sale of milk and dairy products.

Other proposals in the legislative hopper will be reviewed in the future to provide a cross section of all the schemes under consideration but producers will need to work at keeping abreast of the changing scene if they want to be part of the decision making.