

# 115<sup>th</sup> ANNIVERSARY Egg Industry

News for the Egg Industry Worldwide

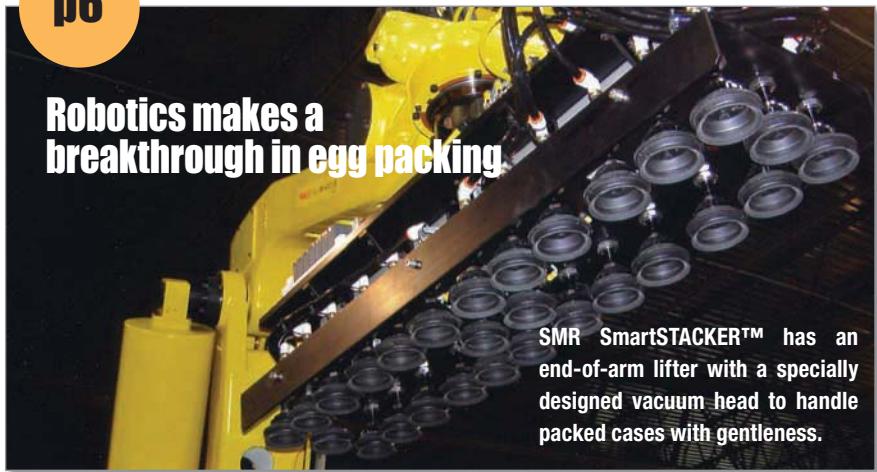
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## Inside

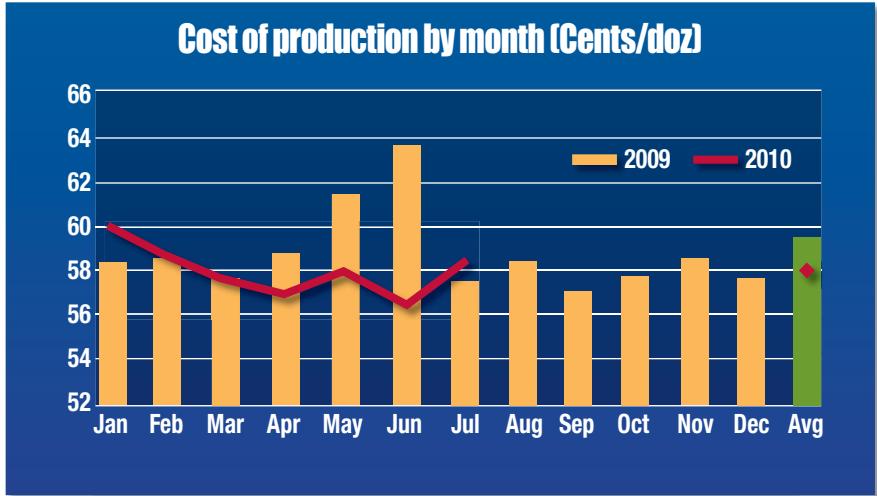
- 3** Editorial by Simon M. Shane
- 6** Robotics makes a breakthrough in egg packing
- 10** Recall continues to distort price projections
- 14** Experts review current poultry issues at 2010 NECAD
- 16** Cal-Maine reports on Q1 of FY 2011
- 17** News:
  - 17** Congressional hearings reveal little information
  - 18** Study released on microbiological quality of eggs from cages, alternative systems
  - 19** FDA to commence inspections under Final Rule
  - 20** Dr. Richard Raymond comments on food safety
  - 21** EIC documents escalation in feed cost
- 22** Products & Marketplace

**p6**



### Robotics makes a breakthrough in egg packing

SMR SmartSTACKER™ has an end-of-arm lifter with a specially designed vacuum head to handle packed cases with gentleness.



The U.S. estimated cost of production for September 2010 was 62.3 cents per dozen ex-farm.

**p14**

### Experts review current poultry issues at 2010 NECAD



The audience listens to presentations at the 2010 NECAD.

# Specht

## QUALITY WORLDWIDE



• Drinking system



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• Cage floor



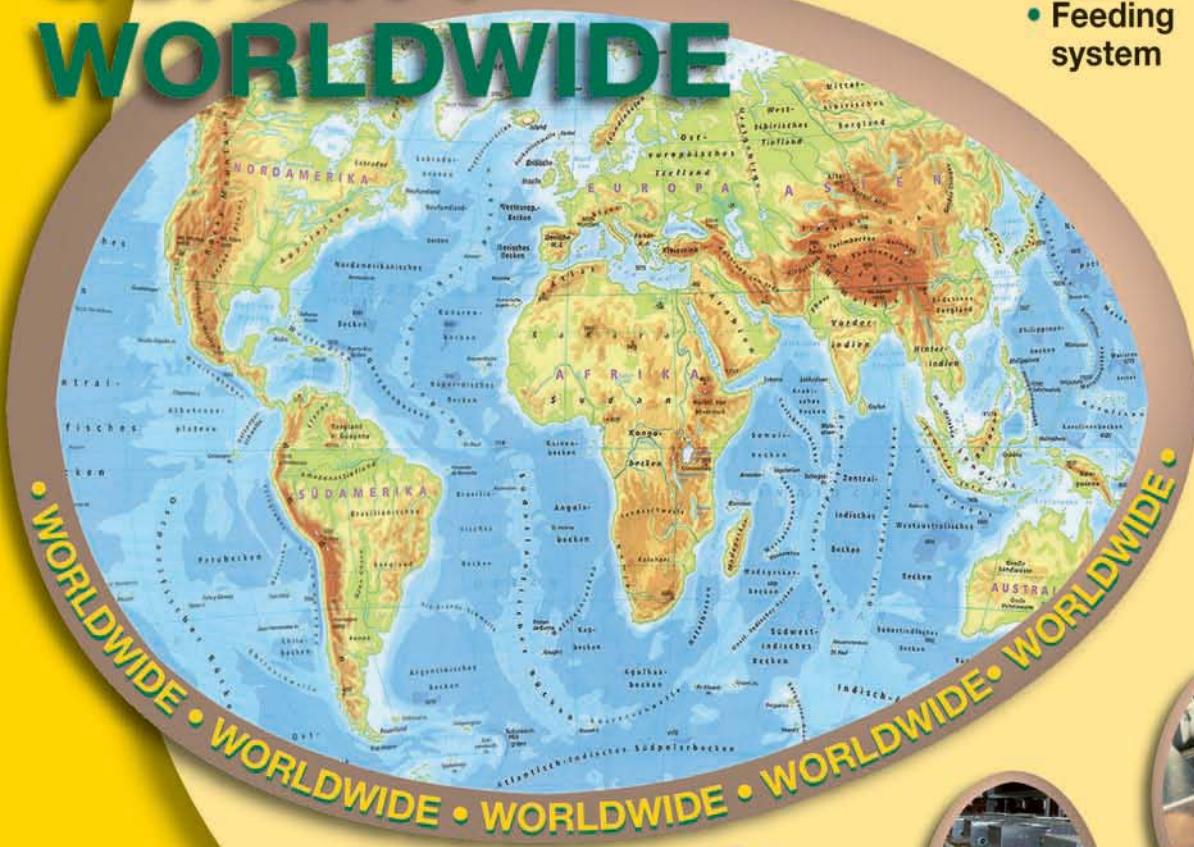
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• Egg collecting system



• Manure drying system



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## EDITORIAL

BY DR. SIMON M. SHANE

# AEB responds to October editorial on SE recall

### *Board lists ways it is addressing outbreak*

The editorial on the SE recall that appeared in the October edition of *Egg Industry* elicited a number of favorable comments and support. The editorial contended that there were many organizations and agencies responsible for the outbreak which



Simon M. Shane

involved 1,500 diagnosed cases attributed to eggs allegedly supplied from Wright County Eggs and an affiliate. The only communication expressing a contrary view was in the form of a letter reproduced on page 4 which

places the actions of the American Egg Board (AEB) in perspective. The facts as stated by Craig Willardson, the chairman of the AEB, confirm that the board recognized the gravity of

the situation and the potential for erosion of consumer confidence in shell eggs. Noting the efforts of an industry organization with respect to crisis control, the AEB marshaled their resources in public relations and applied their considerable credibility and goodwill among the media to provide factual information concerning SE, consistent with the mandate to provide consumer education.

It would be unfortunate and unjustified if the SE incident and recall detracts from financial support for the AEB. This body is critical to the well-being of the industry and must continue to provide leadership in research, education and promotion for which it requires continued income through the USDA-administered check-off program.

*Simon*

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Dear Dr. Shane,

In response to your editorial, "Plenty of blame to be shared in egg recall," I was disappointed with your assessment of the American Egg Board's (AEB) role in the recall.

You stated, "There is plenty of blame to go around. To name but a few: The AEB for not acting quickly and authoritatively, applying its extensive resources to dispel concern among consumers in the face of negative publicity."

I believe that the AEB did act quickly and authoritatively. The AEB reallocated \$1 million to launch national newspaper, radio and digital advertising, along with public relations and social media efforts to reassure consumers about the safety of their eggs.

In fact, here is a snapshot of some of the AEB's efforts:

- ✓ Full-page advertisements were published in the Wall Street Journal, New York Times and USA Today, in addition to the top daily newspapers in the country's largest 25 markets. The theme of the national communication was "a thoroughly cooked egg is a thoroughly safe egg."

- ✓ Conducted a satellite media tour with egg ambassador and registered dietitian Liz Ward that resulted in 27 interviews with TV stations nationwide. Ward also put the recall situation into perspective and delivered the message that "thoroughly cooked eggs are safe." A generic version was also recorded and sent to 60 broadcast television stations, including stations in each of the top 20 U.S. markets.

- ✓ Phil Lempert, the well-known "supermarket guru," was immediately enlisted to reassure his radio audience that eggs on the retail shelves were safe; he discussed American egg farmers' concern about the recall; and how the industry is working closely with the FDA and the USDA. For the month following the recall, Phil included these messages in his daily radio show. At the same time, the AEB released buy-one, get-one-free coupons into the marketplace to help restore egg sales.

- ✓ Issued a press statement reminding consumers to thoroughly cook their eggs. The statement was picked up by more than 200 media outlets.

- ✓ Implemented a major key word search program with Google, Yahoo and Bing to guide consumers looking for more information about the recall online to [EggSafety.org](http://EggSafety.org).

- ✓ Fielded two overnight Omnibus surveys of 2,000 people to measure consumer sentiment with regards to the recall. A follow-up survey will be conducted the weekend of October 23.

- ✓ Recorded a 60-second radio spot with egg farmer Chris Pierce that ran on national satellite radio from August 27 through September 2. The commercial was also made available to state organizations.

- ✓ Created an egg product campaign to reassure food manufacturers and foodservice operators that "Egg Products Are Safe Products." The campaign included Web banners for use on the AEB's website as well as key publications addressing the functionality and safety of egg products and distribution of the "Egg Products Are Safe Products" press release to editors of the leading ingredient publications: Food Business News, Baking & Snack, Milling & Baking News, Food Product Design, Prepared Foods, Food Technology and Food Processing.

According to current IRI data which covers key retail markets, egg sales have now moderated back to near-normal levels compared to 2009, a much quicker rebound than was realized during other food product recalls.

Many industry members and customers were not aware of everything the AEB had done for support during this difficult time. I believe that the industry has been well served by the AEB's prompt and thorough actions.

Sincerely,  
Craig Willardson  
Chairman, American Egg Board

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# Robotics makes a breakthrough in egg packing

*Illinois company exhibits technology at open house*

By Simon M. Shane

**S**mart Motion Robotics (SMR) of Sycamore, Ill., hosted a two-day event to demonstrate its range of robotic technology especially developed for shell-egg plants. Established in 2000 by Scott Gilmore, the company has expanded to develop custom robotic applications for the food and pharmaceutical industries for over a decade.

The robots used by SMR are manufactured by FANUC – the leading developer and manufacturer based in Japan. This company has supplied over 200,000 units worldwide, representing 50% of the global market. SMR is authorized by FANUC as a “Designated Authorized Integrator” to develop and install robotic technology in egg plants. All robot installations are backed by the supplier, which operates 10 service centers in the U.S. and undertakes to respond to e-mail and telephone technical service requests within 20 minutes on a 365/7 schedule.

## Advantages of robotics

In introducing robotic technology to U.S. egg packers, David Voell, senior vice president, outlined the differences between robots and simple mechanization.

- ✓ Robots have diverse capabilities, strong capacity and speed using servo motors, with some units capable of handling payloads of up to 1 ton at rates of more than 12 cycles per minute.
- ✓ Robots have extreme flexibility and adaptability, as they are programmable and capable of multi-tasking. This is important with handling a variety of packs, cases and pallet configurations.
- ✓ Robots are extremely reliable and generally operate for over 70,000 hours without requiring major overhaul. Routine maintenance is

TABLE 1. ASSUMPTIONS RELATING TO VOLUMES OF PRODUCTION	
Flock Size	1.5 Million hens
Daily production @ 76% hen-to-product yield	1.1 million eggs/day 3,200 cases/day
With 30 cases on average/pallet	107 pallets/day
Grader speed, 400 c.p.h. Production duration	8 hours normal operation/day + 1 hour overtime & makeup 365 days/year
Assumed improvement in yield	1%



**Smart PACKER™ is designed to transfer a wide range of foam, PET and fiber cartons to current U.S. cases with precision and absence of damage at up to 70 cases per hour.**

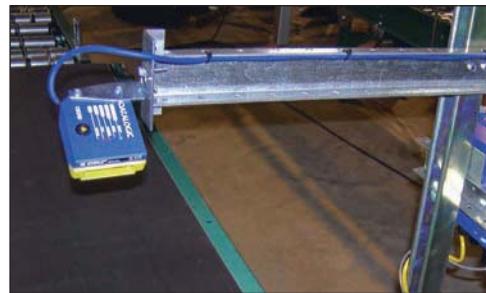
minimal since the units are built to high specifications and to withstand harsh environments.

- ✓ Robots can be programmed to perform a variety of functions within the reach of the arm. Attaching specialized “end-of-arm tools” it is possible to perform a variety of tasks as new functions are introduced into the plant.
- ✓ Robots can interface with plant networks and control systems and are compatible with bar coding required for traceability, machine vision for quality control and inventory management in the context of U.S. packing plants

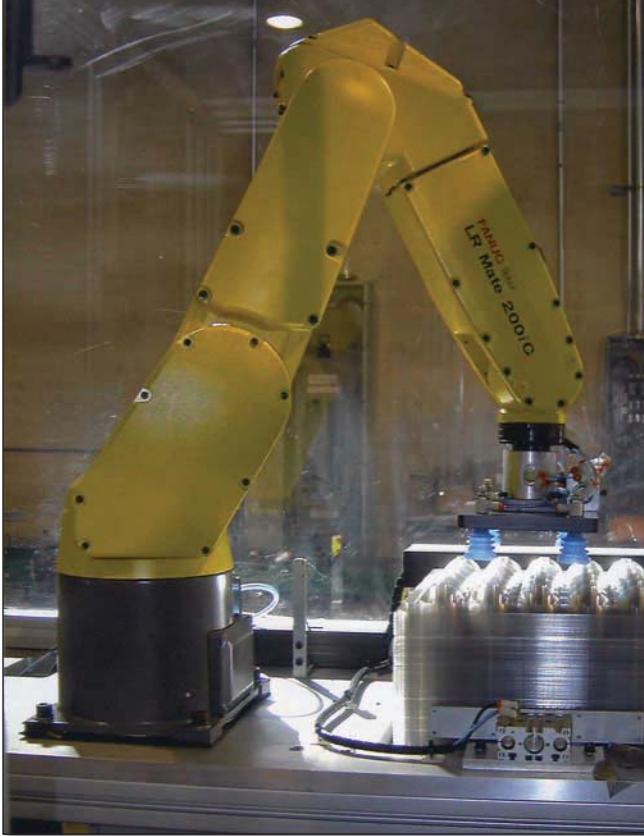
One existing user at the open house commented that “once imported into the U.S. and incorporated into a robotic system the unit continues working, complies with immigration requirements, works tirelessly without complaint, does not take tea or lunch breaks and is always there at plant start-up and does not object to working overtime.”

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**The Smart Motion robotics module verifies bar codes on cases of product on conveyors before presentation to the SmartSTACKER™.**



**SMR SmartTOPPER™ places pre-formed molded fiber or PET tops on flats or over the top tier of eggs in cases.**



**SMR SmartSTACKER™ selects from among up to four types of packed cases, presented on conveyors to assemble pallets with spacers, operating with precision according to a pre-programmed sequence and configuration of load.**

## SMR product range for packing plants

The SMR range of robotics for packing plants was originally developed in response to the need for speed, consistent quality and cost. The current range comprise the SmartPACKER™ a robotic egg-case packer, the SmartTOPPER™ which places covers over the top layer of eggs in cartons and the SmartSTACKER™ which is a robotic egg case palletizer.

### SMR SmartPacker™

The robotic SmartPACKER™ is available in two models depending on packing amenities, desired speed and floor space operates at up to 70 cases per hour taking cartons from two adjacent packers. The SmartPacker™ will handle pulp, foam, and PET tri-fold cartons and will transfer to 15, 24 and 30, 24 dozen cardboard and plastic cases as used in the U.S.

The Smart PAKER™ cannot handle wire baskets due to their unevenness associated with transport damage. SmartPACKERS™ have been installed on Diamond 8300, 8400, Innova and Moba Selecta and Omnia packers. The units incorporate open carton rejection and can be supplied with machine vision to detect carton damage or other defects.

### SMR SmartTOPPER™

The SmartTOPPER™ is capable of placing tops on flats which will be shrink-wrapped or on the top tier of eggs on flats in a case. The unit can incorporate machine vision and barcode recognition to confirm correspondence between the SKU imprint on

cartons and cases.

### SMR SmartSTACKER™

The SmartSTACKER™ can palletize up to four different products simultaneously

**SMR SmartSTACKER™ has an end-of-arm lifter with a specially designed vacuum head to handle packed cases with gentleness in a 12-second pre-programmed cycle from conveyor to pallet.**

and can operate in an area of approximately 1,000 sq. ft., excluding the conveyors and bar code sorting station. SmartSTACKERS™ can be supplied with pallet and slip-sheet dispensers and can be programmed to stack cases in specific patterns for secure transport, especially for DSD applications. As with all SMR robotics, the SmartStacker™ conforms to RAI safety standards. The unit is equipped with a vacuum pump which activates the suction grippers on the end-of-arm tool. This innovation developed by SMR is more efficient and reliable than venturi vacuum lifters. In operation the SMR SmartSTACKER™ is usually supplied with packed cases and pallets using mechanized conveyors which are configured to match the speed of operation.

## Installations

Due to the diversity in plant layouts, types of cartons, cases and product flow, Scott C. Gilmore and his design and applications team configure each installation for optimal efficiency. Individual modules or a complete line are assembled and tested using the client's packing material to ensure correct operation before disassembly, crating and shipping. This facilitates assembly and commissioning in the plant, reducing

down time and build-up of product awaiting packing during a retrofit. This is an important consideration with in-line plants that operate on a single or double shift on a 365-day basis. The visitors to the SMR open house viewed an installation undergoing pre-shipment testing which included mechanical, electrical and electronic procedures prior to installation in a new plant in Latin America.

Voell also provided information on capital cost and operating characteristics for a complete installation. A number of the participants indicated production costs and crew requirements for their plants operating with and without robotics. This data was used to project operating costs and savings.

### Financial projections

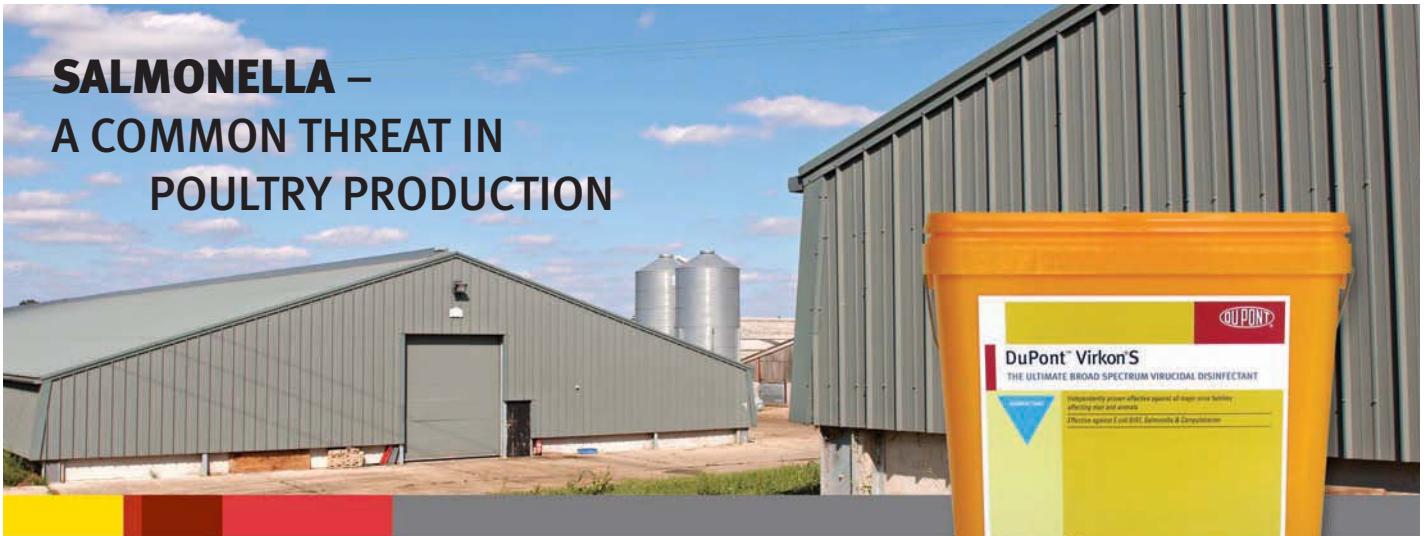
Table 1 indicates the production parameters for an in-line plant processing the output of 1.5 million hens. The manager of a plant in Michigan indicated that they had achieved a 2% reduction in breakage following installation of a SmartPACKER™ attributed to more gentle transfer of packs to cases. The improvement in quality was evident in the sharp drop in store returns associated with shell cracks

in eggs at the ends of the pack and the occurrence of leakers. The calculation used in this projection incorporated a 1% improvement in product yield.

Table 2 details the capital and operating costs of a complete SMR

**TABLE 2. CAPITAL & OPERATING COSTS OF A ROBOTIC INSTALLATION**

Capital Cost	
5 robotic packers @ \$150,000	\$750,000
1 robotic topper @ \$100,000	\$100,000
1 robotic palletizer @ \$500,000	\$500,000
Conveyors, controls & shipping	included
<b>Projected Total</b>	<b>\$1,350,000</b>
Assume Capital Funding of 1/3 equity: 2/3 loan @ 7% p.a.	= \$450,000 / \$900,000
Annual Operating Costs	
Fixed Components:	
Interest on loan @ 7%	\$ 63,000
Annual depreciation @10%	\$135,000
Overhead Provision	\$ 5,000
Subtotal	\$208,000
Variable Components:	
Power	\$ 2,000
Maintenance @ 1.5% value	\$20,000
Subtotal	\$22,000
<b>Annual Operating Cost</b>	<b>\$225,000</b>



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**TABLE 3. CALCULATION OF SAVINGS ATTRIBUTABLE TO ROBOTIC TECHNOLOGY**

	CONVENTIONAL	ROBOTIC
Packers	6	2
Topper	1	0
Palletizer	4	1
Crew	11	3
Cost of Labor:		
Standard time @ \$14/hour	\$1232/day	\$336/day
Overtime @ \$18/hour	\$ 198/day	\$ 54/day
Labor cost/day	\$1,430	\$390/day
Cost/annum	\$521,950	\$142,350
Annual difference attributed to robotic installation	\$379,600	

Power requirement listed under variable components is relatively low given the efficiency of servo motors and a 480 volt three-phase supply. Maintenance was assumed to be 1.5% of value. The total annual operating cost was projected at \$225,000 for the demonstration installation for a 500 c.p.h. plant which was reviewed at the open house.

Table 3 calculates the benefits attributable to robotic technology arising from the saving in labor. The crew that will be used in a conventional plant would generate an annual cost of \$525,950. Installing robotics would reduce the number of workers involved in packing, topping and stacking from 11 to 3 for a total cost of \$142,350 per year. The annual difference of \$379,600 can be applied to reducing the loan or in the event of outright purchase, providing a payback of approximately three years without discounting the annual benefits over time.

Assuming a 1% improvement in saleable product, the plant would produce an additional 334,705 dozen per year. Accepting a net contribution of 76¢ per dozen, represented by a 90¢ wholesale price less the cost of the pack, the value of an incremental 1% in yield would be \$254,376 per year.

### Bottom line

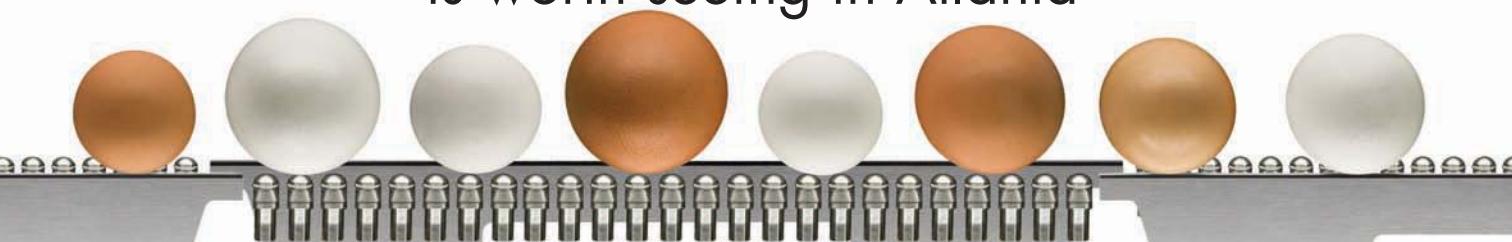
Given the limits to which egg producers can control costs including feed, packaging material and energy, any saving in labor and enhancing efficiency are obvious strategies to remain competitive. Robotic technology offers the potential to improve the bottom line, contribute to greater efficiency and enhance quality and customer satisfaction. It is encouraging to see equipment developed in the U.S. based on our requirements and presented as an integrated solution. E

robotic installation. This would include five robotic packers to serve 10 lanes with manual packing of the remaining production representing 20% of throughput. The plant would require one robotic Smart-TOPPER™ and a single robotic SmartSTACKER™. Required computers, conveyors, shipping and installation would be included in the projected capital cost of \$1,350,000. It is assumed that the capital cost would be funded one-third in the form of equity invested by the plant and two-thirds would be covered by a loan at 7%.

Operating costs were assigned to fixed and variable components. Interest amounted to \$63,000 per year and equipment was depreciated at 10% p.a. amounting to \$135,000 which is not an actual cash out-flow.

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# Recall continues to distort price projections

*Contribution per hen, based on September figures was -32.7 cents per bird*

The recent egg recall in Iowa affecting approximately 6 million hens, of which half may have been depleted, continues to distort projections of price and hen numbers.

The USDA-NASS now reports a national average price to producers where previously values were provided for each state. To calculate the producer price for the six U.S. regions the EIC is now using a basis of 47 cents per dozen for California and the Northwest and 35 cents per dozen for the remaining four U.S. regions. These values are derived from the Umer-Barry (UB) quotes less a provision for packing, which will vary over time.

The current report as distributed by the EIC is summarized for readers of Egg Industry but data generated by using models are appropriate in times of relative stability lose validity during short-term turmoil.

decrease in revenue and a 10.6% escalation in feed cost. For the first nine months of 2010 the average margin was 6.1 cents per dozen.

✓ In evaluating the reduced margin for September it was noted that feed cost was 38.42 cents per dozen, with pullet depreciation at 9.2 cents per dozen and other fixed and variable costs of 14.7 cents per dozen, applying the standard cost factors used by the EIC. These values remained unchanged through the first eight months of 2010.

Contribution per hen, based on September figures was -32.7 cents per bird which was a substantial deterioration from the positive 8.1 cents in August. The cumulative nine-month hen contribution now stands at 103.4 cents per bird.

✓ The Umer-Barry (UB) simple average producer price for six U.S. regions, assuming 76% large eggs, was 49.7 cents per dozen for September compared to 70.0 cents per dozen in August 2010. The nine-month cumulative simple average UB price was 64.9 cents per dozen.

✓ The USDA-AMS determined an ex-farm price of 58.9 cents per dozen for September compared to 77.14 cents per dozen in August. Corresponding warehouse/DC and DSD prices were 83.17 and 88.67 cents per dozen respectively. The farm to store spread was 29.71 cents per dozen.

In reviewing retail prices for table eggs, the Bureau of Labor Statistics and the Department of Commerce estimated an August average of 151.9 cents per dozen, 6.9% lower than the August 2010 value of 163.2 cents per dozen. The simple average retail egg price for the first eight months of 2010 was 165.5 cents per dozen.

✓ The large- to medium-grade white egg price spread over six regions was 22.8 cents in September compared to 27.5 cents per

dozen in August with an average spread of 19.7 cents per dozen during the first nine months of 2010. Regional spreads ranged from 21.7 cents per dozen in the Northeast to 33.8 cents per dozen in the North West region, a significant widening compared to values for August.

✓ During September 2010, layer feed averaged \$229.40 per ton, which is 11.5% higher than the nine-month average of \$205.60 per ton based on six regions. During September the price range among regions was \$203.40 per ton in the Midwest rising to \$250.60 per ton in California. The differential of \$47.20 per ton is equivalent to approximately 8.3 cents per dozen applying realistic industry production parameters.

✓ For the first nine months of 2010, commercial-egg strain eggs in incubators have remained almost constant at an average of 38.80 million with a range of 33.4 million in August to 42.9 million in April. The corresponding 2009 value for the first nine months of 2010 was 36.54 million.

✓ Straight run hatch for August attained 37.0 million with an average for the first eight months of 41.54 million.

✓ Projections for pullets to be housed in future months based on the five months-previous hatch and incorporating a 5% mortality factor, include a range in the increase in placements from 15.75 million pullets in April to 21.44 million pullets in September 2010. The 12-month average of 18.21 million pullets per month for 2010 is 5.5% greater (1.0 million pullets) than the 12-month average of 17.26 million per month for 2009. The 2006 to 2010 monthly average was 16.60 million pullets placed each month.

✓ For August 2010, the USDA-NASS estimated the national flock at 281.8 million hens, which is 1.4 million more than in July 2010, following seasonal trends. Ap-

Compare this outlook to August statistics.

[www.WATTAgNet.com/18064.html](http://www.WATTAgNet.com/18064.html)

✓ The U.S. estimated cost of production for September 2010 was 62.3 cents per dozen ex-farm, 4.1 cents per dozen or 7% less than the previous month. The range in production costs among regions extended from 57.3 cents per dozen in the Midwest to 66.5 cents per dozen in California.

✓ The margin represented by "income minus cost" for September dropped to -17.7 cents per dozen from the positive margin of 4.2 cents per dozen reverting to the negative trend during May through July. This trend is attributed to a combination of a 28.5%

*Maro Ibarburu, program manager for the Egg Industry Center (EIC) located at Iowa State University, released the August-September Statistical Report on October 14.*

# It's not important which came first.



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## Recall |

plying the University of California model based on USDA-NASS data for chickens and eggs, it is estimated that the December 2010 flock will attain 290.6 million hens. This incorporates the assumption of 9% mortality from 20 through 72 weeks of age.

✓As at the end of August 2010, 23.2% of the national flock was over 72 weeks of age. With the exception of March 2010, which was an aberration, the seasonal pattern of a decline in molted flocks from January through April appears to be holding although this may be affected by depletion of SE-positive flocks in the Midwest. For the entire year of 2009, an average of 24.7% of the national flock had been molted compared to 31.7% in 2008.

✓Six regions reported a simple average of 23.7% molted hens in September 2010 reflecting all states surveyed by the USDA-NASS. The actual proportion of molted hens in the U.S. varies widely, from 7.8% in the Northeast to 33.8% in the North West. The nine-month average of 23.7%

molted hens in the U.S. flock and differences among regions reflect production costs, revenue for eggs and realization value for spent hens.

✓According to the projections developed by the University of California, the most recent estimate of the national table-egg flock for September 2010 is 283.0 million hens. This number is expected to increase steadily to 291.2 million in December 2010. Given current projections of prices which are functions of supply and demand, flock sizes could be trimmed by depletion especially following evidence of SE infection and if consumer demand does not in-

▶ ***The previous UB large Midwest price projections of the 140s for November and December have been revised to 108 cents per dozen.***

crease. Compensatory increased retention of known SE-negative flocks may occur in regions or for specialty product subject to available capacity including re-caging. Prolonged depression in price beyond cur-

rent estimates will inevitably result in a decrease in hen numbers since flocks will be depleted at a rate faster than projected.

✓In July the University of California projected an UB large Midwest price of 117.3 cents/dozen for September which was depressed to 89.7 cents per dozen by the SE recall. The previous projections in the 140s for November and December have been revised to 108 cents per dozen. This value will only be achieved if there is a marked restoration in consumer demand. Although the UB price bottomed at the end of the third week in September demand and hence prices are not recovering

with a velocity which would contribute to the October University of California forecast. It is reiterated that a 30 cent per dozen difference in UB price between forecast and actual as a result of the SE

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recall associated with one producer group in Iowa will cost the industry \$90 million to \$95 million per month over 165 million hens producing generic eggs. The prospect for a rise depends on there being no further recalls with positive media reports projecting that the problem of SE is contained and is not a general reflection on the industry and the safety of our product.

- ✓ In August, the top six egg-producing states with 160.7 million hens represent 57.9% of the total national flock of 277.34 million hens. In descending order these states are Iowa (19.7% of total), Ohio (8.2%), Indiana (8.3%), Pennsylvania (8.3%), California (6.9%), and Texas (4.9%). States reporting to the USDA-NASS represent 98.4% of all hens producing table eggs. It remains to be seen whether a disproportionate cull of SE-positive hens occurred in Iowa in September.
- ✓ Rate of lay for the first eight months of 2010 attained 76.0%. This is higher than in 2009 during which an average of 75.4% was recorded. The positive difference of 0.6% in production level is equivalent to a daily volume approaching 4,800 cases. Av-

erage rate of lay is a function of weighted flock age and is also influenced by climatic conditions. It is noted that July-September temperatures in the regions with the highest density of production were unseasonably high in 2010.

- ✓ During August 2010, 5,884 million cases of eggs were broken under federal inspection, which is 1.9% less than in July and 2.7% more than in July 2009. For the first eight months of 2010, egg breaking was up by 2.0% over the corresponding period in 2009. For the year to date, 31.4% of the 144,167 million cases produced were broken compared to 30.8% for the entire year of 2009. It is noted that the proportion of eggs broken has steadily declined from the 2005 high of 35.1% to a projected value of 30% for 2010. Values for the proportions of eggs broken in September and October respectively (as yet unavailable), will be influenced by diversion due to SE in Iowa. Values should remain at a high level until affected flocks are depleted prematurely as unit breaking revenue has declined precipitously for this class of eggs, rumored to be in the region of 20 cents per dozen.

- ✓ The revised egg consumption value for 2010 is projected to be 246.9 per capita, almost 1.0%, lower than the 247.7 eggs per capita recorded in 2009. Over the past seven years the highest per capita consumption of 257.8 eggs was recorded in 2006. Values for the last quarter of 2010, estimated at 63.2 eggs per capita by USDA-ERS will have to be revised downward in response to the adverse publicity associated with the SE recall.
- ✓ Exports of egg products expressed as shell-egg equivalents attained 2,610 thousand cases for the first seven months of 2010 representing 2.1% of U.S. production. The cumulative export of products has been 28% higher in 2010 to date compared to the corresponding period in 2009. Major importers in 2010 have been Japan (25.2%), Germany (20.3%), Canada (11.1%) and Mexico (5.0%).

**Editor's Note: At the time of going to press (last week of October), UB had risen to \$1.20 per dozen.**

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# Experts review current poultry issues at 2010 NECAD

*Feed additives, cages and water quality among topics discussed*

By Simon M. Shane



The audience listens to presentations at the 2010 NECAD.

A number of issues of current interest to the U.S. egg industry were considered at the 82nd Northeastern Conference on Avian Diseases held from September 22-23 at the Conference Center, Pennsylvania State University.

## Prebiotic, probiotic feed additives

Presentations were made by Dr. Carrie Walk, of AB Vista; Dr. Billy Hargis, of the University of Arkansas; Dr. Andrew Yersin, of Kemin Agri-Foods; and Dr. Randy Chick, of Danisco Animal Nutrition. The program was organized to provide health professionals in the industry

with an overview of prebiotic availability and use.

Dr. Walk considered the three classes of prebiotics, including fructooligosaccharides, mannanoligosaccharides and glactooligosaccharides. The prebiotics are essentially non-digestible feed ingredients that beneficially affect the host by stimulating the growth and activity of specific bacteria in the distal intestinal tract. Prebiotics are resistant to absorption and hydrolysis in the proximal intestinal tract but can be fermented by intestinal flora especially in the colon and ceca. The mode of action of prebiotics has not

been defined but may include one or more of the following:

- ✓Binding to pathogenic bacteria;
- ✓Promoting the growth of beneficial Lactobacillus and Bifidobacteria by providing a nutrient source;
- ✓Changing the intestinal environment to promote proliferation of beneficial organisms by altering intestinal pH, stimulating short chain fatty acid production and stimulating antibacterial toxins; and/or
- ✓Stimulating the immune system.

Beneficial bacteria in the distal intestinal tract use lactic acid and short chain fatty acids as substrates. Prebiotics are essentially derivatives from yeast cell walls. These products are relatively inexpensive, are GRAS and have beneficial effects similar to antibiotics without the obvious statutory and market restrictions associated with non-defined probiotic cultures and antibiotics.

Dr. Billy Hargis reviewed the history of probiotics with special reference to seeding the intestinal tract of chicks to promote resistance to salmonella and to encourage growth. The University of Arkansas has patented and

**Dr. Billy Hargis, of the University of Arkansas, reviews the use of probiotics at the 2010 NECAD.**



licensed FloraMax®-B11. The constituent probiotic bacteria include Lactobacillus spp. Lactic acid probiotics are restricted in terms of shelf life, heat lability and compatibility with other ingredients in the diet. Bacillus spore products are often ineffective as the process of germination is extremely variable for reasons which are not clearly defined.

Dr. Andrew Yersin reviewed probiotics, which he referred to as “direct fed” (DFM) products. Generally, it is accepted that probiotics exert their beneficial function by modulating the composition of intestinal flora.

- ✓Probiotic organisms may elaborate antibacterial compounds which inhibit potential pathogens.
- ✓They compete for adhesions sites.
- ✓They compete with nutrients for potential pathogens.
- ✓The characteristics of an acceptable probiotic include:
- ✓Containing sufficient viable organisms of a strain, which is capable of providing a beneficial effect;
- ✓Being non-pathogenic and non-toxic;
- ✓Surviving and proliferating in the intestinal tract, which implies resistance to a wide pH range and organic acids; and

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✓Demonstrating a prolonged stable shelf life. Kemin now markets CloSTAT®, but as with all probiotics, manufacturers are enjoined by the FDA from making specific therapeutic label claims.

In summary, both prebiotics and probiotics have the potential to enhance performance and profitability.

✓Probiotics and prebiotics are compatible



**Carrie Walk, of AB Vista, reviews the use of prebiotics at the 2010 NECAD.**

with drug-free production.

- ✓ Products from reputable manufacturers may provide benefits with respect to pullet development, livability and egg production of flocks.
- ✓ Probiotics are relatively inexpensive.
- ✓ Measuring improvements in performance or quality is extremely difficult under field conditions.
- ✓ Prebiotics and probiotics may have their greatest benefit in attaining optimal growth and resistance from salmonella in newly placed chicks.

### Salmonella screening

Dr. D. Bautista, of the University of Delaware, evaluated a salmonella PCR screening assay using the DuPont Qualicon Bax® method. Trials conducted under controlled conditions demonstrated 100% specificity and sensitivity. The occurrence of false positives is extremely low using a range of samples including feces.

### Focal duodenal necrosis

Dr. Eric Gingerich reviewed focal duodenal necrosis (FDN) in egg production flocks. The presentation was a report based on experience and papers presented at regional and national meetings relating to the condition since it was first described in 1996 by Dr. Patty Dunn at Pennsylvania State University.

### AHA approval of enriched cages

Tim Amlaw, of the American Humane Association, reviewed the AHA Certification Program with specific reference to enriched colony cages which have been endorsed by the association, in contrast to the rejection by HSUS. Details of the standards for enriched colony cages and aviary systems were provided. An interesting personal observation is that Amlaw forecast that 35% of caged hens in the U.S. would be housed in enriched or enrichable systems by 2017. This estimate is considered to be too high. A number of producers including one large in-line egg breaker have specified

enrichable cages for a new 3-million bird

**Tim Amlaw, of the American Humane Association, reviews the involvement of the AHA in agriculture at the 2010 NECAD.**



complex. These systems can be converted at a subsequent time to enriched cages with little disruption of operation and relatively low capital expenditure. At this time stocking density is fixed at the UEP standard of 67 sq. in. but can be extended to 116 sq. in. to conform to EU and AHA requirements.

### Water quality

Dr. Susan Watkins, extension poultry specialist at the University of Arkansas, reviewed the need to decontaminate water lines and supply systems. The important message was that water assays can yield low levels of E.coli, but biofilm adherent to the interior of plastic water lines can be heavily contaminated and result in intermittent infection of flocks. The swab technique is used to sample water lines as discussed. Methods of cleaning lines including the use of Proxy-Clean®, hypochlorous acid, and acid detergents were reviewed.

### Hawkeye Pride complex

Dave Dean, of the Center Fresh Group in Iowa, provided details of the new Hawkeye Pride in-line egg production unit under construction near Corwith, Iowa. This unit is intended to have a complement of 3 million hens and will add to the existing 8 million layers at the original Center Fresh unit and the Sioux City Farms. According to Dean, the company commenced planning the operation in 2007 and obtained commitments for 80% of output for the next 10 years. The first phase will comprise 1.5 million hens with expansion to 3.7 million and a projected ultimate hen capacity of 6.7 million.

During the first phase, enrichable Tecno cages from Italy have been specified which will allow for subsequent conversion to fully enriched cages with minimal disruption and costs if this is required. The initial units will comprise six rows per house, with 12 tiers in a module of 340 ft. in length. As with most Tecno units, a feed cart distribution system will be specified. A sophisticated dimmable lighting system and a compatible ventilation system will be installed. Air will be drawn from a center roof vent and will be exhausted on the sides of the houses which will be arranged in parallel modules of two units.

The feed mill will have a capacity of 100 tons per hour and will ultimately store 2 million bushels of corn in slip-form silos.

A manure storage and processing unit has been erected and will ultimately have a floor area of 330,000 sq. ft. **E**

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# Cal-Maine reports on first quarter of FY 2011

*Specialty sales represent 25.5% of dollar revenue*

**C**al-Maine Foods Inc. announced net sales of \$190.4 million for the first quarter of 2011 (\$187.7 million for Q1, FY 2010). Net income was \$4.8 million (-\$3.8 million in Q1, FY 2010). The first quarter results include a non-recurring insurance settlement of \$2.6 million to cover damage resulting from a fire at the Farwell, Texas, complex in July of 2009. Highlights from the report included a statement that specialty sales represented 14.9% of volume but 25.5% of dollar revenue. Feed costs per dozen for the quarter amounted to 33.4 cents/dozen slightly below the 35.7 cents/dozen recorded for the corresponding quarter in 2009, reflecting prevailing commodity prices.

In reviewing the annual report for 2010 reflecting the year ending May 29, 2010, net sales for the year were \$910.1 million, approximately 2.1% less than the \$9.8 million for fiscal 2009. Net income was \$67.8 million, 14.6% less than the \$79.5 million in FY 2009. Gross margin was 21.3%

based on a cost of sales of \$715.5 million. During FY2010 Cal-Maine marketed 805.4 million dozen eggs and housed 26.3 million hens.

Based on the data provided, it was calculated that 70% of total production is obtained from company-owned flocks, 21% purchased as nest-run and 9% supplied by contractors. The company paid an average of \$1.17 per dozen for outside purchases compared to the average Urner Barry spot egg quotation of \$1.12 per dozen. Figures derived from the annual report suggest that average revenue over the 805.4 million dozen was \$1.12 given the relative proportions of specialty eggs (14.4% by volume or 21% by value). Specialty eggs generated \$1.64 per dozen compared to generics at \$1.04 per dozen. Given a feed cost of 0.35 cents per dozen and applying industry parameters for production and downgrades, average Cal-Maine feed cost was \$202 per ton.

Cal-Maine is essentially a producer of generic eggs with a narrow market base. Wal-Mart stores and Sam's Clubs represented 36% of net sales value and Publix Supermarkets accounted for 10% of net sales dollars. The top ten customers accounted for 71% of net dollar sales. Cal-Maine owns a 29.1% equity interest in the Eggland's Best cooperative and products under the Eggland's Best Brand accounted for 9.2% of dozens sold in fiscal 2010. Cal-Maine brands, including Farm House and Four-Grain brands, amounted to 7.5% of dollar sales.

Cal-Maine owns almost 20,000 acres of land in 43 locations including plants, integrated complexes and distribution facilities. The company can hatch 21 million pullet chicks annually and grow 17 million pullets. Total housing capacity is 31 million hens. Cumulative capacity of all company feed mills is equivalent to 700 tons per hour and graders can pack close to 12,000 cases of eggs per hour.

In FY 2010, egg products accounted for \$27.4 million in sales from the two Cal-Maine facilities in Georgia and Texas, respectively.

Cal-Maine recorded total current assets of \$338.2 million at the end of FY 2010 compared to current liabilities of \$118.0 million. The company carries long-term debt amounting to \$104.7 million. Although Cal-Maine did not make any acquisitions in 2010, purchases of property, plant and equipment amounted to \$20.8 million.

Cal-Maine Foods is the only publicly traded company dedicated to egg production in the U.S. Statutory quarterly and annual reports and 10-Ks provide an insight into the financial state of the U.S. egg industry before the advent of the shell egg recall. **EI**



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# Congressional hearings on the SE recall reveal little information

*DeCosters, Orland Bethel testimony uninformative* By Simon M. Shane

The long-awaited, delayed SE hearing before the House Energy and Commerce Subcommittee yielded little in the way of facts relating to the outbreak involving 1,500 diagnosed cases in consumers during May through July prompting a recall of up to 0.5 billion eggs in mid-August. Jack DeCoster was evasive and rambling in his responses to direct questions which were not answered to the satisfaction of the committee. His son Peter, the CEO of Wright County Eggs, provided some information which could be characterized as “too little, too late”.

It was however apparent that the operators at the complex with approximately 5 to 6 million hens were aware of SE infection in flocks during 2008 but from the testimony offered, appropriate corrective action was

not taken. Statements by the DeCosters were at variance with the reports submitted by the FDA on conditions existing on the farms after the recall was initiated.

Before the hearing, the DeCosters had evoked the ire of Committee Chair Bart Stupak, D-Mich., relating to disclosures concerning the extent of infection. In a prepared statement, Jack DeCoster testified that he was “horrified to learn that his products might have been the cause of the illnesses.” This is analogous to the prefect of police in Casablanca being horrified at discovering gambling in the back room of Rick’s Café Américain!

At least Orland Bethel, the nominal owner of Hillandale Farms, did not waste the time of the committee in circumlocution by pleading his Fifth Amendment rights. Among other

questions, he declined to address was an explanation of an e-mail discovered by committee investigators that implied that “Hillandale had to get out from under Jack DeCoster and preserve the Hillandale name since they could not continue deceiving the public.”

The question of culpability for the SE outbreak has been referred to the Department of Justice to determine if there were any contraventions of federal statutes.

The Deputy Commissioner of the FDA, Dr. Joshua Sharfstein, made a plea for Congress to pass the Food Safety Bill that provides FDA with greater power.

“We need this bill to help us prevent another egg outbreak just like the one we’ve experienced and the one that we heard from the earlier witnesses that so devastated their lives,” said Sharfstein. **E**

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# Study released on **microbiological quality of eggs from cages, alternative systems**

*Research also looks at potential horizontal transmission of salmonella*

Scientists at the U.S. Department of Agriculture's Agricultural Research Service Poultry Microbiological Safety Research Unit, Russell Research Center, in cooperation with the University of Georgia's Department of Poultry Science, have completed a study to compare the microbiological quality of eggs derived from either cages or two floor systems. Project #641 was funded by the U.S. Poultry & Egg Association.

Non-washed eggs produced by hens housed on shavings had slightly higher aerobic bacterial levels compared to eggs produced on slats. Both floor treatments had significantly higher bacterial levels than eggs produced in cages. Washing of

eggs significantly reduced aerobic bacteria and coliforms. Moving hens from floor systems to cages reduced contami-



nation. Following re-transfer back to floor systems, aerobic contamination of shells returned to previously higher levels.

The study also evaluated the potential for horizontal transmission of *Salmonella spp.* by determining the prevalence rate in hens in the three systems. Hens on shavings yielded a value of 40%, 18% on slats and 15% in cages. The prevalence of *Campylobacter spp.* attained 43% on shavings compared to 36% on slats and 28% in cages. It is noted that campylobacteriosis is not an egg-borne disease since the organism is extremely sensitive to desiccation during storage and to decontamination by washing. There is no evidence that vertical transmission of *Campylobacter spp.* occurs among hens held for egg production, irrespective of housing system. **EI**



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# FDA to commence inspections under Final Rule

*Producers should review the draft Guidance Document* Simon M. Shane

The FDA announced its inspections under the Final Rule will commence in the Northeast and Midwest regions during October. The program of inspecting up to 600 farms will take at least a year.

Producers are urged to review the draft Guidance Document and to conform to requirements with respect to records, rodent control, biosecurity and good production practices.

It will be unfortunate if inexperienced inspectors present reports to their superiors which do not reflect conditions contributing to either introduction or perpetuation of SE in egg production operations. The problem will be further exacerbated if the FDA continues with its policy of prematurely publicizing alleged deviations from what they regard as "standard." The effect of adverse media reports is evident in the decline in consumption which is responsible for the considerable decrease in the UB price since the announcement of the Wright County Eggs recall.

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*Former USDA Under Secretary supports Federal inspection in meat and egg plants*

**D**r. Richard A. Raymond, previously the Chief Medical Officer for Nebraska and subsequently Under Secretary for Food Safety at the USDA from 2005 to 2008, commented on advances in disease suppression at the InnoVet 2010 Biotechnology Conference in Saint-Hyacinthe, Quebec, Canada.

The theme of his presentation was “healthier animals contribute to safer food, resulting in healthier humans.” Recent outbreaks of dis-

ease including avian influenza demonstrate the link between livestock and human health.

Dr. Raymond is an opponent of the frequently expressed sentiment that “bigger is not necessarily better.” He believes that intensive agricultural practices are necessary to feed the world’s burgeoning population. Because the risks and consequences of infection increase with large production units, appropriate controls and good production practices including biosecurity and vaccination are necessary to ensure a safe food supply.

During his career with USDA he participated in a number of international organizations including the World Health Organization. This body has stated “governments could save billions of dollars by stepping up the prevention and control of high impact animal diseases some of which pose a direct threat to human health”.

Raymond commented that life expectancy in the U.S. in 1900 was only 49 years but increased to 78 years by the end of the 20th century. Causes of death have changed markedly with the transition from infections to metabolic and life style conditions including cardiovascular disease, diabetes and cancer.

The adoption of confined livestock and concentrated production systems has impacted animal and poultry health requiring more intensive vaccination, environmental remediation and a safe food and water supply. The application of appropriate preventive measures has virtually eliminated the impact of trichinosis, BSE, tuberculosis, anthrax, and brucellosis.

As a physician and administrator, Raymond recognizes the need for one health initiative. This requires close collaboration between government and private sectors to benefit all stakeholders.



**Dr. Richard Raymond, formerly Under Secretary for Food Safety at the USDA, addressed the InnoVet program in Quebec, Canada, on advances in prevention of disease from intensive**

**livestock production.**

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# EIC documents escalation in feed cost

Report reviews cost from July through September 2010

The Egg Industry Center has issued Report No. 8, detailing layer feed cost for September 2010. The following table documents the increase in the cost of layer feed, corn and soybean meal for the third quarter of 2010. The escalation in cost is basically attributed to the rise in corn as noted in the table. More information can be obtained from Program Manager Maro Ibarburu. **EI**

AVERAGE U.S. LAYER FEED AND INGREDIENT COSTS			
Month 2010	Average U.S. Feed Cost \$/ton	Corn Price \$/ton	Soybean Meal Price \$/ton
July	205.30	152.10	339.00
August	211.80	160.00	344.40
September	229.30	185.20	347.50
Increase	+11.7%	+21.7%	+2.4%

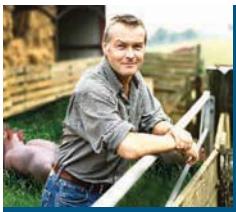
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38<sup>1</sup>/<sub>4</sub>"w x 25<sup>1</sup>/<sub>4</sub>"d x 66<sup>3</sup>/<sub>4</sub>"h

- Available with Zinc Plated or Stainless Steel Shelves
- 5" Phenolic Casters
- Rust Resistant finish



Model 22-120

### 240 Dozen Egg Cart

26" w x 25" d x 66<sup>3</sup>/<sub>4</sub>" h

- All Zinc Plated
- 5" Phenolic Casters
- Name Plates available

Contact Bob Grimm for details.

1-877-332-9898 or  
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# ➤ PRODUCTNEWS

## SKA aviary for layers

SKA offers the LIBRA aviary for layers. The multi-tiered aviary is designed to rear more birds per square meter than a floor rearing system. Manure is regularly removed via polypropylene belts 164 cm wide and feed is provided from a chain feeding system for each tier.

[www.ska.it](http://www.ska.it)

## Intervet/Schering-Plough Animal Health Innovax-ND

Intervet/Schering-Plough Animal Health offers Innovax-ND, a recombinant vac-

cine that protects against Newcastle and Marek's diseases in chickens. The vaccine is administered by a single in ovo injection to 18-day chicken embryos. It is water-based, eliminating the need for oil-based inactivated ND vaccines, and can also replace conventional live ND vaccines.

[www.intervet.com](http://www.intervet.com)

## KMG Chemicals Inc. Proxitane AHC disinfectant

KMG Chemicals Inc. will distribute its Proxitane AHC animal hygiene disin-



fectant line in the U.S. The product is a peracetic acid-based broad-spectrum disinfectant effective on bacteria, viruses and fungi. It can be used in commercial, institutional, industrial and veterinary environments to clean, disinfect and deodorize hard, nonporous surfaces.

[www.kmgchemicals.com](http://www.kmgchemicals.com)

# ➤ MARKETPLACE

Ad sizes start at one column by one inch and can be any size up to six column inches. Logos and photographs are acceptable. Add color for an additional \$30 per color per insertion. The rate for EGG INDUSTRY is \$130 per inch per insertion (1-time rate), \$120 per inch per insertion (6-time rate), and \$110 per inch per insertion (12-time rate). The production charge is included except for ads with excessive make-up demands.

For more information on how to place your ad, contact:

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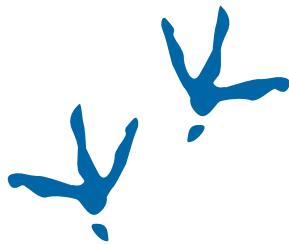
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