



United Egg Association

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Attn: Docket Clerk, Docket 01-019P **Increase in Fees for Meat,
Poultry and Egg Products Inspection Services – FY 2002**

United Egg Association (UEA), representing 95% of all the egg products produced in the U.S. appreciates this opportunity to comment on the proposed rule to 9 CFR §391, 590, 592

FSIS Inspection Fee Increase Proposed

The Food Safety and Inspection Service (FSIS) is proposing to increase the fees that it charges egg products plants, importers, and exporters for providing voluntary inspection services, overtime and holiday inspection services, identification services, certification services, and laboratory services. UEA understands these increases in fees reflect the national and locality pay raise for Federal employees (proposed 3.6 percent increase effective January 2002) and inflation.

UEA understands that to raise the fees for voluntary egg products inspection (base time) and overtime and holiday voluntary inspection activities, the Agency is proposing to add part 592 to the CFR for voluntary egg products inspection. At this time, FSIS is proposing only to include the fees in this new part.

How Much Is The Increase?

Sec. 592.2 Base time rate.

The base time rate for voluntary inspection services of egg products is \$42.64 per hour per program employee from the previous \$33.64, a 26.75% increase.

Sec. 592.3 Overtime rate.

When operations in an official plant require the services of inspection personnel beyond their regularly assigned tour of duty on any day or on a day outside the established schedule, such services are considered as overtime work. The official plant must give reasonable advance notice to the inspector of any overtime service necessary and must pay the Agency for

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such overtime at an hourly rate of \$44.40 from the previous \$35.52, a 25% increase.

Sec. 592.4 Holiday rate.

When an official plant requires voluntary inspection service on a holiday or a day designated in lieu of a holiday, such service is considered holiday work. The official plant must, in advance of such holiday work, request the inspector in charge to furnish inspection service during such period and must pay the Agency for such holiday work at an hourly rate of \$44.40 from the previous \$35.52, a 25% increase.

Why the Increase in Fees?

Every year FSIS reviews the fees that it charges for providing overtime and holiday inspection services; voluntary inspection, identification, and certification services; and laboratory services. The Agency performs a cost analysis to determine whether the fees that it has established are adequate to recover the costs that it incurs in providing these services. FSIS is proposing to raise the fees for its voluntary inspection of egg products for base time, which are currently set forth in Sec. 55.510(b) of Title 7 of the Code of Federal Regulations (CFR), from \$33.64 to \$42.64 per hour per program employee and for overtime and holiday inspection which is currently set forth in section 55.510(c) of Title 7 of the CFR from \$35.52 to \$44.40 per hour per program employee. The differing proposed fees for basetime services and for holidays and overtime services is due to the different amount that it costs FSIS to provide those services. These differences in cost stem from various factors, which include, the differing salary levels of the program employees who perform the services.

Why the Fee Increase is Not Timely

UEA understands that the Agency must recover the actual cost of voluntary inspection services covered by this rule and that these fee increases are essential for the continued sound financial management of the Agency's costs, however consideration must be given to the economy of the industry that the Agency is providing this service. The egg products industry is in a depressed economic condition.

The Economy of the Egg Products Industry

The total volume of U.S. egg product production in 2000 was about 2.3 billion pounds (2001 Agriculture Statistics, USDA). The increase in cost per pound of product associated with the proposed fees increases is, in general, \$.00008. This, nonetheless is a fee increase and despite the proposed rule suggestion that the industry is likely to pass through a significant portion of the proposed fee increases to consumers because of the inelastic nature of the demand curve facing these firms, this is not the case. The proposed research that has shown that consumers are unlikely to reduce demand significantly for egg products when prices increase does not factor in the purchasing nature of buyers of these egg products. Any increase will be borne by the processor of egg products and will impose a hardship on the egg products processors.

Whole Liquid Egg

Liquid whole egg reached a five year price low this year. August Urner Barry prices were 18% below the previous August (\$.3576 in 2000 compared to \$.2952). September Urner Barry prices fell another 1% and were 14% below year earlier levels (\$.3408 in 2000 compared to \$.2929). The average price for the year compared to a 5 year average is down 14% (\$.3444 for a 5 year average compared to \$.2985).

Liquid Whites

Liquid egg white prices have also reached a five year low. The Urner Barry price for August was \$.1500 compared to \$.2517 in 2000 (41% reduction in price). September's Urner Barry price remained \$.1500 compared to \$.2420 (38% reduction in price).

Cases broken

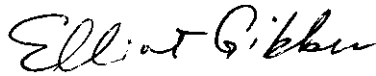
Five million cases (31%) of the 16 million cases of shell eggs are broken into further processed products each month. Each year, the total number of cases broken has increased by 2-3% as demand for egg products increases, however this has changed this year with demand on a flat basis rather than an increasing curve.

Conclusion

UEA respectfully requests that FSIS postpone this fee increase for a period of six months. A number of industry self-help programs should be in place and operating so that the severe economic conditions of the egg products industry may be abated. To press

forward with a fee increase will be an added hardship on an already economically-depressed egg products industry.

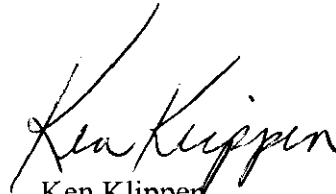
Yours sincerely,



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