

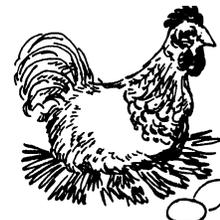


The University of Georgia

Cooperative Extension Service

College of Agricultural and Environmental Sciences / Athens, Georgia 30602-4356

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COMMERCIAL EGG TIP . . .

EFFECT OF FEED COSTS ON EGG COSTS

In 2002, the United States government encouraged the production of ethanol and other bio-fuels through a combination of tax benefits and direct subsidies. Since most of the ethanol produced in the United States comes from corn, this program increased the demands for corn supplies. In 2002, 11 % of available U. S. Corn was used for ethanol production. However, by 2008, 30 % of the U.S. corn crop was used for ethanol production. The increased demand for corn supplies as a result of the diversion of significant amounts of corn for bio-fuel combined with the increased world demand for feed grains resulted in unprecedented feed price increases beginning in 2006. Table I shows the increased costs of important poultry feed ingredients from September 2006 through July 2008.

Table I. Feed Ingredient Costs (2006-2008)

	<u>Corn (\$/bushel)</u>	<u>Soybeans (\$/ton)</u>	<u>Phosphorous (\$/ton)</u>
Sept. 2006	2.69	182	292
June 2007	4.24	227	352
July 2008	6.92	405	898
% Incr.	157	122	207

As a result of these increased feed ingredient prices, production cost per dozen for egg producers increased from \$0.34 to \$0.57 from September 2006 to July 2008 representing a 68 % increase (Table II). During this same period, breakeven cost, which includes processing and marketing costs, increased from \$0.57 per dozen to \$0.80.

PUTTING KNOWLEDGE TO WORK

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Table II. Effects of Feed Costs on Egg Costs (2006-2008)

	<u>Feed Costs/doz (\$)</u>	<u>Production Costs/doz (\$)</u>	<u>Breakeven Costs/doz (\$)</u>
Sept. 2006	0.19	0.34	0.57
June 2007	0.27	0.43	0.66
July 2008	0.39	0.57	0.80
% Incr.	105	68	40

The increased production costs related to the increased costs of feed ingredients has had a significant impact on egg producer costs. By October of 2006, the increased feed ingredient costs were accounting for an additional \$ 8.4 million monthly to costs of U. S. egg production. By July of 2008, the monthly effect of higher feed prices surpassed the \$100 million level. The cumulative effect from October 2006 through July of 2008 was more than \$ 1.2 billion.

The rise in the demand for corn for ethanol production and soybeans for biodiesel has been an important factor in the increased feed costs experienced by all poultry producers. The increased costs in feed ingredients have resulted in more than \$1.2 billion in cumulative costs for egg producers during the past two years. Given the projected mandate for ethanol production, demand for corn is likely to increase in future years. These factors will continue to pressure poultry producer's costs and profitability numbers making feeding efficiencies even more important.

NOTE

Based on data from M. Donohue and D. L. Cunningham. 2009. Effects of grain and oilseed prices on costs of U.S. poultry production. Manuscript submitted to Journal of Applied Poultry Research.


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Extension Poultry Scientist

Extension County
Coordinator/Agent

Consult with your poultry company representative before making management changes.

“Your local County Extension Agent is a source of more information on this subject”