

Statement of the
UNITED EGG PRODUCERS
Before the
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

April 18, 2007

Good morning, Mr. Chairman, Senator Chambliss and members of the committee. My name is Ron Truex and I am the president and general manager of Creighton Brothers, LLC, in Warsaw, Indiana. I appreciate the opportunity to testify on behalf of United Egg Producers. About 90% of all the eggs in the United States are produced by UEP members. UEP is a farm cooperative, and in addition to performing all the functions of a trade association, we also administer a program of animal husbandry standards called the UEP Certified Program, which I will discuss later in my testimony. In addition, we negotiate and conclude export sales through our subsidiary, U.S. Egg Marketers, as well as providing egg trading, access to insurance and other services.

Eggs are produced in virtually all the states represented on this committee, but I would especially note that the chairman's state of Iowa is the nation's #1 egg producer. Our organization's headquarters are located in the ranking member's state of Georgia. And my home state of Indiana, represented by the former chairman of this committee, is consistently among the top five egg-producing states.

The egg industry neither receives nor seeks price supports or income support payments. However, like the rest of the livestock and poultry sector, we have a major stake in this farm bill and appreciate being included in your deliberations. The farm policies you adopt will definitely affect our industry.

Alternative Fuels

The livestock, poultry and dairy industries are about half of U.S. agriculture when measured by cash farm receipts, and all these industries have been significantly affected by the booming demand for ethanol and biodiesel. Production costs for eggs have skyrocketed as rising demand for biofuels has driven up feed prices. We ask Congress to help the animal agriculture sector through research to commercialize ethanol production from cellulose, and we believe incentives for alternate fuel production should be more equitable.

About 55% of the cost of producing a dozen eggs is feed, and about 63% of a typical layer diet is corn. From September 2006 through the end of February 2007, a typical egg operation saw almost a 60% increase in feed costs per ton. During that period, corn prices rose from a little more than \$2 a bushel to more than \$4. The cost of getting each dozen eggs to the grocery store went up about 10¢ per dozen.

Most egg producers lost money from 2004 through 2006. Higher costs now, if sustained, are likely to cause further consolidation in our industry as weaker operations fall by the wayside. Although it is true that the price of corn has fallen since the March 30 Planting Intentions

report, USDA's long-term projections suggest several years of unusually tight supplies and high feed costs. A short crop in the Corn Belt would, in these circumstances, be disastrous.

UEP supports alternative fuels as part of the nation's strategy for energy independence, but we believe that U.S. policies must do a better job of taking into account the needs of egg, poultry, livestock and dairy producers.

? In the 2007 farm bill, Congress should expand research to (1) commercialize technologies to make ethanol from cellulosic biomass; (2) modify dried distillers grains with solubles (DDGS) and other byproducts to expand their use in layer rations; and (3) develop other renewable energy sources, such as power generation using manure and mortality.

? If Congress expands the Renewable Fuels Standard, the expansion should be limited to fuels that are made from non-corn feedstocks, such as cellulose.

? Congress should consider replacing the current 51¢ ethanol tax credit with a countercyclical credit that would be lower when petroleum prices are very high.

? Congress should encourage the Secretary of Agriculture to allow early release of some land in the Conservation Reserve Program, so farmers can meet the demands of both the ethanol industry and the livestock sector.

? Incentives to produce biofuels should be offered on an equitable basis. Any tax credit or similar benefits available to ethanol or biodiesel should also be available for other sources of renewable fuels, including products of the livestock and poultry industries such as fats, tallow, animal waste and mortality.

Animal Welfare

During recent years, our organization has spent more time on animal welfare than on any other single issue. The U.S. egg industry has worked with top scientists to design and adopt animal husbandry standards based on science. About 85% of our industry has implemented these standards.

UEP has been a leader in forward-looking environmental, food safety and animal welfare activities. We feel strongly that animal welfare standards should be based on science, not emotion or politics. In the late 1990s, we commissioned an independent, unpaid scientific advisory committee that recommended industry-wide guidelines for animal husbandry - science-based standards for the best ways to care for laying hens. The advisory committee has remained active and comprises experts in animal well-being and related fields. For example, its chair is Dr. Jeffrey Armstrong, dean of agriculture and natural resources at Michigan State University.

About 85% of producers have voluntarily adopted these guidelines, even though they involve increases in production costs. The guidelines are known as the UEP Certified Program. The program has been well accepted by our retail and food service customers, and provides assurance to consumers that the eggs they buy were produced under approved animal husbandry standards.

Despite the significant changes we have made in our production practices, we have continued to be attacked by some animal-rights activist groups. For some of these groups, only cage-free

or free-range production is acceptable. We have numerous members who produce cage-free, free-range and organic eggs, and we believe it is important for consumers to be able to make these kinds of choices. However, over 95% of egg production here and around the world involves birds raised in cages, and our scientific advisory committee has consistently found that both caged and cage-free systems are acceptable production methods, each having advantages. If all production in the United States had to be free-range, consumers would pay \$4.65 billion more for eggs every year, and we would need to identify an additional area of land the size of Delaware to produce the same number of eggs that we do now. I am not sure exactly where that land would come from.

For other activist groups, even free-range or cage-free production is unacceptable. These groups believe, sincerely, that humans should not consume meat, milk or eggs, which means they believe our industry should not exist, and we should find some other way to make a living. They are entitled to their opinions, but when one side of an argument starts with the premise that the other side is illegitimate, there is not much to talk about. Some of these groups have engaged in illegal activities such as breaking in to farming operations, which not only violates the law but also creates the risk of disease transmission. These groups also support legislation that would impose their views of appropriate production practices on U.S. animal agriculture.

We are concerned that when this committee takes its 2007 farm bill to the Senate floor, a variety of amendments could be offered that would be hostile to animal agriculture. These amendments may or may not have anything to do with eggs directly; they might target other species groups instead. But our request to you is simple: Please vote against hostile, anti-livestock amendments that may be offered. Instead, please support our industry in its use of science, not emotion, to develop and implement voluntary animal husbandry guidelines in the private sector.

Other Issues

Agricultural Research

UEP members feel strongly that the nation should invest more in basic and applied agricultural research, extension and education. For more than a century, our country has proven the benefits of research in expanding output, increasing efficiency and raising living standards for all our people. Compared to other scientific fields, federal funding for agricultural research has been stagnant at best. We commend land-grant institutions and others who have been thinking creatively about the best way to maximize both the resources available, the quality and the balance of research and extension. The CREATE-21 proposal endorsed by these institutions is an important contribution to the debate, and we are in support of its goals, including the urgent need to attract more talented young scientists to agriculture-related disciplines. We do feel that, while better coordination between intramural and outside research is important, the Agricultural Research Service should remain a separate agency.

For animal agriculture, research can help us not only make our own farms more viable, but also serve public goods. For example, the government has paid increasing attention to air emissions from livestock and poultry operations. Our industries are currently working with the Environment Protection Agency in a large-scale study that will establish scientific

measurements of actual emissions from different types of farms. Through the American Egg Board, producers in our industry have invested some \$3 million of our own money in this study.

However, it is important to move beyond measurement to mitigation. Already, there are several technologies that show promise for reducing air emissions when tested in the laboratory. The next step is to test them on actual farms, in order to demonstrate their efficacy and economic feasibility. Once that is done, producers can begin to adopt the new technologies. We have worked with the nation's top scientists on this topic, at institutions like Iowa State University, The Pennsylvania State University and the University of Kentucky. We hope this committee will consider authorizing air emission mitigation research in the research title of this farm bill.

Industry Structure and Competition

Earlier today, the committee heard testimony on issues involving concentration in the livestock industry, with discussion of various issues that arise from contract production. Here, egg production is somewhat different from other segments of the poultry industry, in that contracting is not the norm. There is a measurable amount of contract production in the egg industry, but the large majority of output - and the overwhelming majority of new construction - involves integrated operations where the same farm owns both birds and buildings, raises them from day-old chicks and markets the birds' eggs.

From that standpoint, we are not in a position to comment on contracting issues with as much expertise as some of your other witnesses. However, we would generally urge you to be cautious about legislating in this area. We are not aware of significant problems with current contract arrangements in our industry. Often, contract producers are delivering their eggs to a farmer cooperative of which they are members. The cooperative then markets the eggs. We think this is a viable business model for some producers and would not want to see it restricted.

However, we also would point out some of the advantages of the dominant model in our industry, where a farm both produces and markets its own eggs. That is how Creighton Brothers works. For decades, farmers have been told by experts that we need to add value to our products. We need to move closer to the consumer so that middlemen do not capture all the profits. That is essentially what we have done in the egg industry. Creighton Brothers is an egg producer, but we sell directly to major retail grocery chains, restaurant chains and other large customers. We also have our own egg processing plant, where we break eggs and sell yolks, whites, whole eggs and other products to the food manufacturing industry as ingredients for a variety of foods.

By adding value and integrating toward the ultimate consumer, we have been able to survive as a farming business. We are not among the nation's largest egg producers, but we have been successful and we are a significant employer in northeast Indiana.

I mention all this, not to criticize any particular legislative proposals, but simply to point out that caution is warranted when Congress considers legislation that could affect the way individual business operations are structured. If any legislation were proposed that would affect the egg industry, we hope you will first ask: What is the problem that the legislation is trying to solve?

Is there actual evidence of a problem that market forces are unable to deal with?

Mr. Chairman, I appreciate the chance to offer this testimony and will be glad to answer any questions at the appropriate time.