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# *Pricing Eggs*



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# in **LOS ANGELES**

Marketing Research Report No. 161

U. S. DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service  
Marketing Research Division

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## PREFACE

The effectiveness with which the price-making process operates is of major importance in the marketing of agricultural products. As technological and other developments cause changes in the location of producing areas and consuming markets, in numbers and kinds of buyers and sellers, or in other attributes of market structure, analyses are needed to learn what effects they may have on prices and price-making processes.

In several commodity markets in recent years, questions have been raised concerning the operation of pricing processes. This report presents the preliminary findings and conclusions of a study undertaken to learn how prices for eggs are established in one market, Los Angeles, Calif. Other reports are planned to provide similar information on the egg markets in New York, N. Y., Chicago, Ill., and St. Louis, Mo.

This report describes the Los Angeles egg market and the pricing of eggs to producers and to retail stores, presents a preliminary evaluation of the pricing mechanism, and contrasts egg pricing methods in Los Angeles with those in New York and the other cities in the study.

The report is designed to assist farmers, egg handlers, students, and teachers of the marketing of farm products, and others, to gain a better understanding of the marketing and pricing processes for eggs in a major egg market. Future publications will give relatively more attention to means by which shortcomings in the pricing of eggs may be moderated or overcome.

April 1957

## SUMMARY

This report describes the organization of the Los Angeles market for eggs, the principal marketing organizations, the trade practices, the methods of establishing and reporting egg prices, and the pricing results. Of particular interest in the Los Angeles market is the peculiar nature and operation of its quotation pricing system.

The study was undertaken because of the importance of Los Angeles as a market for eggs, the widespread criticism of quotation pricing systems, and the contrasts in market organization, trade practices, and pricing methods between Los Angeles and other major markets.

The Los Angeles egg market is organized on the basis of securing nearly all of its supply from nearby relatively large, specialized egg ranches. Many ranches produce from 50 to 100 cases of high-quality eggs a week, and production rates are fairly uniform seasonally.

About 20 producers' bargaining associations, of 5 to 10 producers each, bargain annually with dealers on contracts which determine methods of establishing prices to producers and other terms of trade. These written contracts probably cover less than 15 percent of Los Angeles market receipts, but they seem to set the pattern for less formal agreements between dealers and producers on several times as many eggs.

Most of the 60 egg dealers in Los Angeles assemble eggs from ranches in their own trucks, and candle, carton, and deliver eggs to retail outlets. About 94 percent of their receipts come directly from producers and about 85 percent of their sales are made to retail stores, dairies, and peddlers. About 82 percent of their sales are graded and cartoned eggs.

Locally owned supermarkets dominate the food retailing business in Los Angeles, including the retailing of eggs. Three egg breakers provide a market for small volumes of undergrades and surpluses over shell egg market needs. Five brokers handle inshipments of eggs from the Midwest, shipments to other markets, and some trades among dealers within the city.

Prices to producers are based on prices to retailers as reported by the Federal-State Market News Service. Under most of the agreements and contracts between dealers and producers, prices to producers for 30-40 percent AA large eggs are 4 cents under the top of the range of reported prices to retailers for Grade A large eggs in 30-dozen cases at distributors' houses. Prices for the same eggs in cartons delivered to stores average about 4 cents higher. The price reports used as quotations are based on information secured daily by telephone by the Market News Service from 10 to 12 distributors, including all of the leading independent dealers.

When used as a quotation for establishing producer prices under a quotation pricing system, prices to retailers may have several advantages over wholesale prices. The volumes of trading and numbers of firms involved in negotiations on which the reports are based may be much larger. This may be an important advantage in markets where integration of marketing functions has almost completely eliminated wholesale trading. Prices to retailers seem to fluctuate less often and less widely than do wholesale prices. The influence of retailers interested in merchandising rather than speculative profits may contribute to this relative stability. Los Angeles egg prices fluctuate much less than do prices in Chicago and New York. However, this may be the result of differences in market organization as well as of differences in the bases of market quotations.

The rigid quotation pricing system in Los Angeles appears to limit severely the ability of dealers to vary their operating margins. This may reduce materially their possibilities for speculative gains or losses through pricing, and encourage greater attention to problems of plant efficiency and merchandising. Gross farm-to-retail price spreads for eggs in Los Angeles, averaging about 15 to 16 cents per dozen, are among the lowest margins in major U. S. cities.



On the other hand, the rigidity of the pricing system and other aspects of the organization of the Los Angeles egg market seem to create obstacles to efficient disposal of occasional temporary surpluses of eggs. Small dealers are troubled more by this problem than are the larger handlers.

Egg prices appear not to be closely related to volumes of local receipts or to storage holdings, but are closely correlated with receipts in West Coast primary markets and with egg prices in New York. Los Angeles dealers may be able to anticipate with fair accuracy the volumes of local production. The necessity to "import" eggs, principally from the Midwest, in competition with New York and other markets, and the occasional need to dispose of eggs in nearby markets tends to keep Los Angeles egg prices close to prices in other parts of the United States.

# PRICING EGGS IN LOS ANGELES

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## OBJECTIVES

This study is concerned with the organization of the Los Angeles market for eggs, the principal marketing organizations, the trade practices, the methods of establishing and reporting egg prices, and the pricing results. Of particular interest in the Los Angeles market is the peculiar nature and role of the mechanism of establishing egg prices in what is usually called the quotation pricing system. Under this system, prices in a marketing area and at different levels of trading are established on the basis of a central market price quotation in accordance with terms of long standing agreements or accepted trade practices. In Los Angeles, this system differs sharply from traditional quotation pricing methods used in New York, Chicago and several other large markets.

This study was undertaken because of the importance of eggs and egg prices in our economy, the reported importance of Los Angeles and other central markets in determining market values of eggs, and widespread criticism of and dissatisfaction with the quotation pricing system, associated marketing practices, and pricing results, especially in Chicago and New York.

Egg prices are important in our economy because they affect the incomes and production decisions of hundreds of thousands of farmers, the incomes and operations of thousands of egg handlers, and the living costs and food purchases of millions of consumers.<sup>1</sup> Therefore, it is important that pricing systems establish egg prices which accurately reflect market values and which facilitate efficient and orderly marketing.

Egg prices are established in numerous ways and in many different markets. Among the markets, a few large cities, often designated as central markets, historically have been most important. Although the influence of these central markets on egg prices in the United States at various levels of trading has been declining, central market egg quotations are still used extensively by the egg trade in the determination of prices of eggs to farmers and others under quotation pricing systems.<sup>2</sup>

This system of pricing has been used to a greater or lesser extent ever since central markets came into being.<sup>3</sup> The continuous nature of the production and marketing processes for eggs (and also several other farm products such as butter and cheese) and

<sup>1</sup> United States farmers received approximately \$1,746 million from the sale of about 54 billion eggs in 1955 and consumed in farm households about 5.5 billion eggs valued at \$176 million. Consumer expenditures for eggs probably were near \$2,700 million.

<sup>2</sup> Manchester, A. C., Price-Making and Price-Reporting in the Boston Egg Market, Harvard Studies in Marketing Farm Products, No. 7-H, Harvard University, Cambridge, Mass., June 1954; Brown, A. A., Egg Pricing on the Boston Market, Bul. 476, Massachusetts Agricultural Experiment Station, Amherst, Mass., March, 1954; Shepherd, G. S., Marketing Farm Products, 3d ed., Iowa State College Press, Ames, 1955; and three articles in Yearbook of Agriculture, 1954, U. S. Dept. Agr., Washington, D. C., by Duddy, E. A., "The Place of Terminal Markets," pp. 37-48; Norton, L. J., "The Essentials of Good Terminals," pp. 48-52; and Shepherd, G. S., "Changes in Structure," pp. 52-59.

<sup>3</sup> The Producers' Price-Current, The Urner-Barry Co., Inc., New York, N. Y., Vol. 77, No. 38, Feb. 9, 1934, p. 18. "Of the various products quoted in 'The Producers' Price-Current,' five commodities - butter, cheese, eggs, dressed poultry, and live poultry - have come to be sold to a considerable extent on the basis of 'The Producers' Price-Current' quotations."

the frequency of transactions may be the major reasons for the development of this system of pricing. Its principal advantage is the marked reduction in time and effort it effects in marketing compared with the traditional alternative of bargaining between buyer and seller for each sale. Another advantage is the probable reduction in un-economic price differentials among markets and levels of trading through use of one or only a few base prices, the central market quotations.<sup>4</sup>

Other reasons for the influence of the central markets on egg prices include: (1) They are large consuming centers which must draw eggs from large producing areas; (2) they are located on, or at the hub of, economical transportation routes; (3) they have specialized facilities for handling, trading, and pricing eggs, and (4) trading and prices registered in these markets are widely reported by both governmental and private market reporting services.

Under these conditions, the strong interest of farmers, country assemblers of eggs, and others in central market prices and pricing methods is fully understandable. At the same time, there appears to be much misunderstanding and confusion both among farmers and within the egg trade with respect to these pricing processes.<sup>5</sup> Furthermore, dissatisfaction with these processes is widespread. As the importance of the central markets has waned with the development and growth of more direct marketing channels, criticism of the central markets has grown. The principal complaints against wholesale trading and central market price registering processes are: (1) Central market quotations regularly underquote true market values for eggs, and (2) central market quotations fluctuate more than is economically justifiable or desirable in terms of facilitating the marketing of eggs. In addition, the critics of central markets question that the trading interests involved in central market pricing and the small volumes of trading on which quotations are based can provide quotations which are sufficiently representative or reflective of egg supply and demand conditions in the marketing areas in which they are used.<sup>6</sup>

This study was undertaken as a first step in a research program to examine the bases of the criticisms, to suggest means of improving the performance of price registering processes in four central markets and alleviating such shortcomings as might be uncovered, and to increase public understanding of the market structure and operations. The Los Angeles market was included in the study not only because it is one of the large markets for eggs in the United States, but also because of the contrasts in market organization and pricing methods between it and the other three markets studied.

The principal sources of information for this study were the distributors of eggs in Los Angeles. A total of 15 distributors, 2 brokers, and 1 egg-breaker, handling between 50 and 60 percent of the Los Angeles area market requirements of eggs, were interviewed in 1955. In addition, interviews were held with reporters of the Federal-State Market News Service, with the Los Angeles County Farm Advisor, farm organization officials, and representatives of cooperative bargaining associations. Some data were obtained from secondary sources.

## MARKET ORGANIZATION, CHANNELS, AND PRACTICES

The Los Angeles egg market stands in sharp contrast with the New York, Chicago, and St. Louis egg markets with respect to its organization, assembly and distribution

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<sup>4</sup> Manchester, A. C., *op. cit.*; and March, R. W., and Herrmann, L. F., *The Establishment of Central Market Butter Prices in Chicago and New York*, Marketing Research Report No. 53, Prod. and Mktg. Adm. U. S. Dept. Agr. Washington, D. C., June 1953.

<sup>5</sup> For example, see *Price Spreads on Poultry and Eggs, Hearings Before the Committee on Agriculture and Forestry, United States Senate, 83d Congress, 2d Session, December 2 and 3, 1954.*

<sup>6</sup> Shepherd, G. S., "Changes in Structure," *op. cit.* Similar criticisms have been made of central market prices for butter. For example, see March, R. W., and Herrmann, L. F., *op. cit.*

channels and trade practices.<sup>7</sup> The market is organized on the basis of securing nearly all of its supply from nearby relatively large, specialized egg farms. In fact, the organization of production in the nearby supply area are so interdependent that one cannot be considered without reference to the other.

Marketing channels are highly direct. Eggs move rapidly from farms to consumers, and comparatively few handlers are involved. Most of the eggs are retailed through locally owned supermarkets.

Pricing methods and other trading practices, particularly between distributors and producers, are highly formalized. Large quantities of eggs are sold directly by ranchers to Los Angeles dealers under formal contracts negotiated between the dealers and several farmer cooperative bargaining associations. These and other less formal negotiations between dealers and producers have contributed to the development of the particular form of quotation pricing system now operating.

### Nearby Egg Ranches<sup>8</sup>

Nearly all of the shell eggs handled by Los Angeles dealers are purchased directly from ranches within 50 to 60 miles of the city. Few of these ranches have laying flocks of less than 500 hens and most flocks are in the range of 1,000 to 15,000 layers. Many ranches produce from 50 to 100 cases of eggs a week. The egg-producing area in the vicinity of Los Angeles is one of the leading areas in the United States in production, in numbers of large, specialized egg farms, and in the proportion of layers housed in cages.<sup>9</sup>

Considerable emphasis has been placed by both producers and dealers on production and marketing of high-quality eggs and on uniform volumes in all seasons. Production schedules on many ranches provide for almost continuous replacement of layers and seasonally uniform outputs. Most producers have the necessary facilities and follow the practices required to produce and market consistently high-quality eggs. Eggs are collected at the ranches or are delivered by producers on a regular twice-weekly schedule.<sup>10</sup> Producers size all eggs and grade them to the extent of placing checks, stains, and dirties in separate containers prior to delivery. Periodically, monthly or bimonthly, eggs from each ranch are graded by a U. S. Department of Agriculture egg grader to determine the grade basis for making payment to each producer.

### Cooperative Bargaining Associations

About 20 cooperative bargaining associations of from 5 to 10 producers each were operating in the Los Angeles market in 1955. These associations do not handle shell eggs but bargain annually with some Los Angeles dealers on the terms of sale. It is estimated that their contracts with distributors cover the sale of about 10,000 cases of eggs a week, or about one ninth of all eggs received in the Los Angeles market. Indirectly, they seem to influence the terms of sale of a much larger volume of eggs not under formal contract. The purchasing practices followed by nearly all independent dealers interviewed in 1955 were found to be essentially similar to those established by the contracts.

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<sup>7</sup> Boston might also be included in this group. See Brown, *op. cit.* However, the organization of the Los Angeles market may not differ greatly from the organization of egg markets in several other large cities not included in this study.

<sup>8</sup> In the Los Angeles area, the term "ranch" is used to designate a farming unit which in most other areas in the United States is called simply a "farm." Most poultry ranches do not have large acreages and are single-enterprise production units.

<sup>9</sup> The five counties in the Los Angeles "eggshed," Los Angeles, San Bernardino, San Diego, Orange, and Riverside, ranked, respectively, first, third, eighth, ninth, and twelfth in egg production among all counties in the United States in 1954, according to the Census of Agriculture, 1955.

<sup>10</sup> Eggs are collected three times a week from some large ranches.

The contracts establish procedures for determining paying prices to producers, conditions of collection, methods of determining grades as a basis for computing payments to producers, pricing of eggs delivered by producers in excess of certain base quantities, methods of settlement of disputes, and numerous other terms of trade. The bargaining groups are responsible for compliance by members with the provisions of the contracts and keep a watchful eye on dealers to see that they abide by the agreements.

Two principal types of contracts were in use in the market in 1955. The oldest type of contract provides for determination of prices to producers, f. o. b. farms in the Los Angeles area, on the basis of the prices of grade A eggs to retailers in Los Angeles as reported by the Federal-State Market News Service. The base prices used are the top, or outside, prices of the ranges for large, medium, and small eggs, consumer graded, in 30-dozen cases, f. o. b. distributors' houses. Prices to retailers for eggs of the same quality and sizes in consumer cartons usually are 3 cents higher and delivered prices usually are another cent higher.

The contracts usually establish prices to producers at fixed differentials under these base prices. For example, a "4-5-6" contract provides for a differential of 4 cents under the base price for large Grade A eggs, 5 cents under the base price for medium Grade A eggs, and 6 cents under the base price for small Grade A eggs. All sizes of Grade AA eggs and jumbo and extra large Grade A eggs are priced to producers as if they were Grade A large eggs. Checks, stains, dirties, and Grades B and C eggs may be priced in different ways; for example, at half the base price of medium Grade A eggs.

Grades of eggs marketed by producers are not determined for each shipment. Instead, they are determined usually monthly or bimonthly by a U. S. Department of Agriculture egg grader. Other terms of the contracts usually require dealers to bear all costs of collecting eggs from ranches, including provision of usable egg cases, and establish other conditions of sale.

A more recently developed type of contract is essentially like the older type with an important exception. It provides for payments to producers on the basis of a value-score schedule. Grades AA, A, B, and C eggs, and stains, checks, and dirties are assigned values based on Grade A eggs scored at, say, 100 points. A schedule of price differentials also is established, with differentials increasing as the average grade value assigned to a producer, determined by periodic grading, declines.

An important exception to the practices just described is provided by the procurement practices of the egg handling subsidiary of a large national corporate chain of food stores. This firm is one of the largest egg buyers in the market. It purchases eggs directly from ranches on the basis of its own grading of each lot of eggs collected from a producer. Its paying prices and other terms of procurement are not established through formal negotiations with producers or bargaining associations. The company has stated that its paying prices are not directly based on the prices to retailers reported daily by the Federal-State Market News Service, but are established independently, presumably on the basis of analysis of current supply-demand conditions in the Los Angeles market. However, the firm's paying prices net to ranchers of necessity must average essentially the same as those of other buyers in this highly competitive market. Similarly, its services to ranchers in the assembly of eggs must be competitive in quality and kind.

### Los Angeles Distributors

The marketing of nearly all the shell eggs received in Los Angeles, exclusive of retailing operations, was handled by about 60 firms in 1955.<sup>11</sup> In addition, 5 egg brokers and 3 egg breaking companies were active. Most of the distributors are independent firms whose principal business is the handling of shell eggs. Four are large dairies which

<sup>11</sup> Several individuals seemingly well informed on the history of the market indicated that more than twice this number of distributing firms were in the egg business a decade earlier.

deliver eggs on both wholesale and retail routes. Several are distributors of a considerable range of food products. One is a producers' cooperative - not a bargaining association - which also sells feed and farm supplies. And one is a subsidiary of a national corporate chain of food stores. The national meat packing companies are not active in the distribution of shell eggs in the city.

The typical egg distributor in Los Angeles is not exclusively a wholesale receiver, a country assembler, or a jobber. He is a combination of such firms. He performs all of the functions frequently handled in some large markets by as many as 4 or 5 separate firms. More specifically, he collects eggs directly from ranches in his own trucks, and he candles, cartons, and distributes eggs directly to retail stores, and even in some cases to consumers.<sup>12</sup>

The 15 distributors interviewed in the study obtained directly from producers, nearly 94 percent of all the eggs they handled in 1954. Only 6 percent were obtained through other dealers and brokers.<sup>13</sup> It should be noted that these percentages are averages and that dealers vary considerably as to sources of eggs purchased. Apparently a few regularly obtain large proportions of their egg receipts outside California, while many obtain almost 100 percent directly from nearby farms.

The pattern of receipts by days of the week is largely determined by the scheduling of egg assembly trucks. This, in turn, is greatly influenced by the demands of retail stores with respect to delivery days and the time required by distributors to collect, candle, carton, and deliver eggs to stores. Twice-weekly collection from farms is a common practice. As a result, receipts are heaviest on Mondays, Tuesdays, Thursdays, and Fridays.

Deliveries of eggs to stores are heaviest on Wednesdays, Thursdays, and Fridays. This delivery pattern places eggs in retail stores in time to take care of the usual heavy weekend outmovements.

Sales of the Los Angeles distributors, excluding the dairies, contacted in this study were, as a group, divided as follows: 88 percent to retail stores, dairies, and peddlers; 4 percent to hotels, restaurants, and institutions; 5 percent to other dealers in Los Angeles, including egg breakers; and 3 percent to dealers outside the city. Sales patterns, of course, vary considerably among the distributors. Approximately 82 percent of the distributors' egg sales in 1954 were consumer-graded and cartoned.

Most of the sales to retailers are made to stores generally considered to be in the supermarket class. Most of these are locally owned, with from 1 to 20 units in a firm. National corporate retail food chains have a relatively small proportion of the total grocery business in Los Angeles. Only one national chain has an integrated egg assembling, grading, and retailing operation. This, in turn, may account, in part, for the dominant role of the independent distributors in the marketing of eggs in the city.

The small volumes of "street trading" in eggs in Los Angeles may be attributable to a number of factors.<sup>14</sup> Los Angeles distributors purchase nearly all of their egg supplies

<sup>12</sup> A few of the most distant ranches in the Los Angeles supply area are served by independent egg assemblers and by grading and buying stations owned by Los Angeles distributors.

<sup>13</sup> The Federal-State Market News Service reports that 12 percent of the 1954 market receipts originated outside California. However, since these reports do not cover receipts of all distributors, especially some of the smaller operators receiving all of their egg supplies directly from nearby producers, and since the reports include some of the receipts of breakers and brokers, it is probable that nearby producers supplied much more than 88 percent of the 1954 shell egg receipts of Los Angeles distributors.

<sup>14</sup> Street trading, as usually defined, involves transactions directly between wholesalers or distributors in wholesale quantities. The sales of only 5 percent of total receipts to other dealers, including breakers, may indicate that street sales are only from 1 to 3 percent of total sales.

directly from nearby ranches. These purchases are arranged, insofar as possible, to equal demands of their customers, mainly retail stores. The fairly steady demands of the retailers and the fairly uniform production rates on most Los Angeles area ranches naturally lessen the difficulties of matching supplies with needs at most times. Small, short-time storage operations often can take care of temporary imbalances. The location of the distributors in the city and in relation to each other may be another important factor lessening street trading volumes. Only a few of the 60 distributors are located in or near the old wholesale terminal. Most are scattered throughout the metropolitan area in different commercial districts. This decentralization in the market follows the pattern of decentralization in population and grocery markets so characteristic of Los Angeles. It not only places most distributors nearer their retail outlets, but also nearer the ranches from which they must collect eggs regularly. It is probable that the costs and inconveniences of street trading in this decentralized market tends to reduce volumes of such trading. Apparently most of the small volume of trading in eggs among distributors is of an accommodation nature to meet temporary deficits and surpluses of particular grades and sizes of eggs.

### Distributors' Margins

For the performance of the marketing functions of assembling, grading, cartoning, and distributing eggs in the city, the independent distributors obtain gross margins averaging in the range of 8 cents to 10 cents a dozen.<sup>15</sup> This is a larger margin than is apparent from a cursory examination of the pricing arrangements between producers and distributors described briefly above.

Under the common "4-5-6" contract, producers receive for the usual ranch pack 4 cents per dozen under the top of the range of prices paid by retailers for Grade A large eggs in 30-dozen cases f. o. b. a distributor's plant. The discounts to producers on medium and small eggs are set at 5 cents and 6 cents a dozen, respectively. The usual ranch pack consists in the main of Grade A eggs, some 30 to 40 percent Grade AA eggs, and very small percentages of B, C, and undergrades. In addition, the usual pack of large eggs may contain a few extra large and jumbo sizes. Although no premiums as such are paid by distributors for the AA eggs or for the larger sizes, premiums of 3 to 4 cents a dozen are obtained by distributors from retailers. About 30 percent of total egg sales by distributors consist of Grade AA eggs. In addition, prices to retailers for cartoned eggs are about 3 cents above prices for loose eggs, and delivery service usually adds another cent.

Offsetting these factors, contributing to gross margins on some grades and sizes of eggs as high as 12 cents or more, are several conditions which tend to reduce margins below these maximums. Perhaps the most important is the fact that with the producer price based on the top of the range of prices to retailers, many dealers, possibly even a majority most of the time, are selling eggs to retailers at somewhat lower prices. The usual range in reported prices to retailers is about 2 cents a dozen. In addition, a common practice in Los Angeles involves the granting of occasional price discounts by distributors to their supermarket outlets so that the latter may advertise "special sale" prices on eggs on several weekends each year. The disposal of undergrade eggs and occasional excess supplies and the purchase of small quantities when receipts from regular sources are below needs may also at times adversely affect operating margins.

### Brokers

The egg brokers active in Los Angeles appear to handle three types of transactions for distributors: Inshipments from other markets and country points, chiefly in Utah, Minnesota, South Dakota, and Iowa; outshipments to other Pacific coast and Southwestern

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<sup>15</sup> In the year ending June 30, 1956, gross farm-to-retail price spreads for Grade A large eggs averaged 15.2 cents a dozen. Of this amount, about 8.1 cents was the average margin of distributors. Among large United States cities, Los Angeles has relatively low marketing margins on eggs.

markets; and movements of eggs among distributors within the city. The total volume of these transactions is unknown, but probably is not large. The brokers interviewed in 1955 indicated, furthermore, that brokerage operations were declining, not increasing. Not only does the present organization of the market and the high proportion of receipts from nearby areas reduce the need for the services of brokers, but the large size of a number of egg distributors makes direct negotiation with country shippers in the Midwest and Utah more feasible. These factors may be largely responsible for the relatively small number of active egg brokers, only 5, in the city, and for the generally small scale of their operations.

### Egg Breakers

Three egg-breaking firms were operating in Los Angeles in 1954. They provide an essential market for the cracks, leakers, dirties, and other undergrade eggs which the distributors receive in separate packs or grade out of the eggs they purchase from producers and others. The breakers also purchase some of the surplus eggs Los Angeles distributors must dispose of occasionally and purchase eggs of breaking qualities in other areas.

### Federal-State Market News Service

Los Angeles egg prices at the wholesale, jobbing, and retail levels of trading are reported daily by the Federal-State Market News Service in its Daily Market Report of Dairy and Poultry Products. No private reporting firm is active in the market.

The market news reporter is a trained and experienced market news analyst. Each morning he contacts from 10 to 12 dealers for information on receipts of eggs, movements of eggs into retail outlets, prices received for eggs sold to retailers and other dealers, prices paid for eggs purchased from dealers, and other related marketing conditions. Most of these contacts are made by telephone because the widely scattered locations of the distributors throughout the city make personal visits costly and time-consuming.

The market news reporter calls the major dealers and a varying sample of smaller dealers in the Los Angeles metropolitan area regularly. The 8 largest dealers in the market handle an average of more than 52,000 cases of eggs a week or more than 57 percent of the estimated Los Angeles area market requirements. Only 7 of these firms are considered to be actively engaged in pricing eggs to retailers. The volume of eggs handled by these firms tends to make them dominant as far as pricing activities are concerned.

On the basis of the information obtained from dealers and checked by calls to a sample of retail stores, the reporter determines the range of egg prices and the tone of the market. The latter is described in the Daily Report under "Egg Market Comments." The completed report is released to the newspapers and radio stations about noon each day and mimeographed copies are placed in the mail each afternoon.

In collecting price and related market information, the market news reporter serves to a limited extent as a clearinghouse for information to dealers who discuss the current condition of the egg market with him. Dealers frequently seek his opinion on trends and developments in the Los Angeles market and in other markets. The reporter serves a useful function in providing a source of information that in some markets is obtained through frequent contacts in "street trading," and in helping dealers to evaluate it. The reporter appears to have the confidence of the trade and exercises extreme care to maintain the confidential nature of information gained from the individual firms.

Wholesale selling prices are reported for minimum 30-40 percent AA large, medium, and small eggs, and for Grade A eggs of these three sizes, cases included, if there is sufficient trading to justify a price report. The minimum 30-40 percent AA eggs constitute the ranch or producer pack. Prices to retailers, cases exchanged, f. o. b.



distributors' plants, are reported for AA, A and B eggs of four sizes--extra large, large, medium, and small. But only the tops of the ranges of prices of Grade A eggs are used by most distributors in determining paying prices to producers. Retail prices (prices to consumers) in large retail stores and on milk routes for Grades AA and A cartoned eggs also are reported.

In addition to the Los Angeles prices, the daily report includes paying prices at ranches in the Modesto and Fresno (California) areas, wholesale selling prices in several other large cities (including New York and Chicago), Quartermaster Corps purchases and prices, and prices of egg futures contracts on the Chicago Mercantile Exchange. The Los Angeles office of the service also issues a number of weekly and monthly reports providing the egg trade with information on cold storage holdings, movements of eggs into retail channels, and other facts of interest.

## PRICE STRUCTURE AND RESULTS

The key element in the pricing structure for eggs in Los Angeles is the price to retailers reported daily by the Federal-State Market News Service. Under the terms of the contracts between distributors' and producers' bargaining associations, the tops of the ranges of reported prices to retailers for Grade A eggs are used as market base prices. Fixed differentials, which differ only slightly among the contracts and which remain unchanged for long periods of time, are subtracted from these base prices in determining prices paid ranchers. The contracts also specify other important terms of sale. The oral agreements between the distributors and producers and the less formal trade practices followed by some dealers are, in practical effect, similar to the contracts. The result is a quotation pricing system which, in the determination of producer prices, appears to be more rigid than quotation pricing procedures in New York, Chicago, and other major egg markets.

On the other hand, the prices to retailers reported by the Market News Service in Los Angeles do not appear to be used as quotations in determining transaction prices at other levels of trading in a manner resembling the use of Urner-Barry egg quotations in New York.<sup>16</sup> Most distributors, especially the smaller ones, seem to use the reported prices as guides in setting their own prices to retailers. They apparently view the reported prices as the prevailing competitive prices in the market, which must be followed closely. The small volumes of eggs they distribute in Los Angeles provide them relatively little price influence.

Although this method of using the reported prices in practice may have much the same effect on market prices as quotation pricing, it is not necessarily a form of quotation pricing. Most firms may simply be following a policy of setting their prices at or near the market average, using the reported prices as guides. Or they may be pursuing a policy which, in practical effect, may be essentially the same, of following recognized market leaders. In this respect, the smaller distributors in Los Angeles may be reacting defensively to the power of the larger firms much as do small firms in other similarly structured markets.<sup>17</sup>

Price leadership in the Los Angeles market may or may not reside in the hands of a small group of large distributors. Identification of the leading firms and determination of the effectiveness of their leadership in pricing eggs in the market remains to be done.<sup>18</sup> In 1954, the 8 largest receivers of eggs handled about 55 to 60 percent of the estimated

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<sup>16</sup> It is a common practice among jobbers in New York City to set prices to retailers at a fixed differential over a particular Urner-Barry egg price quotation.

<sup>17</sup> For example, see Clodius, R. L., Fienup, D. F., and Kristjanson, R. L.; Procurement Policies and Practices of a Selected Group of Dairy Processing Firms. Research Bulletin 193, Wisconsin Agricultural Experiment Station, January 1956.

<sup>18</sup> Interviews with distributors and others in the market in 1955 brought forth comments to the effect that certain firms were quite generally regarded as leaders in volumes, prices, and marketing practices.

shell egg requirements of the metropolitan area. This dominance in egg volume, however, does not necessarily mean that price leadership is exercised by this group. Business and price leadership often go together, but not always.

Another unknown is the role the larger supermarket food stores play in determining prices through negotiations with distributors. The distributors interviewed in 1955 indicated that the largest retailers were not always passive in their reactions to changes in prices initiated by the distributors.

Another important uncertainty is the influence of the large national corporate food chain on egg prices both to ranchers and to retailers. As noted earlier, this firm follows what appears to be a somewhat independent policy in setting prices to producers. Also, because its egg handling operations are integrated with its retailing functions, it cannot report prices to retail stores to the Market News Service. Its influence on the market base prices, therefore, must be indirect. Independent distributors appear to watch closely its prices to producers and also its retail prices of eggs.

Competition among distributors for retail outlets appears to be intense. Price is only one of several factors subject to adjustment for competitive purposes. In fact, the practical limits to price competition appear relatively narrow, primarily because of the similarity of the institutional and economic conditions confronting the competing firms. They draw most of their egg supplies from a single, relatively small supply area. Competition and bargaining with producers' groups combine to force the distributors to pay almost identical prices and provide essentially similar assembly services to producers. The agreements with producers also go far toward establishing uniform gross operating margins among distributors. Their operating cost structures also may be quite similar and gross margins are low. All together, these conditions seem to set narrow limits to price competition and encourage various nonprice techniques.

For these reasons, the phase of pricing activity in which the major egg distributors seem to have some flexibility is in establishing, through negotiations with major retailers, a set of market prices which seem likely to "clear the market" periodically. The larger firms undoubtedly are in a better position than the smaller ones to do this. They handle larger volumes; they have more contacts with producers and retailers in the Los Angeles area and with shippers and dealers at distant locations; they may have more complete knowledge of market conditions; and their size in relation to the market as a whole is such that smaller firms probably cannot ignore their actions. There is no indication, however, that the generally dominant position of a small number of firms has been detrimental to the market as a whole or to producers and consumers.

### Grade-Size Price Relationships

Los Angeles distributors, on the average, sell about 30 percent of their egg receipts as Grade AA eggs at a substantial premium over prices of Grade A large eggs. In 1954, this premium averaged 3.85 cents and most of the year was 4 cents above the top of the range of prices of Grade A large eggs to retailers. Generally speaking, prices of the two grades of eggs changed together and by equal amounts. Seasonally, only slight and unimportant differences in the size of the differential occurred (Fig. 1).

No premium is paid, in a direct sense, to producers for delivering Grade AA eggs, but premiums are paid indirectly.<sup>19</sup> Under contracts providing for the value-score method of determining average grade values, differentials under reported prices to retailers for Grade A eggs decrease as the average grade score increases. That is, a higher net price is paid producers having, on the average, higher quality eggs. Under contracts of the common "4-5-6" type, it is quite probable that differentials under the market base prices would have to be greater than they presently are if distributors could

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<sup>19</sup> An important exception to this appears to be the one large buyer of eggs who, as noted earlier, pays producers on the basis of the grades and quantities of eggs in each lot of eggs received.

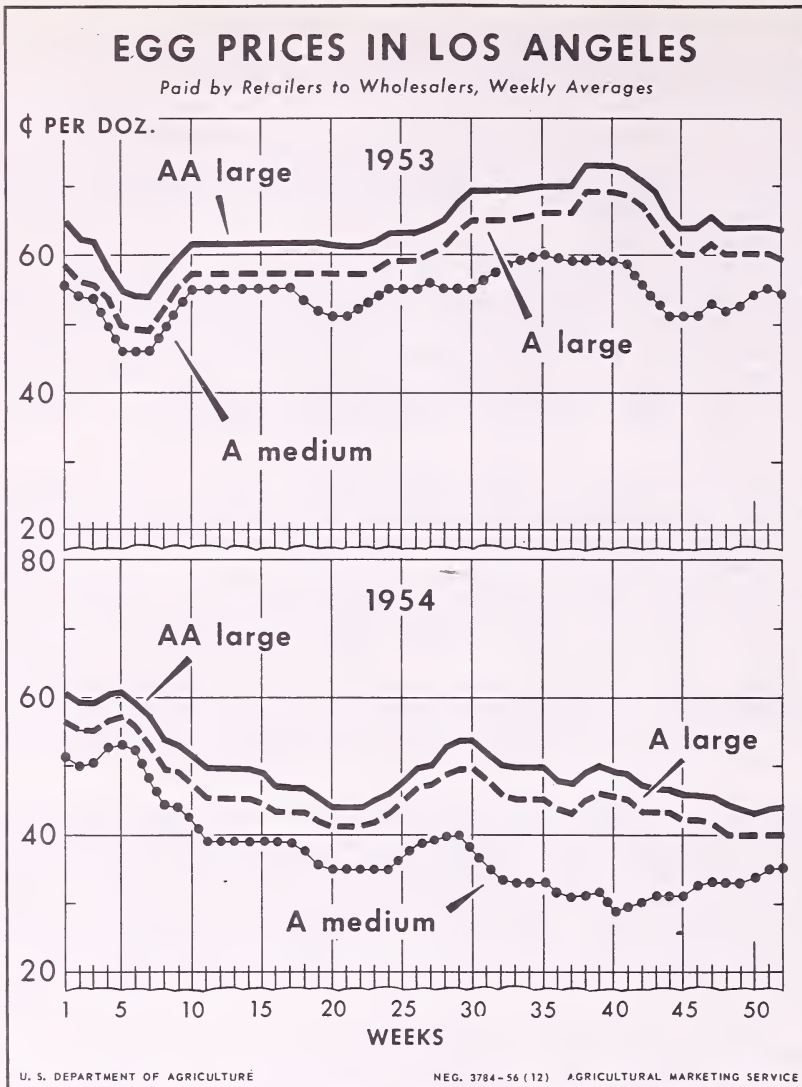


Figure 1

not sell about 30 percent of their egg receipts at premium prices. In addition, it is possible that a few producers marketing eggs of an exceptionally high average quality may be in a favorable position to secure some non-price concessions from distributors not given to producers generally.

Prices of Grade A medium eggs to retailers in Los Angeles averaged 8.14 cents a dozen below prices of Grade A large eggs in 1954. Because of sizable seasonal variations in relative supplies of the two sizes of eggs, price differences between them varied markedly. In 1954, for example, Grade A medium eggs were priced only 2 cents a dozen under Grade A large eggs for an 8-week period in the spring, but in the fall this differential widened to 9 to 11 cents for about 10 weeks. Since producer prices are based on these prices to retailers, they reflect similar seasonal variations. In addition, many of the agreements between producers and distributors give the latter a 1-cent wider margin on medium eggs and a 2-cent wider margin on small eggs.

## Price Fluctuations

Another contrast between the Los Angeles egg market and such other large markets as New York and Chicago is the relative stability of prices at all levels of trading in Los Angeles. This stability can be measured roughly in two common ways, by the frequency of price changes and by the magnitudes of these changes.

In 1953, the top price to retailers for Grade A large eggs, the most important reported price in Los Angeles, changed 26 times. This is an average of only once every 2 weeks. Seven of the changes were 1 cent a dozen and 19 changes were 2 cents a dozen, for an average of 1.7 cents a dozen. In 1954, this same basic price changed 27 times. Of these changes, 11 were 1 cent a dozen, 13 were 2 cents a dozen, and 3 were 3 cents a dozen. This is also an average of 1.7 cents a dozen. In both years there were several prolonged periods, up to 13 weeks in length, when no change in the top price of Grade A large eggs to retailers was made.

In contrast, wholesale selling prices of top grade nearby white eggs in New York changed on 132 days, or about 5 times in every 2-week period in 1954. The average amount of the change was 1.7 cents a dozen. At no time during the year did the price of this grade of eggs in New York remain unchanged for as long as 2 weeks. The maximum change also was greater in New York, although the average amount was about the same in the 2 cities.

While it is readily conceded that wholesale prices probably change more often than prices to retailers, the comparison of the 2 price series in the 2 cities made here is reasonably valid since both are regularly used in fixing prices paid to producers and country shippers of eggs under quotation pricing systems.

Changes in prices to retailers by days of the week appear to have been distributed more or less randomly in 1953 and 1954. At least, there appears to have been no consistent tendency for prices to fall or to rise on any given day of the week, in spite of the decidedly uneven distribution of distributors' receipts and deliveries of eggs within the week.<sup>20</sup> Apparently distributors, in pricing eggs to retailers, usually discount these reasonably predictable variations in available supplies. Therefore, the statement sometimes made that producer prices frequently are lowest on those days of the week when receipts are largest is not supported by available evidence. Furthermore, there seems to be no particular advantage or disadvantage to a producer in selecting a particular day of the week on which he is to be paid for his deliveries of eggs, provided he uses the same day over reasonably long periods, such as a year, so that chance price variations will average out.

Seasonal price changes for eggs in the Los Angeles market follow in a general way the seasonal price pattern common throughout most of the United States. Prices generally are considerably lower in the spring than in other seasons. However, the highest prices in Los Angeles tend to come somewhat earlier in the late summer and early fall than in most parts of the United States. In fact, some contracts between producers and distributors recognize the changed seasonal pattern of production in the Los Angeles area by providing for reduced prices to producers in October and November for all eggs in excess of a certain percentage of spring deliveries.

The principal reasons for generally higher summer and fall prices and generally lower spring prices appear to be:

(1) Los Angeles prices must, of necessity, stay in line, that is, be competitive, with prices in other markets and major producing areas. Prices in these markets and producing areas still vary sharply seasonally, even though the amplitude of these seasonal price movements has fallen markedly in recent years. (2) Producers probably require seasonal price incentives to induce relatively uniform seasonal production rates because

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<sup>20</sup>Similar analyses in the New York market produced essentially similar findings.

of the greater difficulties and costs of producing and delivering a given quantity of eggs of a given average quality in some seasons than in others.

### Intermarket Price Relationships

In a general way, egg prices in Los Angeles follow the seasonal and cyclical price movements in other major egg markets and producing areas. Eggs can be moved into and out of the city without great difficulty and at relatively low cost. The market, including its "eggshed," has no important barriers to trade with other parts of the United States other than those resulting from its location. In addition, the market must "import" a small percentage of its total egg requirements from large surplus egg producing areas in which Los Angeles distributors must compete directly with buyers from other large markets, especially New York and Chicago.

When Los Angeles area production is insufficient for local requirements, eggs are brought in from the surplus producing areas of the Midwest, principally Minnesota and Iowa.<sup>21</sup> Shippers in these States regularly sell eggs throughout much of the United States. They naturally are sensitive to differences in prices among cities. Under these conditions, it is apparent that Los Angeles distributors must pay Midwestern country shippers' prices high enough to induce a diversion of shipments to the city. New York City appears to be the principal market among those most strongly competitive with Los Angeles and other Western cities in the Midwestern egg surplus areas. Los Angeles distributors, probably for this reason, indicated in 1955 that they watch egg prices in New York, and secondly, Chicago prices most closely for indications of current national trends in egg values.

When egg production in the Los Angeles area exceeds local needs--and surpluses do develop at times--eggs must be sold in other markets. A few distributors sell small quantities in other cities in California and in the Southwest as far eastward as Texas. Here, too, on the selling side, Los Angeles area eggs come into competition with eggs produced elsewhere in the United States, especially in the Midwest. And at other times, when local needs and production are nearly equal, the relatively low cost of transporting eggs from the Midwest and other areas into the city forces distributors to hold local prices within the limited range set by this competition.

The similarity of movements in egg prices in Los Angeles, New York, and Chicago is clearly shown in figure 2. This graph also shows clearly the relatively greater stability of Los Angeles egg prices, discussed earlier. The degree of correlation between Los Angeles and New York prices is higher for monthly averages than for weekly averages, and still higher for monthly prices than for daily prices. However, caution should be used in comparing the price lines in figure 2, because of the pronounced differences among the markets in grades of eggs, points of delivery, levels of trading, and other conditions of trading. The several price lines are shown to illustrate the intermarket price relationships, not absolute differences, through time.

Other factors which seem, on the basis of statistical analyses, to have limited influence on Los Angeles market prices are reported receipts in the market, receipts at all Pacific Coast primary markets, and cold storage holdings. Receipts at all Pacific Coast primary markets appear to have somewhat more influence on Los Angeles prices than reported local receipts, but less influence than reported changes in national egg production.

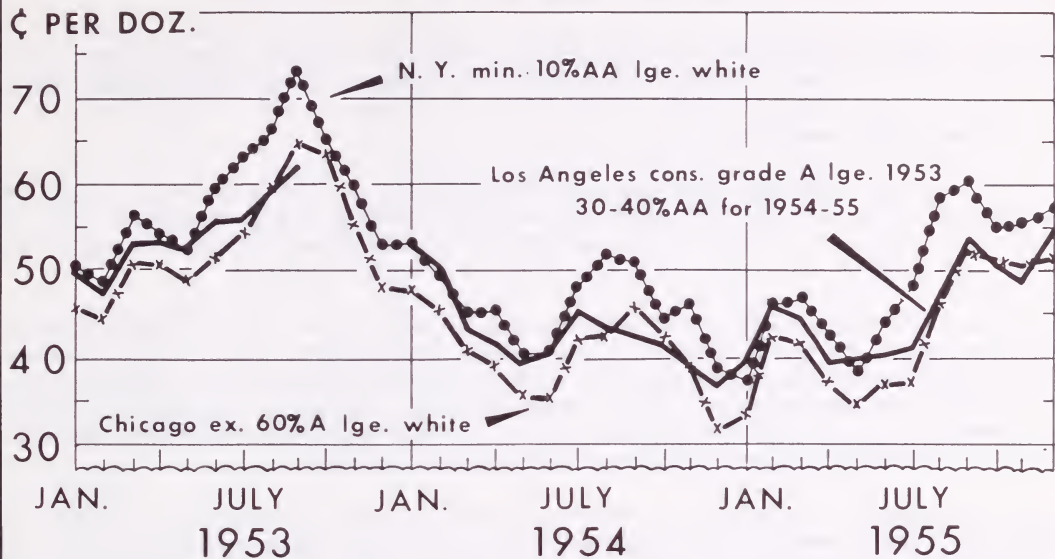
The quantity of eggs held in storage in Los Angeles seems to have little influence on prices, except that into-storage movements in April, May, and June, and out-of-storage movements in July and August may tend to reduce the seasonal variations in prices somewhat. The volumes of these movements in Los Angeles are relatively small and cold storage operations are carried on by distributors primarily for the purpose of assuring themselves of an adequate supply of good quality eggs in summer.

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<sup>21</sup> Small volumes are purchased also in Utah and the Dakotas.

# PRICES PAID FOR EGGS BY WHOLESALEERS IN 3 CITIES

Monthly Averages, 1953-55



U. S. DEPARTMENT OF AGRICULTURE

NEG. 3785-56 (12) AGRICULTURAL MARKETING SERVICE

Figure 2

## EVALUATION OF MARKETING SYSTEM

The present marketing system for eggs in Los Angeles, developed in recent years, is relatively simple in structure. Trade channels are quite direct. In operation, the system is both orderly and efficient. Gross farm-to-retail price spreads of 15 to 16 cents a dozen in 1955 were below gross margins in most major United States cities. Prices to producers and to retailers do not fluctuate widely or frequently compared with similar prices in many other markets. Difficulties in clearing the market through regular channels arise only occasionally.

### Price Results

Preliminary price analyses failed to show a high degree of correlation between egg receipts in Los Angeles, cold storage holdings, and prices. But there was a fairly close relationship between Los Angeles prices and egg receipts at primary West Coast markets and New York (or Chicago) prices. These findings may indicate that Los Angeles egg dealers can predict volumes of egg receipts with reasonable accuracy for weeks ahead. Dealers may also be able to handle the variations in receipts by temporary storage or shipments to other markets or to obtain additional supplies without highly disturbing price movements. The findings also suggest that egg production and prices in major surplus producing areas and prices in some large consuming markets have substantial influence on the general level of Los Angeles egg prices. These same factors influence the frequency and magnitudes of price changes in the market, at least to a limited degree.

The findings further indicate the need for more intensive statistical analyses of price relationships and related economic factors to explain, if possible, prevailing uncertainties on these matters.

## The Pricing Mechanism

Los Angeles is unusual among large egg markets in using prices to retailers as reported by the Federal-State Market News Service as base prices in setting prices to producers, under a relatively inflexible quotation pricing system. Traditionally, quotation pricing systems have been based on price quotations issued by a private marketing firm which uses the results of exchange trading as the principal indicator of market values.

Some Los Angeles distributors, especially the smaller firms, also use the reported prices as quotations in establishing their prices to retailers. It is also possible that many retail stores and other handlers of eggs use the reported prices and fixed differentials in setting retail and other prices.

For the foregoing reasons, it is apparent that prices to retailers for Grade A eggs are key elements in the pricing of eggs to producers in the Los Angeles area, and, perhaps, at other trading levels, also. The methods by which these prices are established and reported, therefore, are important and deserve careful scrutiny.

Logically, prices to retailers can be superior to wholesale or mercantile exchange spot call prices as base prices under a quotation pricing system. But, under certain conditions, these apparent advantages may not materialize in practice. In addition, use of prices to retailers as base prices creates some special problems of price reporting and quoting not ordinarily present if wholesale prices are used. These problems and the relative merits of the two price bases may be presented briefly:

(1) Market reports of prices to retailers ordinarily can be based on far larger volumes of egg sales than reports of wholesale prices. In most cities, street trading and trading on organized exchanges, if any, usually involve only a small fraction of the eggs received in the market. In Los Angeles, for example, street trading involves less than 5 percent of total market receipts, and part of this volume consists of sales to breakers of eggs of qualities not representative of total market receipts. In contrast, most of the eggs received in the city move through retail stores. Since price quotations based on exchange and street trading have been criticized sharply for small trading volumes, this volume advantage of a prices-to-retailers' quotation may be important.

On the other hand, the basis of trading which creates prices to retailers is subject to at least one of the same forces which has reduced wholesale trading volumes. Fully integrated food marketing companies eliminate trading between distributors and their retail stores. Internal company transfers of eggs, even when priced, cannot be used to reflect actual market values. Although the volume of eggs handled by such integrated firms in Los Angeles is not large in relation to total market receipts, this is not true in some cities where large integrated food chains handle huge volumes of eggs. Such firms can provide useful price information only on retail prices and prices to producers or country shippers. In addition to the reduction in volume of distributor-retailer trading, the representativeness of the remaining prices to retailers for use as market base prices may be adversely affected because of the marked differences between chain store egg marketing practices and those of small distributors and small independent food retailers.

(2) The establishment of prices to retailers may involve a far larger number of marketing firms than does the registering of wholesale prices. To the extent that retail stores actively negotiate with distributors on prices and other terms of trade, they participate directly in the price-making process. In addition, many distributors who rarely trade with other distributors, and hence can have little influence on wholesale prices, sell, as a group, large quantities of eggs to retail stores. In some markets--for example, New York and Chicago--the number of these firms is large. Although most are quite small, the group includes some sizable firms, a few of which are located outside the city. For these reasons, it is possible that the criticism of narrowness of trading interests covered by market reports of wholesale prices may be overcome in reports of prices to retailers.

Under certain conditions, however, the advantages of prices to retailers as market base prices, with respect to greater volumes of sales and larger numbers of marketing firms, may be rather illusory. If retailers generally are completely passive in their reactions to prices quoted to them by egg distributors, it would be difficult to support the argument that they have any more influence on egg prices under a quotation pricing system using prices to retailers as base prices than under a system using wholesale prices as base prices. In Los Angeles, it is not presently known how active retail food stores are in negotiating with dealers on egg prices. It is known that the Federal-State Market News Service regularly calls a number of retailers for price information, primarily to ascertain the accuracy of information received from distributors.

In other words, any practical advantage of prices to retailers over wholesale prices as market base prices under a quotation pricing system, by reason of larger trading volumes and greater numbers of marketing firms, is not guaranteed by the mechanism which generates the prices. Such guarantees must be provided by other aspects of the market organization of which the pricing mechanism is a part.

(3) Prices to retailers of eggs probably fluctuate less often and less widely than do wholesale prices. To the extent that criticism of quotations of wholesale prices that they fluctuate more than is necessary for efficient and orderly marketing is valid, this advantage may have considerable practical value. Prices to retailers may also be less subject to manipulation by one or a few firms, not only because of the larger volumes of eggs and numbers of marketing firms involved at this trading level but also because retailers may be presumed to be primarily interested in merchandising profits, not speculative profits.

(4) Perhaps one of the most difficult problems created by use of prices to retailers as market base prices is the problem of accurate price reporting. There can be little doubt that the task of the market reporter is made more difficult. The number of firms which must be contacted regularly for price information ordinarily must be larger than the number contacted on wholesale prices, assuming comparable accuracy of reporting. The total number of firms who can supply useful information is likely to be larger. Similarly, the total number of transactions and volumes of eggs sold ordinarily is greater. The greater diversity in terms of trade and associated services may require more information and analysis to determine total ranges, modal ranges, and typical prices. In addition to these difficulties, there is the constant need to identify and report on a sufficient volume of trading, independent of trading based on reported prices, to permit a satisfactory degree of accuracy and coverage.

In summary, the Los Angeles quotation pricing system for eggs based on prices to retailers seems to perform satisfactorily in setting prices to producers and at wholesale levels, too. This generally satisfactory performance seems to be only partially the result of inherent advantages of using prices to retailers as market base prices. It is in large part the result of the organization of the market, of which the pricing mechanism is a part. It does not necessarily follow that the same performance in pricing can be achieved by transferring the pricing system used in Los Angeles to other markets.

Among the important factors in the Los Angeles market which are favorable to the operation of its particular form of quotation pricing mechanism are: (1) The dominance of egg distribution by specialized, independent dealers; (2) the dominance of nonintegrated, independent supermarkets in the retailing of eggs; (3) the integration of egg marketing functions from assembly from ranches through distribution to retail stores by the dealers, and (4) active participation of producers, either directly or through their bargaining associations, in an important phase of the pricing process.

On further study, this fourth factor may prove to be especially important. The contracts and less formal agreements between distributors and producers or their associations seem to have taken from dealers much of their independence of action in pricing. At the same time, the agreements seem to have eliminated most of the opportunities dealers may have had formerly for speculative gains or losses from price changes. The agree-



ments appear to have the effect of establishing relatively rigid dealer margins and of rapidly transferring to producers most of the effects of price changes. Dealers remain free to alter prices to retailers unilaterally or by negotiation with retailers, but their merchandising margins are not appreciably affected by price changes except in the working inventories held by dealers. From the point of view of producers, this can hardly be considered an undesirable situation, provided the margins on eggs permitted to distributors is adequate to compensate them for their primary functions of assembling, candling, cartoning, and merchandising eggs to retail and institutional outlets. In fact, the reduction of opportunities for speculative gains through pricing may have a generally beneficial effect on the overall performance of the market by concentrating interest on plant efficiency and merchandising.

### Short-Time Receipts-Consumption Adjustments

One of the problems of the Los Angeles egg market which may be a direct result of its organization and its pricing mechanism is the problem of disposal of temporary surpluses of eggs. This problem appears to be far more acute for small dealers than for large handlers. It also appears to be more serious than the problem of obtaining eggs from outside sources during periods when local receipts are short of market needs.

Small dealers occasionally accumulate small lots of eggs which they cannot dispose of through regular channels at prevailing prices. Less-than-trucklots usually are expensive to store or to ship to other markets. Reductions in prices on all egg sales necessary to move a few extra cases of eggs into retail channels may be unprofitable, particularly if the period of surplus supplies seems likely to be short. Sales of surplus eggs to other dealers or through brokers who can accumulate trucklots of eggs for sale in other markets may have to be made at substantial discounts.

For these reasons, many small dealers have expressed considerable dissatisfaction with the structure of the Los Angeles market and its pricing system. A practical solution to their present difficulties in disposing of small, short-time excesses of supplies would be welcomed, and might contribute materially to the total efficiency of the marketing of eggs in the city. The need for a solution undoubtedly will increase should local egg production rise appreciably relative to local market needs. Some of the research now being conducted by the Western Regional Technical Committee on Poultry Marketing Research is designed to find a practical solution to this marketing problem in Los Angeles and other western cities.

### Some Unanswered Questions

This preliminary study of the Los Angeles egg market has revealed the need for information on several aspects of market structure and practice. Questions to be treated more fully in a final report include: (1) The question of price leadership and the roles of egg handlers of various types in determining prices; (2) the nature and extent of participation by retailers in bargaining on prices paid by them; (3) the impact of contractual relationships between producers and dealers on dealers' pricing and marketing practices; (4) the problems of reporting market prices in a market in which reported prices are used as quotations by important elements of the trade; (5) means of handling occasional short-time excesses and deficits in egg supplies to reduce both marketing costs and price disturbances; and (6) determination of the effects of various economic factors, such as prices in other markets, on Los Angeles egg prices.



