



Written by [Michael Tennant](#) on August 25, 2010

Egg Recalls Bring Statists Out of Their Shells

Government is the only institution whose power and budget grow when it fails. A crisis, real or perceived, is considered an “opportunity” for government to expand, as President Obama’s Chief of Staff, Rahm Emanuel, reminded Americans shortly after Obama won the 2008 presidential election.

The latest crisis that provides such an opportunity is the recall of over half a billion eggs from two Iowa producers because some of the eggs were found to be contaminated with salmonella bacteria and have sickened people.



Prominent voices are already being raised in support of increased federal regulation of the egg industry. The Commissioner of the Food and Drug Administration, Margaret Hamburg, has [called](#) for Congress to pass pending food-safety legislation; and as might also be expected, Caroline Smith DeWaal of the Center for Science in the Public Interest has [expressed](#) the same opinion.

What, exactly, would the act do? [According](#) to *Reason*’s Ronald Bailey,

The Food Safety Enhancement Act [the House-passed version of the bill] would dramatically increase the FDA’s role in regulating food production in the United States. The legislation would require some 378,000 food preparation facilities to pay an annual \$500 fee to register with the FDA, to keep voluminous records about their safety systems, and be subject to FDA-approved inspections every year or two.

In addition, the act authorizes the Health and Human Services Department to establish an elaborate tracing system that enables the agency to identify each person who grows, produces, manufactures, processes, packs, transports, holds, or sells food in as short a timeframe as practicable but no longer than two business days. Only farmers who sell directly to consumers, fishing vessels, and grain producers would be exempt from the full traceability requirements. The new law would increase the criminal (up to 10 years in prison) and civil penalties (\$7.5 million) for violating the new regulations.

The new law would enable the FDA to more widely impose hazard analysis critical control point (HACCP) regulations on food producers and processors. HACCP plans attempt to ensure food safety by elaborate monitoring and verification procedures, all copiously documented.

All of this means more government, at greater taxpayer expense (the Congressional Budget Office estimates \$2 billion a year). It addition, it creates vastly more paper pushing, and therefore higher costs, for businesses, which in turn will raise the prices of their products for consumers.

It’s not as if these egg producers haven’t been regulated before. Indeed, the owner of Wright County Eggs, one of the companies involved in the recall, has been fined multiple times since 1994 for various environmental, safety, and personnel issues. Among his companies’ violations were “exposure to harmful bacteria and other unsanitary conditions,” [writes](#) CBS News. All these fines from both state and federal governments, however, failed to prevent the current salmonella outbreak. Are new regulations



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and fines likely to work any better?

Even HAACP regulations, Bailey points out, have not exactly been rousing successes. Though the regulations were imposed by the FDA on the seafood industry in the mid-1990s in an effort to reduce the incidence of the pathogen *Vibrio* in seafood, writes Bailey, “the CDC FoodNet finds that *Vibrio* is the only pathogen whose rate of infection has increased since 1998.” Would imposing them on more food producers have similar effects on the entire food supply? It’s too early to tell with such a small sample, but these results are not encouraging.

Part of the reason the salmonella outbreak affected so many eggs sold over such a wide swath of the country is that the egg industry is highly concentrated, with “just 192 large egg companies own[ing] about 95 percent of laying hens in the U.S., down from 2,500 companies in 1987,” according to Bailey.

There are sound economic reasons for this, says Iowa State University economics professor Daniel Otto. Writing in the *New York Times*, Otto [explains](#): “Big producers have been able to cut costs by ... integrating the egg laying and the processing operations within a single enterprise. Many egg laying operations also have their own chick hatching operations. Workers are hired to work the barns, deal with sanitation, mill the feed, and work the production lines all under a single management.”

Otto argues that this has both good and bad effects. The bad effects have already been seen in the salmonella outbreak, which happened more rapidly and affected many more people than a localized outbreak would. The good effect, he says, is that it is much easier to pinpoint “the source, if not the cause, of the outbreak” than it would have been had egg production been dispersed widely among small producers, when “localized disease outbreaks would not have been widely reported.” Bailey notes that the transition from family farms and local butcher shops has coincided with a hundredfold reduction in food-borne illnesses over the past 110 years.

In addition to economies of scale, government policies have undoubtedly played into the concentration of the egg industry as they have in so many other industries. Additional regulations are likely only to accelerate this concentration by increasing the costs of doing business — costs that large, established firms can absorb but their smaller competitors cannot. Bailey mentions an analysis in the U.S. Department of Agriculture’s *Review of Agricultural Economics* which found that “costly HAACP regulations end up favoring larger food producers and processors.”

Similarly, the Cato Institute’s Walter Olson [writes](#) in the *Times* that the 2008 Consumer Product Safety Improvement Act, passed in response to a brief panic over lead-based paint in toys, has been a boon for big toy manufacturers, “while hundreds of small and distinctive producers have gone out of business or abandoned harmless lines of childrens’ [sic] goods.”

Olson argues that the salmonella panic will subside and that the free market will see to it that the egg producers, if indeed they are at fault, are punished through loss of business. Furthermore, all egg producers will probably take additional steps to ensure the safety of their products in hopes of avoiding a similar fate.

Bailey describes some of the steps that the private sector has already taken to improve food safety, such as the formation of GLOBALG.A.P., which “sets voluntary standards for the certification of agricultural products around the globe” and boasts Wal-Mart and McDonald’s among its members. He adds that “American and Canadian produce growers are in the process of implementing their produce traceability initiative that will follow lettuce, tomatoes, and spinach from field to salad bar.”

The *Times* itself, while [stumping](#) for the FDA to require all hens to be vaccinated for salmonella,



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inadvertently makes the case for letting the market resolve the matter instead. Having documented that such vaccinations have virtually eliminated the salmonella threat in England, the *Times* writes:

There are no laws mandating vaccination in Britain. But it is required, along with other safety measures, if farmers want to place an industry-sponsored red lion stamp on their eggs, which shows they have met basic standards. The country's major supermarkets buy only eggs with the lion seal, so vaccination is practiced by 90 percent of egg producers.

If "one of the most heavily taxed, tightly regulated countries in the developed world" (as the *Times* [described](#) Great Britain) can solve its salmonella problem without resorting to even more regulations, then surely the somewhat less regulated United States can do the same. In fact, it is already doing so: "One-half to two-thirds of American farmers already inoculate their flocks, according to industry estimates, and that number is likely to increase," says the *Times*.

Government regulations didn't prevent the current salmonella outbreak, and chances are slim that they will prevent any future ones since they are always reactive in nature and slow to adjust to changing circumstances. The market has begun its process of rectifying the present egg problem and will only be hindered by government interference. While statisticians scramble to hatch new egg rules, hardboiled freedom fanciers should tell them to beat it.



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