

# INDIANA STATE EGG BOARD



## ANNUAL REPORT 2015-2016

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## A MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

Mark Straw

The staff of the Indiana State Egg Board continues to dedicate themselves to the mission of our agency. Staff conducted nearly 9000 inspections and evaluated approximately 150,000 dozen eggs for quality. The inspection activity resulted in the removal of nearly 39,000 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.

The Avian Influenza outbreak that occurred in Indiana in January 2016 had a significant impact on our inspectional activities. All inspection work involving visits to poultry operations ceased until early summer.

Small producers are continuing to access larger retail markets. We are seeing an increased interest in the co-mingling of multiple producer's eggs to supply these retail markets. A significant challenge to the ISEB is that most of these producers want to stay below the 3000 bird threshold so they are exempt from federal egg safety regulations. This may be an area to address in the future.

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 State 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 28.5 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 2015-2016 fiscal year, the ISEB licensed 5297 retailers and 343 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 year was in the very small retail/convenience store segment and the largest retail stores. The large retail store growth was likely due to a significant increase in the number of specialty stores. This segment grew by 5%. Historically, growth has been in the farm market segment, which has maintained registration numbers over the past year. It is interesting to note that while the total number of farm market registrants has remained at previous year's levels, we find that the number of new registrants is relatively high.

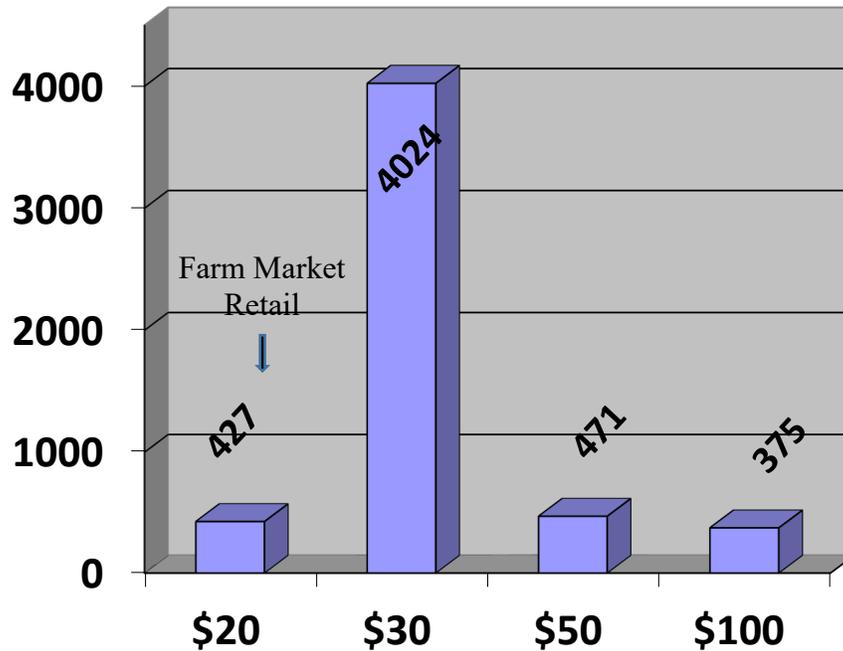
**Graph 1: Annual Retail Registration**



Graph 2 illustrates the license distribution of the 5297 registered retailers. We had 427 registered farm market retailers and over 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 84% 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**

## 2015-16 Retail Registration by License type



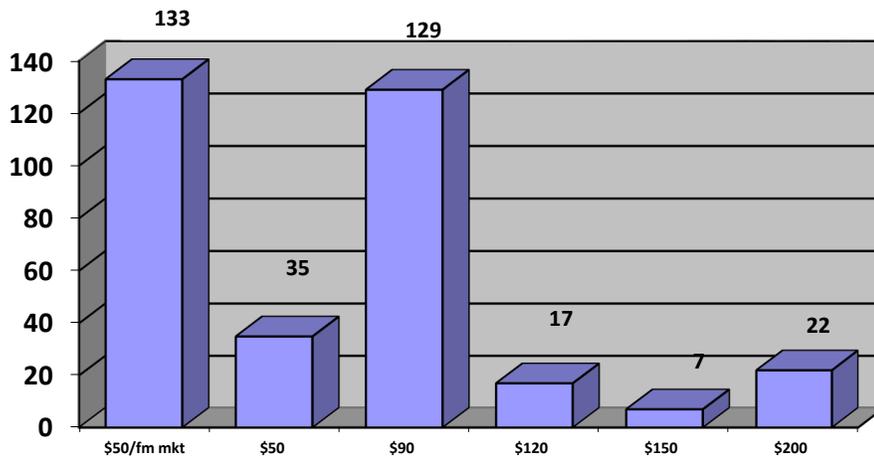
When looking at the group of retailers selling more than five cases per week (\$50 and \$100 levels), we find that nearly 70 % are moving volumes greater than 10 cases per week with some retailers exceeding volumes of 100 cases per week.

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 343 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 133 registrants with a farmers market wholesale/retail combination permit. This represents an annual growth rate of 30%. There are 168 wholesalers distributing fewer than five 30 dozen cases of eggs each week.

**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 1300 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, 2015 to June 30, 2016.

**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	2,309	1,992	2,514	1,778	8593
Wholesaler	38	38	26	25	127
Egg Rule	0	0	0	2	2
Bakery	0	0	1	0	1
Other	11	1	0	0	12
Surveillance	24	18	9	32	83
School Lunch	1	1	3	0	5
COOL	50	11	0	49	110
<b>Total Inspections</b>	<b>2433</b>	<b>2061</b>	<b>2583</b>	<b>1886</b>	<b>8963</b>

Dozens Inspected:					
State	30,422	30,566	48,186	31,180	140,354
Federal	<u>1,227</u>	<u>2,010</u>	<u>768</u>	<u>2572</u>	<u>6,577</u>
<b>Total Dozen Inspected</b>	<b>31,649</b>	<b>32,576</b>	<b>48,954</b>	<b>33,752</b>	<b>146,931</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.

In addition to inspection work at the retail and wholesale level, the staff conducts unannounced inspections at many of the 26 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 2015-16 fiscal year, inspectors retained 6,577 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. Fourteen such inspections were conducted in 2015-2016. Nearly 120,000 pounds of poultry was certified as wholesome during these inspections.

The ISEB is still under contract with the Food and Drug Administration to conduct layer farm inspections for compliance with 21 CFR 118 "Prevention of Salmonella Enteritidis in Shell Eggs During Production, Storage, and Transportation". Limited work was completed during this fiscal year. The outbreaks of High Pathogenic Avian Influenza have stopped much of the farm visits. FDA has indicated that inspection activity will resume in June or July 2016.

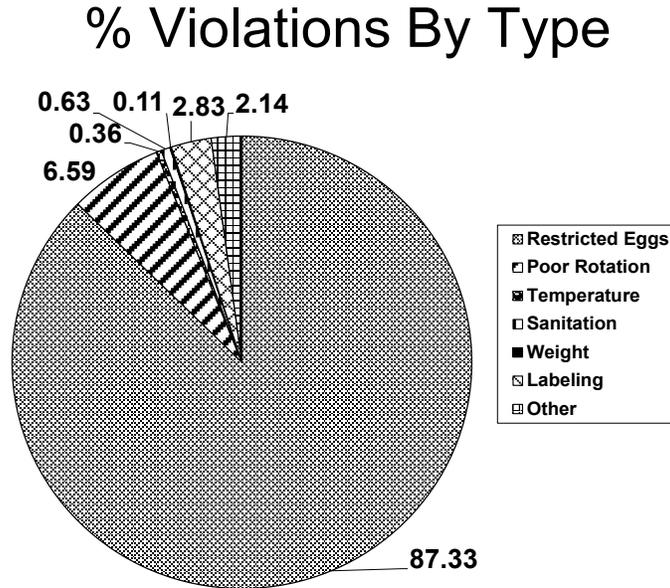
## **Violations/Compliance issues:**

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 2015-16, inspectors removed 38,965 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



When looking at violation data represented as a percentage of total violations (Table 2) from 2011 – 2016, restricted egg issues continue to be the largest problem.

Table 2: Summary Table: % of violations recorded

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Restricted Eggs	89.19	86.77	87.05	87.99	87.33
Poor Rotation	4.29	6.21	5.62	5.60	6.59
Temperature	.42	.29	.11	.38	.36
Sanitation	.53	.80	1.52	.49	.63
Weight	.05	.23	.16	.149	.11
Labeling	2.89	2.99	3.07	3.48	2.83
Other	2.62	2.70	2.46	1.91	2.14

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 violation 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.

## **Other Observations:**

The number of specialty brands/specialty foods stores continues to grow. This growth stimulates a rise in the number of small producers who are marketing or trying to market their eggs through these outlets.

We see an increase the number of large retailers who are looking for a small producer to supply directly to individual stores. This may be a challenge in coming years as these small producers are exempt from all federal regulations related to food safety.

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.
- We continue to observe an increase in large specialty supermarkets that are focusing on the local food movement to pull customers. As a result, we have seen an increased focus on sourcing eggs from local producers.
- Trends indicate a continued increase in the number of small wholesalers who gain access to larger markets. Consolidation of eggs by numerous small producers is becoming more common.

**INDIANA STATE EGG BOARD  
FINANCIAL STATEMENT  
FISCAL YEAR JULY 1, 2015 – JUNE 30, 2016**

Beginning Cash Balance.....	\$ 797,379.87
Income .....	\$ 645,873.15
Expenses:	
Salaries/Benefits.....	\$ 433,200.65
Travel .....	\$ 41,668.33
Automobile Purchased .....	\$ .00
Printing and Duplicating.....	\$ 2,569.30
Postage .....	\$ 1,490.64
Telephone .....	\$ 4,097.57
Board Expense .....	\$ 3,453.29
Office Expense .....	\$ 3310.98
Computer/Computer Supplies .....	\$ 615.00
Grading Supplies .....	\$ 127.19
Education/Memberships .....	\$ 450.00
Rent.....	\$ 281.25
Overhead.....	\$ 23,512.73
Other.....	\$ 2,783.92
Total Expenses .....	\$ 517,560.85
Net Loss .....	\$ (128,312.30)
Year-end accounting adjustments .....	\$ (262.26)
Ending Fund Balance.....	\$ 925,954.43

## **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.

# 2016 Annual Report, Indiana State Egg Board

## Appendix 1: United Egg Producers: General Egg Stats

### General US Stats

Egg Industry Fact Sheet  
Revised May 2016

In 2015, United States table egg production totaled 83 billion, down 6 percent from 2014. The average eggs per layer was 276.<sup>1</sup>

Table egg flock size on December 1, 2015, was 288 million layers, down 8 percent from December 1, 2014. Rate of lay per day on December 1, 2015, averaged 78.2 eggs per 100 layers<sup>2</sup>.

The five largest table egg producing states represent approximately 40% of all U.S. layers<sup>3</sup>.

Currently, the top ten egg (table and hatching) producing states (ranked by number of layers represented in thousands) are<sup>2</sup>.

**1. Iowa – 45,459 2. Ohio – 32,604 3. Indiana – 28,437 4. Pennsylvania – 25,841 5. Texas – 19,302  
6. Georgia – 18,773 7. North Carolina – 14,459 8. Arkansas – 13,375 9. Michigan – 12,951 10. California – 11,870**

To date, there are approximately 186 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 more<sup>3</sup>.

Presently, there are approximately 63 egg producing companies with 1 million-plus layers that represents approximately 86 percent of total production and 17 companies with greater than 5 million layers<sup>3</sup>

As of April 2016, organic and cage-free shell egg production accounted for 9.9% of the current table egg layer flock (30.0 million hens). Of this, 4.5% are organic (13.5 million hens) and 5.5% are cage-free (16.6 million hens)<sup>4</sup>

**Per capita consumption** is a measure of total egg production, less exports, divided by the total population. It does not represent demand<sup>5</sup>. (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	2015
249.3	250.0	254.2	255.1	263.0	252.9*

\* reflects decline in production due to highly pathogenic avian influenza.

#### Of the 231.0 million cases (estimated) of shell eggs produced in 2015:

- 69.0 million cases (30.0%) were further processed (for foodservice, manufacturing, retail and export);
- 133.0 million cases (57.6%) went to retail;
- 20.8 million cases (9.0%) went for foodservice use; and
- 7.8 million cases (3.4%) were exported.

Thanks in part to a strong first quarter, cumulative January-June table egg exports rose by 4.5 percent to 83.22 million dozen and value jumped by 16.1 percent to \$101.14 million<sup>5</sup>.

The cumulative first-half export value of egg products fell by 13.9 percent to \$62.82 million. The US egg product volume was 21,921 metric tons, down by 20.9 percent from the same period a year ago<sup>5</sup>.

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

**Mr. Greg Hinton – President**

Rose Acre Farms  
P.O. Box 1250  
Seymour, IN 47274  
*Representing:* Federal/State  
Inspected Plants

**Ms. Margaret P. Titus – Vice President**

324 Westview Circle  
West Lafayette, IN 47907  
*Representing:*  
Consumer Interests

**Mr. Bryan Johnson - Recording Secretary**

River View farms  
2262 E County Road 500 N  
Orleans, IN 47452  
*Representing:*  
Indiana Farm Bureau

**Mr. Thomas Klump**

The Kroger Company  
1014 Vine Street  
Cincinnati, OH 45202  
*Representing:*  
Indiana Retail Council

**Mr. Robert Krouse**

Midwest Poultry Services  
P.O. Box 307  
Mentone, IN 46539  
*Representing:*  
Indiana State Poultry Association

**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

**Vacant**

Food Service Industry

**Mr. Gary Peacock**

Covington Foods, Inc.  
P.O. Box 206  
Covington, IN 47932  
*Representing:* Indiana Grocery &  
Convenience Store Association