

## Low Egg Prices From Easter To Labor Day, Can The Cycle Be Broken?

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Preventing or breaking the cycle of having excess eggs from Easter to Labor Day has proven extremely difficult. Perhaps the most common tool used to help reduce egg supply is molt. Because the window of molt is at least 10 weeks, producers can delay or speed up molt time getting a greater than normal quantity of hens in molt soon after Easter. Although this can quickly get some additional eggs off the market, molting does not allow a reduction in overall total supply of eggs because all hens have to be molted if a producer has a molt program.

**If the window of opportunity for molting occurs during periods of low egg prices, losses may be reduced at the same time egg supply is decreased.** However, molting is much like a two edged sword. If producers have to molt during periods of high egg prices, they could lose money. Also, in some instances, molting may prolong periods of oversupply. For example as a rule of thumb molted hens typically peak about 10% greater than production at time of molt. Since the period of oversupply may be longer than 10 wks, when an unusually high number of molted hens return to production they are laying about 10% more eggs than prior to molt. **As a result, molting can result in an increasing supply of eggs at a time when producers still need to reduce supply.**

The increased production of hens coming out of a molt can significantly offset some of the benefits of leaving houses empty. This potential negative effect of molting is often overlooked because of the possibility of increasing profits later when egg prices increase. As the persistency of lay increases (production up to 90% at 60 to 70 weeks), the potential economic benefit of molting for individual flocks may need to be re-evaluated. In the past hens have typically peaked 10% higher which helped offset some of the eggs loss during the molt. Therefore, overall production would only be about 5% less than that for non molted flocks. However, as production persistency continues to improve with more hens laying near 90% at 60 weeks, the increase in peak production after molt will be nearer to 1% than 10%. The greater difference in total number of eggs produced by molted hen's vs. non-molted hens could significantly reduce the economic benefit of molting for individual flocks. However, at the same time the greater difference in production could increase the benefit of molting in supply management.

The goal of small producers is to have demand greater than their production capability. They buy eggs to meet needs even in periods of reduced demand. During periods of low prices, they try to time molt to get eggs off the market while at the same time buying eggs to help fill the gap. In many

instances they can make a little money marketing purchased eggs at the same time they are losing on eggs they produce..

Small producers may be more reluctant to leave houses empty than large producers because leaving even one house empty in addition to molting flocks early could leave them short of eggs even in a down market. Also, even though they may be losing money, the loss in fixed cost associated with empty houses could be greater than the loss of keeping the hens in production.

**It is much easier for large producers to leave houses empty but even for them it presents real challenges in scheduling and placement.** Even when producers elect to empty houses early and leave them empty longer, the speed of emptying houses can be limited. Another challenge is time required to re-fill houses. In some cases producers could miss some of the upswing in egg prices. .

Although all producer efforts to reduce egg supply helps in supply management, it is believed that change in egg demand is the key. Only a small excess in egg supply can significantly decrease egg prices. During the 3 or 4 weeks following Easter egg prices dropped about 60 cents/doz not from a sudden increase in hen numbers but because of a small seasonal drop in demand.

Although the largest drop ever in egg prices occurred this Easter, it was no surprise. What was a surprise is the price ratio of energy/protein (corn /soy in cents/lb). **Two years ago, who would have guessed that when egg price dropped from their historic high levels, the energy/protein cost ratio would have been close to 0.4?** The reduced cost of gasoline reduced the demand and price of corn. **The lower the energy/protein cost ratio drops below 1.0, the greater the spread in feed price between two protein levels.** Instead of costing \$1.00 to \$2.00 to increase protein one unit with high priced corn (high ratio) it can cost up to \$6.00 or more with a low ratio. **The current higher spread in feed price along with low egg price and high feed price is tending to shift diet required to optimize returns to a lower protein level.**

**Because of the current low energy/protein cost ratio , the industry is losing money not just because of low egg and high feed prices but because of the influence of price spread ( eggs and feed ) on the correct nutrient level to feed and the industry not making the correct adjustment in diet fed..** Not feeding correctly can have a significant adverse effect on supply management. Continuing to feed for optimal performance and not optimal returns when we have excess eggs is not the answer.

Currently the cost ratio of corn/soy varies from below 0.4 to over 0.8 among producers. . The reason for the wide spread even though the market price for corn and soy is closer to 0.4 is some producers are still working out previous high priced grain contracts. Other factors that influence the ratio is cost of alternate ingredients and number of phases and diets used in a feeding program.

**With the low energy /protein cost ratios, some of the more efficient producers could easily remove up to 3% or more of eggs from the market ( a huge quantity) and reduce losses up to 1 cent /doz at the same time.** The reason for this is the savings in feed cost required to reduce production is greater than the loss in value of reduced performance and increased fixed cost. If all producers fed for optimal

returns not performance especially during periods of low energy /protein ratios, it would automatically help control the supply of eggs which is by far, the number one factor influencing profits.

Even at normal energy/protein ratios or with relatively high priced corn in relation to soy, the cost of feeding diets containing a protein level required to reduce production 1-3% would still be less than 2 cent/doz and in many cases only 1 cent/doz. or less. **A big advantage of using nutrition to help control supply is hens are still available and immediately ready to resume optimal production when egg prices return.** Using nutrition to optimize performance to a slightly lower performance level along with molting and leaving houses empty could easily make the difference in length of time the industry experiences low egg prices. Nutrition not only works quickly but also eliminates placement and scheduling challenges.

**If breaking the cycle of low egg prices were easy, producers would have already done it...** It is not easy. It is extremely complex. . There is a wide range in production, management, nutrition, and feeding skills among companies. For some companies it is a much greater challenge to keep production on target than other companies. Also, because hen performance can be affected by many factors, **the influence of nutrition on performance is often misunderstand. Some hens managed in correctly will not lay on target regardless of nutrition level (diet fed). However, every flock regardless of management will respond to increasing or decreasing protein levels up to the requirement for optimal performance.** For certain, the industry has many challenges; however, nothing is more important than to have better control over supply management. **With only a little extra effort, most of the better producers could easily use nutrition to optimize returns which would automatically assist in supply management.** During periods of low price energy/ protein ratios, producer can not only get additional eggs off the market but can reduce their losses at the same time. The nutritional knowledge and tools needed to do so are available. Hopefully this article will give producers more food for thought. If you have any comments, suggestions or questions, please contact me (334) 887 9085 or my associate, Mark Farmer (209) 603-1160.