

# INDIANA STATE EGG BOARD



## ANNUAL REPORT 2012-2013

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A MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

Mark Straw

The Indiana State Egg Board has had another very productive year. Our exceptional staff conducted nearly 10,000 inspections and evaluated approximately 150,000 dozen eggs for quality. This was our first year with four field staff, which yielded a >40% increase in the number of inspections versus the previous fiscal year. This level of productivity was accomplished while we continued to conduct inspections for the USDA Country of Origin Labeling Program, USDA's Commodity Grading Program and Shell Egg Surveillance program, and the FDA SE Egg Rule Farm inspections.

The Food and Drug Administration contracted with the ISEB to help them complete farm audits under 21 CFR 118 "Prevention of Salmonella Enteritidis in Shell Eggs During Production, Storage, and Transportation". Staff conducted 20 inspections of layer facilities with greater than 3000 birds and fewer than 50,000 birds. As a result of our efforts in this program, the ISEB was awarded the FDA Leveraging Collaboration Award in 2012.

We continue to see growth in the non-traditional market segments. Growth in the farm market wholesale and retail categories increased our licensing numbers to 345 registered farm market retailers and 89 farm market wholesalers. Additional market segments such as local food hubs, internet sales and direct to home deliveries from out of state retailers continue to surface.

We continued to work with the USDA Ag Marketing Services on the Country of Origin Labeling Program (COOL), Shell Egg Surveillance and commodity inspection programs. Over the past year we conducted 84 retail audits under the COOL program and signed a new Cooperative Agreement for the next 5 years.

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 accomplishments of the ISEB.

Our exceptional staff continues to be our strongest asset. They have taken on more responsibilities as we have added additional inspection programs while not having a negative impact on our core mission. They are well respected throughout the state and nationally as they participate in training and educational activities. I want to publically thank each member of our staff for their exceptional effort and professional attitude.

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. As a result of their support, the future of the Indiana State Egg Board is bright.

## **Program Overview:**

From its establishment over 70 years ago, the mission of the Indiana State Egg Board (ISEB) has remained the same: provide 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 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 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. They 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, wholesale registrants must report the volumes of product distributed in Indiana and pay a \$.11 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 the shell egg industry. The establishment and enforcement of standards for everyone in the shell egg business maintains a level playing field. Indiana is the third largest egg producing state, with approximately 26 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.)

**Registration Activities:**

One of the primary responsibilities of the Indiana State Egg Board 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 shell eggs to the consumer. During the 2012-2013 fiscal year, the ISEB licensed 5123 retailers and 306 wholesalers.

We currently have four categories of retail registration. The Farm Market retail license is designed for small producers who market their own eggs directly to the consumer through a farmers market venue. The other three permit categories are designed for the traditional retail environment with the only differentiation between them based on average weekly sales volume. The retail license categories and associated fees are:

Farm Market retail .....	\$20
< 5 cases/wk.....	\$30
5 – 50 cases/wk.....	\$50
>50 cases/wk.....	\$100

The wholesale license structure also includes a designation for Individuals marketing eggs that they produced to a retailer for the purpose of resale. This Farmers Market Wholesale permit also allows the producer the opportunity to sell their own eggs at the farmers market. The four remaining permits are based on distribution volumes. The wholesale license categories and associated fees are:

Farmers market wholesale, < 5 cases/wk .....	\$50
< 5 cases/wk (not own production) .....	\$50
>5 – 250 cases/wk.....	\$90
>250 – 500 cases/wk.....	\$120
>500 – 1,000 cases/wk.....	\$150
>1000 cases/wk.....	\$200

*Retail Permits:*

When looking at retail registration trends over the past 10 years (Graph 1), registration numbers have shown an increase over prior years. The primary increase over the past two years is attributed to the growth in Farm Market retailers. All other retail registration categories remained at or near previous year levels.

Graph 1: Annual Retail Registration



As a result of the new retail licensing structure, we are able to get a better understanding of the retail market place. Graph 2 illustrates the license distribution of the 5123 registered retailers. We have 345 registered farm market retailers and over 3900 small retailers who sell fewer than 5 thirty dozen cases per week. The majority of these registrants are convenience stores. The combination of these two groups represents over 83% of our retail registrants. Upon further review of this group of retailers, we find that the majority of them sell less than one case of eggs per week.

Graph 2: Retail License Distribution



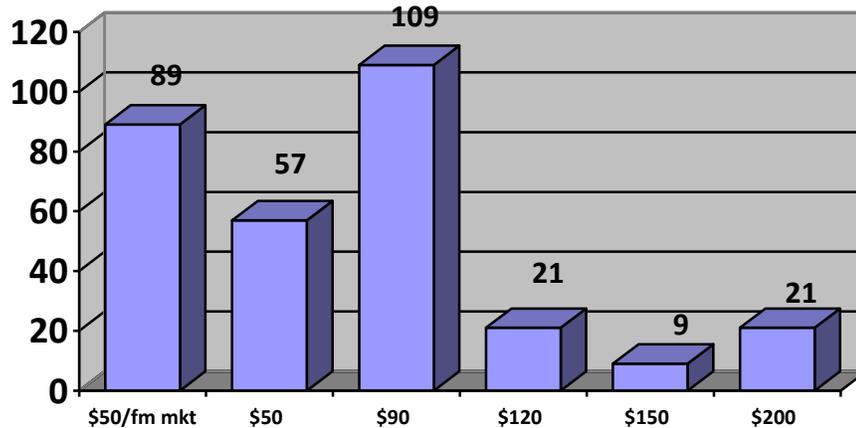
When looking at the group of retailers selling more than five cases per week (\$50 and \$100 levels), we find that nearly 70 % are moving volumes greater than 10 cases per week with some retailers exceeding volumes of 100 cases per week.

Those retailers selling > 5 cases per week represent 17 % of the retail licenses issued. Based on estimated sales volumes, this small group of retailers markets nearly 85 % of the eggs sold to the consumers of Indiana. Our data indicates 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 farmers market participants.

*Wholesale Permits:*

We currently have 306 registered wholesalers, which represents the addition of 43 wholesalers in the past year or a 17.5% increase. The majority of this increase is a result of the new farmers market retail/wholesale combination permit.

Graph 3: Wholesalers by Volume Sold



As illustrated in Graph 3, we had 89 registrants with a farmers market wholesale/retail combination permit. There are 146 wholesalers distributing fewer than five 30 dozen cases of eggs each week. The number of out of state wholesalers has remained stable at around 119.

### **INSPECTION ACTIVITIES:**

Four 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 1200 retailers within their assigned geographic areas. Additionally, all in-state wholesalers are visited on a regular basis to assure compliance with the regulations. Table 1 documents the activities of staff from July 1, 2012 to June 30, 2013.

**Table 1: Quarterly Inspection Data**

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>TOTAL</b>
Inspection:					
Retail	2,301	2,375	2,661	2,310	9,647
Wholesaler	56	37	34	20	151
Egg Rule	0	0	0	20	20
Bakery	3	0	0	0	3
Other	1	4	0	0	5
Surveillance	20	18	19	22	99
School Lunch	6	6	3	5	20
COOL	46	12	0	0	58
<b>Total Inspections</b>	<b>2433</b>	<b>2452</b>	<b>2724</b>	<b>2374</b>	<b>9983</b>

Dozens Inspected:					
State	27,086	33,139	42,578	36,667	139,470
Federal	<u>1,463</u>	<u>1,635</u>	<u>1,226</u>	<u>1,882</u>	<u>5,900</u>
<b>Total Dozen Inspected</b>	<b>28,549</b>	<b>34,774</b>	<b>43,804</b>	<b>30,486</b>	<b>148,360</b>

Retail inspection activities are primarily targeted at the larger metropolitan areas of the state, and retailers in these areas are visited two times per year. The more rural areas of the state receive visits at least once annually. On average, each field staff conducts ten inspections per day while traveling approximately 90 miles.

In addition to inspection work at the retail and wholesale level, the staff conducts unannounced inspections at many of the 20 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 field staff are 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, which do not meet the requirements for consumer use. During these 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 2012-13 fiscal year, inspectors retained 17,324 dozen shell eggs under this authority. Additional responsibilities under this authority include the inspection of 11 hatcheries and two cooking facilities.

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 assistance programs around the state. Twenty such inspections were conducted in 2012-2013. More than 457,640 pounds of poultry was certified as wholesome during these inspections.

The Food and Drug Administration contracted with the ISEB to conduct 20 farm inspections for compliance with 21 CFR 118 "Prevention of Salmonella Enteritidis in Shell Eggs During Production, Storage, and Transportation". This was our second annual contract with FDA.

## **Violations/Compliance issues:**

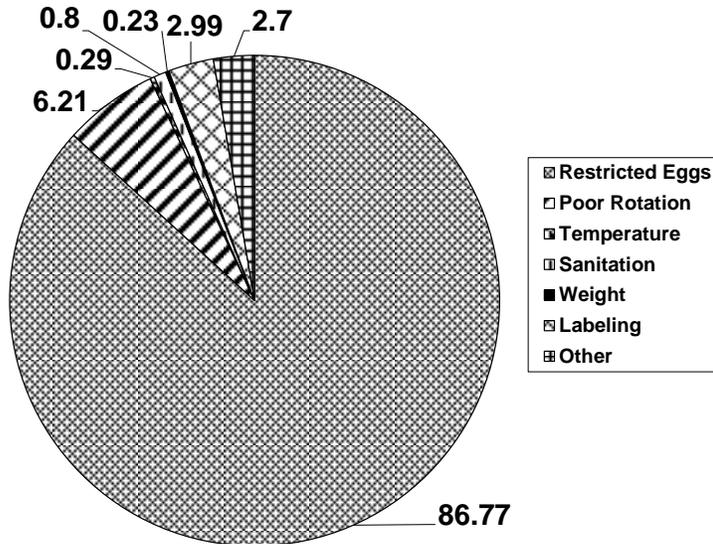
Although most of the retail and wholesale inspections are completed without incident, occasionally situations arise during these inspections that result in removal of eggs. Violations can be a result of any one of the following situations:

- **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 2012-13, inspectors removed 38,040 dozen eggs from sale. The majority of removals were a result of restricted eggs. A breakdown of the percentage of violations reported is shown in Graph 4.

Graph 4: Violations Resulting in Egg Removal

### % Violations By Type



When looking at violation data represented as a percentage of total violations (Table 2) from 2008 – 2013, we see no real trends that would indicate a significant change in violations that would require a shift in our inspection program. Restricted egg issues continue to be the largest problem.

Table 2: Summary Table: % of violations recorded

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Restricted Eggs	81.78	88.02	88.59	89.19	86.77
Poor Rotation	5.27	4.73	4.32	4.29	6.21
Temperature	1.60	1.27	.83	.42	.29
Sanitation	1.40	0.73	.48	.53	.80
Weight	0.40	0.11	.20	.05	.23
Labeling	3.94	3.18	3.39	2.89	2.99
Other	5.58	1.95	2.18	2.62	2.70

While looking at only the restricted egg violations, nearly two-thirds of the violations were a result of leaking eggs. The majority of leaker eggs are caused by poor handling. Checked eggs are nearly 16 % of the violations. Just over 9% of the

violations were due to the presence of dirty eggs with the most common dirt issue resulting from fecal material.

The amount of eggs being offered for sale after the expiration date increased significantly. Violations are most often seen in convenience stores that typically move low volumes of eggs and the specialty egg sections offered by larger retailers.

### **Other Observations:**

We continue to see a rise 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 and restaurants. We believe this trend will continue and may require increased inspection time. It is our estimate that less than a half a percent of the shell eggs consumed in the state are distributed by the very small wholesaler.

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. These eggs tend to be on the shelf longer and are more likely to be older when sold. 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.

### **Conclusions and Implications:**

- The Indiana State Egg Board is efficient in conducting inspections as is evidenced by the nearly 10,000 inspections conducted.
- The number of registered retailers continues at relatively high levels, with the majority 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.
- We will continue to evaluate opportunities to improve our inspection efficiency.

**INDIANA STATE EGG BOARD  
FINANCIAL STATEMENT  
FISCAL YEAR JULY 1, 2012 – JUNE 30, 2013**

Beginning Cash Balance.....	\$ 306,856.58
Income .....	\$ 605,018.63
Expenses:	
Salaries/Benefits.....	\$ 352,865.31
Travel .....	\$ 34,280.44
Automobile Purchased .....	\$
Printing and Duplicating.....	\$ 1,000.57
Postage .....	\$ 2,129.51
Telephone .....	\$ 4,319.39
Board Expense .....	\$ 3,066.07
Office Expense .....	\$ 1,148.56
Computer/Computer Supplies .....	\$ 2,348.39
Grading Supplies .....	\$ 658.38
Education/Memberships .....	\$ 1,000.00
Rent.....	\$ 318.75
Overhead.....	\$ 21,885.32
Other.....	\$ 2,506.63
Total Expenses .....	\$ 427,527.32
Net Loss .....	\$ (177,491.31)
FY 2010 year end accounting adjustments .....	\$ (901.67)
Ending Fund Balance.....	\$ 485,249.56



## **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, audit fee reporting and collection, and State Coordinator for the Country of Origin Labeling Program. 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.

### **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 21 counties: Adams, Allen, Blackford, DeKalb, Elkhart, Fulton, Grant, Howard, Huntington, Jay, Kosciusko, LaGrange, Marshall, Miami, Noble, St. Joseph, Steuben, Tipton, Wabash, Wells and Whitley.

### **NORTHWESTERN DISTRICT**

Mr. Robert "Andie" Mears started working with the Egg Board in February 2010. Andie is responsible for the northwestern district which consists of the following 22 counties: Benton, Boone, Carroll, Cass, Clay, Clinton, Fountain, Hendricks, Jasper, Lake, LaPorte, Montgomery, Newton, Parke, Porter, Pulaski, Putnam, Starke, Tippecanoe, Vermillion, Warren and White.

### **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 33 counties: Bartholomew, Brown, Clark, Crawford, Daviess, Dubois, Floyd, Gibson, Greene, Harrison, Jackson, Jefferson, Jennings, Johnson, Knox, Lawrence, Martin, Monroe, Morgan, Ohio, Orange, Owen, Perry, Pike, Posey, Scott, Spencer, Sullivan, Switzerland, Vanderburgh, Vigo, Warrick, and Washington.

### **CENTRAL DISTRICT**

Mr. Robert "Bob" Haynes started with the Egg Board in April 2012. Bob is responsible for the central and east-central portion of the state and includes the following 16 counties: Dearborn, Decatur, Delaware, Fayette, Franklin, Hamilton, Hancock, Henry, Madison, Marion, Randolph, Ripley, Rush, Shelby, Union and Wayne.

# 2013 Annual Report, Indiana State Egg Board

## Appendix 1:

### Egg Industry Facts Sheet

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.)

1998 - 239.7	2002 - 255.9	2006 - 258.1	2010 - 247.9
1999 - 249.8	2003 - 254.7	2007 - 251.7	2011 - 247.7
2000 - 251.7	2004 - 257.1	2008 - 248.3	2012 - 248.7
2001 - 252.8	2005 - 255.4	2009 - 248.4	2013 - 250.7 (est.)

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

<b>Iowa</b> - 51,870	<b>Texas</b> - 14,599
<b>Ohio</b> - 28,178	<b>Michigan</b> - 12,310
<b>Indiana</b> - 25,719	<b>Minnesota</b> - 9,861
<b>Penn.</b> - 23,787	<b>Nebraska</b> - 9,206
<b>California</b> - 18,873	<b>Georgia</b> - 8,771

The five largest egg producing states represent approximately 50 percent of all U.S. layers.

U.S. egg production during August 2013 was 6.95 billion table eggs.

Presently, there are approximately 59 egg producing companies with 1 million-plus layers that represents approximately 87 percent of total production and 16 companies with greater than 5 million layers.

To date, there are approximately 172 egg producing companies with flocks of 75,000 hens or more. These companies represent about 95 percent 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.)

**Flock size for Sept. 1, 2013 was 292 million layers.** Rate of lay per day on March 1, 2013 averaged 74.3 eggs per 100 layers, up slightly from last year.

**Of the 223.70 million cases (estimated) of shell eggs produced in 2012:** 71.3 million cases (31.9%) were further processed (for foodservice, manufacturing, retail and export); 123.8 million cases (55.3%) went to retail; 20.13 million cases (9.0%) went for foodservice use; and 8.5 million cases (3.8%) were exported.

Source: U.S. Dept. of Agriculture, \*\*American Egg Board, \*\*\*USAPEEC  
Last Updated 10-29-13

## Indiana State Egg Board Board of Directors

**Mr. Thomas Klump - President**

The Kroger Company  
1240 State Av  
Cincinnati, OH 45204

*Representing:*  
Indiana Retail Council

**Mr. William Eckrich – Vice President**

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

*Representing:*  
Food Service Industry

**Mr. Greg Hinton- Recording Secretary**

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

*Representing:* Federal/State  
Inspected Plants

**Ms. Margaret P. Titus**

324 Westview Circle  
West Lafayette, IN 47907

*Representing:*  
Consumer Interests

**Mr. Dale Brown**

6490 Brown Lane  
Shoals, IN 47581

*Representing:*  
Indiana Farm Bureau

**Mr. Ronald Truex**

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

*Representing:* Egg Council,  
Indiana State Poultry Association

**Dr. Patricia Hester**

Department of Animal Sciences  
Purdue University  
West Lafayette, IN 47907

*Representing:* Purdue, Office of  
Agricultural Research Programs

**Mr. Robert Krouse**

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

*Representing:*  
Indiana State Poultry Association

**Mr. Gary Peacock**

Covington Foods, Inc.  
P.O. Box 206  
Covington, IN 47932

*Representing:* Indiana Grocery &  
Convenience Store Association