

**Statement of Ron Truex, Chairman
United Egg Producers
Before the
Committee on Agriculture, Nutrition, and Forestry
United States Senate**

May 26, 2016

Chairman Roberts and Ranking Member Stabenow, thank you for inviting United Egg Producers to testify at this hearing. UEP is a cooperative whose farmer-members independently market over 95% of all the eggs produced in the United States. My name is Ron Truex and I am president of Creighton Brothers LLC, a family-owned egg producer in Warsaw, Indiana. I also have the privilege of serving as chairman of UEP.

In the last two years, the egg industry has been dramatically affected by two major events. The first was a disease; the second is a trend in the marketplace.

First, we continue to recover from what USDA has called the worst animal-health crisis in the nation's history: the outbreaks of highly pathogenic avian influenza (HPAI) in 2015. Between December 2014 and June 2015, this disease was detected in commercial and backyard poultry flocks as well as wild birds in 21 states. As a result, 42.1 million layers and pullets had to be depopulated along with 7.5 million turkeys. The federal government incurred costs of \$950 million, and the state of Iowa alone was estimated to have suffered \$1.2 billion in lower economic output, including the loss of over 8,000 jobs, as outlined in a study commissioned by that state's Farm Bureau.

Egg producers sincerely appreciated USDA's response to last year's crisis. Both industry and USDA have learned painful but valuable lessons from the initial experience, and when a different strain of HPAI briefly appeared in Indiana this year, the swift response played a part in containing that outbreak to a small area.

As a result of the 2015 HPAI crisis, egg prices rose sharply and supplies were often short, particularly supplies of processed egg products. Our customers were, in some cases, forced either to import eggs for processing, or to reformulate away from eggs in their food manufacturing operations. As a result, our industry and its organizations, including the American Egg Board, are still working to restore demand for egg products.

This year we have been challenged from another direction. A large number of restaurant and grocery chains, food service providers and consumer packaged goods companies have announced their intention to source only cage-free eggs. In most cases, these customers have stated that they will phase in cage-free specifications over a period of time, often as much as 10 years.

According to statistics from USDA, today there are 30 million cage-free layers out of a laying flock of over 300 million – just under 10%. Of those 30 million, roughly 13.5 million are in organic flocks, and 16.6 million are in non-organic cage-free flocks. The remainder of the U.S. flock – about 90% -- is cared for in cages, the vast majority of which comply with our organization’s UEP Certified Program and must maintain certain minimum space requirements for each bird. Of the caged flock, a small but important portion is in enriched cages, where space allowances are greater and enrichments like perches and nest boxes are provided.

USDA has attempted to estimate current egg usage by all the individual companies that have announced cage-free commitments. There is obviously some uncertainty in these estimates, but they are quite sobering. By 2030, according to USDA, current commitments would require that over 60% of the nation’s egg-laying flock – 174.6 million birds -- be in cage-free housing.

Remember, today only about 10% of the flock is cage-free. A number of producers have announced their plans to convert some or all of their operations to cage-free status, but – again quoting USDA – current announcements would only result in about 63 million cage-free birds by 2019. That is a very long way from the more than 174 million that USDA says will theoretically be needed by 2030 (and more than 168 million by 2025).

It will be extremely difficult for our industry to meet all cage-free demand over the next decade. The massive conversion that our customers are asking for will require extensive new construction, new capital investment, the acquisition of additional land, the distribution of large fixed costs over significantly fewer birds in a given space, and the adoption of a sharply higher production-cost structure. Many in our industry would say that “extremely difficult” is too optimistic a phrase, and that it would be more accurate to say “virtually impossible.”

That does not mean there is anything wrong with cage-free production. UEP believes – and scientific studies have shown – that hens can be humanely housed in a variety of ways: through conventional cages, enriched cages and in cage-free settings. Good management, not production system, seems to be the most important variable in whether hens are well cared-for.

Now, so that my testimony does not seem like all doom and gloom, let me tell you some good news about eggs, and then suggest two positive steps Congress could take to help our industry.

For many years, Americans were told to avoid eating too many eggs because they contain cholesterol. But today, more and more people realize that the cholesterol in your food does not really influence the cholesterol in your blood – and it’s the cholesterol in your blood that creates health risks. We now have multiple validation of this scientific view. This year, the 2015-2020 Dietary Guidelines for Americans dropped the longstanding warning about the amount of cholesterol in your diet. Not long before that, the American Heart Association issued its own guidelines, which also did not put limits on dietary cholesterol and stated that there was no evidence linking dietary cholesterol with serum or blood cholesterol.

Eggs are a great way to get protein, vitamin D, choline and other important nutrients, and of course as we all know, they taste great and are easy to prepare. Those are just some of the reasons that per capita egg consumption this year will be about 10% higher than it was in 1998.

Let me conclude with two recommendations for Congressional action. First, like other agricultural organizations, we believe there is a need for a national policy on whether or not to label products for their genetically engineered (GE) content. Although animal products in their pure form are exempt from Vermont's labeling law, they have not been exempted from some proposals in other states. Additionally, egg products are used in many processed foods that will have to be labeled in Vermont.

We commend the bipartisan leadership of this committee for working hard for a solution. We understand the difficulty of reaching consensus, but respectfully urge you to keep trying. As you find solutions, let me underline one very important point from our standpoint: eggs from hens that consume GE feed are *not* genetically engineered themselves, and they should *not* have to be labeled as GE or GMO. The GE material in corn and soybeans is not present in eggs, any more than it is in meat or milk. So it would be illogical to require meat, milk or eggs to be labeled as GE, regardless of the feed consumed by the animals. Vermont's law already has such an exemption, and it is also consistent with policies in the European Union and other countries. This is our top priority in the GMO debate.

There is a second way that Congress can help our industry, and that is to encourage USDA to use common sense in regulating organic poultry practices. USDA issued a proposed rule that would ban certain organic production systems that have been specifically allowed by USDA since 2002. These are called "porch systems," and they allow organic hens access to the outdoors on a porch that is open to the elements but covered with a solid roof in order to protect against predators and carriers of animal disease – such as the HPAI that is carried by wild birds. These systems also help producers comply with the Food and Drug Administration's Egg Safety Rule to prevent *Salmonella* Enteritidis. We support that FDA rule and we know that FDA is currently working on guidance for how farmers can comply with their rules while still providing outdoor access. For that reason, we were quite surprised to learn that USDA did not consult with FDA before issuing this proposed regulation. Basically, FDA learned about it when we did.

In addition, the requirement for increased space for outdoor access (2.25 pounds/ft² or 2 square feet per bird), which does not include existing porch investments, as well as the proposed rule's requirement that the outdoor area be at least 50 percent soil, are two of the most problematic aspects of this far-reaching regulation.

With the stroke of a pen, USDA is proposing to ban previously-approved production systems and basically stipulate that only pasture-based systems are organic. This proposal would drive a majority of current organic production out of business. As a consequence, consumer supplies of organic eggs would be restricted, consumer prices would rise, and growth in organic egg demand would be sacrificed on the altar of ideological purity.

This committee has already been helpful on a bipartisan basis by questioning USDA's proposed rule, and we very much appreciate the interest of both the chairman and the ranking member, as well as other

members of the committee. We would urge you to continue contacting USDA, including filing comments, and ask that the Department extend the comment period for an additional 60 days so that a final decision can be based on more complete facts. We hope you will also urge the Department to conduct additional economic analyses of what the proposed rule's impact will be.

I am not personally involved in organic egg production, but a number of my fellow-producers are, and they are puzzled why USDA would want to take away consumer choice by restricting organic egg supplies. This proposed rule is a bad idea, not only for us but for other animal agriculture industries that would be affected.

I would like to close by thanking the committee for taking an interest in the livestock side of U.S. agriculture. As you continue to oversee current policies, and begin to prepare for the next farm bill, I respectfully ask that you take livestock, poultry and dairy interests into account in all your deliberations. Thank you for the opportunity to testify.