

## Incredible Edible Profits

I am the eggman (oooh)  
They are the eggmen (oooh)  
I am the walrus, goo goo g'joob

– The Beatles

Since the Easter Bunny paid a number of visits elsewhere in the neighborhood this past weekend, I got to thinking about the trading opportunities being passed up by the little ones on their hunt for the brightly colored ovoids, most as hard-boiled as the local politicians.

The Chicago Mercantile Exchange, now known best for contracts on eurodollars and stock indices, got its start in 1874 as the Chicago Butter & Egg Exchange. America, being the land of opportunity, allowed them to outgrow this pedigree, but the CME has on its own volition ventured back into the dairy complex with varying degrees of success: Their butter future has an open interest of 645 contracts and provides a number of spreading opportunities.

Eggs are no longer traded as a futures contract in the U.S., which is a shame since I've yet to find a veteran of this now-defunct contract who doesn't have a funny horror story associated therewith. The old contract was for 30,000 dozen eggs, delivered physically. Where do you want them, pal? There is an egg contract on the Japanese Chubu Commodity Exchange denominated in yen per kilogram, however, if you're really desperate. Just hope your friends like omelets. The CME has delisted its broiler chicken contract twice, but the Japanese Fukuoka Futures Exchange perseveres with a contract based on "standard quality broiler thighs delivered within 24 to 48 hours after being killed." Commodities are not pretty.

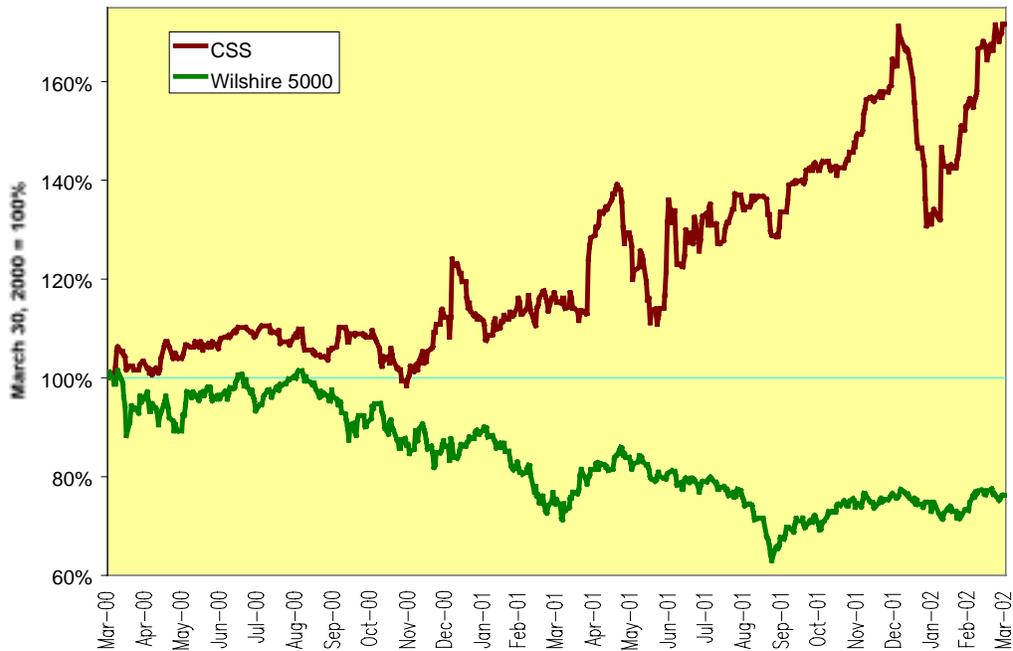
An age-old question is settled thus: In Chicago futures, the eggs both came before and left before the chickens.

### **Egg Dyes**

One of the tough lessons all investors have had to re-learn over the past two years is that small companies in basic industries can be both profitable and rewarding, even as they are unexciting. After all, the Philadelphia Gold & Silver index (XAU), [extolled several times in these parts](#), is up 30.2% on the year, while the Nasdaq Telecommunications index (CUTL) is down 26.6%. We figured out gold mining in ancient days, but losing money in tech stocks is a thoroughly modern skill.

What can be more pedestrian and less prone to the fashions of the day than a company that makes Easter egg dyes? CSS Industries has a one-year total return of 47.8%, a tame P/E of 12.65 and a beta of 0.58 to the S&P 500. In addition to these egg dyes, it makes other can't-go-out-of-business-doing-this goods like gift tags, Halloween masks, and "social expression products."

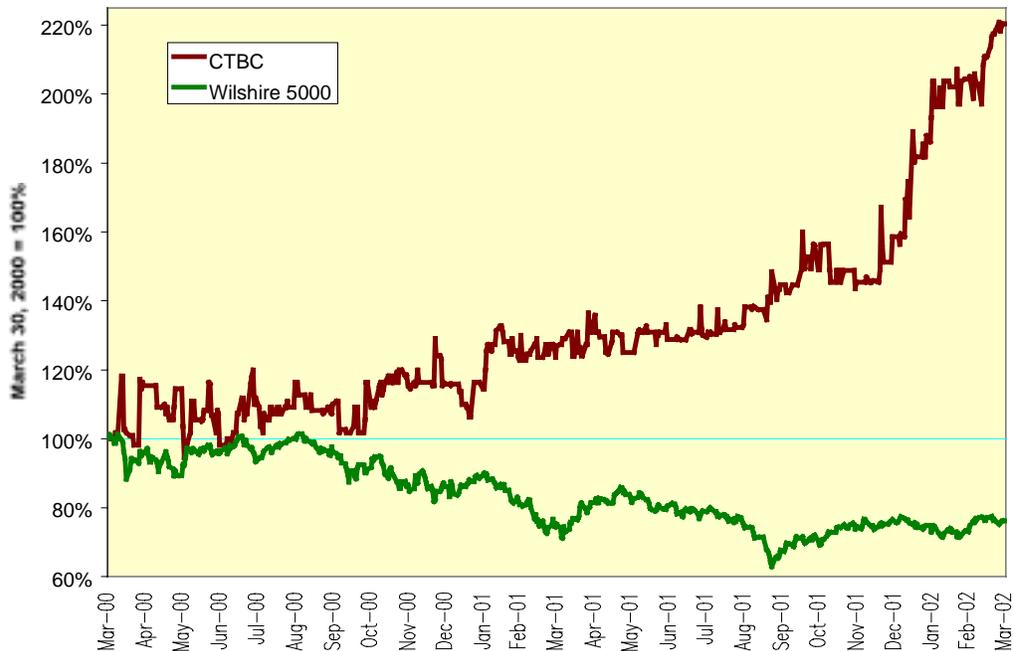
## A Stock To Dye For



## Hatching Profits

Egg production is a pretty good business, too: The labor force works for scratch. CTB International designs integrated commercial egg laying and handling systems, and that must be more complex than it sounds. Its one-year return is a whopping 78.2%, its P/E is only 11.74, and its beta against the S&P 500 is just 0.09. Stop chasing the goose that lays the golden egg and start paying attention to the machinery that brings those eggs to market.

## Sunny Side Up



### **The Beat Goes On**

Before we consign the egg to the "dull is beautiful" category, let's not forget that nature's perfect package (try squeezing one with the point down. You can't break it) is a biotechnology delivery mechanism par excellence. Eggs long have been used as incubators for vaccine manufacture, and the high-tech poultry production industry leverages its treatment of adult birds right inside the shell. You can get in on this action with a firm like Embrex, which markets an automated egg injection system. At the risk of sounding repetitious, the one-year return on this issue has been 76.5%.

The nice thing about these egg-related equities is how none of their performances appear to be related to the price of eggs themselves. This is a refreshing change from the pattern normally observed here that producers' stocks trade as a call option against the commodity, while consumers and suppliers tend to be hurt by higher commodity prices. The price insensitivity of the egg-related equities may be due, in large part, to the various price floors and farm price supports provided to the egg and poultry industries by the taxpayer, a category likely to include you. The U.S. Department of Agriculture also supports prices and production through its Export Enhancement Program.

The question of whether the children were leaving money on the table while running around looking for eggs has been settled with a "yes, but they're capitalists in training." I'm at a loss for how to trade the Easter Bunny, however.