



# Caribbean Table Egg Industry Competitiveness

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# Context

- ◆ CARICOM Table egg industry makes significant contributions to:
  - Foreign exchange savings (44-60 million USD/year)
  - Farmers employed (1,700+)
  - Workers employed (7,000 +)
  - Agricultural activity (one of a few agric industries in which near self-sufficiency achieved in each CARICOM Member State)
  - Rural socio-economy
  - Possibilities for enhanced nutrition since it is one of the cheapest sources of animal protein

# The Competitive Environment

- ◆ The environment in which domestic production occurs is conditioned by:
  - The international competitive environment and more-so conditions created by major trading and potential trading partners (in the case of CARICOM the USA and Brazil). This aspect can be captured by factors such as product price and costs, and non-monetary factors such as quality, standards, and degree of product differentiation
  - Domestic policy environment – regional/national level trade, fiscal, and monetary policies; domestic support re:, research, extension, food safety, animal health services
  - The nature of markets within countries (monopolistic; oligopolistic; competitive)
- ◆ Slides that follow examine these aspects

# International Environment – SE USA White Egg Prices (US\$/doz)

	1997	1998	1999	2000	2001	2002
Ex Large						
Annual Average	0.892	0.845	0.724	0.760	0.739	0.770
Annual High	1.090	0.940	0.940	1.090	1.040	0.940
Annual Low	0.720	0.670	0.540	0.580	0.590	0.590
Large						
Annual Average	0.855	0.806	0.691	0.735	0.719	0.736
Annual High	1.050	0.910	0.920	1.080	1.030	0.930
Annual Low	0.690	0.610	0.490	0.550	0.560	0.560
Medium						
Annual Average	0.715	0.622	0.547	0.613	0.577	0.590
Annual High	0.920	0.790	0.810	0.910	0.880	0.790
Annual Low	0.570	0.460	0.400	0.460	0.410	0.460
Small						
Annual Average	0.568	0.464	0.429	0.439	0.428	0.450
Annual High	0.690	0.570	0.560	0.500	0.500	0.530
Annual Low	0.460	0.380	0.310	0.410	0.330	0.420

# Int'l Environment – SE USA Egg Product Prices (US\$/kg)

Egg Products	1997	1998	1999	2000	2001	2002
Liquid Pasteurised Whole Eggs						
Annual Average	0.972	0.897	0.743	0.734	0.728	0.754
Annual High	1.257	1.168	0.937	0.948	0.904	0.948
Annual Low	0.816	0.705	0.551	0.551	0.595	0.617
Frozen Whole Eggs No Colour						
Annual Average	1.232	1.124	0.972	0.952	0.968	0.941
Annual High	1.411	1.345	1.102	1.146	1.058	1.058
Annual Low	1.124	1.014	0.838	0.816	0.860	0.838

# Int'l Environment – Brazil White Egg Prices (US\$/doz)

Grade A White Shell Eggs	1996	1997	1998	1999	2000
January	0.99	1.10		0.26	0.32
February	1.04	1.17		0.26	0.41
March	1.17	1.33		0.32	0.37
April	1.26	1.32		0.28	0.37
May	1.28	1.24		0.34	0.30
June	1.36	1.28		0.35	0.34
July	1.38	1.31		0.31	0.35
August	1.37	1.29		0.30	0.40
September	1.33	1.23		0.26	0.37
October	1.23	1.16		0.26	0.34
November	1.15	1.11		0.32	0.32
December	1.11	1.08		0.38	0.37
Simple average	1.22	1.22		0.30	0.36

# Int'l Environment

## -- Comments

- ◆ Variability of prices is important in analysis:
  - annual averages give a good sense of conditions in most years or for most of the year;
  - Low points in across-year or within-year price cycles indicate the levels of efficiency and/or protection that may be required in the domestic market;
  - Low points are therefore important in commodity/industry strategic planning exercises
  - Our analyses will use both the annual average and the five-year low for the SE USA

# Domestic Environment – Applied Tariff Rates (%)

Product	HS										
Description	Code	Bah	Bar	Bel	Gda	Guy	Jam	StL	STV	Sur	T&T
Licenses		Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	No
<b>Finished Product</b>											
Eggs - shell (table) eggs	407	22	152	40	47	54	86	44	59	12	40
Eggs – Liquid	408	22	40	40	47	54	40	54	44	12	134
Eggs – Dried	408										
Eggs - Liquid/Dried ...	408										
<b>Intermediate Products</b>										12	
Eggs - yolks, albumin,...		22	40	40	83	54	40	21	44	12	40
Baby chicks < 100 gms		2	40	40	47	54	40	51	4	12	40
Feed - complete poultry feed		2	15	15	20	26	15	36.7 5	29	12	15

# Domestic Environment— Applied Tariff Rates Cont'd

Product										
Description	Bah	Bar	Bel	Gda	Guy	Jam	St L	St V	Sur	T&T
Raw Material & Equipment									12	
Hatching Eggs – Layers	2	0	40	47	0	0	4	49	12	25
Breeding Stock <100 gms	2	207	0	47	0	0	4	4	12	0
Corn	2	0	40	5	10	70 Ex	4	84	17.5	0
Wheat Middling	2	15	40	5	10	70 ex	4	14	17.5	0
Meal – Soybean	2	0	5	5	10	70 Ex	47.75	29	17.5	15
Meal - Meat/fish/poultry	2	0	40	5	10	70Ex	19	44	0	0
Feed - additives	2	0	40	5	10	0	19	n/a	0	0
Drugs – veterinary	2	0	40	n/a	15	0	19.5	4	0	0
Equipment - processing	2	0	0	n/a	0	0	n/a	4	0	0
Motorized vehicles	57	n/a	40	n/a	10	n/a	n/a	n/a	0	0

# Domestic Environment – Comments

- ◆ Bound rates in CARICOM Member States higher than applied rates;
  - E.g., bound rates for table eggs in almost all cases exceed 100%; applied rates less than 60% (significant exceptions Barbados and Jamaica)
- ◆ Wide range of applied rates among CARICOM Member States (12% Suriname to 152% Barbados)
- ◆ Substantial trade policy support offered
- ◆ Very little fiscal support offered, e.g., subsidies,
- ◆ Extension and research support relatively weak
- ◆ Markets are relatively small → difficult to achieve levels of scale efficiency obtained in competitor countries
- ◆ Domestic Markets:
  - Tendency towards oligopoly (few sellers/many buyers).... However, elastic product (small changes in supply have a relatively large effect on price), short shelf life; little processing and easy sourcing of imports will constrain market power of suppliers.

# Assessing Competitiveness

## ◆ Competitiveness will be assessed against:

### ■ Imports:

- ◆ compare domestic wholesale prices against wholesale price of imports;  
→ import price competitiveness (IPC) →  $IPC = P_d / P_w$
- ◆  $IPC > 1$  means domestic prices ( $P_d$ ) higher than import prices ( $P_w$ );  $IPC < 1$  means reverse.
- ◆ Shortcoming – IPC only looks prices at the output market (quality, standards not specifically considered)
- ◆ IPC is a measure of competitiveness against imports given the current policy environment (existing trade policies) in place

### ■ Farm/Industry Profitability

- ◆ More effective measure of competitiveness; captures effects of policies and efficiencies in the output market, the markets for inputs, and the production and marketing processes.
- The next two slides present information on import price competitiveness using SE USA 2002 average annual wholesale price as the starting point in calculating landed wholesale price. **HS 0407: Birds Eggs In Shell, Fresh, Frozen, Cooked;** // also done for **HS 0408: Birds Eggs Not In Shell, Fresh, Frozen, Cooked - Liquid Eggs**

Cost Component	Notes	AN	BAH	BAR	BZ	GDA
Large A Grade	800 Csx30 Doz	24,000	24,000	24,000	24,000	24,000
Import Duty	%	40%	35%	135%	40%	40%
Import Surcharge	%	0%	0%	0%	0%	0%
Other Tax	%	0%	2%	1%	0%	5%
Import/W'sale	%	20%	25%	20%	20%	15%
Egg Cost Annual Avg	USD/Doz	0.74	0.74	0.74	0.74	0.74
Egg Cost	USD/Refer	17,664	17,664	17,664	17,664	17,664
Egg Cost – FOB	USD/ Refer	18,289	18,289	18,289	18,289	18,289
Ocean Freight ( 40 Ft)	USD/40' Refer	3,500	2,000	3,400	3,000	2,900
Insurance	1.25%	229	229	229	229	229
Egg Cost – CIF	USD / Refer	22,018	20,518	21,918	21,518	21,418
Total Taxes on CIF	USD/ Refer	8,807	7,735	30,104	8,607	10,066
Port & Transport	USD/ Refer	500	504	1,238	400	700
Total Import Cost		31,325	28,757	53,259	30,525	32,184
Import&W'sale Margin	USD/ Refer	6,265	7,189	10,652	6,105	4,828
Egg Price - Wholesale		37,590	35,946	63,911	36,630	37,011
Landed W'sale Price	US/Doz	1.57	1.50	2.66	1.53	1.54
Local W'sale Price	US/Doz	2.06	1.08	2.16	0.93	2.10
IPC		<b>1.32</b>	<b>0.72</b>	<b>0.81</b>	<b>0.61</b>	<b>1.36</b>

Cost Component	Notes	GUY	JAM	STV	SUR	TT
Large A Grade	800 Csx30 Doz	24,000	24,000	24,000	24,000	24,000
Import Duty	%	40%	40%	40%	20%	40%
Import Surcharge	%	0%	30%	0%	0%	0%
Other Tax	%	0%	1%	0%	2%	0%
Import/W'sale	%	15%	20%	20%	20%	20%
Egg Cost Annual Avg	USD/Doz	0.74	0.74	0.74	0.74	0.74
Egg Cost	USD/Refer	17,664	17,664	17,664	17,664	17,664
Egg Cost – FOB	USD/ Refer	18,289	18,289	18,289	18,289	18,289
Ocean Freight ( 40 Ft)	USD/40' Refer	3,600	2,250	3,000	3,600	4,000
Insurance	1.25%	229	229	229	229	229
Egg Cost – CIF	USD / Refer	22,118	20,768	21,518	22,118	22,518
Total Taxes on CIF	USD/ Refer	8,847	17,407	8,607	4,954	9,007
Port & Transport	USD/ Refer	365	300	700	600	510
Total Import Cost		31,330	38,475	30,825	27,672	32,035
Import&W'sale Margin	USD/ Refer	4,699	7,695	6,165	5,534	6,407
Egg Price - Wholesale		36,029	46,170	36,990	33,206	38,442
Landed W'sale Price	US/Doz	1.50	1.92	1.54	1.38	1.60
Local W'sale Price	US/Doz	0.95	1.25	1.65	1.35	1.20
IPC		<b>0.63</b>	<b>0.65</b>	<b>1.07</b>	<b>0.98</b>	<b>0.75</b>

# Import Competitiveness (1) — IPC Results and Sensitivity Analysis

Import Price Competitiveness of Caribbean Egg Industry with USA Shell Egg Exports –(Using SE USA 2002 annual average prices)  
HS 0407: Birds Eggs In Shell, Fresh, Frozen, Cooked

Cost Component	Notes	ANT	BAH	BAR	BZE	GDA	GUY	JAM	StV	SUR	T&T
<b>Scenario with Current Tariffs</b>											
Landed Wholesale Price	US/Doz	1.57	1.50	2.66	1.53	1.54	1.50	1.92	1.54	1.38	1.60
Local Wholesale Price	US/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
IPC (Annl Avg US price)		<b>1.32</b>	<b>0.72</b>	<b>0.81</b>	<b>0.61</b>	<b>1.36</b>	<b>0.63</b>	<b>0.65</b>	<b>1.07</b>	<b>0.98</b>	<b>0.75</b>

## Scenario with Duty Free Importation

Landed Wholesale Price	US/Doz	1.13	1.12	1.17	1.10	1.11	1.08	1.38	1.11	1.16	1.16
Local Wholesale Price	US/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
IPC (Ann Avg US price)		<b>1.82</b>	<b>0.96</b>	<b>1.84</b>	<b>0.85</b>	<b>1.88</b>	<b>0.88</b>	<b>0.90</b>	<b>1.48</b>	<b>1.16</b>	<b>1.04</b>

# Import Competitiveness (2)— IPC Results and Sensitivity Analysis

**Import Price Competitiveness of Caribbean Egg Industry with USA Shell Egg Exports —  
(Using SE USA 5-yr low prices)**

**HS 0407: Birds Eggs In Shell, Fresh, Frozen, Cooked**

Cost Component	Notes	ANT	BAH	BAR	BZE	GDA	GUY	JAM	STV	SUR	T&T
<b>Scenario with Current Tariffs</b>											
Landed Wholesale Price	US/Doz	1.15	1.07	1.95	1.11	1.12	1.10	1.37	1.12	1.02	1.18
Local Wholesale Price	US/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
IPC (5-year Low price))		1.79	1.01	1.11	0.84	1.87	0.86	0.91	1.47	1.33	1.01

## Scenario with Duty Free Importation

Landed Wholesale Price	US/Doz	0.83	0.80	0.87	0.80	0.81	0.79	0.99	0.81	0.85	0.85
Local Wholesale Price	US/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
IPC (5-year Low price)		2.49	1.35	2.49	1.17	2.59	1.20	1.27	2.03	1.58	1.41

# Import Competitiveness (3)— IPC Results and Sensitivity Analysis

**Import Price Competitiveness of Caribbean Egg Industry with USA Egg Products Exports --  
(SE USA 2002 Annual Average Price)  
HS 0408: Birds Eggs Not In Shell, Fresh, Frozen, Cooked - Liquid Eggs**

Cost Component	Notes	ANT	BAH	BAR	BZE	GDA	GUY	JAM	StV	SUR	T&T
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## Scenario with Current Tariffs

Landed Wholesale Price	USD/Kg	1.90	1.80	3.20	1.95	1.91	1.77	2.29	1.90	1.65	1.80
Local Wholesale Price	USD/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
Local Wholesale Price	USD/Kg	3.37	1.76	3.53	1.52	3.43	1.55	2.04	2.70	2.21	1.96
IPC (SE USA an. avg)		<b>1.77</b>	<b>0.98</b>	<b>1.10</b>	<b>0.78</b>	<b>1.80</b>	<b>0.88</b>	<b>0.89</b>	<b>1.42</b>	<b>1.34</b>	<b>1.09</b>

## Scenario with Duty Free Importation

Landed Wholesale Price	USD/Kg	1.37	1.34	1.41	1.40	1.37	1.27	1.64	1.37	1.38	1.29
Local Wholesale Price	USD/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
Local Wholesale Price	USD/Kg	3.37	1.76	3.53	1.52	3.43	1.55	2.04	2.70	2.21	1.96
IPC (SE USA An.I Avg)		<b>2.46</b>	<b>1.31</b>	<b>2.51</b>	<b>1.08</b>	<b>2.50</b>	<b>1.22</b>	<b>1.25</b>	<b>1.97</b>	<b>1.60</b>	<b>1.52</b>

# Import Competitiveness (4)— IPC Results and Sensitivity Analysis

Import Price Competitiveness of Caribbean Egg Industry with USA Egg Products Exports --  
(SE USA 5-year low Price)

HS 0408: Birds Eggs Not In Shell, Fresh, Frozen, Cooked - Liquid Eggs

Cost Component	Notes	ANT	BAH	BAR	BZE	GDA	GUY	JAM	StV	SUR	T&T
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## Scenario with Current Tariffs

Landed Wholesale Price	USD/Kg	1.56	1.45	2.63	1.61	1.56	1.45	1.84	1.56	1.35	1.46
Local Wholesale Price	USD/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
Local Wholesale Price	USD/Kg	3.37	1.76	3.53	1.52	3.43	1.55	2.04	2.70	2.21	1.96
IPC (5-yr low)	% on Kg	<b>2.15</b>	<b>1.21</b>	<b>1.34</b>	<b>0.94</b>	<b>2.19</b>	<b>1.07</b>	<b>1.11</b>	<b>1.73</b>	<b>1.63</b>	<b>1.35</b>

## Scenario with Duty Free Importation

Landed Wholesale Price	USD/Kg	1.13	1.08	1.16	1.16	1.13	1.04	1.32	1.12	1.13	1.05
Local Wholesale Price	USD/Doz	2.06	1.08	2.16	0.93	2.10	0.95	1.25	1.65	1.35	1.20
Local Wholesale Price	USD/Kg	3.37	1.76	3.53	1.52	3.43	1.55	2.04	2.70	2.21	1.96
IPC (5-yr Low)	% on Kg	<b>2.99</b>	<b>1.63</b>	<b>3.04</b>	<b>1.31</b>	<b>3.04</b>	<b>1.49</b>	<b>1.55</b>	<b>2.40</b>	<b>1.95</b>	<b>1.87</b>

# Competitiveness of CARICOM Table Egg Industries – Overall and Key Components

Item	USA	BAH	BAR	BZE	GUY	JAM	SUR	T&T
Income (Eggs)	53.7	150	216	95	85	100	130	110
Income (Hens)		0.04	0.04	0.06	0.04	0.04	0.04	0.04
Total Income		150.04	216.04	95.06	85.04	100.04	130.04	110.04
Cost								
Feed	26.2	47	63.3	51.5	50.5	54	70	48
Pullet	7.2	13	24.2	17.6	14	20	25	12.7
Labour	3	28	32	8.5	2.3	10	12	12
Dep.	0	0	0	0	0	0	0	0
Interest	1.8	0	0	0	0	4	23	4.5
Misc	5	51	49	12	8.6	31	9.8	27.1
Total	43.2	139	168.5	89.6	75.4	119	139.8	104.3
Net Income	<b>10.5</b>	<b>11.04</b>	<b>47.54</b>	<b>5.46</b>	<b>9.64</b>	<b>-18.96</b>	<b>-9.76</b>	<b>5.74</b>

# Comparison: USA-CARICOM Egg Prices

	USA	BAH	BAR	BZE	GDA	GUY	JAM	STV	SUR	T&T
Extra Large	0.77	1.55	2.16	0.98	2.10	0.85	1.10	1.87	1.40	1.20
Large	0.74	1.50	2.16	0.95	2.10	0.85	1.00	1.87	1.30	1.10
Medium	0.59	1.40	2.16	0.87	2.00	0.72	0.90	1.50	1.10	0.92
Small	0.45	1.35	2.16	0.80	1.90	0.60	0.85	1.50	1.00	0.82

# Summary:

- ◆ The table egg industries in CARICOM Member States make important socio-economic contributions. Importantly, national industries have considerable room for consumption expansion and development of further processed products.
- ◆ CARICOM bound rates of duty on table eggs are much higher than the applied rates -- applied rates are in most cases under 60%; bound rates are 100% and above. → some policy space exists
- ◆ Wide range of values across countries for productivity and performance, internal prices and levels of trade policy support. This will impact deliberations by CARICOM Member States towards shaping a supportive policy environment.
- ◆ Shell egg production is competitive in most CARICOM countries, given the existing policy environment. However, industry profitability is in almost all cases negative against the 5-year low annual average price (USD 0.55 per dozen) for the south-eastern USA.

# Summary

- ◆ Sensitivity analyses in which the import duties are reduced to zero on imports of table eggs indicate that the landed price of imported eggs fall well below the average wholesale price of domestic eggs. → trade policies are important; shell table egg industry in CARICOM countries merit consideration for classification as special/sensitive.
- ◆ Compared to the USA, CARICOM countries have considerable room for improvements in several productivity-related technical areas, such as number of eggs per hen and feed conversion ratio.

# Recommendations (1)

- ◆ Overall: Fundamental thrust of recommendations -- provide a supportive environment for growth of the domestic market and to facilitate productivity enhancements and cost-reductions in production enterprises.
- ◆ Specific recommendations are:
  - At minimum maintain the current trade policy environment. Serious consideration should be given to enhancing the trade/fiscal policy environment as a means of facilitating investment for transformation of the national industries; This can involve:
    - ◆ Sensitive/special product classification as a means of providing the policy space required for further growth and development of the industry.
    - ◆ Ensuring that the FTAA and ACP-EU REPA negotiations utilise the WTO bound rates as the base rates for reduction commitments
    - ◆ Ensuring that reduction commitments at the WTO and/or FTAA have as long a timeline as can be negotiated.

# Recommendations (2)

- ◆ Introduce/improve fiscal incentives and other public support programmes aimed at facilitating the required industry changes towards increased industry competitiveness.
- ◆ Improve Government-private sector collaboration and cooperation aimed at enhancing productivity—in particular, there is need for significant improvements in industry organisation and farm orientation to capture economies of scale in purchasing, production and marketing.
- ◆ Private sector should aggressively implement strategies to improve productivity and reduce costs keeping in sight the positions of major competitors.
- ◆ Declare the table egg industry as sensitive/special. The arguments here can be:
  - Importance to the rural socio-economy and an agric sector facing crisis,
  - Potential contribution to food security/poverty reduction and nutrition
  - Need for time to develop cost efficiencies given likely increases in market size
  - Special difficulties involved in achieving competitiveness since several of the cost components are tied to scale economies which implies that few CARICOM countries will be able to compete against the USA and Brazil on these components.

# Recommendations (3)

- ◆ Government-private sector collaboration for growth of market size – e.g., through entry into government procurement programmes and market growth activities, and through growth of processed and further processed products.
- ◆ Government-private sector should collaborate to facilitate growth of the intra-regional market. In particular, the avenue of duty-free entry of eggs and egg products into the Bahamas market should be actively pursued.