

Egg Price Rise Reflects Soaring Costs for Diesel, Feed, Chicks

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Shoppers cluck-clucking over the high price of eggs --- up 30 percent from a year ago --- can blame Larry Thomason, but the North Georgia egg farmer has money woes of his own.

The cost of readying a hen to lay eggs has increased 60 percent. Chicken feed is up a third. Diesel tops \$4.70 a gallon, and packaging costs more.

At Easter, when egg hunts require parents to buy oodles of the ovoids, Thomason received a wholesale price of \$1.70 for a dozen Grade A large eggs. Friday, he got \$1.14.

"We're maybe close to breaking even," Thomason said. "Everything costs more and prices look like they'll go even higher. It's a bad time."

An egg is one of the most basic foods available at your local grocery store. Smooth and white, delicious and nutritious, it changes little from the time it leaves Mama Hen's belly to the skillet's edge.

Simple.

Yet the economics behind the price of an egg are anything but easy and help explain the sharp rise in raw material, commodity and retail costs bedeviling American shoppers. The rise in food prices, for example, is the steepest in two decades.

The not-so-simple egg, after all, isn't immune from global forces --- ethanol production, China's burgeoning middle class, skyrocketing oil prices --- buffeting the world economy.

The egg typifies the increasingly loud food-vs.-fuel debate resonating from Washington to the Middle East back to U.S. farms and on to the neighborhood supermarket.

"I do remember these Publix brand eggs being 99 cents last year --- that's quite a jump," Joan Ashley, an Atlanta mom, said as she gazed recently upon the \$1.69 price of a dozen large eggs at the Publix supermarket on Ponce de Leon Avenue. "I've really noticed the overall rise in grocery prices the last couple of weeks. Everything is going up."

Cost of bird care climbs

Producers' major expenses --- feed, diesel, chicks --- are largely to blame for the hit to consumers' pocketbooks. Thomason, of Calhoun, buys day-old White Leghorns and fattens them in his pullet house atop a bright-green pasture filled with buttercups and honeysuckle.

He'll buy between 38,000 and 50,000 chicks at a time. The birds used to cost him 53 cents each. In May, the per-bird price rose a nickel.

Sixteen weeks later, the chicks are ready for laying. A year ago, it cost Thomason \$2 to get them to that stage.

"Now, that same baby chick costs you \$3.25," said Thomason, whose wife, Janet, their oldest son, two of Janet's sisters and a handful of locals box and distribute 80,000 eggs a day. "Everything has gone up."

Chicken feed --- 70 percent corn --- is anything but. A year ago, Thomason paid about \$190 per ton for the corn-soybean mixture. Today, he pays one-third more.

Thomason ferries the ready-to-produce chicks a half-mile down the blacktop to three laying houses where 110,000 birds were recently earning their keep. Each bird produces maybe one egg a day. Conveyors hustle the eggs from cages stacked two or three high to the grading and packing house next door.

Propane, to heat the pullet houses and the water that washes the eggs, has risen nearly 50 percent in the past year. The plastic containers cradling a dozen eggs have gone from 5 cents to 7.5 cents each during that time. A warehouse, kept at an egg-pleasing 45 degrees Fahrenheit, plumps Georgia Power's bottom line.

"I'm one of the few in Georgia who still delivers to the store door," said Thomason, whose customers from Columbus to Cleveland, Tenn., include Kroger and Piggly Wiggly, food-service companies, produce distributors and restaurants.

Thomason, one of about 15 egg distributors in Georgia, keeps two trucks rolling daily. Diesel prices have almost doubled the past year to \$4.74 a gallon. Thomason estimates his diesel bill has jumped from \$3,000 to \$6,500 a month.

Ethanol policy at fault?

Egg prices began rising two years ago. When supply began to outstrip demand, growers cut back on production, which led to higher prices. The cost to produce a dozen Grade A large eggs has risen from 57 cents to roughly \$1.05 the past two years, according to the U.S. Department of Agriculture.

The wholesale price for Grade A eggs in the Southeast on Friday was \$1.14 --- about a dime above what it costs Thomason to produce a dozen.

But the retail price of eggs has risen about 30 percent during the past year.

"When I go to the supermarkets around here and I see what they're charging vs. what I know the farmer is getting, I have to assume [retailers] are doing OK," said Richard Brown, executive vice president of Urner Barry Publications, a trade publication farmers rely on for wholesale egg prices.

Brenda Reid, a spokeswoman for Publix Super Markets in Atlanta, said margins on food, overall, are slim and that overhead costs --- shipping, storage, marketing, labor, electricity --- continue to rise. The National Retail Federation, the Washington-based trade association for grocery stores, chain restaurants and other retailers, puts part of the blame on Congress and its love affair with ethanol.

"We've seen a tremendous increase in food prices. I don't think there's any disagreement that our ethanol policy has played a role in that," said Erik Autor, a federation vice president. "We're very concerned about this. And it is one thing Congress can do something about."

Keen to wean Americans from Middle Eastern oil, Congress has mandated that Americans use 9 billion gallons of ethanol by year's end and 36 billion gallons by 2022. In addition, oil refiners who blend ethanol with gasoline receive a 51-cent-per-gallon tax credit.

Most of the nation's ethanol is produced from corn. So egg, chicken, beef and pig farmers, who depend on corn-based meal to feed their animals, compete with ethanol producers and gas distillers for the increasingly expensive commodity. Corn prices have risen 48 percent this past year.

"And this year, corn acres [planted] are down 6 [million] to 8 million acres from last year," said Brent Booker, president of Country Charm Egg Distributors in Gainesville. "That means the price of corn could go up even more. I've heard of \$7, \$8 bushels of corn." Corn stood at \$5.99 a bushel Friday.

One-fourth of U.S. senators, hearing from disgruntled shoppers back home, have asked the Bush administration to cut in half this year's ethanol mandate of 9 billion gallons. Ethanol producers, and corn-rich Midwestern states, oppose cutbacks. They cite rising demand for corn in the developing world, China and India in particular, as the price-rise culprit. Poor harvests, particularly in drought-ravaged Australia, and higher fuel and packaging costs also play into higher food prices, they note.

Still a relative bargain

Although consumers won't likely see lower prices anytime soon, most shoppers won't abandon eggs. They're still relatively cheap, after all, compared with other skyrocketing food prices.

Leslie Fight, a personal chef whose clients live in Midtown, Druid Hills and Virginia-Highland, has raised the price of home-cooked meals twice in the past nine months.

"Eggs are only a component of many foods --- they're not the main ingredient," Fight said. "They're a reflection of everything going up. I don't think the average consumer focuses on the price of eggs as much as boneless chicken or milk."

Egg prices rise and fall like a roller coaster throughout the year. Thomason expects to make a profit every Easter, Thanksgiving and Christmas, when cakes, pies and other holiday goodies require plenty of whites and yolks. The flush times make up for the fallow, the 66-year-old farmer says.

"You've got to stay in it for the long haul," Thomason said.

LARRY THOMASON'S MAJOR EGG PRODUCTION COSTS (ESTIMATES)

Item	Portion of Total Costs ..	Price Increase Over Past Year
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Feed	50 percent	33 percent
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Laying Hens..	20 percent	60 percent
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Diesel	15 percent	100 percent
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Labor.....	7 percent.....	Minimal
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This is one in an occasional series on how rising global food prices are affecting people and businesses in metro Atlanta. For more, go to