

Mr. Chairman, I am Jim Dean of Fremont Farms in Oskaloosa, Iowa. We are egg producers and we very much appreciate the chance to testify before the Committee on Agriculture, Nutrition, and Forestry to offer ideas for the 2007 farm bill.

I am honored to testify on behalf of United Egg Producers (UEP). UEP is a cooperative whose members independently market about 90% of the nation's eggs. Since 1968, UEP has provided leadership to the U.S. egg industry, not only performing the functions of a trade association, but also providing a number of other services, including facilitating the trading of eggs, and arranging direct export sales to overseas customers.

About the U.S. Egg Industry

The U.S. egg industry generates several billion dollars a year in farm cash receipts, and creates jobs and economic activity in rural America. Cash receipts at the production level are \$4 billion to \$5 billion a year. For comparison, cash receipts for the nation's turkey industry are about \$3 billion, while the larger broiler industry has cash receipts of about \$20 billion.

There is some egg production in nearly all states, but about half of all laying hens are in five states: Iowa, Ohio, Indiana, Pennsylvania and California. The next five largest producing states are Texas, Nebraska, Florida, Minnesota and Georgia. These top 10 states account for nearly three-quarters of the laying hens in the country. Our industry is honored that six of these 10 states are represented on this Committee.

During May 2006, our industry held just over 281 million layers for table egg production. Nearly 51 million of these were in the state of Iowa, which has expanded production rapidly in recent years to become the nation's top-producing egg state.

The nation's layer flock produced 76.859 billion table eggs in 2005, or 6.4 billion dozen. Industry statistics are often reported in cases (a case holds 30 dozen eggs). On that basis, 2005 table egg production was 213.5 million cases, of which about 60% were sold to retail stores, 31% were destined for breaking and further processing as food ingredients or for other value-added uses, and a little more than 8% were sold to food-service outlets and other institutional users. Under 1% were exported, but the industry is somewhat more export-dependent than implied by this statistic, which does not include exports of processed egg products.

Most newer egg operations are "in-line," which means that several henhouses are attached to a processing plant in which the eggs are cleaned, sanitized, graded and packed into retail cartons or onto flats, or in some cases broken and further processed at the same location. The industry also still has a significant amount of "off-line" production, in which eggs are produced on smaller individual farms and then transported to a central processing plant. Many of these "off-line" facilities involve contract production, but one of the chief structural differences between our industry and other poultry sectors is that contract production is much less common in the egg industry.

Our industry has enjoyed periods of profitability in recent years, notably during 2003 and part of 2004, but unfortunately there have been extended periods of losses as well. We are in one such period now, with producer egg prices having fallen off sharply after Easter. In late June,

as reported by Feedstuffs magazine, large eggs in the Midwest were 39-41 cents per dozen delivered to store doors, more than 30 cents per dozen below their pre-Easter peak, more than 20% below the price a year ago and below anyone's cost of production.

Farm Bill Priorities

The egg industry neither receives nor seeks direct income or price supports. However, our industry has several concerns that we hope you will consider addressing in the 2007 farm bill. The remainder of my testimony will cover these specific points. In general, I ask you to keep in mind the importance of the livestock and poultry sectors to U.S. agriculture. Historically, farm bills have primarily been concerned with support for major crops, and we do not criticize the programs for these commodities. However, we believe a greater emphasis on the needs of livestock and poultry will ensure a balanced farm bill that addresses all the needs of rural America.

Avian Influenza

The media and the public have focused attention on the Asian H5N1 strain of highly pathogenic avian influenza (HPAI) or bird flu, and the federal government has expended major resources to prepare for a potential - but so far hypothetical - human pandemic. We commend the Congress and USDA for their efforts to stress facts over fear and perspective over panic.

Our industry has also tried to do its part. The overwhelming majority of the egg industry tests its flocks for avian influenza on a regular basis, through either company or state plans. Our industry is participating on several USDA task forces that are providing advice to the Department on biosecurity, surveillance, control measures and other topics that will be critical if there is ever an outbreak of HPAI in a commercial flock. So far, the disease has not been found in the United States. Although it is quite possible that it will be found in the wild bird population, we also need to keep in mind that commercial poultry are raised in biosecure conditions that are designed to prevent wild birds and other vectors from carrying any disease into our flocks.

I also expect widespread participation in USDA's upcoming monitoring, surveillance and indemnity program for low-pathogenic avian influenza (LPAI). USDA is expected to publish regulations in the near future for this program, which will be operated by the National Poultry Improvement Plan, a public-private partnership led by USDA's Animal and Plant Health Inspection Service (APHIS). Like other poultry organizations, UEP has supported the development of the LPAI program.

Controlling LPAI is directly relevant to our efforts to prevent HPAI. LPAI viruses can mutate - and in the past have mutated - into highly pathogenic forms. The largest previous outbreak of HPAI in the United States, in the Northeast in 1983-84, involved a virus that began as low-path but mutated into a high-path form.

Only two subtypes of AI - those designated H5 and H7, a nomenclature which refers to the hemagglutinin protein on the surface of the virus - have ever shown the ability to become highly pathogenic. For that reason, USDA's LPAI program will only be concerned with H5 and H7

viruses.

Low-path AI can be present in a flock without obvious clinical signs. In contrast to HPAI, where egg production ceases and a very high percentage of a flock will die in a short period, LPAI does not necessarily involve large increases in mortality. It also presents no risk to human health. However, it is extremely important to control LPAI so that it does not have the ability to circulate and mutate into HPAI. From this perspective, it is critical to secure producer cooperation. Whether flocks are destroyed or vaccinated, it is absolutely necessary to take control measures quickly whenever there is an outbreak of LPAI.

The World Animal Health Organization (OIE) now considers H5 and H7 LPAI to be of special concern and includes them in the same chapter as HPAI. Our government has supported this change in OIE practice. Producers, too, recognize the need to act against LPAI. However, we also believe strongly that producers should be indemnified for the loss of birds and production in a LPAI outbreak, in the same way that indemnities are paid for HPAI and other serious animal diseases in other species.

We hope and expect that USDA's proposed regulation for the LPAI program will provide for indemnities at 100% of the value of any birds that must be destroyed, including the value of those birds' future egg production. We also anticipate that the regulation will indemnify the expenses involved in cleaning, disinfecting and other operations that are necessary in an LPAI outbreak. Unfortunately, in the past, some within the Executive Branch have sought to reduce federal indemnities sharply for all animal diseases, and we cannot be certain that such proposals will not surface again.

Therefore, we respectfully ask Congress to provide, in the farm bill, that indemnities for LPAI are to be paid at 100% of the properly assessed production value of any birds that must be destroyed, and should also cover expenses involved in vaccination, cleaning and disinfection and other measures that state or federal officials may require to be taken by producers in an outbreak.

National Animal Identification System

Although development of the National Animal Identification System (NAIS) has primarily been motivated by diseases of beef cattle, the poultry industry will also be affected by the NAIS. A workable, nationwide system of identifying premises, animals and movements offers great potential to control and eradicate animal diseases, as well as to facilitate international trade.

UEP and other poultry organizations are active in a working group that advises APHIS on the NAIS. There is a consensus in both private and public sectors that commercial poultry should be identified on the basis of flocks. Clearly, identification of individual birds is neither necessary nor feasible.

Beyond that, UEP members share the concern expressed by many other agricultural producers that information supplied to the NAIS should remain confidential. All of us have become more sensitive in recent years to the potential threat of bioterrorism. We have also become aware of the threat to property and biosecurity posed by activist groups that engage in unlawful break-

ins, targeting both laboratory and animal production facilities.

From that perspective, to make large amounts of information about site locations, population numbers and other parameters available to the public does not seem advisable. Yet we continue to hear concerns expressed that if the federal government has access to NAIS data - regardless of who controls the actual database - then the information may be subject to public release.

Obviously, NAIS data need to be available to state and federal authorities, and there are circumstances - such as in an actual outbreak - when some of the data probably would become public. However, we believe that producer participation in what remains a voluntary system will be quite limited unless Congress acts to protect the confidentiality of NAIS data. Therefore, we urge the Committee to provide in the farm bill for the protection of information submitted by producers under the NAIS.

Agricultural Research

Most recent farm bills have included a separate title devoted to agricultural research, and this reflects the critical contribution that research and extension activities have made to our nation's ability to increase food production, enhance agricultural productivity and safeguard the natural environment. We encourage the Committee again to focus on research priorities in the 2007 farm bill.

Within the egg industry, we have found that agricultural research at both land-grant universities and USDA laboratories has helped us respond to all the critical challenges we have faced in recent years. USDA's world-leading expertise on avian influenza, for instance, has allowed us to formulate appropriate responses to the disease, and to demonstrate the safety of properly handled eggs and egg products. Similarly, the industry's Egg Nutrition Center has benefited from the collective advice of university experts on food safety in formulating and providing guidance to the industry about appropriate steps to control and eliminate food-borne pathogens.

The Committee may wish to consider devoting additional resources to agricultural research, in light of the high historical payoff from research that enhances productivity and protects natural resources. A strong emphasis on research that addresses the needs of livestock and poultry producers would likewise be most welcome, from our industry's standpoint.

We would also like to request the Committee's consideration of one area of environmental research that is of particular concern to the egg industry. Like other livestock and poultry enterprises, our members have witnessed increasing concern about air emissions from our operations. We have joined with other commodity groups in a consent agreement with the U.S. Environmental Protection Agency, under which our industry is assisting in the collection of accurate, reliable and representative data on actual emissions, so that any future regulatory actions can be based on sound information. Through the American Egg Board, our producers have contributed some \$3 million of our own money to this research.

However, we would like to plan for the future as well as assessing the present. Producers need to know how they can mitigate air emissions, not just measure them. Fortunately, there are a number of promising technologies that may help us in this regard. Emission technologies

include feed additives, manure amendments, housing design and configuration, and even bird genetics. There is an urgent need, however, to assess these technologies' effectiveness and cost on the farm, not just in the laboratory. In addition, there is a need for initial laboratory work on mitigation technologies as they emerge.

For this reason, we request that the 2007 farm bill authorize a program of research on air emission mitigation technologies, emphasizing on-farm applications, with particular attention to the technologies' efficacy in reducing emission rates, operational feasibility and affordability. We make this suggestion only on behalf of the egg industry, but research might be timely for several livestock and poultry species, and we would support the application of the program to these species as long as the organizations representing them concurred.

Avoiding Harm

Finally, UEP asks the members of this Committee to oppose the inclusion of any provisions in the farm bill that would harm our industry. For example, legislation has been introduced in the House of Representatives that would require all federal food procurement to be conditioned on animal welfare standards - specified in the text of the legislation, not through any objective scientific procedure. In the case of the egg industry, the legislation appears to require all federal purchases to be limited to cage-free or free-range eggs, or similar production systems. As an organization, we are not opposed to these systems, and indeed some of our members operate them. But eggs produced in this way are typically two to three times as expensive as conventionally produced eggs. The result of the legislation - not just for eggs, but for milk, beef and other animal products as well - would be either to increase federal procurement costs dramatically, or to reduce dramatically the quantity of animal products procured under federal programs.

We doubt that this Committee would welcome either outcome. At the same time, our fundamental objection to the legislation goes beyond the issue of cost: We believe federal food procurement standards should be built around product quality and food safety, not conditioned on essentially political judgments about appropriate animal care. We urge the Committee to oppose any efforts, which would most likely occur on the Senate floor, to add such provisions to the farm bill. Unfortunately, some animal rights groups are simply opposed to the livestock and poultry industries. Congress should be on the alert against policies advocated by these groups that seem moderate but are in fact aimed at the ultimate elimination of animal agriculture.

In fact, science and the marketplace are already addressing production practices so as to maximize both animal and human health in a commercially feasible manner. Some 87% of our industry has adopted the UEP Certified Program developed by an independent, unpaid scientific advisory committee that comprises experts in animal behavior, animal physiology and other disciplines. The committee's work has led to important adjustments in production practices but has reaffirmed the basic validity of conventional commercial husbandry techniques. The UEP program has been endorsed by the Food Marketing Institute and the National Council of Chain Restaurants and participants are independently audited by either USDA or a private firm.

Conclusion

As an Iowan, I am proud to be part of U.S. agriculture in this new century. I am also honored that this Committee came to Iowa for this hearing. Coming from a variety of states, you are well aware that producers' concerns are similar across the country. We look forward to working with the Committee on a sound, forward-looking farm policy for coming years.