Testimony by Ken Klippen
President of the National Association of Egg Farmers
Before
Senate Agriculture Committee
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"Highly Pathogenic Avian Influenza:
The Impact on the U.S. Poultry Sector and Protecting U.S. Poultry Flocks"
Room 328A
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My name is Ken Klippen, President of the National Association of Egg Farmers, formed from its predecessor Egg Farmers of America in 2014. I have spent more than 30 years in the egg industry in capacities including production and processing, but the principle part of my career has been in representing egg farmers both nationally here in Washington, DC as the Vice President and Executive Director for Government Relations to the United Egg Producers, and internationally when I was the Director General of the International Egg Commission headquartered in London, England.

Who Does National Association of Egg Farmers Represent?

The National Association of Egg Farmers represents 278 farmers, among the largest number of individual egg farmers in a national organization, producing shell eggs for retail and eggs for processed products like mayonnaise and cake mixes. Our smallest egg farmer has 8,000 chickens and our largest has more than 5 million of chickens, offering a balanced perspective of corporations and small, family farms in our positions and policies. Our group of farmers came together originally to oppose the national egg legislation in the 2011th and 2012th Congresses because passage of that legislation would have led to many of the smaller egg farmers going out of business. Fortunately many members of this committee supported our view that production methods are best left to the farmer who cares for his chickens while providing a safe and wholesome egg.

Egg Industry Hit by Avian Influenza

A new challenge in the form of highly pathogenic avian influenza has confronted the egg industry and many of the smaller farmers have been affected. Amon Baer, Lake Park, Minnesota who testified before this committee during the 2012th Congress in opposition to the national egg legislation, is a member of the National Association of Egg Farmers. He's also one of the egg farmers devastated by avian influenza. When he discovered birds on his 300,000 egg layer farm dying suddenly in April, the laboratory confirmation of avian influenza made his heart sink. He would have to destroy every chicken on his farm. Amon Baer's farm is one of the 223 bird flu cases in 15 states, including California, Washington, Oregon, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, North Dakota, South Dakota, Arkansas, Indiana and Nebraska. The total U.S. table egg layers is approximately 300 million chickens, and the loss to the egg industry is approximately 13% of the total number of layers.

What is Avian Influenza?

According to the U.S. Department of Agriculture Animal & Plant Health Inspection Service, Avian influenza is a viral disease that occurs internationally and can infect wild birds (such as ducks, gulls, and shorebirds) as well as domestic poultry (such as chickens, turkeys, ducks, and geese). This supports our policy for producing poultry indoors and not in free-range environments where the chickens may be exposed to the virus more readily. This current outbreak has USDA reporting a number of flocks with this disease including a number of small backyard flocks, one in Kansas with only 10 birds. This is flu for birds just as there is for people—and, as with people, some forms of the flu is worse than others. HPAI can spread fast and quickly kill chickens and turkeys. Wild birds, however, can carry HPAI viruses without appearing sick. Since December 2014, USDA has confirmed several cases of highly pathogenic avian influenza (HPAI) H5 in the Pacific, Central, and Mississippi flyways (or migratory bird paths). So, the claims by federal officials that waterfowl is a likely source of the virus has merit.

Avian flu virus can survive in poultry manure up to one month when the temperatures are 40 degrees Fahrenheit. At 90 degrees Fahrenheit, the survival of the virus drops to 4 days. If the virus is in pond water at 66 degrees Fahrenheit, the survival of the virus is between 3-6 months. If the water temperature is 88 degrees Fahrenheit, the survival of the virus drops to one month. This is why we are seeing a leveling off in the number of bird flu cases today compared to April and May when the temperatures were cooler.

Control of Avian Flu

Biosecurity of farm facilities is essential to preventing the introduction of the virus into the flock, but the transmission route is principally by migrating waterfowl. Scientists are looking at other modes of transmission including farm workers spreading the disease, shared equipment from infected facilities, rodents and wild birds, and possibly airborne transmission.

Is there a vaccine? APHIS has questions over the effectiveness of the current vaccine. But vaccines have been tried in the past such as the H6N1 Avian Flu in California 2005. After eradication, the vaccine was halted. In 2012 the Mexican state of Jalisco vaccinated 100 million chickens when an outbreak of avian flu occurred in that country. Most of the egg farmers in that state have between 500,000 to one million chickens and no funds to compensate growers whose flocks are depopulated for the disease. It was felt that this led to some egg farmers not reporting the disease and thus perpetuating its existence. However, credit is given to the vaccination for saving 75% of the 100 million chicken vaccinated.

What about vaccination in the U.S.? Part of the concern expressed by APHIS is the effectiveness of the vaccine claiming only a 60% effectiveness in preventing the disease. Isn't this true about human vaccination for influenza? I get a flu shot every year knowing it's only partial protection. If an egg farmer could have saved 60% of his flock by vaccinating for avian influenza, this might have meant the difference between his business surviving and bankruptcy. Whether to introduce vaccination in a control program should be based on sound, scientific data. Some poultry veterinarians claim vaccination will slow down the spread of the virus; however it may currently remove the ability to determine infected chickens from vaccinated ones. The development of DIVA vaccines (Differentiating infected from vaccinated animals) would help differentiate a vaccinated chicken and one infected with the virus. We understand that vaccination is a one tool

in the tool chest of options and would be of definite value where complete eradication is not possible and the disease becomes endemic. The U.S. poultry industry already vaccinates for Marek's Disease, Newcastle Disease, Infectious Bronchitis, Laryngotracheitis, Fowl Pox, Avian Encephalomyelitis, Infectious Bursal Disease, and Hemorrhagic Enteritis. But not Avian Influenza as several major international trading partners prohibit the importation of poultry products from countries reporting highly pathogenic avian influenza. During the International Avian Influenza conference in Baltimore, MD, I was one of the nearly 200 delegates from 37 countries discussing biosecurity, vaccines, and education efforts to better inform the poultry industry and policy makers in universally-accepted marketing strategies when the disease occurs in any country.

Indemnification Plan Presented to APHIS

In correspondence with the key officials overseeing the avian influenza outbreak and indemnification, The National Association of Egg Farmers (NAEF) on Wednesday, May 27, provided an indemnity plan for the egg layers being depopulated. NAEF acknowledged to APHIS this avian influenza situation is unprecedented, and that disposal is monumental, but NAEF urged the USDA Animal & Plant Health Inspection Service (APHIS) to seek quick, but fair resolutions to these problems. The officials receiving the indemnity plan were Dr. Lee Ann Thomas, APHIS Director of the Avian Health Center in Riverdale, MD, Burke Healey, the APHIS Incident Commander in Ft. Collins, CO, and in Washington, DC Dr. John Clifford, USDA's Chief Veterinarian, and APHIS Administrator Kevin Shea

What's Contained in the Regulations Concerning Avian Flu?

NAEF stated that included in these fair resolutions to the problems is the need to pay indemnities as outlined in 9 CFR part 56.4 (1) (a) which states, in part,

"For laying hens, the appraised value should ***include the hen's projected future egg production.*** *Appraisals of poultry must be reported on forms furnished by APHIS and signed by the appraisers and must be signed by the owners of the poultry to indicate agreement with the appraisal amount. Appraisals of poultry must be signed by the owners of the poultry prior to the*

destruction of the poultry, unless the owners, APHIS, and the Cooperating State Agency agree that the poultry may be destroyed immediately."

NAEF further delineated the regulation calls for appraisals agreed upon before the destruction of the poultry. The farmers confirmed with Highly Pathogenic Avian Influenza H5N2 [notifiable avian influenza] are awaiting confirmation of the agreed upon "*projected future egg production"* so they can take the needed steps to dispose, clean and disinfect in preparation for repopulating.

Calculating Indemnity for Loss of Eggs

Utilizing the statistics developed by Maro Ibarburu, Associate Scientist – Business Analyst at Egg Industry Center, Iowa State University, in Ames, Iowa, NAEF submitted the charts on the 5-year average costs and prices in cents per dozen as a starting point for calculating the per dozen value of projected future egg production. The profit from the year 2014 to the year 2010 in cents per dozens is 33.17, 9.35, 0.02, 2.20 and 7.57 respectively for an average price per dozen at 10.46 cents per dozen. NAEF pointed out the same chart also provides the value of the actual layer at 9.53 cents per dozen providing the depreciation value much like those calculated for depopulated turkeys.

NAEF emphasized that the genetics of today's laying hen has provided a bird capable of producing eggs to 95 weeks of age in the first cycle (without a molt). The chart of eggs per hen-housed cumulative figures presented to APHIS by NAEF provided the quantity of eggs for each week that the chicken is producing eggs. For egg farmers using Hyline W-36, the cumulative total on a per hen-housed basis is 436.35 eggs (36.3625 dozens) at 95 weeks, and for Lohlman-Lite at 95 weeks is 442.8 eggs (36.9 dozens). NAEF stated that in the last major avian influenza outbreak in 1983-84 in Lancaster area of Pennsylvania, the eggs per hen-housed cumulative figures were measured to 80 weeks of age with just over 6 dozen less eggs per bird than today's egg layer.

NAEF provided the statistics to APHIS as a means to help bring about a speedy and fair appraisal for the egg laying chickens being depopulated due to his virus. NAEF stated this would include the depreciated value of the actual laying chicken plus the projected future egg production out to 95 weeks of age for today's genetically-improved modern layer.

APHIS acknowledged receipt of the information and stated it would conduct its analysis of the information in formulating its indemnity program for egg farmers and let NAEF know of that plan. We're still waiting for the APHIS plan although it has been announced that calculations will be made based on 90 weeks of production instead of the original 80 weeks. We have also learned indirectly that the biosecurity features of the FDA's egg safety rule "Prevention of Salmonella Enteritidis in Shell Eggs During Production, Storage, and Transportation" [21 CFR part 118] may play a role in determining indemnification levels to egg farmers. The unfortunate part of this plan is that FDA's egg safety rule only applies to egg farmers with 30,000 or more chickens. This leaves out many of the egg farmers in the National Association of Egg Farmers who have less than the minimum number under this rule. APHIS must provide a fair and equitable plan that applies to all farmers producing eggs, not just the corporate farms producing eggs with political influence.

The Indemnity Plan Specifics Submitted by NAEF

The National Association of Egg Farmers indemnity plan presented to the USDA Animal & Plant Health Inspection System is based on depreciation value of the hen coupled with the future egg production as specified in 9 CFR part 56.4 (a) (1).

The Egg Industry Center in Ames, Iowa provided the data. When calculating the depreciation value, using the pullet (young chicken less than one year old) costs in cents per dozen, starting in

the year 2014 and working backwards to the year 2010, that value is 9.53, 10.13, 10.14, 9.51, 8.26 for a hen's **depreciation value average of 9.51 cents per dozen.**

Future egg production is calculated on Amon Baer's farm to 95 weeks of age, where each of his chickens would have produced just over 36 dozen eggs. The 5-year average profit starting with the year 2014 working back to the year 2010 is 33.17 cents, 9.35, 0.02, 2.20, and 7.57 for **an average profit per dozen at 10.46 cents.**

With the depreciation value and future egg production, we can start calculating indemnity.

At 20 weeks of age, the hen is most valuable. Her depreciation value is based on 9.51 cents per dozen eggs she would have produced or a value of $3.42 (9.51 x 36 dozen). Her production (36 dozen eggs) expected would have been valued at (36 x 10.46) is $3.77. Adding $3.42 to $3.77 provides a bird's true value at $7.19.

At 20 weeks, we expect federal indemnification to be $7.19 per bird. That's the peak value and will go down for each week of age before depopulation. To calculate the value based on the age of your flock, farmers universally can use the **Eggs per Hen-Housed Cumulative chart provided by the Egg Industry Center.** After locating the age of the flock in the left-hand column, the figures to the right are the eggs produced to that point in the age of the bird. Divide by 12 (eggs/dz) and you have your multiplier. For depreciation value, multiply the eggs/dz multiply times the average value of 9.51 cents. Then, for the future production, multiply the eggs/dz times the average price of 10.46 cents/dz. **The two figures added together provide the combined depreciated value plus the future eggs produced.**

If an egg farmer molts his birds and carries out the production to 120 weeks, he needs to subtract the lost production during the 8-week molt and then add the eggs produced post-molt as his multiplier.

Conclusion

Avian influenza is a virus that is pathogenic to chickens and turkeys while ducks and geese may have the virus but be asymptomatic. This is why poultry should be raised indoors and not free-range. The rapid response to depopulating and disposing of infected poultry is the surest way of controlling the disease, and vaccination could be a useful tool in the event the disease becomes endemic. Indemnification for bird depreciation and loss of income from the eggs that chicken would have produced is already in the Code of the Federal Register [9 CFR part 56.4 (a) (1)]. The National Association of Egg Farmers has proposed one plan for following the specifics in the CFR that is considered fair and equitable to egg farmers. We ask that the Senate Agriculture Committee urge the U.S. Department of Agriculture to give serious consideration to the indemnification plan proposed or suggest a comparable plan that produces an equitable outcome for egg farmers facing loss of income from avian influenza consistent with the regulations.

Thank you for the privilege of sharing this information with the members of the Senate Agriculture Committee today.