

EGG PRODUCTION COSTS AND EARNINGS

by

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Commercial egg production is an important specialized type of farming in the south-bay counties listed above. As elsewhere, egg farms are becoming fewer and larger. The value of market eggs produced in these five counties was estimated at 12.5 million dollars in 1960 by the County Agricultural Commissioners.

To provide information useful in considering this business and in making plans and budgets and analyzing a business, we have prepared these sample schedules of investment and inputs and costs. These are based on data for recent years obtained from poultry management studies and local inquiry, conducted by the Agricultural Extension Service in several counties. These schedules are not presented as averages, but as a typical example of a well-managed poultry farm of adequate size.

Adequate size of business is becoming more important than ever before to the commercial egg producer. A high volume is essential to low production costs per hen and per dozen eggs. This enables a small profit margin under recent low egg prices. Large volume also makes possible a better market outlet for eggs. This example is therefore based on a 10,000-hen egg farm, which is considered to have a good chance for success at selling eggs at wholesale in the future.

This example is also based on the high level of efficiency shown by actual records on this size and type of farm in 1959 and 1960. Sale of 19.6 dozen eggs per hen is assumed. Feed use of 115 pounds per hen is provided, which is 5.9 pounds per dozen, including the raising of replacements.

Some egg producers buy started pullets at around two to three months of age. This plan, however, is for the more prevalent system of raising the replacements. Facilities are planned and shown in the investment for a brooder house and four grow-lay houses. Broods of 4,000 baby pullets are started three to four months apart, averaging about $2\frac{1}{2}$ times a year. Each brood is kept separate for its useful life of 18 months or about one year of production. This results in high production and high-quality eggs. The sample schedule on the other side assumes exact replacement each year so there is no increase or decrease in poultry stock inventory. The 10,000 replacement chicks brooded each year will maintain a flock of 10 to 11 thousand hens. Actual number of layers will vary during a year from 8700 up to over 12,000 as houses are emptied and new broods arrive at laying age. Capacity of the facilities could be pushed up to 12,000 hens for a while, but a comfortable average would be between 10 and 11 thousand.

Feed and other prices used are as now prevail in 1961. These, along with egg prices, vary slightly from farm to farm and year to year. The sample costs can readily be recalculated using those prices applicable at the time for a particular farm. Use this schedule as a guide in making a more applicable or valid schedule, using current prices.

SAMPLE INVESTMENT FOR EGG PRODUCTION
For 10,000 to 12,000 Hens, Raising own Replacements

	Original cost	Depreciation	Average value *	Per hen
Land, five to ten acres	\$10,000	--	\$10,000	\$1.00
Grading and paving	2,000	--	2,000	.20
Brooder house, 4,000-chick, equipped	5,200	\$ 260	2,600	.26
Four grow-lay houses, 3,700 capacity each	28,000	1,400	14,000	1.40
Three bulk feed bins	900	90	450	.05
Utility building with refrigerated egg room	3,000	160	1,500	.15
Water system, well, pump piping	2,000	150	1,000	.10
Feeding, gathering, cleaning, and small eqt.	1,500	250	750	.08
Small truck or pick-up	2,400	200	1,200	.12
Total land, improvements, and equipment	\$55,000	\$2,510	\$33,500	\$3.35
Av. poultry stock, feed, and oper. capital	15,000	--	15,000	1.50
Total poultry enterprise investment	\$70,000		\$48,500	\$4.85

*Average value for depreciable items is estimated at half of original cost.

SAMPLE INPUTS AND COSTS PER YEAR
Selling 19.6 Dozen Eggs Per Hen, 10,000-Hen Average

Item	Quantity		Price	Total cost	Per hen	Per doz.
	Total	Per hen				
Feed - laying ration	10,800cwt.	108#	\$3.30	\$35,640	\$3.56	
chick ration, 1st 2½ mo.	700	7	4.00	2,800	.28	
shell, grit, and misc.	500	5	1.00	500	.05	
Total feed cost				38,940	3.89	19.9¢
Pullet chicks for replacement	10,000	1.0	.35	3,500	.35	1.8
Hired Labor	2,000	.2	1.35	2,700	.27	1.4
Operator's and family labor	3,000	.3	2.00	6,000	.60	3.0
Misc. expenses, medicines, taxes, utilities, repairs, etc.				4,500	.45	2.3
Depreciation, from above				2,510	.25	1.3
Interest on av. invest., above	48,500	4.85	6%	2,910	.29	1.5
Total all costs of production except management				\$61,060	\$6.10	31.2¢
Less income, cull & old hens sold	8,000	.8	.25	2,000	.20	1.0
Manure-given for removal, cu. yds.	600		--	--	--	
Net cost of eggs sold	196,000	19.6		\$59,060	\$5.90	30.2¢

SAMPLE EARNINGS AT SEVERAL EGG PRICES

Egg Price Per Doz., Annual Average	28¢	30¢	32¢	34¢	36¢
Egg income, selling 19.6 dozens/hen	\$54,880	\$58,800	\$62,720	\$66,640	\$70,560
Less above net cost of eggs	59,060	59,060	59,060	59,060	59,060
Operator's management income	- 4,180	- 260	3,660	7,580	11,500
Add operator's labor & int. on invest.	8,910	8,910	8,910	8,910	8,910
Operator's "Farm Income"	\$ 4,730	\$ 8,650	\$12,570	\$16,490	\$20,410

Earnings vary with egg prices from year to year. Egg prices to producers were estimated for California by the California Crop and Livestock Reporting Service at averages of 31.5¢ per dozen for 1959, 35.6¢ for 1960, and 31.7¢ on July 15, 1961. Prices reported in our management studies were 30.2¢ for 1959 and 33.9¢ for 1960.

Farm income on the last line above would be the operator's maximum earnings, under the costs assumed, for his management, labor, and all invested capital. Interest on borrowed capital, if any, would come out of this.