



Kim Reynolds
GOVERNOR

OFFICE OF THE GOVERNOR

Adam Gregg
LT. GOVERNOR

June 2, 2020

Secretary Sonny Perdue
U.S. Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Docket ID: FSA-2020-0004

Dear Secretary Perdue:

COVID-19 has impacted our Iowa farmers, including our egg producers, whose eggs were destined for the liquid egg market. Because of the massive damage done to this industry as restaurants, schools, and other egg-buying businesses have closed over the past few months, we write today in support of their inclusion into the Coronavirus Food Assistance Program (CFAP) to keep these producers afloat until the pandemic abates.

Iowa is home to over 58 million egg laying hens and our egg producers are responsible for about 1 in 6 eggs consumed in the United States each year. As an integral part of our state's economy, the egg industry is responsible for as much as \$2.6 billion in total economic activity, supporting 7,084 jobs and directly employing 2,398 people.

As our producers continue doing their part to keep our national food supply chains moving, we must do our part to support their operations. We commend USDA for a number of measures the department has taken to facilitate the flow of food to people who need it through the network of food banks and pantries.

Notably, with USDA support, FDA provided regulatory relief by creating a temporary pathway to move eggs from the liquid market into the shell egg market. Unfortunately, this wasn't applicable to many of our farmers. For some, their flocks were ineligible due to a requirement for hen age less than 45 weeks; for others, the eggs could not be packaged with equipment that was available. Compounding these issues, retailers were generally not willing to accept alternative egg packaging.

When the liquid/food service market (e.g. restaurants, schools) slowed, a significant share of the market went away. With nearly 70% of the Iowa's layer flocks producing for the liquid egg market, the COVID-19 disruption has proved to be devastating. These market conditions warrant liquid egg producers for inclusion in the CFAP.

Below please find the results of our efforts to answer the questions proposed by USDA in the rule docket to justify the inclusion of liquid eggs in the final rule.

Question: What commodities not listed above have suffered a 5-percent-or-greater price loss between January and April 2020 and face additional marketing costs due to COVID-19?

Response: In order to be eligible for a CFAP payment, a producer must have suffered a 5-percent-or-greater price loss over a specified time resulting from the COVID-19 outbreak or face additional significant marketing costs for inventories. This could be caused by lower prices given significant declines in certain types of demand, surplus production, or by disruptions to shipping patterns and the orderly marketing of commodities.

As you know, the egg market has two distinct markets: shell eggs and egg products. These two distinct types of laying hen farms utilize different processes and equipment to supply their customers. In fact, the shell egg market experienced a short-lived spike while the liquid egg market fell to a record low. This varied impact of COVID-19 on the liquid egg compared to shell egg products can be tied to increased shell egg demand and higher prices from more people buying eggs at supermarkets, while the liquid egg market experienced a decreased demand from foodservice operators such as restaurants and hotels.

For distinction between the various markets for eggs, the following prices were gathered from USDA data between mid-Jan and mid-April 2020:

- Liquid egg price decreased from \$0.25 to \$0.08 per pound (68% decrease)
- Dried egg price decreased from \$2.15 to \$2.02 per pound (6% decrease)
- Shell egg price increased from \$0.79 to \$1.79 per dozen (56% increase)

USDA data for processed (liquid whole) egg shows that the January 2020 average price was \$0.2465 per pound and in April it was \$0.0771 per pound. This 68.7% price decline is significantly greater than the 5% price decline threshold required to qualify for the CFAP program. Because USDA data is not complete, other sources can be used to verify the accuracy of this information. Urner-Barry reported a 59% decrease from \$0.270 per pound to \$0.112 per pound during the same timeframe. Both sources support a finding that this commodity has suffered more than a 5% loss in market value.

USDA data from the Weekly Shell Eggs Processed Under Federal Inspection Report shows that liquid edible egg production is the lowest it has been since December 2009. The five-week running average of edible liquid egg production by mid-May 2020, was 29% lower than the same period of 2019 and the lowest since January 2004.

Markets for egg products, especially liquid eggs, are likely to be affected for some time by the decline in food service demand and restaurant traffic is unlikely to return immediately to normal levels. Even as more states are able to safely reopen, social distancing measures will continue to limit the number of customers that are able to consume these products.

Question: What was the price received per unit of measure sold the week of January 13 through January 17, 2020, (or if not available, the nearest to this date) and what is the basis for the determination of this price?

Response: Industry data show for the week of January 13 through January 17, 2020, is the January average price for liquid whole egg as reported by the USDA in the “Processed Eggs: Weekly National Egg Products (Fri)” report, it was 24.65 cents/lb.

Question: What was the price received per unit of measure sold the week of April 6 through April 10, 2020, (or if not available, the nearest date to this) and what is the basis for the determination of this price?

Response: Industry data shows for the week of April 6 through April 10, 2020, is the April average price for liquid whole egg as reported by the USDA in the “Processed Eggs: Weekly National Egg Products (Fri)” report, it was 7.71 cents/lb., which is 68.6% lower than the January average price.

As shown above, inclusion of liquid egg producers into CFAP is warranted. We appreciate USDA’s willingness to hear public comment, and welcome an adjustment to the final rule accordingly.

Thank you for the opportunity to comment on this important policy matter.

Respectfully submitted,

A handwritten signature in black ink that reads "Kim Reynolds".

Kim Reynolds
Governor of Iowa

A handwritten signature in black ink that reads "Mike Naig".

Mike Naig
Secretary of Agriculture

A handwritten signature in blue ink that reads "Joni Ernst".

Joni Ernst
United States Senator

A handwritten signature in blue ink that reads "Chuck Grassley".

Chuck Grassley
United States Senator