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## 2007 Shaping Up to be Strong Year for Profits

By Edward Clark, Editor

### How Egg Producers Will Maximize Profits for Rest of 2007

In a survey of egg producers, readers of *Egg Industry* and *Egg Industry Insider* were asked in late April what measures they were taking or considering to maximize profits for the remainder of 2007. Here are some of their responses:

- Spray foam insulation, sealed all air leaks, improved air flow;
- The only way that we can assure our industry that we could have consistent profitability is to create a quota system like the potato growers. This concept has not gone over very well in the past, but I believe it is time to try and develop a plan we could all adopt;
- Examining all costs of production for possible savings;
- Keep the market demand fulfilled at all times;
- Taking loans to expand the business. Get and develop a new site. Pay more attention to biosecurity;
- Early sales and early molt;
- Longer lay out between flock, early molting, and early sale of some flocks. Taking some low-producing flocks with high feed cost out of production up to four weeks before sell out;
- Early molting where appropriate. Direct appropriate participa-

In early May, the profit picture for U.S. egg producers was nothing short of phenomenal: the Urner Barry Midwest large price quote was \$1.06/dozen, nearly double year-ago levels, and well above the three-year average of 65 cents. At the time of year when producers typically lose money, they were showing strong profits, even with high feed costs.

Why such strong prices? Two key reasons why in the view of Gene Gregory, president and CEO of the United Egg Producers, Atlanta, Ga.:

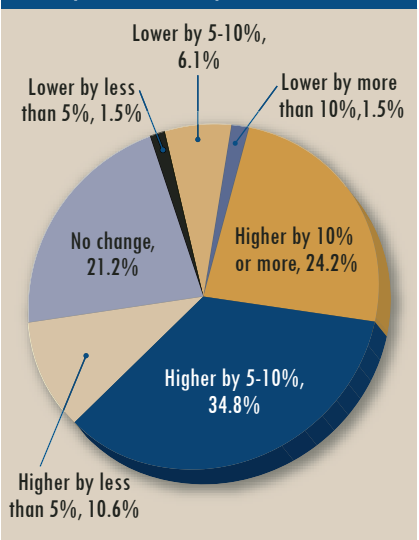
- “The industry did a better job of controlling the supply side, getting rid of more hens and molting more”; and
- “We took another export order to be filled.”

“The net effect,” Gregory says, “is that prices were as high as they’ve ever been for this time of year.” Gregory notes that shell egg producers need about an 85-cent quote to break even with today’s feed costs.

### Survey: Many Cutting Back

A survey conducted in late April by *Egg Industry* and *Egg Industry Insider* (see charts) bears out Gregory’s view

How do you expect the remainder of 2007 profits to compare with 2006?



**A survey conducted in late April by Egg Industry and Egg Industry Insider found that most producers expect profits in the rest of 2007 to exceed that of 2006.**

that producers are cutting back on layer numbers. When asked, “Do you plan to reduce flock numbers between now and the rest of the year,” 41.9 percent said yes, with 58.1 percent saying no. Of those who said they would reduce flock numbers, 40.5 percent said by 5

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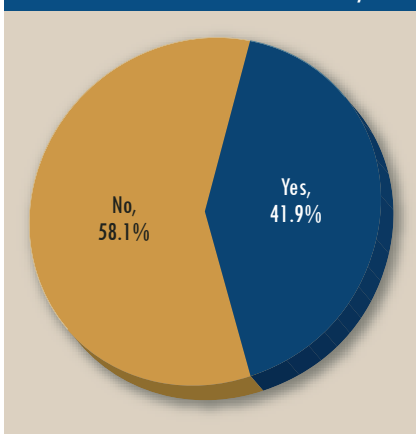


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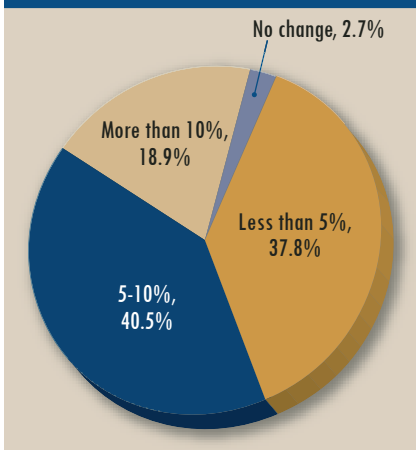
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Do you plan to reduce flock numbers between now and the rest of the year?



If "yes," by how much?

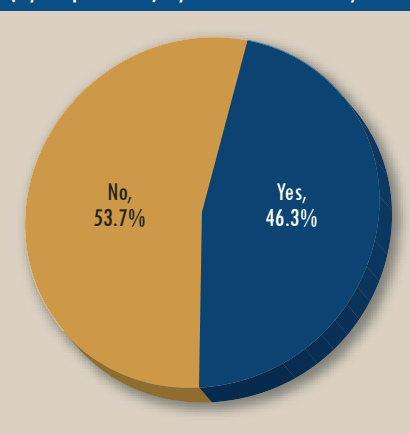


Almost 42 percent of producers plan to reduce flock numbers by the end of the year, with 40.5 percent saying they plan to reduce numbers by 5 percent to 10 percent.

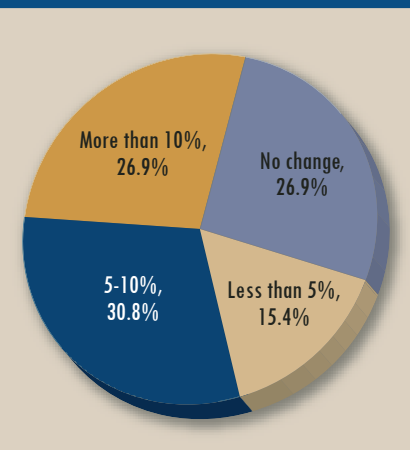
percent to 10 percent; 37.8 percent said by less than 5 percent; while 18.9 percent said they would reduce flock numbers by more than 10 percent.

Of those who said they planned to in-

Do you plan to increase flock numbers (by expansion) by the end of the year?



If "yes," by how much?



The above charts show that less than half of producers plan to increase flock numbers by the end of the year. Of those who plan to increase, most said between 5 percent and 10 percent.

crease flock numbers by the end of the year, 46.3 percent said yes. Of those, 30.8 percent said they would increase flock numbers by 5 percent to 10 percent; 26.9 percent said by more than 10

How Egg Producers Will Maximize Profits for Rest of 2007 |

Continued from page 1

tion in the export orders. Strategic trading on Egg Clearinghouse, Inc. (ECI). Better management of under-grade and Nest Run Breaking Stock (NRBS) sales. Work with customers to encourage promotions. Pass higher feed costs on to customers where possible;

- Will go animal certified if I can get paid for it;

- Reducing labor by 10 percent. Increasing price by 20 percent. Export more eggs;

- We are letting barns set idle for four to six weeks, April through October. We are also converting cage barns to cage-free barns. We are closing about 800,000 cage spaces and converting to about 150,000 cage-free spaces;

- Improve feed efficiency and automation;

- Rationalize distribution;

- Maximize efficiency to reduce production cost. Create value addition to the eggs;

- Modernize and increase ingredient storage in our feed mill, build a new layer building and construct and egg processing plant and refrigeration facility.

percent; and 15.4 percent said by less than 5 percent.

Most producers were optimistic that 2007 profits would best 2006. Asked how they expected the remainder of 2007 profits to compare with 2006, 34.8 percent said higher by 5 percent to

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10 percent; 24.2 percent said higher by 10 percent or more; 21.2 percent said no change; 10.6 percent said higher by less than 5 percent; and 9.1 percent expected profits to be lower for the rest of 2007 compared to 2006.

(For a list of other measures producers said they were taking or considering to maximize profits for the remainder of 2007, see box, beginning on page 1.)

### Concern Over Corn Prices

In Gregory's view, one important reason why producers have done a better job controlling supply this year than most years is concern over high corn prices driven by the dramatic increase in ethanol use. Another factor, he says, is the uncertainty over exports.

Could the egg industry stay profitable until Labor Day? Gregory thinks that unlikely, and does not look for additional supply cuts. And if producers do not make additional flock reductions, and no additional export orders surface—and nothing was in the works at presstime—egg prices could crash to the point where producers could be losing money by mid-June. That said, profits as of early May were far in excess of many earlier expectations. **EI**

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## ► INDUSTRY NEWS

### ► Diekema Receives Urner Barry “Person of the Year” Award

Bern Diekema, Manager of the Egg Division at the Hamilton (Michigan) Farm Bureau, received the “Person of the Year” award at the 2007 Urner Barry Executive Conference and Marketing Seminar. Diekema represents one of the oldest farmer owned cooperatives in the country.

Beginning over 85 years ago, the co-op provides feed, lumber, propane, auto sales and even a hardware store. Many of these services still remain today in Hamilton, Michigan, including the large egg processing and marketing facility. The co-op also markets eggs from the nearby 900,000-bird complex operated by Cal Schipper.

The co-op, in addition to the Egg Processing and Marketing Division, continues to provide feed and fertilizer to many of the surrounding farms. Eggs for the processing plant are provided by four farms in the Hamilton area. Diekema will be retiring after 35 years of service with the Hamilton Farm Bureau.

### ► Research Confirms Role of Eggs in Healthy Diet

A new study presented recently at Experimental Biology 2007 reported that eating eggs for breakfast as part of a reduced-calorie diet helped overweight women lose more weight and feel more energetic than those who ate a bagel breakfast. This study confirms previous findings, published in the *Journal of American College of Nutrition*, that when people ate eggs for breakfast they felt more satisfied and consumed fewer calories throughout the day as compared to when they had a bagel breakfast.

“While it’s been well established that food such as eggs that contain the highest quality protein help people feel full longer, we were surprised at how definite these findings were,” said Nikhil V. Dhurandhar, lead researcher and associate professor in the department of infection and obesity at Louisiana State University’s Pennington

Biomedical Research Center. “The women who consumed eggs as part of their diet plan lost significantly more weight, had greater reductions in waist circumference and reported significantly higher energy levels,” he said.

Additional research presented at Experimental Biology 2007 highlighted the benefits of eggs, including their role in providing choline, an essential nutrient, which is often lacking in the American diet. Notably, pregnant women and women of child-bearing age were found to have low choline intake, a concern as choline has been shown to help prevent birth defects and promote brain and memory development.

Another study found that eggs contributed just 0.6 percent of males’ and 0.4 percent of females’ coronary heart disease risk, when other risk factors such as age, genetics, dietary pattern, smoking, alcohol consumption, high blood pressure, and obesity are taken into account.

### ► Harvard Implements Cage-Free Policy

Harvard University has implemented a cage-free policy for the shell eggs it uses in all its residential restaurants. The change became effective May 7. Harvard University Dining Services uses more than 500,000 shell eggs per year. Other schools that have shifted to cage-free policies include Princeton, Dartmouth, Tufts, and the University of California at Berkeley.

### ► Group Launches ‘Buy British’ Marketing Campaign

Faced with research that showed the number of imported eggs had grown by 40 percent since 2001, and more companies were using imported egg products, the British Egg Products Association has launched a campaign to promote British Lion Quality egg products. The campaign, which starts this month, is aimed at food manufacturers and catering companies. The campaign is supported by leading food companies that use British Lion Quality egg products, such as McDonalds and Tryton Foods, according to mad.co.uk.

# Supply Management: the Key to Profits

By Dr. David Roland

**E**ven though the single greatest influence on egg price and profits is egg supply, little effort has been devoted to controlling supply versus improving production efficiency. The



**David Roland**

reason is the organizational management required for effective supply management is complex. However, with enhanced industry consolidation and higher feed cost creating longer down turns and larger swings in egg prices, the industry may be entering a new ballgame. This fact, along with new tools becoming available to assist in controlling egg supply should encourage more emphasis on supply management.

This article discusses the importance of production efficiency versus supply management and describes new technology (Econometric Feeding and Production Control) available to help improve both.

## Supply Management Tools

*Controlling hens and molting:* The objective of supply management is to prevent over supply of eggs, which can significantly reduce egg prices. It is estimated that hundreds of millions of dollars have been lost and will continue to be lost unless better methods of supply management become available. To help prevent over supply, the United Egg Producers has promoted reducing hen numbers by emptying houses early, delaying refilling, and reducing cage density. Molting has also been promoted as a supply management tool, but this tool is more effective in matching demand with supply within a company.

In the past, many producers have not participated in supply management because they knew egg prices could increase before houses could be refilled or hens would peak in production after molt. Because fixed costs are high and demand for eggs is not constant, it is obvious that controlling hen numbers and molting cannot adequately control supply. If new supply management tools were available that would allow producers to maintain hen numbers, optimize returns and at the same time assist in regulating supply, more producers might be willing to participate.

*Econometric feeding:* Econometric feeding allows producers to continually feed for optimal profits as conditions change. This automatically assists in supply management. For example, under some feed and egg price conditions, returns are optimized by feeding less protein or by allowing hens to consume less protein and energy (environmental control) than required for optimal performance. The savings in feed cost is greater than the loss in egg value and increased fixed cost. Production and egg size are reduced but feed efficiency may or may not be depending upon the econometric method used. Econometric feeding allows producers to know which protein level and energy intake optimizes performance and which level or intake optimizes returns. In most instances, the protein level required for optimal performance and profits is the same, but in some instances, especially with low egg prices, they are not.

All producers, large and small, would benefit from econometric feeding since returns are optimized and it helps control egg supply regardless of what other producers do. It makes no sense when losing money to continue optimizing production when the reason for losing money in the first place is excess eggs. This is especially true when producers can reduce supply and

losses at the same time by econometric feeding.

*Production Control:* To enable the production control features of the econometric feeding and management program, producers would need to optimize performance on a protein level that will not be immediately economical. For example, when egg supply cannot be reduced by econometric feeding and producers determine as a group they have excess eggs, they could optimize performance on a protein and/or energy intake level that gives slightly lower production. They do this even though short-term losses in cents per dozen increase and would benefit later, but only if enough producers participated.

## Requirements for Econometric Feeding

Econometric feeding requires knowing and/or using much more accurate and detailed nutrient requirements than typical feeding programs provide. For example, feeding for maximum production only requires that producers know what protein level gives maximum performance. With econometric feeding, producers also have to know the response of hens fed graded protein levels above and below the level required for optimal performance.

Because the protein level required for optimal returns varies depending on energy intake (temperature), energy versus protein cost, difference in egg price due to size and absolute egg and feed prices, an econometric feeding and management program is required to determine the correct protein level. The dietary protein level required for optimal performance also varies with energy intake, but is not influenced by feed or egg prices. Producers vary protein levels as feed intake varies by feeding based on intake. With econometric feeding, protein levels fed vary based on feed

## | Supply Management: the Key to Profits |

intake and on egg and feed prices.

A new method of feeding called econometric feeding and management (EF&M) has been developed which allows the integration of econometrics

for least-cost nutrient requirement calculations as prices change were not available.

With econometric and production control feeding, only diets that influ-

dustry. Since those cycles have always occurred, it may be easy for producers to think that nothing can be done—and nothing will be unless producers become more willing to think out of the

**“Until producers, especially marketing and production managers, fully acknowledge that supply and production efficiency control profits and are willing to place more emphasis on production control, the egg industry will continue to experience erratic market swings”**

and environmental control into nutritional programs. It does this by recalculating protein and energy requirements as feed intake and feed and egg prices change. This not only allows producers to optimize returns up to 2 cents per dozen, but also gives producers two other tools to help control egg supply.

### System Has 5 Components

The EF&M Program has five components (feed formulation, traditional feeding program, record keeping, econometric feeding, and production control) integrated into a single program. To run the program, the producer simply enters current feed ingredient and egg prices. All diets are then reformulated with a printout showing returns (cents per dozen) for each diet. Based on the returns shown, the producer can select the diet for optimal returns and/or performance as desired.

Producers have always known egg and feed prices control profits. However, those two factors have traditionally not been correctly used in feeding for two reasons. First, adequate response data to protein levels above and below the requirement were not known and second, software programs required

ence production up to an average of about 3 percent or egg weight up to 1.5 g are used. The exact variation in egg production and egg weight due to protein and energy level is dependent upon hen age. No protein level used in econometric feeding is low enough to initiate molt and as a result the hen's response to increasing or decreasing protein is immediate.

In many cases, when hens are fed poorly balanced diets or nutrients have been accidentally left out, some hens may molt or be severely affected and as a result, production never returns to normal. When hens are restricted from feed or fed diets extremely low in protein and molted, they peak at a higher rate of production but typically it takes eight weeks to reach 50 percent production. In many cases, this may be longer than desired for supply management, especially when molt windows are short.

### Requirements for Production Control

Seasonal demand for eggs and a philosophy of always feeding for maximum performance ensure continuation of the excess egg and low egg price cycles, which can reap havoc on the in-

box and work together. Until producers, especially marketing and production managers, fully acknowledge that supply and production efficiency control profits and are willing to place more emphasis on production control, the egg industry will continue to experience erratic market swings. A strong United Egg Producers (UEP) and the industry's willingness to explore change are also important elements in successful implementing production control strategy.

When producers go beyond econometric feeding to control supply that is referred to as production control. This is a completely new concept to many producers. In the past, the entire industry has been geared toward production efficiency, and bonuses are typically based on achieving production standards. However, it doesn't matter how well hens are fed and managed, producers will lose with low egg prices.

Trying to reduce losses an extra penny (although important) by optimizing efficiency—when profits could be 20 cents with better supply management—is definitely not the answer. In some instances, increasing losses less than a penny per dozen can reduce production up to 3 percent, which is a huge amount of production control. In other instances, producers could even reduce losses while reducing egg supply (econometric feeding).

With the econometric feeding and management program, producers can know the increased cost associated with production control. That knowledge—along with knowledge that reducing egg supply could quickly take returns from red to black—should encourage greater voluntary participa-



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## | Supply Management: the Key to Profits |

tion in supply management.

### First Step in Production Control

The first step in initiating production control is providing producers a tool that would allow them to feed econo-

duction control when industry is ready.

It is believed only a few of the largest table egg producers using the EF&M program could have a huge effect on supply management. Early 2007, an export order obtained by U.S. Egg Mar-

and nutrient intakes to be validated, summarized, charted and graphed with standards in a way not possible with most programs. This allows management control, nutrient requirement and production efficiency tuning not previously possible. Having all programs combined into a single program and available online is also a significant time saver.

The availability of econometric feeding and production control programs along with hen reduction and molting should allow producers much more control over supply management and profits. Although changing a century of feeding for maximum performance will be difficult and not without some learning pains, the potential gain in profits (literally billions of dollars) for even slight improvements in supply management is too much for the industry to continue ignoring. **EI**

*Dr. Roland is a distinguished professor, poultry science department, Auburn University, Auburn, Ala.*

**“There are no reasons producers should not feed econometrically, because it optimizes returns regardless of what other producers do and at the same time it helps control egg supply”**

metrically. There are no reasons producers should not feed econometrically, because it optimizes returns regardless of what other producers do and at the same time it helps control egg supply.

The EF&M program gives much more flexibility and accuracy in feeding than existing programs because it allows feeding for optimal performance and/or optimal returns as conditions dictate. It also allows feeding for pro-

ducers of 246,000 cases (less than about one-third day's egg supply) helped increase egg prices up to 50 cents or more. That reduction could be obtained by producers reducing egg production 3 percent for only 10 days or producers representing one half of hens reducing production 3 percent for 20 days.

The EF&M program also has a built in feed formulation and record keeping program which allows performance



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# Specialty Eggs, McDonald's, Health Trends Receive Top Billing at Conference

Health consciousness will only increase as a food trend. That's the view of Art Turock, president of Art Turock & Associates, who spoke at the recent Urner Barry Executive



Art Turock, Art Turock Associates

Conference and Marketing Seminar in Las Vegas, Nev. There is no gentle decline, no hiding place for retailers or suppliers who fail to spot consumer trends or adapt to changing markets, Turock said, citing a quote from Sir Terry Leahy, CEO, Tesco. Both McDonalds and Tyson saw the health consciousness issue and planned for it, he said.

Turock also cited trends he called the perfect storm: obesity, aging and the increase of diabetes in the United States.

Such trends indicate, he said, that healthy choices are less of a lifestyle and more of medical requirement. When ordering in a restaurant, what goes through the customer's head? According to Mr. Turock it is taste, convenience, price, and health. In the future, health will increase in priority, he said.

Turock's clients include the Food Marketing Institute, leading supermarket chains, food related associations, and large food manufacturing companies.

Another aspect to consider in today's market is freshness, which applies to egg and poultry products. Wal-Mart, he said, has concentrated on affordable and available food and will now add sustainability and packaging to the

equation. One group of consumers interesting to watch, he said, is the 13- to 25-year-old age group, which some may think is too diverse. Turock also said that the U.S. middle class is declining.

All of these trends are worth watching and could have implications for how the egg industry markets its products. Turock listed several examples of changes that trends have created, such

▶ **Wal-Mart has concentrated on affordable and available food and will now add sustainability and packaging to the equation**

—Art Turock

as specialty eggs. These are directed to more affluent groups with health concerns among the reasons for their popularity. Another example of a recent trend is convenience and the Campbell's Soup in-hand product, which allows consumers to put the whole can in the microwave and eat from the can. In addition, the take-out market is increasing by 6.8 percent a year and will probably grow further, he said.

## McDonald's Philosophy: "Glocal"

Gary Johnson, senior director of worldwide supply chain for the McDonald's Corp., coined a word for the future: "Glocal". Meaning both global and local, glocal will be the McDonald's way of new product development and technology for the future, he said.

Johnson said that people the world over enjoy experimenting with food and trying new things. Because of this, there have been many changes in eating habits and behavior. Food con-

sumption still continues to take into account nutrition and diet considerations. Also, Johnson said, food is regarded as a lifestyle for many consumers.

For McDonald's, it's important to listen carefully to what the consumer says, creating trust in the company, which is a must in today's world. He referenced several companies that have lost this trust like WorldCom and Enron and the results that happened.

Trust takes years to gain and only a moment to lose as was the case of the Mad Cow Disease issue. Johnson said that McDonald's maintains a transparent, open door policy and is proud to show its company to the world to maintain customer trust. He advised attendees at the meeting to keep this type of transparency alive in their companies.

Being a worldwide operation, McDonald's also looks at tastes from



Gary Johnson, McDonald's Corp.

other cultures to see if they may apply elsewhere. Answering prepared questions, Johnson said that he feels China will become even a larger market for his company. McDonald's is a leader in testing new products throughout the world as well as the first to publish nutritional information in its industry, he said.



## Global Egg Consumption has Dropped

Greg Tyler, vice president of international marketing for the USA Poultry & Egg Export Council (USAPEEC), said that worldwide egg consumption has dropped considerably. Advertising saying, "poultry and eggs are safe, just cook it," has been made available to all countries, he said. USAPEEC continues many different types of poultry, egg product and shell egg promotions in many countries by working with baking companies, advertising and conducting seminars and conferences, he said.

## Designer Eggs

A panel of leading egg producers discussed how designer eggs have impacted the consumer and retailer relationship with traditional eggs, and how this might change over the next five years. Greg Deppeler, Urner Barry Egg reporter, moderated the panel. All four participants on the panel represented companies that feature designer eggs in their product mix: Bob Hodges, vice president and director of marketing at MoArk, LLC; Mike Sencer, senior vice president of the branded egg division of Hidden Valley Ranch; David Radlo, president and CEO of Radlo Farms, LLC, and Kevin F. Whaley, executive vice president and chief marketing officer of CCF Brands.

Panelists said consumers are well ed-

ucated in the pros and cons of specialty eggs. They also said that packages sold in these categories are certainly much more colorful than regular eggs, raising the question as to whether regular eggs could be packaged more creatively.

Also, it is even more critical with designer eggs to be sure of the costs involved. At present, organic-produced eggs are the most costly. Some consumers are definitely looking at the health factors attributed to designer eggs and weighing costs against the benefits.

Questions were asked about the impact of the animal welfare issue on specialty eggs. It was the consensus that it was a factor and that the activists are boldly predicting no cage layers will be around within five years. The panel agreed that there needs to be more effort to confront the cage-free advocates. In addition, panelists said, there is a possibility that the specialty egg program could be aiding cage-free advocates. Even so, specialty eggs are actually providing what the customer wants, in addition to creating additional profitability.

## Profitable 2007 Predicted

Bill Lapp, owner of Advanced Economic Solutions, spoke to the group about the economic situation in the egg and poultry industries. Lapp said employment growth is good and will grow in the future, but he is concerned on the housing front because of energy prices and the possibility of foreclosures. The

fact that restaurant business is flat may also contribute to the problem, he said.

Lapp sees a slight drop in per capita consumption. Also, a potential problem



**Bill Lapp,**  
**Advanced**  
**Economic Solutions**

is the rising costs of feed because of corn consumption for ethanol. Other factors are that the chick hatch is up and the egg breaking business is down 4 percent.

On the plus side, egg prices have remained very good and exports seem to be holding, so despite the negatives, Lapp predicts a profitable 2007. Higher egg prices from January through March have offset the rising prices of feed, but in the long run feed could wipe out the gains. Layer numbers and feed costs are the key drivers to profit for the egg industry in the coming months.

On ethanol, corn, and the ag economy, Lapp said the industry should be okay if oil stays around \$60 per barrel and corn remains in the \$4 per bushel range.

## AEB Activities

Joanne Ivy, president and CEO of the American Egg Board (AEB), reported on the activities that organization is doing with the promotion of eggs. For example, the National Veterinarian Association (NVA) and AEB have been working on an "Eggs for Pets" pro-



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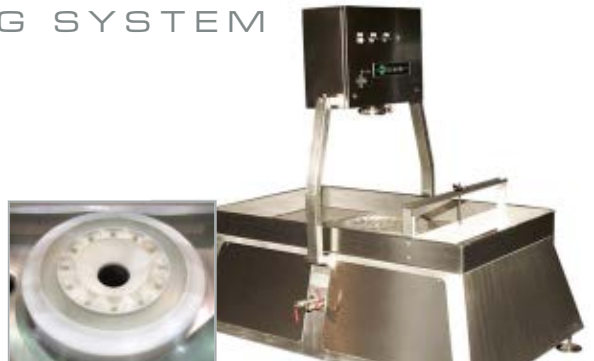
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gram. The veterinarians have advised AEB to develop some recipes, including eggs, especially for those people mixing their own pet food.

Other activities include the national accounts program, which works with fast food chains developing their breakfast items, retail marketing projects that show retailers how eggs are profitable in their stores, and Food Safety Training Videos. In addition, through AEB staff members Howard Helmer and Linda Braun, over \$45 million worth of magazine and newspaper publicity has been obtained.

### Urner Barry Reporter Roundtable

Randy Pesciotta, Urner Barry vice president of the Egg Division and Greg Deppeler, market reporter, conducted the roundtable reviewing the past year and pointing out some factors to look for in the coming year.

They said that it is obvious that the 74 to 75 cent per dozen egg price no longer is the break-even point. Exports in November created prices of \$1.10 into the New Year and January was much better than expected. Another export order saved February and continued to maintain above cost prices.

It is generally felt that layer numbers



Randy Pesciotta, Greg Deppeler, Urner Barry

will be kept in check and a summer removal schedule is likely to keep prices up, and should offset rising feed costs. Off-line breaking is decreasing while in-line is increasing.

Dried egg inventory is down by 17 percent. They pointed out that only by continued communication can Urner Barry attain a better outcome of its price discovery programs. The industry is encouraged to communicate with Urner Barry in any way to achieve this goal.

### Farm Bill, Ethanol

Sen. Jim Talent, R-Mo., said that even though Congress definitely wants

a farm bill passed, he is not optimistic, and said it will be a difficult job to get the legislation.



Sen. Jim Talent, R-Mo.

He discussed several aspects of the bill that are under discussion, such as increased research as well as conservation payments. Bruce McKnight, USDA Undersecretary for Marketing and Regulatory Programs, emphasized the importance of working with lower value crops to produce renewable fuels and not have the heavy reliance on corn. **EI**



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# Must Cage-Free Be Your Future?

*Animal rights groups step up pressure on battery cages*

By Edward Clark, Editor

The battle is raging over the future of battery cages for the layer business, and it's too early to call who the victor will be. On the one side are powerful animal rights groups such as the Humane Society of the United States (HSUS), which are pressing for an all-out ban on the use of battery cages through legislative efforts and pressuring the marketplace to buy only cage-free eggs.

"The egg industry is completely out of step with American's expectations of how animals ought to be treated," says Paul Shapiro, the HSUS's director of the factory farming campaign. "What the industry needs to do," he says, "is to get

more aggressive all the time." He says he is not opposed to cage-free, and UEP represents producers of cage-free, in addition to organic and conventional producers of battery cage production. But that said, Gregory believes in consumer choice—consumers should have the right to buy whatever eggs they want rather than be forced to a specific purchase.

Gregory's view is that animal care standards should be science-based and to that end, UEP has established its certified program in which a qualifying producer's operations conform to UEP animal care guidelines, subjected to an annual third-party audit. This program features a trademarked seal approved by the Federal Trade Commission and

fering a food safety benefit.

But to Shapiro's way of thinking, "the industry is out of step" with consumer attitudes. He commends the industry in making a move in the right direction in switching from 98 percent caged production to now 96 percent or 95 percent, but the vast majority of layers still live in a space smaller than a sheet of paper, he says.

## Legislative Efforts Falling Short

Animal rights activists are pressing for efforts to ban cages at both the state and federal level, but thus far, the egg industry has been successful in repelling them. In New Hampshire, cage-free measures were voted down in commit-

**Ironically, a shift to cage-free layers or sows raised without gestation crates would increase industry consolidation because only those large enough and rich enough could afford to make the transition**

**—Steve Kopperud**

tee of battery cages." He cites the recent move by Burger King, Wolfgang Puck, and others, in painting a picture of a marketplace responding to consumer wishes for more cage-free egg production.

## Fear of Retaliation

But in the view of Gene Gregory, president and CEO of the United Egg Producers, Atlanta, the switch of egg buyers in the marketplace to cage-free is "not at all" due to consumer pressure against battery cages. Rather, he says, companies are making changes in their egg procurement policies "because they are afraid of what they (animal rights groups) might do to them if they don't. They don't want to be retaliated against." In some cases, Gregory says, companies that have switched to cage-free have called United Egg Producers (UEP) and apologized for doing so.

Gregory says the HSUS, Farm Sanctuary, and People for the Ethical Treatment of Animals (PETA) "are aggressively trying to force everyone to buy cage-free eggs and they're getting

rid of battery cages." He cites the recent move by Burger King, Wolfgang Puck, and others, in painting a picture of a marketplace responding to consumer wishes for more cage-free egg production.

UEP that producers can place on their egg cartons if they adhere to the UEP Certified guidelines. But to Shapiro, UEP's guidelines are inadequate, and do not allow for birds to lead healthy and normal lives because they are cage-bound. "Cage-free systems are not perfect, but they allow animals to engage in nesting, areas for them to walk, perch, all important for birds to engage in."

## Not Only Cage-Free is Humane

Gregory counters, however, that "we do vigorously dispute the proposition that only free-range or cage-free production is humane. We disagree with that view, and so does our scientific advisory committee. Caged housing systems protect birds from predators and diseases such as highly pathogenic avian influenza. Cage systems also may reduce pecking and other aggressive behavior, including cannibalism. The way eggs are handled in cage systems may also reduce the chance that the outside of the egg will be contaminated with feces, of-

tee and then by the entire legislature; in Connecticut, a cage-free measure was defeated in committee; in Washington, a committee considering a measure decided not to take a vote; and sponsors of a measure in Arizona pulled the bill after visiting an egg farm there.

The outcome of measures in California and Delaware were still undecided at presstime.

Federal legislation, the Farm Animal Stewardship Act (H.R. 1726), has also been introduced that would require the federal government to use animal welfare guidelines in making purchasing decisions for the school lunch program, the military, federal prisons, and other government purchase programs that is in excess of current industry practices. The bill would require producers who supply farm-animal derived products to have space to turn around and extend their limbs, among other requirements.

Asked to access the federal bill's chances, Steve Kopperud, senior vice president with Policy Directions, Inc., says "slim to none." He says it's very



## | Must Cage-Free Be Your Future? |

difficult to attack the industry in federal legislation because all of agriculture relies in defence. Kopperud adds that at the federal level, animal rights is not a partisan issue, thus the power shift to the Democrats does not increase the likelihood of the passage of animal rights legislation. Because of the difficulty in passing federal legislation, animal rights groups are focusing much of their efforts in trying to ban confined housing for animals in largely urban states without an entrenched industry, Kopperud says.

### Why Now?

One obvious question is why the caged layer issue has become such a large one of late. In Kopperud's opinion, there are two primary reasons why. One is that an-

imal rights activists have changed tactics and have been "attacking brand," thus companies hope that "by giving them something," such as a cage-free policy, the activists "will go away." He agrees with Gregory that the policy shifts to cage-free by companies "is not consumer driven at all." He also attributes the success of the cage-free movement to whom he calls the highly effective president and CEO of the HSUS, Wayne Pacelle. Pacelle is "very politically astute" and has made animal agriculture his No. 1 priority, Kopperud says.

Kopperud also says that supermarkets are responding to what he calls the Whole Foods syndrome, but he thinks that is a misperception and a myopic sense of food policy because such a small per-

centage of consumers can afford to pay \$3 per dozen for eggs.

Asked how he assesses where the industry stands in the cage-free battle, Kopperud says "we are barely holding our own." Will the movement to more cage-free eggs continue? Yes, he says, if the industry allows animal rights activists to control the discussion. He adds that the industry needs to do a better job telling its story. Kopperud continues that U.S. food costs are currently 11% of an average consumer's income. "If that is a goal, then we need to shift our mindset dramatically," he says.

Ironically, Kopperud says, a shift to cage-free layers or sows raised without gestation crates would increase consolidation "because only those large enough and rich enough could afford to make the transition."

### Victories Small

In Gregory's view, for all the publicity surrounding the switch of businesses and organizations, the percentage of total egg production is very small. Not that they aren't having an impact, but if Burger King requires that 2 percent of its eggs are cage-free or a university dining hall switches to cage-free, the impact is still relatively small, he says. But Gregory is nonetheless very concerned about the impact animal rights groups can have in the marketplace, because it's there, not in state or federal legislation thus far, that activists are achieving victories.

Furthermore, he says that companies may be making a mistake in making deals with animal rights groups, "because they come back and want you to do more and more." **EI**



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# Accurate Nutrient Composition Is Valuable for Industry

In 2005, the American Egg Board funded an updated analysis of egg products, which is published in the American Egg Board's publication entitled, "Egg Products Reference Guide". The data can also be obtained from the American Egg Board (AEB) web site (<http://www.aeb.org/EggProducts/reference.html>). I presented the results of this study at the March 2007 International Egg Commission meeting in London.

Nine egg products were analyzed including liquid/frozen whole eggs, liquid/frozen salted whole eggs, liquid/frozen yolk, liquid frozen sugared yolks, liquid/frozen salted yolks, liquid/frozen whites, dried whole eggs, dried yolks, and dried stabilized whites.

Samples analyzed were collected from major processors in the United States from different parts of the country. Each product included samples from three different processors. The samples included three different lots, which were pooled. Egg products were analyzed for proximate composition, cholesterol, vitamins, minerals, fatty acids, and amino acids. Egg chemistry data including pH, fat, protein, ash, solids, and free glucose were also presented.

## Moisture, Protein

With respect to proximate analyses, moisture and protein content was quite comparable to previously reported values. Total fat was determined rather than total lipids. Total fat is defined as the quantitated fatty acids expressed as triglycerides. For labeling purposes, the U.S. Food and Drug Administration requires reporting total fat. (21 Code of Federal Regulations 101.9). Previous analyses reported total lipids, which includes phospholipids and cholesterol. Thus, total fat of yolk for example will be about 3 percent lower than total lipids (AOAC acid hydrolysis method).

Cholesterol content of whole egg

and yolk was similar to that reported from previous analyses. Elkin, in 2007 (*World's Poultry Science* 63: no. 1, 5-31) reviewed factors affecting yolk cholesterol. He indicated that feeding reductase inhibitors (statins) to laying hens could reduce as much as 46 percent. However, there were concerns with the effect on nutrient composition and potential transfer of drugs to the egg. Froning et al., 1990 (*J. of Food Science* 55-98) reported that two-thirds of the cholesterol could be extracted using supercritical carbon dioxide extraction, but costs have been found to be excessive. Therefore, lowering of cholesterol in the egg by various approaches has not been practical. Since dietary cholesterol has not significantly affected heart disease, the cholesterol issue has become less important.

Fatty acid composition was observed to be comparable to previous reported data with a 1.8 ratio of unsaturated fats to saturated fats. Egg yolk is a good source of unsaturated fats. Trans fats in egg yolk was 0.24 percent, which means egg products can be labeled 0 percent trans fats.

Vitamin content was found to be quite uniform among all processors. Lutein and zeaxanthin are two pigments that have been found to be important for preventing macular degeneration.

Lutein and zeaxanthin in egg yolk have been observed to be more available than that noted from vegetables such as broccoli. Choline and folic acid, which are high in eggs, have been observed to be important for memory function and fetal brain development.

With respect to mineral content, values were again found to be quite uniform. One exception was selenium. Selenium content can vary since some areas of the United States have somewhat higher amounts of selenium in the soil. Amino acid analyses continue to show that eggs contain all of the essential amino acids needed in our diet. Eggs are used as a standard for measuring protein quality.

When considering egg chemistry, egg solids have been a continuing concern to processors. It is known that in-line systems may have a lower percent solids than off-line systems. Also, age of the hen, strain and storage may affect egg solids.

Accurate nutrient composition of eggs is valuable for our industry. Consumers are demanding more information about the composition of the foods they consume. **EI**

*Dr. Froning is Professor Emeritus, Department of Food Science & Technology, University of Nebraska-Lincoln, Lincoln.*

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<sup>1</sup> White, W. Hunter, et al., Knockdown and Mortality Comparisons between Spinosad, Imidacloprid and Methomyl Containing Baits against Susceptible *Musca domestica* L. (Diptera: Muscidae) Under Laboratory Conditions, 2006.  
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# INDUSTRY CALENDAR

## June

### 6-8: National Safety Conference For The Poultry Industry

Savannah Marriott Riverfront Hotel, Savannah, Georgia. Contact: Kristi Spivey, Food Processing Technology Division, Georgia Tech Research Institute. Tel: 404-894-3412. E-mail: kristi.spivey@gttri.gatech.edu.

### 20-22: NC/VA Egg Industry Conference and Mid-Atlantic Layer Management Workshop

St. Simons Island, Georgia. Contact: Kenneth Anderson. Tel: 919-515-5527. E-mail: ken\_anderson@ncsu.edu.

## July

### 8-12: PSA • ADSA • AMPA • ASAS Joint Annual Meeting

San Antonio, Texas. Contact: Poultry Science As-

sociation, 1111 North Dunlap Avenue, Savoy, Illinois 61874. Tel: 217-356-5285. Fax: 217-398-4119. Website: www.poultryscience.org or www.adsa.org.

## September

### 16-21: International Egg Commission's Annual Conference

Hilton Hotel, Budapest, Hungary. Contact: Julian Madeley. Tel +44 (0) 20 7490 3493. Fax: +44 (0) 20 7490 3495. E-mail: Julian@internationalegg.com.

## October

### 3-4: National Chicken Council Annual Conference

JW Marriott Hotel, Washington, D.C. Contact: National Chicken Council, 1015 15th Street, NW, Ste. 930, Washington, D.C. 20005-2622. Tel: 202-296-2622. Fax: 202-293-4005. E-mail: ncc@chickenusa.org. Website: www.nationalchickencouncil.org.

## 2008

## January

### 23-25: International Poultry Exposition 2008

Georgia World Congress Center, Atlanta, Georgia. Contact: US Poultry & Egg Association, 1530 Cooledge Road, Tucker, Georgia 30084-7804. Tel: 770-493-9401. Fax: 770-493-9257. E-mail: expogeneralinfo@poultryegg.org. Website: www.poultryegg.org.

## March

### 18-20: Midwest Poultry Federation Convention 2008

St. Paul, Minnesota. Contact: Midwest Poultry Federation, 108 Marty Drive, Buffalo, Minnesota 55313. Tel: 763-682-2171. Fax: 763-682-5546. E-mail: lara@midwestpoultry.com. Website: www.midwestpoultry.com.

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