



### 2019 Outlook for the Powdered Egg Market

January 2019

#### Taming a Wild Ride

The past five years have been a rollercoaster ride for those engaged in the egg market. On the sunny side, we saw the introduction of the egg white McMuffin™. Then came the onset in the US of the avian influenza virus. The repercussions of this wild ride have left many buyers wondering what to expect and searching for the “new normal.” Notwithstanding the inevitable unpredictability of the egg market, the following factors can guide our expectations.

1. The US is prepared in the event of another Highly Pathogenic Avian Influenza (HPAI) outbreak. The Center for Disease Control and Prevention (CDC) has developed methods to contain and reduce the impact, should an outbreak occur. The largest outbreak in the US was detected in December 2014 and continued to mid-June 2015<sup>1,2</sup>. This involved 21 continental states and put the market in a record-high state, where demand outweighed supply and pricing sky-rocketed. Since then, a few cases of HPAI outbreak were reported in 2016 and 2017. Because the CDC enacted measures to detect, control and eliminate the virus, these outbreaks didn't have the impact of the 2014-2015 outbreak.
2. Egg Inventory (breaking stock) and feed combined have the largest impact on egg market pricing. With breaking stock and egg inventory, it's simple supply and demand: High inventories satisfy demand, which drives down market prices. The reverse is true, as well, with low egg inventory driving up demand and increasing prices.

The cost of feed also greatly impacts the amount of inventory and the cost to produce eggs.

Richard Broad, a market specialist that speaks on this topic every year at the Sosland conference, confirms, “One-third of the cost of egg production is determined by the cost of feed.” Many chickens are fed corn, so the corn market has a role to play in the overall pricing of eggs. The CME Group, a global markets company, publishes annual planting intentions for corn crops. This can be found on the [CME website](#), typically in the second quarter.

Many chicken farmers will keep a low inventory of eggs in anticipation of this report in order to adjust to better absorb the price of feed for the year ahead. If the planting intentions show an increase in the supply of corn, that's an indication that the cost of feed will come down, and therefore the overall cost of egg production will follow, along with less volatility due to the other factors involved to produce eggs. The opposite applies if the intention report shows a decline in the expected harvest of corn, therefore reducing the supply and causing an increase in the cost of feed.

3. The seasonality of eggs is somewhat predictable: The demand usually starts prior to Easter and carries through the holiday. It tends to drop off a little after Easter, but the use of eggs in manufactured items such as salad dressing, mayonnaise and ice cream hold demand steady throughout the summer. There can also be a lull in late summer prior to baking season. The market tends to incline in early fall in preparation for holiday baking and hold until mid-December, when it declines again until the pre-Easter rise.

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## Taming a Wild Ride (continued)

4. Egg replacers have reduced some of the overall demand for eggs. Though no replacer can truly match the functionality and nutritional value of eggs, some manufacturers turned to these replacers during the HPAI outbreak to mitigate the record-high prices of the time. Some manufacturers—but not all—have transitioned back to the use of eggs.
5. Exports also play a role in the US egg market. During and shortly after the 2015 HPAI outbreak, many countries refused to import eggs from the US. This decrease in export demand caused an increase in supply that caused the market to over-bounce back to record lows in 2016. The US then increased the export of eggs in August 2017, when eggs from a major distributor in the EU were found to be contaminated with Fipronil™, a widely-used ingredient used for pest control<sup>3</sup>. This affected an estimated 700,000 eggs from 15 EU countries.

Though nothing is certain in regard to expectations of the egg market, it's useful to consider recent history, seasonal trends, and future market outlook as influenced by the cost of feed, as well as international exports. As always, Batory Foods has our customers' best interests in mind when booking for 2019 estimated annual needs.

U.S. Powdered Egg Market  
Feb. 2, 2012 to Nov 27, 2018

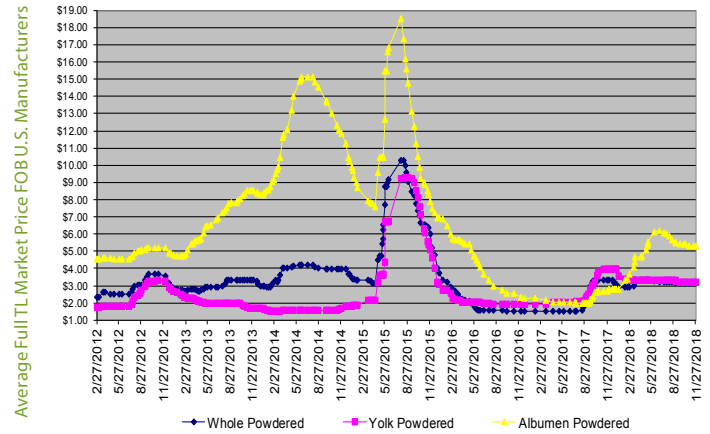


Fig.1 - Graph comprised of data sourced from Urner Barry daily reports.

<sup>1</sup> <https://www.cdc.gov/flu/avianflu/north-american-lineage.htm>

<sup>2</sup> <https://www.cdc.gov/flu/avianflu/h5/index.htm>

<sup>3</sup> Boffey, D., and Connolly, K. (2017, August 11). Retrieved from The Guardian: <https://www.theguardian.com/world/2017/aug/11/tainted-eggs-found-in-hong-kong-switzerland-and-15-eu-countries>

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