

INDIANA STATE EGG BOARD ANNUAL REPORT 2018-2019

Message from the Executive Director

In 2018, the Indiana State Egg Board adopted new administrative rules regarding the retail sale of eggs. Expiration dating on Grade A eggs was extended to 45 days after the date of packaging. Additionally, new cartons are required whenever eggs are sold at retail. The Administrative Rule change went into effect September 27, 2018.

Registration numbers for the 2018-19 licensing year ended with 5262 registered retailers and 353 wholesalers. Farm market retail registration numbers remained stable this year with a small decrease from 469 to 454. We continue to see a reduction in medium and large retailers with a loss of 27 (6.4%) and 11 (2.85%), respectively. Most of the loss in large retailers appears to be a closing of underperforming locations and in the high-end specialty segment.

Field staff inspected over 144,000 dozen eggs and issued 2953 stop sales. We continue to do contract inspection work for USDA and FDA. Shell egg surveillance work for USDA is slowing as a couple of producers have shifted over to USDA shielded product, which we do not inspect. Our FDA workload maintains at 52 annual inspections.

PROGRAM OVERVIEW:

Indiana Code 16-42-11 created the Indiana State Egg Board to regulate the sell and commerce of eggs in Indiana. The mission of the Indiana State Egg Board (ISEB) is to provide consumers in Indiana a safe and 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.

The Indiana State Egg Board has adopted the U. S. Standards, Grades, and Weight Classes for shell eggs. All eggs marketed in Indiana must meet these standards. In addition, anyone who wishes to distribute eggs in the state of Indiana must register with the ISEB. All registrations are renewed on an annual basis. In addition to the annual registration fee, wholesale registrants distributing more than 5 cases per week 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 second largest egg producing state, with approximately 32 million laying hens. The more than six billion eggs produced in Indiana are distributed nationally and internationally.

A dedicated group of field staff enforces the Indiana Egg Law through routine inspections of Indiana shell egg processing plants, distribution warehouses, and retail stores.

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 2018-2019 fiscal year, the ISEB licensed 5262 retailers and 353 wholesalers.

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

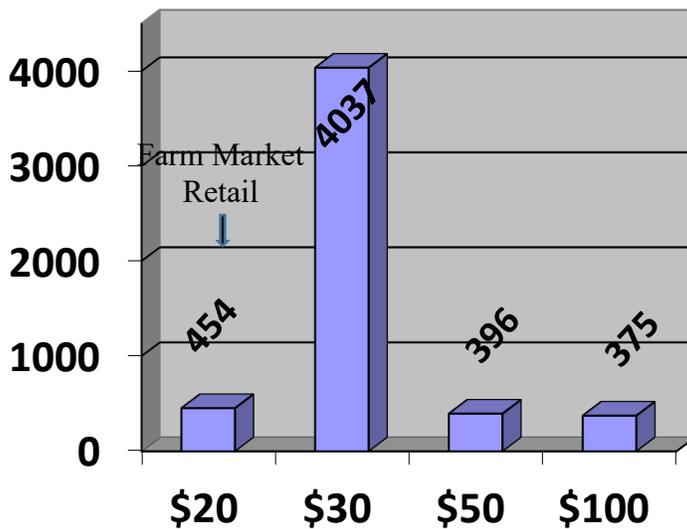
The total number of retail registrants appears to have reached a plateau with total retail registrations dropping approximately 2% in the 2018-19 licensing year. The most significant change in registration continues to be in the mid-sized retail market or those selling from 5 – 50 cases per week. There were 6.4% fewer registrants in this licensing category.

Graph 1: Annual Retail Registration



Much of the growth in registration numbers observed in the 2012 – 2018 time frame is likely attributed to the addition of a retail license for farm market retailers in 2012-13. The following graph gives a breakdown of retail licensing by license category.

2018-19 Retail Registration by License type



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

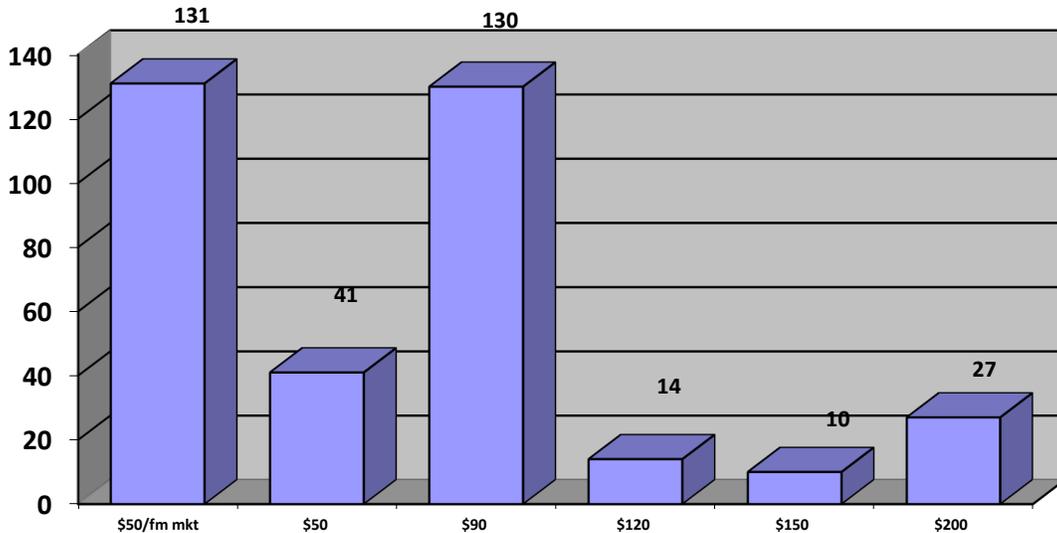
< 5 cases/wk (not own production)	\$50
>5 – 250 cases/wk	\$90
>250 – 500 cases/wk	\$120
>500 – 1,000 cases/wk	\$150
>1000 cases/wk	\$200

A combination Wholesale/Retail permit is available to small producers who market eggs that 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

We currently have 353 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.

Graph 3: Wholesalers by registered volume



INSPECTION ACTIVITIES:

Five 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 1000 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, 2018 to June 30, 2019.

Table 1: Quarterly Inspection Data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	TOTAL
Inspection:					
Retail	2,005	1,614	2,626	2339	8584
Wholesaler	47	35	26	40	148
Egg Rule	20	12	7	19	58
Bakery	0	0	0	0	0
Other	5	0	9	0	14
Surveillance	21	19	18	20	78
School Lunch	0	0	0	0	0
COOL	48	7	0	0	55
Total Inspections	2146	1687	2686	2418	8937

Dozens Inspected:					
State	26,451	28,639	44,896	44,269	144,255
Federal	<u>750</u>	<u>1,674</u>	<u>759</u>	<u>1,268</u>	<u>4,451</u>
Total Dozen Inspected	27,201	30,313	45,655	45,537	148,706

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 shell egg processing plants and grading stations in Indiana, enforcing the Egg Products Inspection Act. Staff conducted 78 quarterly inspections. 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.

The ISEB is 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". We are contracted to conduct 52 targeted inspections per year for FDA. All inspections of Indiana farms are completed by staff with FDA credentials and commissioning.

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 2018-19, inspectors removed 102,646 dozen eggs from sale. The majority of removals were a result of restricted eggs or eggs that do not meet the USDA grade standards. A breakdown of the percentage of violations reported are shown in Graph 4.

Graph 4: Violations Resulting in Egg Removal

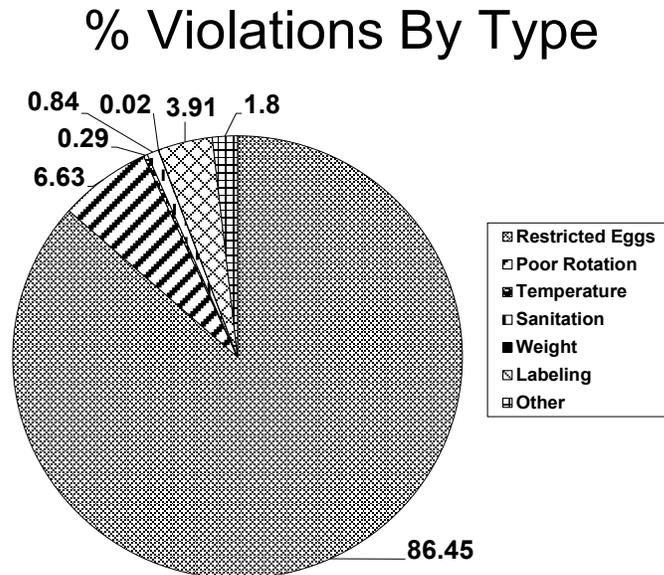


Table 2:

Summary Table: % of violations recorded

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Restricted Eggs	87.99	87.33	83.12	83.45	86.45
Poor Rotation	5.60	6.59	8.57	7.85	6.63
Temperature	.38	.36	.34	.12	.29
Sanitation	.49	.63	.66	.55	.84
Weight	.149	.11	.08	.07	.02
Labeling	3.48	2.83	5.61	6.24	3.91
Other	1.91	2.14	1.62	1.71	1.80

Poor product rotation and labeling violations continue to be the second and third most common violation, respectively. Since the expiration date for Grade A eggs was changed from 30 to 45 days, we would anticipate a reduction in the violations due to expired product. Although there was a significant drop in violations resulting from poor rotation, it does not appear to be a result of the dating change. Expired eggs are 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.

**INDIANA STATE EGG BOARD
FINANCIAL STATEMENT
FISCAL YEAR JULY 1, 2018 – JUNE 30, 2019**

Beginning Cash Balance	\$ 1,305,829.76
Income	\$ 772,550.38
Expenses:	
Salaries/Benefits	\$ 515,160.75
Travel.....	\$ 41,704.72
Automobile Purchased.....	\$.00
Printing and Duplicating	\$ 502.02
Postage.....	\$ 4,009.43
Telephone.....	\$ 4,883.26
Board Expense	\$ 3,950.56
Office Expense	\$ 2,613.15
Computer/Computer Supplies.....	\$ 1,270.00
Grading Supplies	\$ 1,092.24
Education/Memberships	\$ 1,030.00
Rent.....	\$ 281.25
Database – Data Entry Project	\$ 9,614.00
Overhead.....	\$ 37,150.56
Other.....	\$ 4,006.03
Total Expenses	\$ 627,267.97
Net Loss	\$ (145,282.41)
Year-end accounting adjustments	\$ (185.11)
Ending Fund Balance	\$ 1,450,927.06

Indiana State Egg Board

Directors

Representing

Margaret Titus, <i>President</i>	Consumers
Bryan Johnson, <i>Vice-President</i>	Indiana Farm Bureau
Alex Seger, <i>Secretary</i>	Egg Council, ISPA
Thomas Lafferty	IN Grocers and Conv. Stores
Darrin Karcher	Purdue, Ag Research Programs
Thomas Klump	IN Retail Council
Blair Kriner	Food Service Industry
Bob Krouse	IN State Poultry Association
Greg Hinton	Federal/State Inspected Plants

Field Staff

Inspection Area

Darrel Johnson	Northeast Indiana
Scott Ratliff	Southern Indiana
Robert Mears	Northwest Indiana
Robert Haynes	Central Indiana
Stacy Clupper	Eastern Indiana