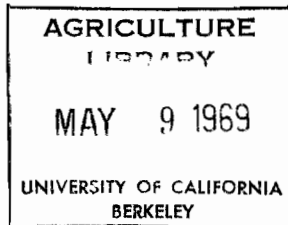


Cost of prod. studies

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Agricultural Extension Service
University of California.
Bldg. 4, 5555 Overland Avenue
San Diego, California 92123

KNOW YOUR COSTS OF EGG PRODUCTION
by Robert H. Adolph, Farm Advisor

A review of the 1968 Poultry Egg Cost Study conducted by the Agricultural Extension Service in San Diego County has revealed some rather interesting changes over the past 20 years. During the earlier years the costs of production were quite variable for all items in costs, but as costs became lower and lower less variations occurred in basic costs from ranch to ranch.

The total costs varied from 22.4 cents to 28.3 cents per dozen eggs among the 21 cooperators completing the 1968 study.

The most variable cost in the 1968 Egg Cost Study was the replacement cost. The lowest cost of replacement was 3.5 cents, compared to 8.5 for the highest cost per dozen. The rate of replacement, rate of lay, cost of replacement pullets, and cull income are all factors affecting net replacement cost.

The second most variable cost was the feed cost per dozen eggs. Of the 21 cooperators in the study, almost all were within one cent per dozen above or below the average cost among the cooperators. Feed ratios varied between 3.9 and 5.1 pounds of feed per dozen eggs, but most were within a few tenths of the average of 4.45 pounds of feed per dozen eggs produced.

The other costs tended to show some differences between ranches, but most of these variations were due to the average rate of lay which varied between 79% and 57% with an average of 67% for all of the study.

How to Determine Your Replacement Cost

To figure your replacement cost:

- Determine total cost of replacement pullet to 6 months of age.
- Subtract from total cost of replacement pullet the average cull income per pullet replaced during the year. This will be your net cost per pullet replaced.
- Multiply the net cost per pullet replaced by the replacement rate per year. Where year-round replacement occurs, replacement rate may be considered as total pullets added to replace culls and mortality taken out. (Do not include increase in flock size.) Divide by average number of layers. This is your net cost of replacement per average layer.
- Divide net cost of pullet replacement by the average number of dozen eggs produced during the year per average layer. This is the net cost of replacement per dozen eggs.

Example:

- Cost of replacement pullet \$1.50 (feed 90¢; chick 30¢; labor 10¢; fuel, vaccine, and misc. cash 10¢; interest and depreciation 10¢ = \$1.50).
- Less 16¢ cull income per average pullet added = \$1.34 or net cost of

replacement pullet.

- c. Multiply \$1.34 by .75 (7,500 pullets replaced in 10,000 average lay flock is 75% replacement) = \$1.00 replacement cost per layer.
- d. \$1.00 divided by 20 dozen eggs produced per average layer = 5¢ per dozen replacement cost.

What About Feed Costs Per Dozen Eggs?

Feed costs vary according to pounds of feed used per dozen eggs. A flock using 24 pounds of feed per day per hundred hens, producing 72% or 6 dozen eggs per day has a feed ratio of 4 pounds to 1 dozen eggs. A flock of 100 birds eating 25 pounds of feed, laying 60% or 5 dozen, has a 5 pounds to 1 dozen ratio. One hundred birds producing 48% or 4 dozen eggs, using 24 pounds of feed, has 6 pounds of feed per dozen eggs ratio.

The 10 year average of feed consumed has been 24.5 pounds with a production of 5.58 dozen eggs per day per 100 layers. This is an average of 4.4 pounds of feed used per dozen eggs. Multiply the cost of laying feed per pound by the feed ratio to determine the feed cost per dozen eggs.

What About Labor and Other Cash Costs?

Labor costs for egg production may be considered efficient at 1.5 cents per dozen eggs. Our egg cost study results indicate 2 cents per dozen including labor cost of growing replacement pullets. One-fourth or one-half cent of total labor is used for replacement pullet growing. (This labor cost does not include labor for processing and grading eggs since most eggs are sold as gathered and paid for on a dealer yield grade-out basis.)

Other cash costs for the laying flock are about one cent per dozen including property taxes, utilities, repair and maintenance.

What About Capital Costs?

Interest is the expected return on use of capital for the poultry investment. The cost of conventional cage housing and equipment is around \$2 per laying bird. Brooding and growing equipment may also be considered at about the same rate. Growing capacity is usually about 40% of laying capacity. Net cost per layer would be 40% of \$2 or 80 cents per layer. A land value of 50 cents per bird at 7% interest makes a total cost of 3.5 cents per layer per year. The average value of buildings and equipment at one-half its original cost of \$2.80 per layer, plus 50 cents for land at 7% interest, makes a cost of 23 cents per hen for interest. A depreciation of 10% of the average value of \$1.40 makes depreciation cost 14 cents per layer. The total of interest and depreciation on flocks averaging 20 dozen eggs per hen would be less than 40 cents per bird or 2 cents per dozen.

What About Cost of Management?

Every ranch operation of today's flock sizes must maintain a rather complete set of cost accounting and plans of operation. Capital investment in stock, housing, and equipment needs constant supervision and maintenance. Originally 5% of costs was used for accounting and 5% for direct management of operation of labor and planning. We now consider management at a cost-per-dozen figure of 2 cents per

dozen. This is an estimate of all costs of management function including legal services, attendance at conferences, cost accounting and all other costs not otherwise accounted for under other cash costs. Actual costs are difficult to determine and would be quite variable.

Summary of Costs

Here is a summary as to what may be considered as a goal to attain in a ranch operation in San Diego County.

	<u>Cost Per Dozen</u>	<u>Compare With Your Cost</u>
Feed costs at 4.4 lbs. feed per dozen eggs, \$3.08 per 100 lbs. =	13.5¢	_____
Net replacement cost (includes income from culls as a credit toward chick cost and all costs of labor, feed, chicks, etc., of replacement pullet)	5.0	_____
Labor cost-layers only =	1.5	_____
Other cash costs-layers only =	1.0	_____
Interest and depreciation =	2.0	_____
Management =	<u>2.0</u>	_____
	25.0¢	_____

The 1968 Poultry Egg Cost Study referred to in this discussion is available upon request. It provides further information on actual on-the-ranch costs for the participants in San Diego County egg cost studies over the last 20 years.