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## RECENT DEVELOPMENTS IN NEW ENGLAND EGG PRICE QUOTATIONS

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### INTRODUCTION

The main pricing method used in the wholesale egg industry has been, and is currently, that of central market price quotations. Quotations developed in the central market serve as the price basis for trading over a wide area beyond the central market itself. It is very convenient for the industry to have a quoted price for eggs that is available quickly every day. Additions to, and deductions from, these quotations are made to account for quality, transportation cost, and volume differences in buying and selling eggs. This type of formula pricing eliminates the need for price negotiation on each transaction and saves a great deal of time for everyone involved in wholesale egg marketing.

During recent years, the major quotation prices for wholesale shell eggs have originated from Boston, New York, and Chicago. The Boston and Chicago quotations are used over relatively small geographical areas while the New York City wholesale egg market is the source of the primary egg price quotations used throughout most of the East and the Midwest. The Boston and Chicago quotations usually follow the New York quotations very closely.

Since central market price quotations are used over such a wide area, it is important that accurate information concerning overall changes in the movement of eggs be available to those who help set the prices by trading on the mercantile exchanges. Otherwise, the prices developed--which may accurately reflect egg market conditions in the central market--may not accurately reflect these conditions throughout the wide areas in which the quotations are used.

Tremendous changes have occurred in both production and marketing of eggs in the past 50 years. Egg production used to be a part of nearly every farm operation. Eggs produced in excess of the family's needs were sold to a local egg buyer, who moved them to an assembler to be shipped in railroad cars to the terminal markets. The wholesalers in these terminal markets performed the important function of accepting these eggs from a large geographical area and making them available for sale to the many jobbers and other distributors who provided eggs to retail and institutional outlets. The general forces of supply and demand were felt quite clearly by the wholesalers since most of the eggs were channeled through their operations. Buying and selling activities on the mercantile exchanges provided an opportunity to develop a representative market price.

As time went on, specialization of production and greater efficiencies resulting from large-scale production encouraged concentration of egg production into larger poultry enterprises and concentration of country egg handling into fewer but larger firms. More direct marketing methods gradually developed to move eggs more efficiently to the consumer. Rail shipment of eggs declined rapidly with the development of modern roads and refrigerated trucks that allowed direct movement of eggs from the country assembly points to the markets. The growth of chain store organizations further accelerated development of more direct marketing methods. As these developments progressed, the terminal markets began to lose their importance.

Briefly then, the United States egg industry at present is characterized by concentration of egg production into larger enterprises and development of more efficient, direct, marketing methods. However, supply and demand are still measured in the old central markets, despite the general feeling that this is no longer the place where these price-making forces meet in a representative manner and that some price movements may be caused by misleading market information rather than by actual changes in basic economic factors. Stated simply, the problem is thought to be that the modern egg production and marketing system in the United States is regulated by an antiquated pricing mechanism.

This pricing system has been extensively questioned by the egg industry in recent years and has occasioned many articles and speeches. The intensity of the criticism has been more or less inversely related to the level of prevailing egg prices. Criticism of this method of pricing eggs has resulted in a major study of egg pricing conducted under the supervision of the United States Department of Agriculture. In addition, a group of New York egg producers recently sued the New York Mercantile Exchange and other groups for alleged price-fixing activities. It is anticipated that the quotation pricing system for eggs will soon be revised or replaced by a system that more accurately and consistently reflects true values for this major farm commodity.

#### RECENT DEVELOPMENTS

Two major egg marketing groups have been formed recently to participate actively in the egg pricing process in the major central markets. Both groups are organized as non-profit cooperatives.

#### New England Egg Marketing Association

The New England Egg Marketing Association (NEEMA) was organized in May, 1967 and began operations on June 15, 1967. The objectives of NEEMA were stated as:

- 1) Orderly marketing of local eggs and price stabilization in the Boston egg market.
- 2) A price relationship with other markets consistent with transportation differentials.
- 3) Price differentials on brown and white eggs consistent with actual supply and consumer demand situation.

The extent to which these objectives have been met cannot easily be determined, especially for the second and third objectives. Data relating to the first objective are presented later in this paper.

Membership in NEEMA is open to individual egg producers and egg marketing cooperatives. Activities of NEEMA are financed through sale of common and preferred stock and a specified payment per 30-dozen case of eggs sold.

#### United Egg Producers

Shortly after NEEMA was organized, it joined with four other regional egg marketing cooperatives to form United Egg Producers (UEP). UEP was organized in 1968 and included, as original members, NEEMA, National Egg Company, Midwest Egg Producers Association, Southwestern Egg Producers, and Western Egg Company.

The stated objective of UEP is to curb violent egg production and price cycles by stabilizing production and prices at profitable levels. In addition to attempting to stabilize prices by coordinating market supply and demand conditions on a national basis, UEP hopes to act in some way to keep production from reaching periodic excesses that deeply depress egg price levels. One unusual approach was to buy a large advertisement in the Wall Street Journal (March 3, 1969) urging bankers to use caution when lending capital to egg producers for expansion, especially to those not having a definite market for their increased production.

Revenue from a specified charge per case of eggs sold is estimated to give UEP an annual operating budget in excess of one million dollars. A portion of this money has been allocated for removal of temporary price-depressing surpluses in the central markets.

How successful these two groups will be in attaining their objectives remains to be seen. Both groups are using caution and consulting with various government agencies to avoid possible antitrust and price-fixing implications. The possibility of nationwide producer control of production and prices is something radically new in the field of agriculture.

## ANALYSIS OF PRICE QUOTATIONS

Average annual price quotations for Boston and New York for large, medium, and small eggs, both white and brown, are shown in Tables 1 and 2. Price quotations for brown eggs usually were somewhat higher than for white eggs on both markets. This relationship might be due to the regional color preference for brown eggs in New England and the relative shortage of brown eggs in New York for the small number of egg consumers there who prefer brown eggs.

Frequency of price changes for all three sizes of both white and brown eggs on the New York and Boston markets is shown in Tables 3 to 14. Price changes generally occurred more frequently for large eggs than for medium or small eggs, more frequently for white eggs than for brown eggs, and more frequently on the New York market than on the Boston market. In nearly all cases, price increases were more frequent than price decreases. The operations of NEEMA and UEP in attempting to reduce price fluctuations were not fully successful as the number of price changes on both the New York and Boston markets increases, rather than decreased, from 1967 to 1968 for all except large brown eggs. It would be anticipated that the frequency of price changes for all sizes of eggs might be reduced in the future if NEEMA and UEP are successful in achieving their stated objectives.

Average sizes of price changes are shown in Tables 15 to 18. Average price decreases were much greater than average price increases in nearly all years for both white and brown eggs. Egg price quotations tended to rise slowly in small increments and then fall sharply. Price movements in both markets were characterized by frequent, small price increases and infrequent, large price decreases. Everyone likes the upward movement but all complain about the sudden and comparatively large downward price movements.

The reader is cautioned that all data presented in Tables 1 to 18 are preliminary. Comprehensive analysis of Boston and New York egg price quotations from 1959 to 1968 will be published in a Maine Agricultural Experiment Station bulletin sometime late in 1969. The main conclusion to be drawn at this point is that prices "fluctuated" during the 1959-1968 period and are expected to continue to do so in the near future. However, the next five years may well be ones of revolution, rather than evolution, in the areas of egg production and pricing in the United States.

Table 1. Average Annual Price Quotations

Boston, 1959-1968

Year	White Eggs			Brown Eggs		
	Large	Medium	Small	Large	Medium	Small
	cents per dozen					
1959	35.6	28.5	20.7	37.2	29.9	21.8
1960	42.1	37.2	27.6	45.5	39.9	29.3
1961	39.3	32.9	23.3	40.9	33.7	23.4
1962	37.2	29.4	20.9	38.9	32.2	21.3
1963	36.0	30.2	21.7	37.4	31.1	21.8
1964	36.1	29.6	20.9	37.0	31.2	21.3
1965	37.6	32.1	22.7	40.0	34.4	23.3
1966	42.5	36.9	26.8	42.2	37.2	26.8
1967	32.8	25.5	17.5	34.7	27.9	17.7
1968	38.4	33.3	23.0	40.4	35.5	23.3

Table 2. Average Annual Price Quotations

New York, 1959-1968

Year	White Eggs			Brown Eggs		
	Large	Medium	Small	Large	Medium	Small
	cents per dozen					
1959	36.9	29.3	23.0	37.4	30.4	24.7
1960	42.4	36.6	29.5	43.6	37.9	31.7
1961	40.8	32.8	25.9	40.6	33.2	26.6
1962	38.2	30.9	23.9	38.7	31.4	24.1
1963	37.5	30.5	24.7	38.6	31.0	24.8
1964	36.4	30.0	24.1	37.7	30.0	24.7
1965	36.4	31.0	25.7	38.7	31.6	26.4
1966	43.2	37.2	30.5	39.6	37.0	30.5
1967	32.0	25.7	20.6	33.5	25.9	20.8
1968	37.3	32.5	25.9	39.0	33.6	26.0



Table 3.  
Frequency of Price Changes for Large White Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	180	72	35	37
1960	250	169	81	50	31
1961	251	180	71	37	34
1962	248	181	67	36	31
1963	250	181	69	35	34
1964	253	184	69	36	33
1965	250	180	70	43	27
1966	251	178	73	45	28
1967	248	179	69	39	30
1968	250	169	81	55	26

Table 4.  
Frequency of Price Changes for Large White Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	142	110	59	51
1960	248	139	109	73	36
1961	250	142	108	60	48
1962	248	130	118	74	44
1963	250	118	132	71	61
1964	253	149	104	54	50
1965	249	150	99	63	36
1966	250	165	85	53	33
1967	248	140	108	62	46
1968	250	140	110	80	30

Table 5.  
Frequency of Price Changes for Large Brown Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	175	77	41	36
1960	250	181	69	45	24
1961	251	175	76	40	36
1962	248	185	63	34	29
1963	250	187	63	33	30
1964	253	190	63	33	30
1965	250	181	69	42	27
1966	251	180	71	40	31
1967	248	184	64	36	28
1968	250	197	53	37	16

Table 6.  
Frequency of Price Changes for Large Brown Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	157	95	53	42
1960	248	168	80	57	23
1961	250	160	90	52	38
1962	248	159	89	54	35
1963	250	165	85	50	35
1964	253	174	79	45	34
1965	249	181	68	42	26
1966	250	167	83	51	32
1967	248	161	87	47	40
1968	250	177	73	52	21

Table 7.  
Frequency of Price Changes for Medium White Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	177	75	36	39
1960	250	169	81	49	32
1961	251	179	72	38	34
1962	248	195	53	28	25
1963	250	177	73	38	35
1964	253	185	68	37	31
1965	250	185	65	37	28
1966	251	173	78	45	33
1967	248	185	63	33	30
1968	250	168	82	53	29

Table 8.  
Frequency of Price Changes for Medium White Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	123	129	67	62
1960	248	147	101	63	38
1961	250	142	108	53	55
1962	248	146	102	57	45
1963	250	139	111	61	50
1964	253	141	112	57	55
1965	249	142	107	64	43
1966	250	156	94	55	39
1967	248	131	117	62	55
1968	250	131	119	76	43

Table 9.  
Frequency of Price Changes for Medium Brown Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	169	84	41	43
1960	250	171	79	48	31
1961	251	169	82	44	38
1962	248	195	53	29	24
1963	250	179	71	42	29
1964	253	202	51	36	25
1965	250	180	70	39	31
1966	251	169	82	45	37
1967	248	184	64	33	31
1968	250	170	80	53	27

Table 10.  
Frequency of Price Changes for Medium Brown Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	166	86	42	44
1960	248	170	78	49	29
1961	250	177	73	39	34
1962	248	172	76	46	30
1963	250	169	81	45	36
1964	253	161	92	44	48
1965	249	166	83	54	29
1966	250	158	92	51	34
1967	248	163	85	44	30
1968	250	159	91	57	36

Table 11.

## Frequency of Price Changes for Small White Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	193	59	26	33
1960	250	218	32	21	11
1961	251	189	62	28	34
1962	248	202	46	26	20
1963	250	196	54	32	22
1964	253	189	64	30	34
1965	250	203	47	28	19
1966	251	194	57	34	23
1967	248	184	64	32	32
1968	250	165	85	43	42

Table 12.

## Frequency of Price Changes for Small White Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	155	97	49	48
1960	248	176	72	47	25
1961	250	178	72	34	38
1962	248	175	73	42	31
1963	250	176	74	40	34
1964	253	166	87	43	44
1965	249	175	74	45	29
1966	250	171	79	45	34
1967	248	161	87	43	44
1968	250	133	117	62	55



Table 13.

## Frequency of Price Changes for Small Brown Eggs

Boston, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	176	76	35	41
1960	250	210	40	24	16
1961	251	185	66	30	36
1962	248	197	51	28	23
1963	250	195	55	32	23
1964	253	186	67	35	32
1965	250	198	52	30	22
1966	251	191	60	36	24
1967	248	189	59	28	31
1968	250	166	84	45	39

Table 14.

## Frequency of Price Changes for Small Brown Eggs

New York, 1959-1968

Year	Trading Days	Days with no Price Changes	Days with Price Changes	Number of Price	
				Inc.	Dec.
1959	252	176	76	36	40
1960	248	202	46	28	18
1961	250	183	67	33	34
1962	248	190	58	34	24
1963	250	177	73	38	35
1964	253	164	89	46	43
1965	249	178	71	44	27
1966	250	175	75	43	32
1967	248	172	76	38	38
1968	250	153	97	54	43

Table 15.

## Average Size of Price Changes for White Eggs

Boston, 1959-1968

Year	Large Eggs		Medium Eggs		Small Eggs	
	Price Dec.	Price Inc.	Price Dec.	Price Inc.	Price Dec.	Price Inc.
cents per dozen						
1959	1.54	1.47	1.82	1.72	1.52	1.62
1960	1.61	1.40	1.91	1.51	2.09	1.71
1961	2.15	1.65	2.00	1.58	1.71	1.79
1962	1.68	1.44	2.04	1.82	2.00	1.54
1963	1.65	1.63	2.00	1.97	1.59	1.16
1964	1.73	1.47	2.13	1.54	1.38	1.33
1965	1.78	1.16	1.71	1.43	1.58	1.43
1966	2.18	1.42	1.91	1.47	1.91	1.32
1967	2.10	1.33	1.73	1.27	1.47	1.22
1968	1.81	1.22	1.62	1.30	1.50	1.67

Table 16.

## Average Size of Price Changes for White Eggs

New York, 1959-1968

Year	Large Eggs		Medium Eggs		Small Eggs	
	Price Dec.	Price Inc.	Price Dec.	Price Inc.	Price Dec.	Price Inc.
cents per dozen						
1959	1.51	1.14	1.48	1.22	1.21	1.06
1960	1.39	1.00	1.44	1.09	1.50	1.02
1961	1.64	1.13	1.24	1.09	1.26	1.16
1962	1.56	0.93	1.33	1.08	1.26	0.98
1963	1.25	1.08	1.35	1.16	1.13	0.96
1964	1.25	0.91	1.33	1.06	1.33	1.20
1965	1.40	0.93	1.19	0.97	1.22	1.03
1966	1.59	1.04	1.49	1.06	1.40	1.08
1967	1.33	0.79	1.13	0.84	1.24	1.03
1968	1.65	0.86	1.24	0.97	1.22	1.24

Table 17.

## Average Size of Price Changes for Brown Eggs

Boston, 1959-1968

Year	Large Eggs		Medium Eggs		Small Eggs	
	Price Dec.	Price Inc.	Price Dec.	Price Inc.	Price Dec.	Price Inc.
	cents per dozen					
1959	1.67	1.27	1.63	1.49	1.49	1.49
1960	1.96	1.53	2.26	1.73	2.00	1.88
1961	2.17	1.63	2.11	1.66	1.67	1.77
1962	2.14	1.82	2.33	1.93	1.87	1.50
1963	2.00	1.82	2.52	1.83	1.57	1.19
1964	1.73	1.48	2.68	1.67	1.50	1.20
1965	1.96	1.29	2.00	1.67	1.59	1.47
1966	1.87	1.52	1.92	1.64	1.83	1.25
1967	2.14	1.36	1.90	1.55	1.42	1.29
1968	2.12	1.49	2.11	1.45	1.69	1.67

Table 18.

## Average Size of Price Changes for Brown Eggs

New York, 1959-1968

Year	Large Eggs		Medium Eggs		Small Eggs	
	Price Dec.	Price Inc.	Price Dec.	Price Inc.	Price Dec.	Price Inc.
	cents per dozen					
1959	1.62	1.09	1.44	1.27	1.31	1.28
1960	1.65	1.01	1.59	1.20	1.56	1.36
1961	1.84	1.16	1.40	0.99	1.38	1.17
1962	1.60	1.06	1.58	1.08	1.27	0.96
1963	1.60	1.12	1.46	1.21	1.09	1.00
1964	1.57	1.01	1.19	1.07	1.38	1.16
1965	1.33	0.90	1.60	1.02	1.44	1.11
1966	1.44	0.96	1.40	1.14	1.45	1.10
1967	1.34	0.89	1.18	0.92	1.25	1.01
1968	1.55	0.99	1.65	1.29	1.44	1.31

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