

# **INDIANA STATE EGG BOARD**



## **2008 – 2009 ANNUAL REPORT**

**Indiana State Egg Board  
Purdue University  
Poultry Science Building  
West Lafayette IN 47907-2042**

**Phone: (765) 494-8510  
Fax: (765) 494-6349**

**Web: <http://www.ansc.purdue.edu/ISEB>**

A MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

Mark Straw

Two thousand nine has turned out to be a challenging year. We were faced with a declining budget scenario that has resulted from 15 years without a fee increase and the associated economic crisis that found legislators hesitant to raise fees. Representative Terry Goodin and Senator Ron Alting, sponsored HB 1524 in the House and Senate, respectively. With their support and the efforts of the ISEB Board, staff and friends, House Bill 1524 was passed by the 2009 Indiana General Assembly. The primary modification to the law was the creation of language which gave the State Egg Board the authority to establish fees through the Administrative Rule process. As a result, a fee change can be made without going to the general assembly and modifying the law. All revisions enacted by HB 1524 became effective July 1, 2009.

Unfortunately, the rule making process can take nearly a year to complete. Since we could not start the rule making process to establish new fees until after the law became effective on July 1 and the existing administrative rule was scheduled to sunset in December of 2009, it was necessary to complete the process of a Rule re-adoption. The re-adoption process was started in June and should be completed well before December 2009.

Over the course of the past year we have worked on the creation and implementation of a web based data entry and management system that will hopefully be integrated with a field entry system in the coming year. We have had several programming and reporting issues that we have worked through. I would like to acknowledge Ms. Shawn Rollins with the Indiana Board of Animal Health for her tremendous effort on this project.

This year also included the adoption of the SE Egg Rule by the Food and Drug Administration. The primary focus of the rule is on good production practices and modified refrigeration requirements aimed at the reduction of Salmonella in table eggs. The ramifications of the rule on the shell egg industry are not yet fully understood but it is likely that refrigeration costs for off-line facilities will significantly increase and record keeping for compliance verification will be mandated.

The Indiana Shell Egg Industry continues to change. We are seeing a consolidation in the retail and distribution segments; consumers are being offered an increased number of products with production and/or nutritional claims; and at the same time we are observing an increase in the number of small flocks marketing to retail or farmers markets. Each of these causes us to continually re-evaluate our licensing and inspection activities and could warrant some modification in our operating procedures.

The goal of the Indiana State Egg Board is to maintain a safe and wholesome shell egg product for the consumer and do it as efficiently as possible. This annual report is designed to share information relative to the activities of the ISEB and its staff. We hope that the information serves to enlighten the reader in regard to the activities of the ISEB.

I would like to take this opportunity to thank the board members for their support and dedication to the shell egg industry, the Indiana State Egg Board and to me personally.

## **Program Overview:**

From its establishment nearly 70 years ago, the mission of the Indiana State Egg Board (ISEB) has remained the same: provide the consumers in Indiana a safe, wholesome shell egg. Shell eggs are monitored by our field staff from the site of production to the retail store, assuring Indiana's citizens of the highest quality protein product possible.

The Egg Board has oversight by nine directors appointed by the Governor. These directors represent the various segments of the shell egg industry and include the consumer, restaurant industry, retail/grocers, wholesalers, processors and producers. The board meets quarterly to offer guidance to staff, develop policy, and approve expenditures.

All eggs produced and marketed in Indiana must meet all federal standards established for shell eggs. The U. S. Standards, Grades, and Weight Classes for shell eggs, established by the U. S. Department of Agriculture, have been adopted by the Indiana State Egg Board, and are enforced by the field staff through their daily inspection activities at Indiana shell egg processing plants, distribution warehouses, and retail stores.

Anyone who wishes to distribute eggs in the state of Indiana must register with the ISEB. Additionally, anyone who wishes to sell shell eggs directly to the consumer at a location that is not on the farm of production must register. All registrations are renewed on an annual basis. In addition to the annual registration fee, all wholesale registrants must report the volumes of product distributed in Indiana and pay a \$.06 per case (30 Doz.) fee to offset the cost of inspection activities and program administration.

The program not only protects the consumer but also supports one of our major agriculture industries through the establishment and enforcement of standards that everyone in the shell egg business must follow. Indiana is the third largest egg producing state, with approximately 23 million laying hens. The more than six billion eggs produced are marketed in all parts of the country. (Additional information on the Shell Egg Industry can be found in Appendix 1: Egg Industry Fact Sheet.) The ISEB maintains a level playing field for the shell egg industry in Indiana and keeps undesirable product out of the market which maintains a safe and wholesome product for Indiana consumers.

## **Registration Activities:**

One of the primary responsibilities of the ISEB staff is to annually register every wholesaler distributing eggs to a retailer, hotel, restaurant, hospital, nursing home, school, state or federal institution in the state of Indiana. Additionally, we register every retailer who desires to sell eggs to the consumer. During the 2008-09 fiscal year, the Indiana State Egg Board licensed 4749 retailers and 223 wholesalers. Table 1 indicates a decade of growth of approximately 80 new retail registrants per year. This year the number of retail registrants increased by 160. This growth represents a continued increase in the number of small flock producers selling eggs through farmers markets.

Table 1: Annual Retail Registration

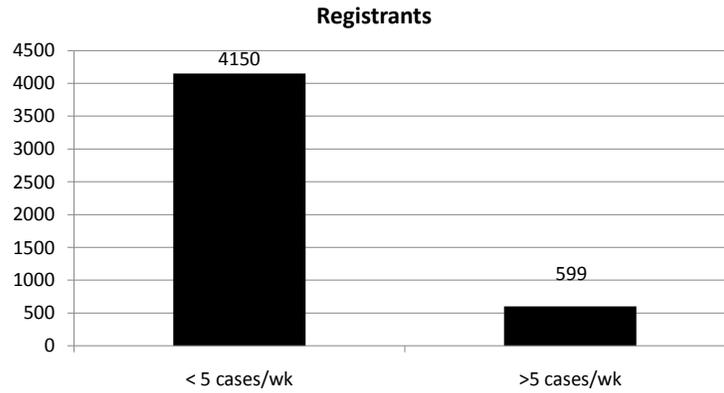


### *Retail Permits:*

The retail registration is broken down into two categories, which are sales volume based. Anyone selling less than 5 cases a week pays a \$20 annual license fee while those selling more than 5 cases per week pay a \$25 annual fee.

Table 2: Sales by Category

### 2008-2009 Retail License Distribution



As can be seen in Table 2, the majority (87 %) of retailers that the Egg Board registers sell less than 5 cases of eggs each week. Upon further review of this group of retailers, we find that the majority of them (approximately 3200) sell less than one case of eggs per week. When looking at the group of retailers selling more than five cases per week, we find that nearly 70 % are moving volumes greater than 10 cases per week with some retailers exceeding volumes of 100 cases per week.

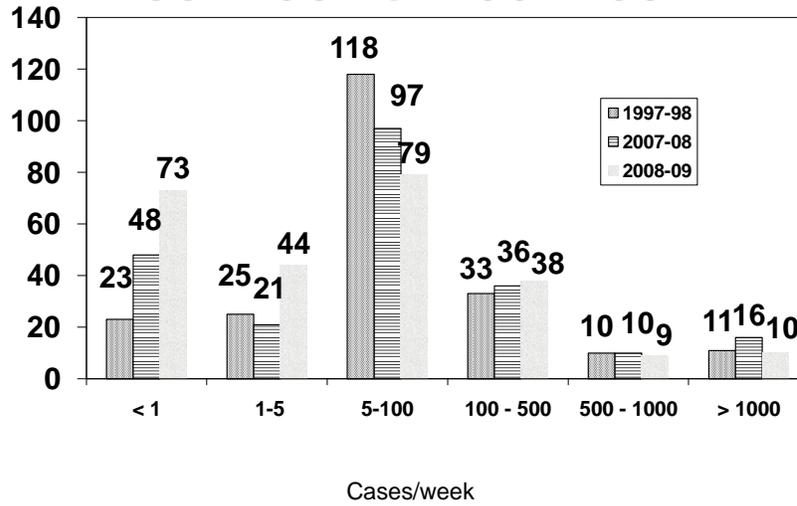
This data indicates that we have seen a shift in the retail grocery segment that has resulted in more large volume retailers, fewer midsized retailers, and an increase in very small retailers such as convenience stores and producers going directly to the consumer through farmers markets.

#### *Wholesale Permits:*

The current number of registered wholesalers (253) changed more this year than in the past 10 years. In 1997-98 the ISEB had 220 registered wholesalers. What has changed is the type and size of wholesaler. Table 3 illustrates that over the past ten years we have seen an increase in the number of the very small and the largest wholesalers. What is interesting to note is that the increase in small wholesalers can be partially attributed to the greater number of small flock producers distributing eggs to a local retailer.

Table 3: Wholesalers by Volume Sold

## Wholesale Registrants by Distribution Volumes 1997- 98 vs. 2007- 09



One other point worth discussing relative to registered wholesalers is the physical location of the distribution sites that are delivering shell eggs in Indiana. Of the registered wholesale locations, approximately 47 % are located outside of Indiana. These registrants distribute approximately 37 % of the shell eggs. Every contiguous state plus Arkansas, Tennessee, Georgia, Virginia, and Pennsylvania have registered facilities that distribute shell eggs into Indiana.

## **INSPECTION ACTIVITIES:**

Three inspectors and two administrative staff are charged with enforcing the Egg Board's regulations. Staff is strategically located around the state with each inspector being responsible for approximately 1500 retailers within their assigned areas. Additionally, all in-state wholesalers are visited on a regular basis to assure compliance with the regulations. Table 4 documents the activities of staff from July 1, 2008 to June 30, 2009.

**Table 4: Quarterly Inspection Data**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	TOTAL
Inspection:					
Retail	1,801	1,857	2,171	1,831	7,660
Restaurant	6	5	10	5	26
Wholesaler	23	28	27	19	97
Nursing Home	0	0	0	0	0
Hospital	0	0	0	0	0
Bakery	0	0	0	0	0
Other	0	2	0	2	4
Surveillance	15	17	22	17	71
School Lunch	<u>8</u>	<u>7</u>	<u>10</u>	<u>2</u>	<u>27</u>
<b>Total Inspections</b>	1,853	1,916	2,240	1,876	7,885
Dozens Inspected:					
State	24,515	24,911	22,635	21,438	93,499
Federal	<u>1,274</u>	<u>1,126</u>	<u>1,417</u>	<u>1,259</u>	<u>5,076</u>
<b>Total Dozen Inspected</b>	25,789	26,037	24,052	22,697	98,575

Retail inspection activities are primarily targeted at the larger metropolitan areas of the state, and retailers in these areas are visited a minimum of two times annually. The more rural areas of the state receive visits at least once annually. On average, each field staff conducts over ten inspections per day while traveling an average of 115 miles.

In addition to inspection work at the retail and wholesale level, the staff conducts unannounced inspections at the 19 shell egg processing plants and grading stations in Indiana, enforcing the Egg Products Inspection Act. The visits are conducted a minimum of once each quarter. All of the staff is licensed by the U. S. Department of Agriculture to conduct these activities. The Egg Products Inspection Act controls the disposition of inedible and restricted eggs, those which do not meet the requirements for consumer use. The Egg Board operates this program under a cooperative agreement with Health and Human Services, and is reimbursed for time and expense involved. During these

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inspections, cooler temperatures are checked to assure adherence to the 45 degree storage temperature requirement, and carton and case labeling is checked to assure refrigeration information requirements are met. Eggs which do not meet the established requirements during these inspections are retained, and must be either brought into compliance or shipped to an approved egg products processing plant to be further processed. In the 2008-09 fiscal year, inspectors retained 28,766 dozen shell eggs which did not meet requirements.

The Indiana State Egg Board staff is also licensed to conduct destination poultry inspections for the U. S. Department of Agriculture. Inspections are conducted at food storage warehouses contracted to handle eggs, poultry, and other commodities for distribution to schools and the several nutrition and feeding programs around the state. Twenty-three such inspections were conducted in 2008-2009. More than 460,000 pounds of poultry was certified as wholesome during these inspections. The Egg Board is reimbursed by the U. S. Department of Agriculture on a fee grading basis for these services.

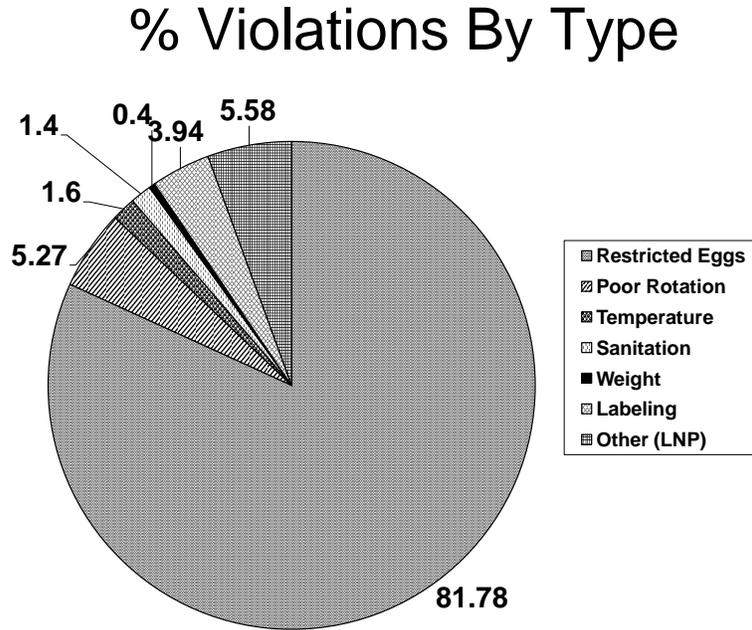
### **Violations/Compliance issues:**

Although most of the retail and wholesale inspections are completed without incident, occasionally situations arise during these inspections that result in removal of eggs. Violations can be a result of any one of the following situations:

- **Restricted Eggs:** Dirties, cracked, bloody, or inedible eggs
- **Poor Rotation:** Eggs are past expiration date
- **Temperature:** Storage or display area is above 45° F or below freezing
- **Sanitation:** Storage or display is in an unsanitary condition
- **Weight:** Egg weights are below USDA standards
- **Labeling:** Not in compliance with labeling requirements
- **Other:** Can include not posting license, missing eggs, buying from a non-registered wholesaler

In 2008-09, inspectors removed from sale 28,766 dozen eggs. The majority of removals were a result of restricted eggs. A breakdown of the percentage of violations reported is shown in Table 5.

Table 5: Violations Resulting in Egg Removal



When looking at violation data (Table 6) from the past three years, we see some minor changes relative to an increase in rotation and sanitation violations. These changes do not indicate any major issues but do warrant closer monitoring. There has been little change over the past few years relative to restricted eggs and improper labeling. Labeling violations will likely continue until the point in time that all states follow the same labeling requirements. It is also unlikely that we will see any major shifts in the number of violations due to restricted eggs since multiple processes are involved in the distribution channel.

Table 6: Summary Table: % of violations recorded

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Restricted Eggs	85.15	84.32	81.78
Poor Rotation	4.55	4.37	5.27
Temperature	1.68	1.70	1.60
Sanitation	.86	0.59	1.40
Weight	0.11	0.29	0.40
Labeling	3.63	3.26	3.94
Other	4.02	5.46	5.58

Holding temperature violations are primarily at the retail case and vary dramatically by season. There is a higher incidence of frozen eggs during the summer when temperatures in the display case vary significantly from the front to back. As older display coolers are replaced temperature related issues are expected to decrease.

### **Other Observations:**

Over the past year there has been a significant increase in the number of small producers who are marketing or trying to market their eggs to small retailers, such as convenience stores or locally owned health food stores. We believe this trend will continue and may require increased inspection time.

Additionally, there has been a continued increase in the number and volume of specialty eggs available at retail. Since specialty eggs are a smaller portion of the shell egg market, product is often handled multiple times before delivery to the retail location, resulting in a higher incidence of restricted eggs. More specialty eggs have also increased the number of samples required to conduct a complete inspection of a retail location, thus increasing the time needed to conduct an inspection.

The high cost of fuel has not only increased the operating cost for the Egg Board, but also costs related to the distribution of grocery products across the state. Egg Board inspectors have observed an increased incidence of product being stacked on top of eggs, presumably to optimize shipping volumes, but resulting in more damage to the eggs.

**Conclusions and Implications:**

- The Indiana State Egg Board is very efficient in conducting nearly 8000 inspections each year. It will be extremely difficult with current staff to increase inspection numbers or volumes. This is especially true in consideration of the demographic changes occurring in the retail industry.
- The number of registered retailers continues to grow, with the majority of the growth representing small volume retailers that require greater staff inspection time per case sold than do middle and large retailers. The result is an increased workload on staff.
- Trends indicate a continued increase in the number of small wholesalers, mostly small producers wishing to wholesale some of their excess production. A change in the structure of our wholesale registration and the associated volume-based fee collection system that simplifies the process for small distributors needs investigation.
- We will continue to evaluate opportunities to improve our inspection efficiency.

**INDIANA STATE EGG BOARD  
FINANCIAL STATEMENT  
FISCAL YEAR JULY 1, 2008 – JUNE 30, 2009**

Beginning Cash Balance .....\$ 288,916.48

Income.....\$ 302,786.21

Expenses:

Salaries/Benefits .....\$ 331,228.21

Travel .....\$ 10,141.09

Automobile Purchased.....\$ 4336.00

Printing and Duplicating.....\$ 1,877.68

Postage .....\$ 2,063.35

Telephone.....\$ 3,256.99

Board Expense .....\$ 4,312.55

Office Expense.....\$ 280.84

Computer/Computer Supplies .....\$ 94.56

Grading Supplies .....\$ 97.34

Education/Memberships .....\$ 800.00

Rent.....\$ 150.00

Total Expenses .....\$ 358,638.61

Net Loss .....(\$ 55,852.40)

Ending Fund Balance.....\$ 233,064.08

## **EGG BOARD INSPECTION STAFF**

The Executive Administrator is charged with the overall supervision of the field staff and inspection activities, and acts as liaison with the U. S. Department of Agriculture and the several inspection programs involved between the two agencies. Candy Byers, Assistant to Executive Administrator, is responsible for licensing and audit fee reporting and collection. Each field staff is responsible for inspection activities in their respective geographic area of the state. Following is a description of each region and responsible personnel.



**DARREL JOHNSON**

### **NORTHEASTERN DISTRICT**

Mr. Darrel Johnson has been with the Egg Board since November, 1984. Darrel is responsible for the northeastern district which consists of the following 31 counties: Adams, Allen, Blackford, Cass, DeKalb, Delaware, Elkhart, Fayette, Fulton, Grant, Hancock, Henry, Howard, Huntington, Jay, Kosciusko, LaGrange, Madison, Marshall, Miami, Noble, Randolph, Rush, St. Joseph, Steuben, Tipton, Union, Wabash, Wayne, Wells and Whitley.

### **NORTHWESTERN DISTRICT**

Mr. Gaylin Yergler started working with the Egg Board in November, 1989. Gaylin (Yogi) is responsible for the northwestern district which consists of the following 23 counties: Benton, Boone, Carroll, Clay, Clinton, Fountain, Hamilton, Hendricks, Jasper, Lake, LaPorte, Marion, Montgomery, Newton, Parke, Porter, Pulaski, Putnam, Starke, Tippecanoe, Vermillion, Warren and White.



**GAYLIN YERGLER**



**SCOTT RATLIFF**

### **SOUTHERN DISTRICT**

Mr. Scott Ratliff has been with the Egg Board since February, 1999. Scott is responsible for the southern district which consists of the following 39 counties: Bartholomew, Brown, Clark, Crawford, Daviess, Dearborn, Decatur, Dubois, Floyd, Franklin, Gibson, Greene, Harrison, Jackson, Jefferson, Jennings, Johnson, Knox, Lawrence, Marion, Martin, Monroe, Morgan, Ohio, Orange, Owen, Perry, Pike, Posey, Ripley, Scott, Shelby, Spencer, Sullivan, Switzerland, Vanderburgh, Vigo, Warrick, and Washington.

Appendix 1:

## Egg Industry Fact Sheet

Revised January 2010

• Per capita consumption is a measure of total egg production divided by the total population. It does not represent demand (USDA has recently adjusted data to reflect 2000 Census figures.)

<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
239.7	249.8	251.7	252.8	255.9	254.7
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
257.1	255.4	258.1	251.7	248.7	247.5 (est.)
<b>2010</b>					
246.8 (est.)					

• Currently, the top ten egg producing states (ranked by number of layers represented in thousands) are:

1- Iowa	53,493	6 - Texas	13,706
2 - Ohio	27,029	7 - Michigan	10,082
3 - Indiana	22,869	8 - Minnesota	9,825
4 - Pennsylvania	22,422	9 - Florida	9,784
5 - California	19,142	10 - Nebraska	9,455

- The five largest egg producing states represent approximately 50% of all U.S. layers.
- U.S. egg production during December 2009 was 6.76 billion table eggs, which is up from 6.71 billion table eggs produced during December of last year.
- Presently, there are 62 egg producing companies with 1 million plus layers and 12 companies with greater than 5 million layers.\*\*
- To date, there are approximately 205 egg producing companies with flocks of 75,000 hens or more. These companies represent about 95% of all the layers in the United States.\*\* In 1987, there were around 2,500 operations.\*\* (Number of operations in 1987 include some contract farms and divisions.)
- In 2008, the average number of egg-type laying hens in the U.S. was 281 million. **Flock size for January 1, 2010 was 284 million layers.** Rate of lay per day on December 1, 2009 averaged 74.8 eggs per 100 layers, up 1% from last year.

• **Of the 209.1 million cases (estimated) of shell eggs produced in 2008:**  
 68 million cases (32.2%) were further processed (for foodservice, manufacturing, retail and export);  
 121.7 million cases (58.2%) went on to retail;  
 18 million cases (9%) went for foodservices use; and  
 1.4 million (0.7%) were exported.

Source: U. S. Dept. of Agriculture  
 \*\* American Egg Board  
 American Egg Board – April 2009

**Indiana State Egg Board  
Board of Directors**



*Seated (L to R):* Mr. Thomas Klump; Mr. Ron Truex; Mr. Robert Krouse  
*Standing (L to R):* Mr. Greg Hinton, Ms. Virginia Burbrink; Dr. Scottie Hester; Mr. Dale Brown;  
Mr. William Eckrich

**Mr. Ronald Truex - Chairman**

Creighton Brothers  
P.O. Box 220  
Atwood, IN 46502

*Representing:* Egg Council,  
Indiana State Poultry Association

**Mr. Robert Krouse - Vice Chairman**

Midwest Poultry Services  
P.O. Box 307  
Mentone, IN 46539

*Representing:*  
Indiana State Poultry Association

**Mr. Thomas Klump - Recording Secretary**

The Kroger Company  
1240 State Av  
Cincinnati, OH 45204

*Representing:*  
Indiana Retail Council

**Mrs. Virginia Burbrink**

5377 W. State Road 252  
Edinburgh, IN 46124

*Representing:*  
Consumer Interests

**Mr. Dale Brown**

6490 Brown Lane  
Shoals, IN 47581

*Representing:*  
Indiana Farm Bureau

**Mr. William Eckrich**

LePeep Restaurants  
70 E. 91st Street, Suite 101  
Indianapolis, IN 46240

*Representing:*  
Food Service Industry

**Dr. Patricia Hester**

Department of Animal Sciences  
Purdue University  
West Lafayette, IN 47907

*Representing:* Purdue, Office of  
Agricultural Research Programs

**Mr. Greg Hinton**

Rose Acre Farms  
P.O. Box 1250  
Seymour, IN 47274

*Representing:* Federal/State  
Inspected Plants

**Vacant**

*Representing:* Indiana Grocery &  
Convenience Store Association