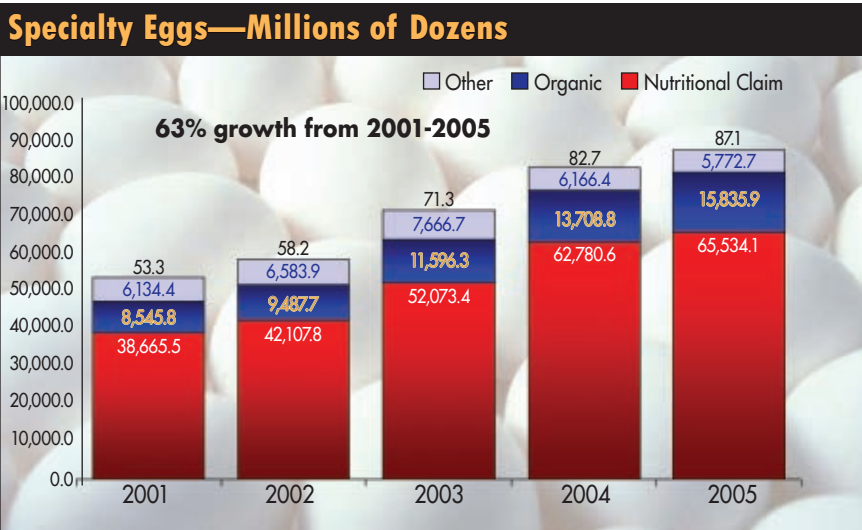


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Boom Continues for Specialty Eggs



By Edward Clark, Editor

An egg is not just an egg anymore, and consumers are responding. While sales of conventional eggs are slowly inching up, demand is booming for eggs that are nutritionally enhanced, organic, and cage-free. According to Nielsen data, specialty eggs sold in supermarkets increased by 63% from 2001 to 2005 (see chart). The to-

tal specialty market may have actually grown more rapidly than that, however, some say, because supermarket data do not track health food stores, where a number of consumers go to buy specialty eggs.

“Eggland’s Best has had 116 consecutive months of double-digit egg sales growth,” says Charles Lanktree,

president and CEO, who estimates that his company has 75% to 80% of the specialty egg market. “When we started, people in the industry said we were nuts, lunatics, and now some of these very people who said there was no business there are getting into the specialty market.”

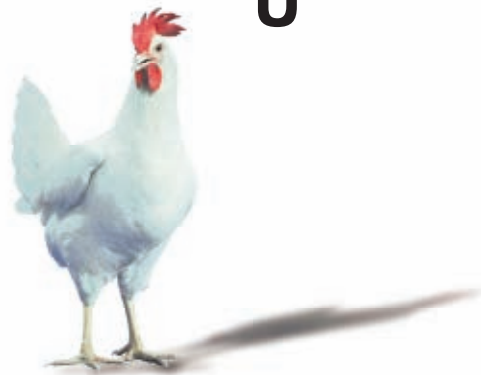
Eggland’s Best, Cedar Knolls, N.J., sells eggs that are nutritionally-enhanced with higher levels of vitamin E, omega-3, less fat and cholesterol, and with higher lutein content, from a patented vegetarian food that includes vitamin E, rice bran, alfalfa meal, and kelp. Among its offerings, Eggland’s Best also markets eggs that are organic and cage-free, and brown.

Eggland’s Best brand, started in 1992, is now a cooperative owned by its franchisees, which include some of the biggest names in the egg business, such as Cal-Maine Foods, Rose Acre Farms, and Mo-Ark.

What’s Driving the Market?

For R.W. Sauder Inc., Lititz, Pa., “the biggest growth area over the past four years has been cage-free,” says Paul Sauder, president and CEO. “Cage-free is close to 15% of my business. I’m in cage-free to satisfy my customers’ needs and wants,” he says. Sauder predicts that within five years, probably 50% of eggs sold at retail on the East Coast and West Coast will be specialty eggs, which include cage-free, organic, and nutritionally-enhanced products, although probably 10% to 15% nationally. Sauder has been in the organic

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Boom Continues for Specialty Eggs |

business, another rapidly growing area for him, for about 20 years.

In Sauder's view, his customers, retailers, "are being pushed into cage-free by special interest groups pressing them to go that way," and he says it's tough for the industry to counteract that. He notes that special interest groups also are focusing on high profile companies like Ben & Jerry's, and that's having an impact. "I keep thinking there has to be a different word than cages we can use, but I haven't come up with one," he says.

But specialty or value-added eggs are more than those that are organic, cage-free or nutritionally-enhanced, Sau-

der says. "We did 50 years ago. The consumer has changed," Sauder says.

Organic Eggs: One of Biggest Growth Areas

One of the biggest growth areas for specialty eggs is the organic sector, says Greg Hinton, vice president of sales for Rose Acre Farms, Seymour, Ind. One reason why, he says, is the growth in organics throughout the entire food system. It's largely driven by the success of Whole Foods and others, which have shown supermarkets that a significant customer base wants organics.

Hinton also sees more growth in nutritionally-enhanced eggs, such as eggs with higher levels of choline and omega-3. Rose Acre, for example, in

While he sees more growth in specialty eggs, Hinton thinks the rate of growth will soon slow, and new specialty eggs will cannibalize existing specialty egg sales, which in turn have cannibalized conventional egg demand. "I do not see specialty eggs boosting total egg consumption," he says. Hinton adds that while specialty eggs are gaining a larger share of supermarket egg space, the fact is that the majority of consumers are still concerned about value, watch their food budgets, and will be purchasing conventional eggs. At some point, he says, specialty egg sales will level off.

Health Concerns

One important reason behind consumers switching to value-added eggs is concern about health, says Joanne Ivy, the new president of the American Egg Board. The industry has come a long way in turning around attitudes that once prevailed about eggs and cholesterol, she says, and a growing number of consumers are opting for eggs such as those enhanced with omega-3 and lutein.

"We're seeing more diversification of egg products for consumers." A lot of this has occurred just within the past couple of years, Ivy says, and is similar to what the dairy and juice industries have done. It used to be there was just whole milk. Now there's low-fat, skim, flavored milks. And on the juice front, orange juice is now available with added calcium.

Phil Lempert, a food expert who operates the Supermarket.com web site, is a frequent contributor to The Today Show, and who spoke at the United Egg Producers recent annual meeting in San Antonio, predicts double-digit



Eggland's Best has an estimated 75% to 80% of the specialty egg market, and is now a cooperative owned by its franchisees whose names include some of the biggest names in the egg business.

der says. He also markets pre-cooked, packaged eggs for retail stores, which he says are also specialty products.

"Fifty years ago, the consumer went to the supermarket to buy ingredients. Today, the consumer goes to the supermarket to buy a meal, but by and large, we in the egg business are still selling products to consumers the same way

in addition to the eggs it produces for Eggland's Best, sells a Christopher Egg, with 660 mg of omega-3, "the highest on the market," Hinton says, its Golden Premium Egg, a cage-free egg with elevated levels of vitamin E and omega-3, and a new egg it has just started producing and marketing with higher levels of vitamin D.

Egg Industry

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| Boom Continues for Specialty Eggs |

growth of specialty egg products over the next five years, of which 75% will come from conventional egg products, and a “very important” 25% from new and previous customers buying specialty eggs for value-added benefits. Lempert predicts that the specialty egg market will reach 10% to 15% of the total market this decade, and 25% during 2011 to 2020.

A survey he conducted on Supermarket.com’s web site in collaboration with UEP seems to support his projections. When asked which of the following (brown or white) eggs poll participants would choose, 41% said they would choose

meet guidelines for husbandry practices and cage-free (but non-organic), and which sell for \$1.99 to \$2.79/dozen; and 3% said they do not buy eggs.

Europe Action Behind U.S. Movement

Michael Sencer, executive vice president of Hidden Villa Ranch, Fullerton, Calif., an egg marketing company that sells to Costco as well as natural food stores—in addition to operating a production and processing facility—predicts that specialty eggs will comprise 10% to 20% of all eggs sold over the next decade. He notes that in Europe, the figure

▶ **“Fifty years ago, the consumer went to the supermarket to buy ingredients. Today, the consumer goes to the supermarket to buy a meal, but by and large, we in the egg business are still selling products to consumers the same way we did 50 years ago. The consumer has changed.”**

—Paul Sauder

eggs certified to meet guidelines for husbandry practices, caged, and which sell for \$1.19 to \$1.49/dozen; 36% said they would buy organic eggs from farms certified to meet guidelines for husbandry practices, free range, fed an all-organic diet, and which sell for \$2.59 to \$3.69/dozen; 20% said they would buy cage-free eggs from farmers certified to

is 35%. Europe is what has pushed the movement here, he says. At present, he estimates the U.S. specialty market is 8% to 10% of the total. But no one knows for sure, he says, and not everyone agrees on the definition of a specialty egg. “Some call a brown egg a specialty egg,” he says. What’s driving the specialty market, Sencer says, is a combination of animal welfare concerns and “people who want to eat healthy.”

What is crucial to specialty eggs, Sencer says, is certification so that consumers know they’re getting what they are paying for and what’s on the label. Hidden Villa Ranch uses an organization called Humane Certified, a Virginia company, as a third party certifier of production.

Lanktree says egg production from Eggland’s Best producers “is highly controlled, so consumers in Florida get the same egg as what’s produced in Washington or Los Angeles or St. Louis.” To accomplish that, Eggland’s Best does extensive testing—55,000 last year, he says, so consumers get exactly what the company claims they’re getting. He thinks it’s important for specialty production to be closely monitored, “so cheaters are not allowed to cheat.”

Lanktree estimates that the specialty egg market is a little less than 10% on a dollar basis, but far less on a unit basis. “In some areas of the country it’s 15% of the market, 2% to 3% in others.”

As to future growth of the specialty market, Lanktree says there are two limiting factors. One is production in that it takes investment to convert to specialty production, thus egg farmers are far more likely to make the required investment if overall profitability in the industry is positive. “It’s a costly venture, and you have to become certified.” The other limiting factor is price. Specialty eggs are sold for as much as \$5/dozen in some markets, and at some price point, consumers will balk at paying several times more for specialty eggs than conventional eggs, he says. Lanktree adds that he’s hoping his 116 consecutive months of double-digit growth continues, “but you never know.”

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► INDUSTRY NEWS

► **New Strain of Bird Flu Found in China**

A new strain of the H5N1 avian bird flu, against which vaccination appears ineffective, has been discovered in China. According to the Proceedings of the National Academy of Sciences published late last month, the Fujian-like strain has risen in prevalence over the past year, and accounts for 103 of 108 samples tested between April and June.

The emergence of a dominant strain offers some advantages in that it's easier to control, scientists say, but it is also more likely to spread widely, which has occurred twice since H5N1 was first identified in China in 1996. The new data show that the virus is always evolving, one scientist says.

The findings from the study may suggest that the vaccine used in China does not offer broad enough protection against H5N1, although more study is needed to determine just how and why the vaccines are not working against the new strain of the virus. One of the study's authors says that while ineffective in China, the vaccine appears to be effective in Vietnam.

Policies require the immunization of all poultry in China. One scientist says it needs to be found out whether the vaccine is not working or if China's vaccination policy is not being followed.

In related avian influenza news, officials in Zanzibar seized eggs smuggled from mainland Tanzania in an attempt to keep their islands free of avian flu. A consignment of eggs was seized after the importers apparently disappeared, fearing arrest, an official says. In August, Zanzibar incinerated 61,000 eggs in an attempt to keep their islands free of avian bird flu. The price of eggs in Zanzibar has doubled.

► **Takoma Park, Md., Takes Cage-Free Stance**

Takoma Park, Md., last month became the first municipality in the nation to take a stand against hens raised in battery cages. The resolution, which passed unanimously, says that "the council opposes battery cage egg production, based on the inherent cruelty of confining egg-laying hens, and

encourages consumers of eggs not to purchase eggs produced by caged hens."

The move came on the heels of a measure proposed earlier by the neighboring District of Columbia that would require retailers to post signs indicating that eggs from caged hens were so raised. Cage-free advocates are focusing their efforts on the local level, industry sources say, because it's easier to sway a local governmental unit to their cause than a large one.

► **Eggs Can Reduce Triglyceride Levels**

Eating eggs enriched with omega-3 can improve triglyceride levels and reduce blood pressure, according to a study conducted by University of Guelph researchers in a report in last month's *Food Research International*.

The trial showed that a breakfast consisting of omega-3 enriched liquid eggs decreased blood triglyceride levels by 32%, reduced the triglyceride/HDL levels-cholesterol ratio by 37%, and produced a moderate reduction in blood pressure levels without impacting serum cholesterol.

"The results of the study support enriched eggs as an excellent vehicle for the delivery of omega-3, and given their broad appeal, eggs have the potential to bridge a critical nutritional gap that exists in the North American diet," says Bruce Holub, professor emeritus of nutritional sciences at the University of Guelph, Canada's leading food science and research institution. North American families are only getting a fraction of the recommended daily intake of omega-3, the study points out.

The clinical trial involved 16 healthy men with moderately elevated triglyceride levels in their blood—greater than 90 mg per deciliter of serum. The men, between the ages of 30 and 65, were assigned to either eat an omega-3 enriched liquid egg breakfast or a control breakfast for an initial 21-day period, followed by the alternate breakfast for a second 21-day period. The two periods were separated by a washout period of 10 weeks, during which time the subjects returned to their usual diets.

EI

Universities Are At Forefront of Cage-Free Battle

By Edward Clark, Editor

Perhaps nowhere is the caged versus cage-free battle more intense than on college campuses. Throughout the nation, university activists, armed with video tapes and other materials from the Humane Society of the United States and other groups, are attempting to convince dining halls to switch to cage-free eggs.

One recent example is the University of New Hampshire, which switched to cage-free eggs in its dining halls earlier this year. "The university has a large initiative, 'local harvest' in which we buy organic whenever possible, and the cage-free issue was wrapped into that," says Beth Potier, spokesperson for the university. "There's an increasing interest here in where food comes from," she adds, "and while the cage-free issue was not a major initiative, it was on the radar."

But at the same time a growing number of universities are switching from conventional to cage-free eggs, others, after examining the issue, are sticking with conventional eggs, and yet others, after switching to cage-free eggs, are switching back to conventional eggs and egg products.

University of Arizona Switched Back

The University of Arizona food services department, for example, was approached by a group affiliated with the Humane Society, and agreed to switch to cage-free liquid eggs, says David Galbraith, director of residential dining, because a supplier was found who was cost-neutral.

"But the product was sub-standard, it was offensive," Galbraith says, and after two to three weeks, he switched back to conventional eggs. The group then asked that he buy cage-free shell eggs, "but they were three times as expensive. It would have

meant selling scrambled eggs for \$1.50 instead of 60 cents. I told them to provide me with data that showed students were willing to pay more, and no such data existed, so end of story. I haven't heard from them since. I don't care, really. I just have to be responsible and sell what my customers want," Galbraith says.

At the University of Minnesota, the group Compassionate Action for Animals approached student representatives of residence halls and argued in favor of switching to cage-free eggs, but the representatives "voted no because of the increased costs of cage-free eggs," says Jacquie Jacob, U of M poultry scientist. While there was debate on the issue, the student representatives concluded that they didn't want increased residence fees, she says, adding that this "was not a big deal for the students. It's a non-issue."

The vote was different at the University of Iowa. After examining the issue, residence hall representatives have voted in favor of switching to a cage-free policy for students living on campus, but the final decision will be made by the food services department. "We will weigh the residence hall vote against the higher costs" associated with switching to cage-free eggs, says Greg Black, director of residential dining. A final decision was expected by mid-November.

Notre Dame Students Invoke Statement by Pope

Perhaps nowhere has the investigation of potentially switching to cage-free eggs been more in-depth than at the University of Notre Dame. Last year, Jocie Antonelli, a registered dietician, and manager of nutrition and food safety for the university, was approached by the group ND for Animals and asked that they switch to using cage-free eggs. To look into the matter, Antonelli and

others formed a social responsibility committee to look into the issue. The committee was shown a video by ND for Animals that purported to show cruelty, filth, and disease in a conventional hen house.

The students also claimed a moral, ethical and even religious basis for the university to be opposed to caged egg production systems, including a claim that the Pope had made a statement in support of their position, which they featured in a full-page ad they took out in the student newspaper. Notre Dame is a national Catholic university.

But before making a decision, the committee decided to investigate their current egg supplier, Creighton Bros., of Warsaw, Ind. What they found were "four to six hens per cage, with each hen provided 67 to 72 square inches of space, with 24-hour access to food and water, protection from predators, cages which were stair-stepped to prevent any manure pass-thru from one cage onto the next, and plenty of bright lighting which mimicked normal daytime/nighttime patterns," Antonelli says.

Creighton Bros. participates in the United Egg Producers certified program, which requires producers to provide scientifically-accepted allowances for cage space, air, water, feed, lighting, and other animal husbandry and welfare criteria. She says what she saw differed greatly from the images she had expected to see based on the video she was shown.

The Notre Dame committee also visited two cage-free egg suppliers. "What many people think of when they envision a cage-free farm is a red barn, blue sky and green grass," Antonelli says. "But in reality, their environment is not that much different than the ones we had seen at the conventional cage production facility. While there were no cages, many of the hens were huddled together at one end of the hen house, so while they had more open space, in practi-

Universities Are At Forefront of Cage-Free Battle

cal terms they weren't using any more space than the hens in cages."

"We Saw What Pecking Order Means"

Unlike the caged system where the manure drops into an underground pit, the cage-free hens were walking around in deep litter systems that allowed them to be in constant contact with their feces, she says. "And we saw firsthand what the phrase 'pecking or-

der' means; some of the hens actually peck or attack other hens. We didn't see that at Creighton Bros." Antonelli adds that "there was no natural light, just artificial, and the air quality seemed worse to us, because the hens are walking around and kick up a lot of dust. The ammonia smell also seemed stronger to us than in the conventional cage production, perhaps because of the deep litter system."

In the end, Antonelli's group concluded that neither system treated chickens inhu-

manely, and decided to stay with Creighton Bros. as the university's food service provider. "There are pros and cons to both systems," she says. The group also concluded that the religious issue was a neutral point. "We found out that the quote the students were attributing to Pope Benedict XVI came when he was a Cardinal, so its relevance should be relegated to a personal opinion rather than a Catholic doctrine. And we thought his negative connotation of animals used in production agriculture could be equally applied to hens living in the cage-free environments we visited. While we believe that the quality of life might be slightly better in the cage-free system, there is really no way to ask a chicken."

Despite these mixed results on college campuses on the issue, Gene Gregory, vice president of the United Egg Producers, Atlanta, says that "I'm afraid we're losing the battle," because it's hard for the egg industry to compete with the budget of \$100 million that the Humane Society of the United States has, and it's relatively easy for the Humane Society to recruit members on college campuses. He has no problem with schools going cage-free, indeed some of UEP members sell cage-free eggs, "but I think the decisions should be based on science, not emotion." He also thinks that when universities go cage-free, it means egg consumption declines because total costs go up and that translates into fewer eggs that end up on student plates. **EI**



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Know More About Egg Shoppers Than Your Buyers

By Terry Evans

In South Korea, eggs are placed close to fruit and vegetables in supermarkets, because eggs are a fresh product. The displays are also attractive with eye-catching packaging.

“Looking at world standards, what I saw in Korea was by far and away the best example of egg merchandising,” according to David Hughes, professor at Imperial College, London, who spoke at a session of the International Egg Commission’s annual conference in Guadalajara, Mexico.



Professor David Hughes

He said this is in sharp contrast to the United Kingdom, where the egg display is incredibly boring—invariably positioned near the bakery category, because historically, eggs were a key home-baking item. But there are exceptions, with much to learn just by looking at different markets, Hughes said.

It is egg producers, packers, and processors—not egg buyers—who should know the most about marketing and consumption, he said. “We should be able to say to retail buyers that we know more than they do about their customers’ attitudes about eggs, and we can grow the market together.”

It is important to understand how and why people shop, he said, and one important fact is that 75% of shopping decisions are made in the store.

Keys to Shopper Psychology :

➤ Shopping behavior mirrors usage habits, Hughes said. These could be planned, or unplanned—something the consumer needs to be reminded of. “We do not do enough to respond or stimulate those who are in an unplanned mode,” or the impulse buy resulting from in-store stimuli.

➤ Shoppers have limited ability to focus, thus they need color and memory clues—not

necessarily words, but pictures to draw them to the displays.

➤ Supermarket shopping is boring, so there is a need to shock shoppers out of this (create discontinuity).

➤ Most shoppers look for significant brands to help them navigate categories.

➤ Cross-merchandising. This would depend on where you are in the world, but in the U.K., eggs might be placed next to bacon/bread, smoked salmon/sausages.

➤ Provide information and education but with minimal words and maximum pictures. This could change buying behavior.

The industry needs to work closely with retailers, probably on a store-by-store basis where something is done dramatically different, with its sales impact measured. “We must make a start on this or we will be marginalized and end up in an area of the store where sales will just decline,” he stated.

Improvements Are Being Made

However, over the past five or six years there had been advances, and he now sees more interesting egg products in stores.

“In the egg business we are emerging from the primordial swamp. But with regard to understanding consumers and shoppers, we have got a long way to go.”

He said the four key drivers when looking at consumer trends are health, convenience, pleasure, and social aspects. The ideal is to have a product that combines all these factors, he said.

He said there are two clear areas of growth. One is value or price—the cheap end of the market—with the other end being premium products. There is a move away from commodity markets to specialty markets, Hughes added.

Eggs Need an Image Makeover

Eggs are at risk because they are considered dull and boring and are in need of an image makeover, said Don McNamara, executive director of America’s Egg Nutrition Center. Eggs are more than a commodity product and he challenged the industry to make better eggs

or egg products; it could do this by determining the nutritional needs of sub-populations among its customers.

“Eggs are for everyone and can be ‘tailored’ to the requirements of expectant mothers, children, athletes, those concerned about weight control, seniors, and even pets,” he said.



Dr. Don McNamara

The industry should promote the science behind these products, McNamara said. There is a need

for more cooperation rather than competition. Putting some of these products into a small market is difficult, but if producers cooperated, there are a lot of possibilities. Marketers should work with health professionals for nutritional assessments and ways of promoting the products, he added.

McNamara continued to say that eggs are more than just a good source of protein and that they could be much better than they are now. Current “hot topics” that offer opportunities for eggs include:

- Functional foods (nutraceuticals),
- Personalized nutrition (“To meet my needs”),
- Countering the obesity epidemic,
- Health promotion rather than disease prevention,
- The aging population and health care,
- All natural products with no additives.

The concept of nutrition has changed from one of avoidance to one of pro-active inclusion. “People want the benefits of antioxidants, omega-3 fats, etc., and eggs offer these,” he added.

They could also play an important role in weight control and help counter the worldwide pandemic of obesity with their impact on the glycemic response blood sugar changes, satiety, nutrient density and weight control. In a satiety trial, having eggs for breakfast proved to be much more effective than bagels, resulting in a decreased intake of 430kcal in 24 hours.

McNamara said not all omega-3 fatty acids are equal when they come from different sources. Those that come from flax seed, for example, are different to those from fish oils. In Canada, most of the omega-3 was derived from feeding birds flax seed producing ALA (alpha-linolenic acid) enriched eggs, while in Europe it was more common to use fishmeal or algae, which gave DHA (docosahexaenoic acid) enriched eggs. "Both ALA and DHA can substantially lower the risk of heart disease," he stressed.

DHA was important for fetal development. The last three months of pregnancy were a critical period for the accumulation of (DHA) in the child's brain and retina.

The American Heart Association has recommended that individuals with chronic heart disease should consume 1g/day of ALA and DHA combined. Omega-3 enriched eggs can contain between 0.5-0.75g (w3) fatty acids.

The lutein in eggs could also be shown to be a "wonder worker." High plasma lutein was related to a reduced risk of AMD, cataracts, heart disease, some cancers, and skin ailments. It also acted as an anti-oxidant/anti-inflammatory. The lutein bioavailability from eggs was far superior to the lutein in say, spinach.

"Although the average level of both lutein and zeaxanthin in one egg was modest, the bioavailability appears to be high, and consuming six eggs a week results in a significant increase in macular pigment optimal density (MPOD) without increasing cholesterol risk," he added.

McNamara said selenium was an essential mineral involved in many metabolic pathways in the body. There is an inverse relationship between cancer risk and selenium status. It also has been shown that the lutein in eggs is not affected by pasteurization of egg products. Thus, it is possible to offer consumers lutein-enriched products.

There is also merit in producing a folate-enriched egg as egg folic acid had a higher bioavailability than crystalline folate. "Folate reduces the risk of birth defects," he added.

Eggs also contain antibodies IgY. These are used to treat cystic fibrosis patients and to prevent certain lung infections. The antibodies also have food safety applications and can be used to treat gastric infections in both humans and animals. They can also prevent dental caries and the bacteria that are involved in the formation of ulcers. "The neat part about this is that, in contrast with antibiotics, the bacteria do not develop a resistance to antibodies because they are not a chemical treatment," he added.

Market Segmentation—The Best Route to Sustainable Value

Effective market segmentation is one of the only ways to add value to the core egg business unit, says Richard Langdon, marketing manager for Stonegate, a United Kingdom egg company.

In Stonegate's case, segmenting the cage-free sector of the egg market has opened up new doors and provided closer relationships



Richard Langdon

with key customers. "This almost certainly would not have been the case just by being 'cheapest' or 'biggest'. However, it demanded time, resources, focus and the desire to think in a different way about the market. Therefore, segmentation was a more ambitious route to go down than one that was purely cost-focused. And it was the best option in terms of a sustainable business model," he said.

The free-range sector is important to Stonegate's business. To the U.K. consumer, 'free-range' was rarely more than a definition of how eggs were produced. As a marketer with a significant market share, Stonegate had to get the basics right. Low cost structures, good production performance, supply-chain knowledge and strategic alliances were all prerequisites. These were all attributes of 'the strongest surviving'.

"That said, without insightful segmentation it will get increasingly harder to maintain value in the free-range sector," Langdon said. "The most successful producers," he added, "will be those who have a clear vision about why they farm in the way they do, and specifically, which consumer segments are motivated to buy the eggs they produce. Creation of value comes only from understanding why customers buy. And that is a complex equation, but it can be understood with good insight."

British free-range eggs continue to be a success story with a 34% share of household market by volume and probably nearer 50% in value. Forecasts for the future also bode well. "However, we need to be careful that this large and prized market does not merely become a commodity," Langdon added.

The generic 'free-range' egg sector in the U.K. is already a commodity, he said. For a long time now, the industry has been dangerously complacent to regard free-range eggs as a 'niche'. The sector was too big and the market too generic to view it as such, he said.

"We now have a sector that makes claim to be 'premium' but, in reality, is just a sea of unremarkable products that inspire in very few ways. Displays are large and bland, packaging all of a type and the key messages do little to inform or communicate in an interesting way about relevant things," Langdon said.

There is a serious risk of the sector value being eroded. With little customer involvement in the purchase decision, they will make their choice based primarily on price. Ultimately, this puts Stonegate, a business operating in 'high cost' Britain (in terms of land and labor), at a potential cost disadvantage to the low-cost European Union, particularly Central Europe. Continuing along this track would soon mean losing a substantial part of their currently premium business.

Stonegate has spent a lot of time trying to understand the motivations of consumers who buy free-range eggs, Langdon said. 'Animal welfare' is the easy answer to give as a reason for buying, and was cited by most buyers in passing. "However, we found that, in most cases, 'animal welfare' is not the main reason for free-range purchase. When pushed, the purchase needs and motivations are deeper set, more selfish and less rational."

While the findings might not all be rational, they existed in the minds of consumers and were therefore there to be connected with. A standard generic 'retail own label free-range' product missed opportunities as they were designed to meet a mass market need at an attractive cost. This generic product potentially answered the welfare call but did little for the emotional wants of the buyer, and purchase 'involvement' was low. The customer needed more involvement to pay a premium and come back for more. Direct concern for animal welfare was not the real purchase reason for most. This was a real discovery for Stonegate and had allowed the company to look at the market in many different contexts.

"The products we have developed to meet these needs and attitudes are all free-range eggs, but the key selling point of the products is more than that. They have a direct benefit to the purchaser and are supported by the fact that they are free-range," he said. This approach not only added value but also extended free range to buyers that would not previously have considered themselves 'buyers of free-range eggs'. **EI**

Editor's note: This is the first of two reports from the recent International Egg Commission annual conference in Guadalajara, Mexico. Next month's report will focus on health and other issues.



UEP Debates Supply Management at Annual Meeting

At its recent annual meeting, the United Egg Producers (UEP) board of directors considered a motion to encourage all producers to reduce their flock numbers by 3% to 5% by the end of December. This created a long discussion, including the rift that could occur between the shell egg and egg products' producers and there were many producers against the motion. The measure ultimately did not pass, but it was agreed that the supply problem has been recognized and should be addressed again at UEP's January meeting.

Chairman Dolph Baker opened the board meeting with thanks to all committees and staff for their hard work during the year. Some major areas of needed effort are animal welfare, environment, and price discovery, as well as the supply-demand situation.

UEP President Al Pope said the industry is now entering a "new beginning" with rising feed costs, and increased pressures from the animal activists and environmental concerns. He also gave special recognition to the Egglord's Best program of private label and marketing efforts over the past 10 years. This is the first time in three years that UEP is not facing a legal suit.

Tim Lambert, Chairman of the Canadian Marketing Association, was introduced and made some remarks. Canada is experiencing some of the same problems as the industry in the U.S., especially in the animal welfare area.

Low-Path AI Indemnity



Greg Hinton, Rose Acre Farms, (left) and Ron Truex, Creighton Bros., at the United Egg Producers recent annual meeting in San Antonio.

Ron Truex, Chairman of the Government Relations Committee, along with Randy Green and Howard Magwire of the UEP Washington staff, reported on several pressing issues that were discussed at the committee meeting. The National Animal Identification System (NAIS) is still pending and the House has frozen money for the project until USDA finalizes the plans. UEP staff continues to meet with USDA to share the industry's views.

Regarding the low-path AI surveillance, control and indemnity system from USDA, the department now has a program that includes 100% indemnities for producers that participate in the program. Long-standing UEP policy has included "the hen's projected future egg production," which is part of the new regulation. Comments urged producers

to work with state programs as well. The Highly Pathogenic AI USDA plan is not complete and still needs work. UEP is recommending realistic but scientific guidelines for movement of eggs and egg products to USDA.

It is reported that wild bird surveillance has turned up several cases of low path AI. No restrictions of commercial poultry have been imposed. Also discussed was a \$1 million grant from the House for research in reducing air emissions from egg farms that was a top UEP priority. House supporters are optimistic that the final bill will include the money. If this research is funded, it will be carried out by Iowa State, Penn State and the University of Kentucky.

Another topic is the House and Senate pending bills that will establish agriculture's exemption from two environmental laws, CERCLA, commonly referred to as the Superfund law, and EPCRA, the Emergency Planning and Community Right to Know Act. The Food and Drug Administration has not finalized an on-farm safety regulation for reducing salmonella in eggs. Salmonella has been reduced in recent years. USDA will soon present a change in regulations for egg products.

Several motions were made and passed. They included: 1. Encourage premises animal identification for poultry; 2. Commend USDA for the 100% indemnification and continue to work on this premise; 3. Encourage producers to work with state veterinarians regarding HPAI issues and programs; and 4. UEP recommends AEB promote use of fowl meat procured by AMS.

Wayne Mooney, Chairman of the Marketing Committee, began his report with a motion for the Board. It was approved that the CEO and attorney for the Potato Growers Association will be invited to the Board meeting in Atlanta



Elected and re-elected United Egg Producers' officers for 2007 at the association's recent annual meeting. Left to right are: Bob Krause, second vice chairman; Mark Oldenkamp, secretary; Dolph Baker, chairman; Gary West, first vice chairman; and David Lathem, treasurer.

| ON THE ROAD |

in January. It was suggested that all producers again look at the supply side of their business and move to reduce the number of birds.

Working with AEB to Boost Demand

It was recommended also that a subcommittee be formed to work with the American Egg Board regarding the

demand side of the egg industry. This measure passed. Another motion was made to recommend the industry lobby Congress to look at the food assistance programs and to include eggs. This motion did not pass. It was announced that Urner Barry will meet with a select group from the industry to again discuss price discovery.

2007 Permit Deadline for CAFOs

Environmental Committee Chairman

Barrie Wilcox opened the discussion regarding this very important and complicated set of issues. Primarily these include the ongoing CAFO Clean Water Act and the Air Consent Agreement with the national study. Tom Hebert of C & M Capitolink discussed the pros and cons of the rules that will be forthcoming. Regarding the Clean Water Act, Hebert discussed the issues that still face the industry including the ruling that CAFOs have a July 31, 2007 deadline to seek their permits. UEP has argued that this timetable is not practical.

On the positive side is the fact that if a CAFO does not discharge, a permit will not be needed and the states should interpret this decision. The UEP area meetings are designed to fully educate the industry on all the CAFO Water permit specifications and requirements. According to Hebert, the CAFO rule should be finalized during the summer of 2007 but certainly will be challenged in court as was done in 2003 regarding the part of the rule stating that CAFOs that do not discharge do not need the permit.

If producers do not obtain a permit, but discharge into a waterway, serious penalties could apply. Much work needs to be done on the very complicated issue so producers understand the full ramifications. UEP and Capitolink will continue to stay on top of it and work toward the positive outcome for the industry. As of now, the Air Consent agreement, signed by about 80% of producers, gives them a 2-year window while the air study is being conducted. Hebert and Chad Gregory discussed the situation with the Board and presented many facts regarding the issue.

Among the items discussed was a breakdown of the types of ventilation such as tunnel, cross, negative and positive, etc. An estimated timetable was presented outlining the upcoming study to be conducted by Purdue University. There have been some delays and deadlines have been extended in some cases. Included in the reporting process is an ammonia emission estimate from the CAFO. The Air Consent Agreement has also been challenged with lawsuits. As an example, an organization calling themselves the Association of Irrigated Residents (AIR) has sued EPA and the U.S. Court of Appeals challenging the legality of the Air Consent Agreement. Further legal challenges are expected.

A motion was presented to and passed



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by the UEP board that a sub-committee be established to study the possibility of a legal defense fund for future legal activity. Final outcome of this should occur at the January meeting. As reported in the Government Relations Committee, the House of Representatives voted to approve \$1 million for air emission research. Also, Congress will be working on the new Farm Bill when it returns and UEP will be supporting four priorities in the Bill: 100% indemnities; national animal ID confidentiality; air emission technical research; and opposition to animal welfare legislation harmful to the egg industry.

Mark Oldenkamp, chairman of the Animal Welfare Committee, opened the discussion on animal welfare. This committee had a lengthy meeting earlier. At the committee meeting, Jeff Armstrong, chairman of the Animal Welfare Scientific Committee, reviewed the progress being made. Also, he and Gene Gregory discussed the activists' activities recently. Currently, there is an effort by the activists to force the industry to label all cage eggs in stores. This is being dealt with. Golin and Harris, the public relations firm contracted by UEP, will continue through 2007 and the current assessment of 0.3 cents per bird will continue to fund the effort.

Promoting UEP's Certified Program

Mitch Head of Golin and Harris made a presentation at the committee meeting showing the various ways they promote the certified program. Examples are working with food related organizations, conducting workshops and other forums to show the benefits of eggs. This includes colleges where the activists have made some in-roads regarding cage-free eggs. It is planned for 2007 to continue the same P.R. efforts as well as many different approaches to educate consumers that eggs are being produced in a safe and humane manner.

It was discussed that the outstanding issues facing the animal welfare committee remain cage design including space, cage height and feeder space. It is evident that Jeff Armstrong and his hard working scientific committee remain dedicated to the cause. An interesting presentation was made at the committee meeting by Dr. Joe Garner regarding the feeder space study being made at Purdue. Initially, it has been determined that laying hens need to have space for all to feed at one time.

Less than that could cause stress and lower production. This was a very detailed test and the results contain many pages of excellent data, which will go back to Jeff Armstrong and the scientific committee. Several motions were made and passed by the Board from the Animal Welfare Committee: 1. Golin Harris to continue in 2007, funded from the assessment; 2. No change on the fee for the Animal Care Certified program; 3. The ammonia recommendation from the scientific committee is less than 25 PPM. About 85% of the nation's flock is enrolled in the UEP Certified program and it has become the "norm" of the industry. Other animal species facing some of the same challenges as eggs are adapting some of the approaches used by the egg industry.

UEA Meeting Held

The United Egg Association, Allied (UEA) Annual Meeting was held in conjunction with the UEP meeting in San Antonio. UEA now has 61 member companies. Representatives from these companies also attended the UEP Committee and Board meetings. Officers for 2007 were elected as follows: Jim DeBleyker, Chairman, Big Dutchman Co.; Andy Long, Vice Chairman, Biomune Co.; Brad Brown, Secretary, Dolco Packaging; Mark Dutt, Treasurer, Pactiv; and Del Farrer, EggPac Chairman, Henning Construction.

Gregory Awarded "Egg Man of the Year" Award



Gene Gregory (center), who was awarded the "2006 Egg Man of the Year Award" at the recent United Egg Producers annual meeting in San Antonio. Joining Gregory are Mike Bynum (left), Tampa Farms; and Dolph Baker, Cal-Maine Foods, UEP's board chairman.

Gene Gregory was presented with UEP's "2006 Egg Man of the Year Award" joining a long list of recipients so honored over the years. Gregory started in the industry years ago in Illinois and is now senior vice president of the United Egg Producers. No one works harder in this industry than Gene and much of the progress being made is because of his tireless efforts. There is an endless supply of issues facing the egg industry from overproduction to animal activists and Gene approaches them all head on and with the passion that is needed to do something about them. Hats off to Gene Gregory. **EI**

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