

INDIANA STATE EGG BOARD



ANNUAL REPORT 2013-2014

**Indiana State Egg Board
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A MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

Mark Straw

Another interesting year has come and gone. Our staff conducted over 9000 inspections and evaluated over 135,000 dozen eggs. The inspection activity resulted in the removal of nearly 48,000 dozen eggs from sale with over 87% of the violations resulting from restricted eggs or those that did not meet the required quality standards for sale in Indiana.

We continue to see an increasing interest in small/backyard flocks that appears to be stimulated by the local foods movement. Over the past year, the number of farm market retailers and those producers with a combination retail/wholesale permit have increased by 38% and 74%, respectively.

Additionally, the 2014 Indiana General Assembly passed Senate Bill 179, which became effective July 1, 2014. The law modified requirements of an individual vendor at a farmers market or roadside stand. They must meet the requirements of IC 16-42-11 (Egg law) to sell shell eggs from the domestic chicken. No local unit of government can require a vendor to have additional licensing, certification or inspection of eggs. As a result of these changes, the State Egg Board will be the only regulatory entity looking at shell eggs presented for sale at farmers markets. In prior years we relied heavily on the local departments of health to observe egg vendors at the local farm markets and to notify us when issues were observed. Historically, we have spent little of our resources on farm market inspections. Starting in the summer of 2014 we will be evaluating farm market activities related to shell egg sales. We plan to utilize the information to identify appropriate registration and inspection activities.

We are also observing an increase in direct to consumer sales through the internet and Community Supported Ag memberships. Unfortunately, the movement is opening the door for the purchase and resale of eggs verses the production and sell of eggs. Vendors are buying eggs on the open market and often times repackaging/rebranding them as if they were from their own production. This practice is not legal and is extremely difficult to police.

As in previous years, 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 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 75 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:

The Indiana Egg Law requires the annual registration of anyone who wishes to sell shell eggs in Indiana. Licensing is required for every wholesaler distributing eggs to a retailer, hotel, restaurant, hospital, nursing home, school, state or federal institution in the state of Indiana. Additionally, every retailer who desires to sell shell eggs to the consumer must be registered. During the 2013-2014 fiscal year, the ISEB licensed 5123 retailers and 306 wholesalers.

There are currently 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. As defined in IC 16-42-11-1.1, a Farmers Market “means a common facility where two or more farmers gather on a regular basis to sell farm products, which they produce, directly to the consumer. The other three permit categories are designed for the traditional retail environment with the only differentiation between them based on average weekly sales volume of cases (1 case = 30 dozen). The retail license categories and associated annual fees are:

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

The annual wholesale license is also a volume based registration. The wholesale license categories and associated fees are:

< 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

An annual combination Wholesale/Retail permit is available to small producers who market eggs which they produced. The combination permit allows a small producer to wholesale and retail under the same permit, as long as they distribute/sell fewer than 150 dozen eggs per week.

Farmers market wholesale/retail, < 5 cases/wk.....	\$50
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Retail Permits:

When looking at retail registration trends over the past 10 years (Graph 1), registration numbers have shown a steady increase. The most significant increase in retail permits over the past two years is attributed to the growth in Farm Market retailers. We observed a 38% increase in the number of Farm Market retailers in FY 14, as compared to FY 13. All other retail registration categories remained at or near previous year levels.

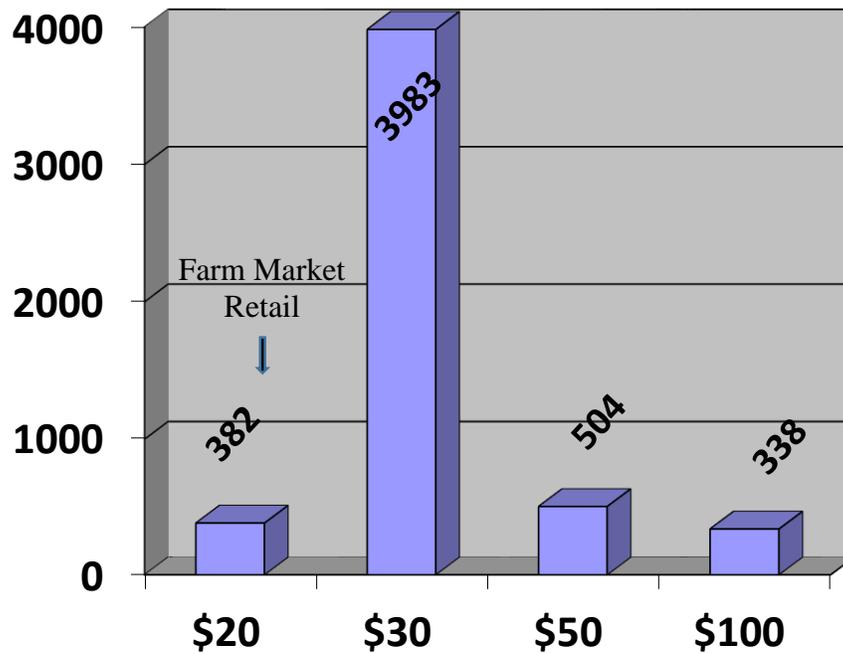
Graph 1: Annual Retail Registration



Graph 2 illustrates the license distribution of the 5207 registered retailers. We had 382 registered farm market retailers and nearly 4000 small retailers who sell fewer than 5 thirty dozen cases per week. A majority of the small registrants are convenience stores. The combination of these two groups represents over 83% of our retail registrants. Upon further review of these retailers, we find that the majority of them sell less than one case of eggs per week.

Graph 2: Retail License Distribution

2013-14 Retail Registration by License type



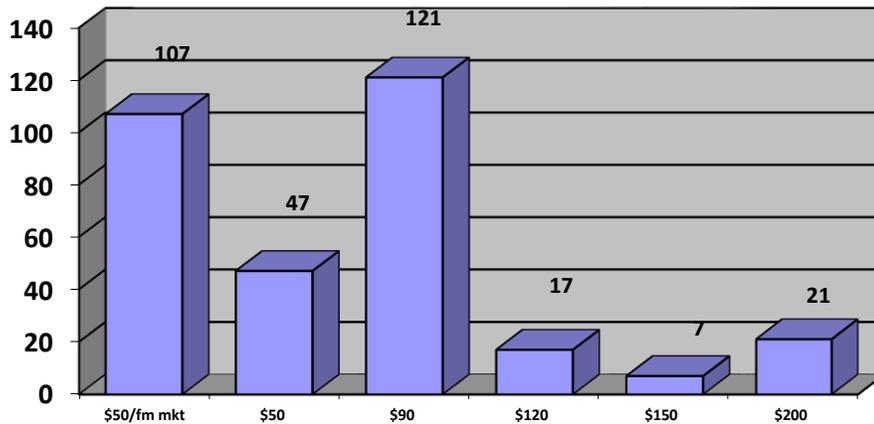
When looking at the group of retailers selling more than five cases per week (\$50 and \$100 levels), we find that nearly 70 % are moving volumes greater than 10 cases per week with some retailers exceeding volumes of 100 cases per week.

Those retailers selling > 5 cases per week represent 16 % 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 mid-sized retailers, and a continuing increase in very small retailers.

Wholesale Permits:

We currently have 320 registered wholesalers. The largest growth category was for farm market retail/wholesale combination permits. This segment represents producers who are selling their own eggs at the farm market in a retail setting, as well as, wholesaling to a restaurant or other retail location. In the past two years, the number of small flock wholesalers has doubled. The number of registrants in all other categories of wholesalers remained close to previous year levels.

Graph 3: Wholesalers by Volume Sold



As illustrated in Graph 3, we had 107 registrants with a farmers market wholesale/retail combination permit. There are 154 wholesalers distributing fewer than five 30 dozen cases of eggs each week. The number of out of state wholesalers has remained stable at around 118 or 37% of wholesalers.

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, 2013 to June 30, 2014.

Table 1: Quarterly Inspection Data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	TOTAL
Inspection:					
Retail	2,439	2,201	2,190	1,985	8815
Wholesaler	61	37	22	37	157
Egg Rule	0	0	0	20	20
Bakery	0	0	0	0	0
Other	0	0	0	0	0
Surveillance	18	13	14	16	61
School Lunch	6	13	7	1	20
COOL	36	12	0	36	84
Total Inspections	2560	2264	2233	2095	9157

Dozens Inspected:					
State	30,167	32,536	34,380	32,242	129,325
Federal	<u>1,559</u>	<u>1,200</u>	<u>1,672</u>	<u>1,334</u>	<u>5,765</u>
Total Dozen Inspected	31,726	33,736	36,052	33,576	135,090

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 2013-14 fiscal year, inspectors retained 13,605 dozen shell eggs under this authority. Additional responsibilities under this authority include the annual 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 seven such inspections were conducted in 2013-2014. More than 468,000 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 third annual contract with FDA.

Violations/Compliance issues:

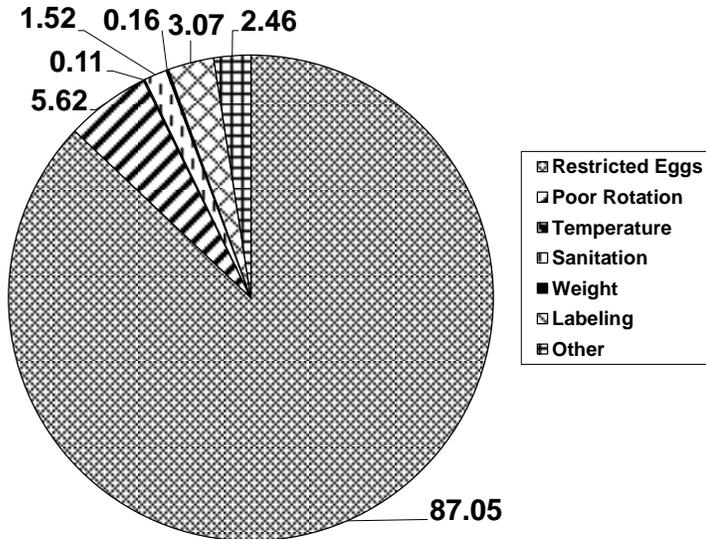
Although most of the retail and wholesale inspections are completed without incident, occasionally situations arise during these inspections that result in removal of eggs. Violations can be a result of any one of the following situations:

- **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 2013-14, inspectors removed 47,948 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 2009 – 2014, restricted egg issues continue to be the largest problem.

Table 2:

Summary Table: % of violations recorded

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Restricted Eggs	88.02	88.59	89.19	86.77	87.05
Poor Rotation	4.73	4.32	4.29	6.21	5.62
Temperature	1.27	.83	.42	.29	.11
Sanitation	0.73	.48	.53	.80	1.52
Weight	0.11	.20	.05	.23	.16
Labeling	3.18	3.39	2.89	2.99	3.07
Other	1.95	2.18	2.62	2.70	2.46

Poor product rotation and labeling violations continue to be the second and third most common violation, respectively. The amount of eggs being offered for sale after the expiration date continues to be an issue. This violations is most often seen in convenience stores that typically move low volumes of eggs and the specialty egg sections offered by larger retailers, since specialty eggs tend to stay on the shelf longer. Labeling issues are most commonly a result of incorrect expiration date on product be distributed from other states. Most in state labeling issues are a result of small flock producers who have incomplete labels. We observed a significant

increase in the percentage of violations attributed to poor sanitation. There has been a gradual increase in sanitation related non-compliances over the past three years. The majority of sanitation issues appear in the small retail/convenience store operations.

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. Based on reported distribution volumes, the small wholesalers (<5 cases/wk) distributed approximately .27% of total eggs distributed in Indiana. The farm market wholesalers account for just over 60% of this volume or an estimated .17% of the total shell eggs distributed in Indiana.

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 over 9,000 inspections conducted with only 4 regional field staff.
- 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 to service the small volume retailers.
- Trends indicate a continued increase in the number of small wholesalers, mostly small producers wishing to wholesale some of their excess production.
- Small Farm Market retailers are difficult to inspect, since markets are often on weekends and many of these small producers hold other

employment and are seldom found at their residence during normal hours.

- The implementation of SEA 179 in July of 2014 will make the ISEB the only inspectional program with oversight of shell egg sales at local farmers markets. We plan to dedicate some resources to evaluating the sale of eggs at farm markets for compliance and the potential impact to the State Egg Board inspection program.

**INDIANA STATE EGG BOARD
FINANCIAL STATEMENT
FISCAL YEAR JULY 1, 2013 – JUNE 30, 2014**

Beginning Cash Balance.....	\$ 509,445.88
Income	\$ 616,370.20
Expenses:	
Salaries/Benefits.....	\$ 425,491.96
Travel	\$ 35,042.65
Automobile Purchased	\$ 8,981.00
Printing and Duplicating.....	\$ 2,480.23
Postage	\$ 1,598.23
Telephone	\$ 5,042.91
Board Expense	\$ 3,017.58
Office Expense	\$ 764.35
Computer/Computer Supplies	\$ 263.39
Grading Supplies	\$ 56.36
Education/Memberships	\$ 700.00
Rent.....	\$ 187.50
Overhead.....	\$ 20,803.60
Other.....	\$ 1,387.29
Total Expenses	\$ 505,817.05
Net Loss	\$ (110,553.15)
FY 2013 year end accounting adjustments	\$ (24,443.81)
Ending Fund Balance.....	\$ 644,442.84

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.

2014 Annual Report, Indiana State Egg Board

Appendix 1: United Egg Producers: General Egg Stats

General US Stats

Egg Industry Fact Sheet
Revised November 2014

United States shell egg production totaled 8.44 billion during October 2014, up 2 percent from last year¹.

Table egg flock size on October 1, 2014, was 303 million layers. Rate of lay per day on October 1, 2014, averaged 77.4 eggs per 100 layers².

The five largest egg producing states represent approximately 51 % of all U.S. layers³.

Currently, the top ten egg producing states (ranked by number of layers represented in thousands) are².

**1. Iowa – 58,100 2. Ohio – 29,733 3. Indiana – 26,629 4. Pennsylvania – 24,089 5. California – 15,234
6. Texas – 14,760 7. Michigan – 12,688 8. Minnesota – 10,583 9. Georgia – 9,550 10. Nebraska – 9,342**

To date, there are approximately 171 egg producing companies with flocks of 75,000 hens or more. These companies represent about 99 percent of all the layers in the United States. In 1994, there were around 350 companies with flocks of 75,000 hens or more³.

Presently, there are approximately 64 egg producing companies with 1 million-plus layers that represents approximately 87 percent of total production and 17 companies with greater than 5 million layers²

As of May 2014, organic and cage-free shell egg production accounted for 5.7% of the current table egg layer flock (16.6 million hens). Of this, 2.8% are organic (8.1million hens) and 2.9% are cage-free (8.5 million hens)⁴

Per capita consumption is a measure of total egg production, less exports, divided by the total population. It does not represent demand². (USDA has recently adjusted data to reflect 2000 Census figures)

1998	1999	2000	2001	2002	2003
239.7	249.8	251.7	252.8	255.9	254.7
2004	2005	2006	2007	2008	2009
257.1	255.4	258.1	251.7	248.3	248.4
2010	2011	2012	2013	2014	
249.3	250.0	254.2	255.1	261.1 (est.)	

USDA's Per Capita Consumption figures show egg consumption as the highest in 7 years. The egg industry has added nearly 7 eggs per person in consumption over the last two years.

Of the 229.0 million cases (estimated) of shell eggs produced in 2013:

- 73.3 million cases (32.0%) were further processed (for foodservice, manufacturing, retail and export);
- 122.1 million cases (53.3%) went to retail;
- 22.9 million cases (10.0%) went for foodservice use; and
- 10.7 million cases (4.7%) were exported.

In 2013, the United States exported a total of 349 million dozen eggs, which includes shell eggs, plus processed egg products in shell egg equivalents – a 27.4% increase since 2012⁵.

⚠ Exports of processed egg products for the first three months of 2014 were 14,145 metric tons (MT) valued at \$38.26 million, up 33.3 and 21.7 percent year-on-year, respectively. Table egg export quantity was 34.84 million dozen, up 6.4 percent year-over-year, export value reached \$37.21 million, 20.6 percent².

1. [The National Agricultural Statistics Service's Chicken & Eggs' Report](#), USDA. 2. [The World Agricultural Supply and Demand Estimates Report \(WASDE\)](#), USDA. 3. American Egg Board. 4. USDA Poultry Market News & Analysis 5. USAPEEC.

Indiana State Egg Board Board of Directors

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LePeep Restaurants
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Representing:

Food Service Industry

Mr. Greg Hinton – Vice President

Rose Acre Farms
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Seymour, IN 47274

Representing: Federal/State

Inspected Plants

Ms. Margaret P. Titus - Recording Secretary

324 Westview Circle
West Lafayette, IN 47907

Representing:

Consumer Interests

Mr. Thomas Klump

The Kroger Company
1014 Vine Street
Cincinnati, OH 45202

Representing:

Indiana Retail Council

Mr. Bryan Johnson

River View farms
2262 E County Road 500 N
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Representing:

Indiana Farm Bureau

Mr. Ronald Truex

Creighton Brothers
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Representing: Egg Council,

Indiana State Poultry Association

Dr. Patricia Hester

Department of Animal Sciences
Purdue University
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Representing: Purdue, Office of

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Mr. Robert Krouse

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Representing: Indiana Grocery &

Convenience Store Association