

IN THE MATTER OF THE PROPOSED REPEAL)
OF THE RULES OF THE DEPARTMENT OF) STATEMENT OF NEED
AGRICULTURE GOVERNING THE MINNESOTA) AND REASONABLENESS
CERTIFIED QUALITY EGG PROGRAM)
(AGR 434-457))

I. INTRODUCTION AND AUTHORITY

The rules governing the Minnesota Certified Quality Egg Program were first adopted in 1957. The authority to promulgate the rules is contained in Minn. Stat. Section 29.021. The rules were first adopted and filed on August 11th, 1959. Subsequently, they were amended and filed on March 23rd, 1960; on October 25th, 1961; on October 17th, 1963; and again on October 25th, 1973.

The Commissioner has determined that the repeal of these rules is non-controversial. A memorandum was sent to all program participants, indicating the Department's desire to terminate the program. The Department has received no negative reactions to the memorandum, which was mailed October 16, 1981. No requests have been received to continue the program. Moreover, the production of quality eggs for public consumption will continue to be assured by other state and federal rules now in force.

II. HISTORY OF THE PROGRAM

The Minnesota Certified Quality Egg Program was established in 1957 under a matching fund grant from USDA (Agricultural Marketing Authority). The original purpose of the program was to assist farmers in upgrading the quality

of their eggs, and to provide consumers with an egg of certified quality. The Minnesota Certified Quality Egg Program, at the time of its creation, was a supplemental program to the Federal Fresh Fancy Quality Egg Program. The Minnesota program grew rapidly. The number of total birds in participation increased from 348,000 in 1959-60 to 3.5 million in 1971-72. The number of dealers and producers also increased, growing from 36 in 1959-60 to 61 in 1971-72.

The program, funded through a combination of participation fees and federal matching funds, was self-sustaining until 1974. However, in 1972 the United States Shell Egg Surveillance Act was passed. This legislation established mandatory grading standards for all eggs moving in interstate commerce and set uniform grades and sizes for all consumer eggs. The states were forced to accept a candled AA grade egg standard. Prior to this, the only AA grade egg that could be sold in Minnesota had to be produced under the Minnesota Certified Quality Egg Program (AGR 434-457), or the Federal-State Quality Egg Program (7 CFR Part 56, Section 56.216) for Fresh Fancy Quality Egg Program labeling.

With the advent of the Federal standards in 1972, the importance of the Minnesota Certified Egg Program steadily declined, and participation in the program decreased rapidly. Only 17 dealers and producers participated in the program during 1979-80. Moreover, the participation of these dealers and producers amounted to only 10 to 30 percent of their available AA grade eggs. The remainder of their eggs were sold as candled AA. At the present time, only 20-23 percent of the AA eggs offered at retail in Minnesota are produced from flocks under the Minnesota Certified Quality Egg Program.

III. JUSTIFICATION OF REPEAL

Termination of the Minnesota Quality Egg Program is necessary and reasonable for the following reasons:

- A. Participation by dealers and producers in the program is down. Moreover, most of the participants are certifying only a small proportion of the total number of eggs they produce. The rest are sold as candled AA eggs.
- B. Because of the present limited participation and the distances involved, the program is no longer self-sustaining. Fees would have to be raised to a prohibitive level to offset administrative and regulatory costs.
- C. The rules governing the program do not conform with current industry production and marketing practices. Major changes would be required to bring the rules into conformity with such practices.
- D. The Federal Government retained the candled AA egg standards when the federal regulations were modified October 1, 1981. Since it has been established that most AA eggs in Minnesota are being offered on a candled basis, termination of the Certified Egg Program should not present a significant economic impact on industry and producers. Additionally, consumers will continue to be assured of quality eggs through existing state and federal regulations.

The decrease in program participation was discussed above (II. History of the Program.) An explanation of points B, C, and D follows to demonstrate both the need for and reasonableness of the proposed repeal of the program.

The program is now a financial burden upon the Department. In 1972, the program generated approximately \$10,000 in revenue through participation fees and federal matching funds. However, the Federal matching funds were discontinued after 1974. Last year the program cost about \$5,000 to administer while generating only \$1,714 in revenue. Participating dealers and producers are spread over the entire state. The required monthly inspections are not feasible because of economic and travel restrictions, unless fees are dramatically raised.

The rules and regulations governing the program do not conform with current industry production and marketing practices, i.e., establishing a base grade on a flock of 100,000 birds by breaking out and measuring only 10 eggs each month. It seems unnecessary to amend rules governing a program whose original purpose is being served by other, more current rules and regulations.

It has been determined that this action will not have a significant economic impact on industry and producers because Grade AA eggs may and will continue to be offered for sale on a candled basis. Moreover, industry is being given six months to exhaust their supply of certified cartons under which they market Minnesota Certified Quality Eggs.

IV. CONCLUSIONS

The termination of the Minnesota Certified Egg Program is necessary and reasonable since it no longer is needed, participation has decreased dramatically, and the program is only partially self-sustaining. The provision of quality eggs continues to be assured because of other existing state and federal rules and regulations. The initial purposes of the program will continue to be served by state rules (AGR 388-417) and federal regulations (7CFR Part 2856).

November 20, 1981

Date



Mark W. Seetin

Commissioner of Agriculture