

2009 Cost of Production Survey

Condensed Report

to

Egg Farmers of Canada

by

The Thomsen Corporation

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Chairman, Egg Farmers of Canada
21 Florence Street
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RE: Condensed Report of the 2009 Cost of Production (COP) Survey and Update conducted on behalf of the Egg Farmers of Canada

Mr. Chairman,

I am pleased to enclose a condensed report of the 2009 Cost of Production Survey and Update conducted on behalf of the Egg Farmers of Canada.

Sincerely,

Joseph Thomsen

Acknowledgements

This report has been prepared for and with the financial support of the Egg Farmers of Canada.

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Summary

The 2009 Cost of Production (COP) project to survey and update the cost of producing a dozen eggs in Canada was conducted on behalf of the Egg Farmers of Canada (EFC) between December 2009 and December 2010. The project involved gathering cost of production data for the calendar year 2009 from a statistically representative survey of egg producers in Canada; calculating COP on the basis of the survey results; and reviewing and refreshing methods to update COP on a monthly basis post 2009. The project was conducted in consultation with the EFC COP Committee, and in coordination with EFC and provincial egg marketing board personnel.

The COP project or update was comprised of four major phases summarized below.

1. COP Project Schedule

- 1) **Planning, Preparation, and Documentation. December 2009-February 2010.** The first phase began with development and refinement of the overall project plan and schedule. Planning and materials were developed including the survey interview instrument and questionnaire, and training of interviewers for the producer survey component. Methods to calculate COP for 2009 and generate monthly updates, thereafter, were reviewed and refreshed.
- 2) **Survey of Producers.** A survey of a representative sample of egg producers in all provinces was completed between **March and May 2010**. Close coordination with EFC and provincial egg marketing boards ensured successful communication and recruitment of survey participants. Producers were surveyed in person by a team of experienced interviewers assembled for the purpose.
- 3) **Data Compilation, Analysis, and Follow-up; and Preliminary Reporting.** From **May to July 2010**, survey results were compiled, validated, and analyzed to calculate national and provincial COP, methods to update COP post 2009 were refined, and updates were generated culminating in a preliminary report to the COP Committee.
- 4) **Reporting.** From **August to September 2010**, preliminary COP estimates for 2009, monthly updates for 2010-to-date, and documentation of project methods and results were refined. **October to December 2010** will see reporting of final results to the EFC Board of Directors, and a thank you letter and summary statement sent to producers who participated in the survey.

2. The Survey

The population surveyed included producers with 3,000 layers or more including eggs for processing who produce regular caged white/brown eggs and/or caged white/brown Omega 3 eggs from hens fed with other kinds of specialty rations. Exclusions from the target population were specialty production operations such as free run, free range, and organic producers; multi-commodity operations where costs could not be reasonably separated; farm units with downtime of 3 months or more; and those who sold all of their quota in 2009. Multi-quota and multi-facility farms, where costs are not kept separately, were recorded as a single farm unit.

3. Survey Tools and Processes

Several tools and processes were used to assure reliable field and survey data, and COP estimates. The following were major items used in the field and data assembly and analysis components of the project:

- Integrated computer based survey and interview questionnaire and COP calculator
- In-person interviews with all survey participants
- Four point in-field and post-field survey data verification and validation.

4. Survey and COP Results

The survey sample was designed to target a national average COP estimate accurate within 2.5 percent based on 120 completed interviews across the country. The national total COP estimate for 2009 is accurate to within 2.2 percent¹. Regional estimates are accurate in a range of 3.5-to-7.3 percent.

5. COP Components

The major components of the COP are set out below.

- 1) Layers
- 2) Feed
- 3) Labour
- 4) Operating
- 5) Manure and Environmental
- 6) Depreciation
- 7) Return on Investment

¹ 95 percent confidence level

6. Productivity Factors

The following table compares national productivity indicators for the 2009 and previous COP surveys. The national average rate of lay continues to improve. Feed efficiency improved relative to 1999, while labour efficiency declined. The drop in labour efficiency is associated, in part, with an increase in labour hours captured by the 2009 Survey.

| Physical Productivity Indicators, Canada 1999-2009 | | | |
|---|-------------|-------------|-------------|
| Indicator | 1999 | 2004 | 2009 |
| Rate of Lay dozen/bird | 24.41 | 24.99 | 25.44 |
| Feed Conversion Ratio kg/dozen | 1.5759 | 1.4999 | 1.5246 |
| Labour Hours Per Dozen | 0.0092 | 0.0076 | 0.0103 |

7. Updating COP Post-2009

The average cost of producing one dozen eggs based on the 2009 Survey is updated monthly by indexing the cost of each major component in the COP formula by province. Once each component is indexed, the updated costs are summed to calculate the monthly average cost of producing one dozen eggs.