

BUSINESS DAY

Egg Farms Hit Hard as Bird Flu Affects Millions of Hens

By STEPHANIE STROM MAY 14, 2015

SIOUX CENTER, Iowa — J.T. Dean is facing a gargantuan task.

Mr. Dean, a son of the founder of one of the country's biggest egg producers, the Center Fresh Group, must kill and dispose of about 5.5 million laying hens housed in 26 metal barns that rise among the rolling corn and soybean fields here.

Deadly avian flu viruses have affected more than 33 million turkeys, chickens and ducks in more than a dozen states since December. The toll at Center Fresh farms alone accounts for nearly 17 percent of the nation's poultry that has either been killed by bird flu or is being euthanized to prevent its spread.

While farmers in Asia and elsewhere have had to grapple with avian flu epidemics, no farmers in the United States have ever confronted a health crisis among livestock like this one, which seemed to travel along migratory bird pathways from the Pacific Northwest to the Midwestern states. Almost every day brings confirmation by the Agriculture Department that at least another hundred thousand or so birds must be destroyed; some days, the number exceeds several million.

On Thursday, South Dakota reported its first possible infection on a chicken farm with 1.3 million birds in the eastern part of the state.

Mounds and mounds of carcasses have piled up in vast barns here in the northwestern corner of Iowa, where farmers and officials have been appealing for help to deal with disposal of such a vast number of flocks. Workers wearing masks and protective gear have scrambled to clear the barns, but it is a painstaking process. In these close-knit towns that include many descendants of the area's original Dutch settlers, some farmers have resorted to burying dead birds in hurriedly dug trenches on their own land, while officials weighed using landfills and mobile incinerators.

Iowa, where one in every five eggs consumed in the country is laid, has been the hardest hit: More than 40 percent of its egg-laying hens are dead or dying. Many are in this region, where barns house up to half a million birds in cages stacked to the rafters. The high density of these egg farms helps to explain why the flu, which can kill 90 percent or more of a flock within 48 hours, is decimating more birds in Iowa than in other states.

And the numbers are also staggeringly high because farmers like Mr. Dean are required to euthanize (with carbon dioxide gas or foam) all the flocks on a farm even if only a few barns are infected. Center Fresh, for example, was able to contain the infection to just two of its barns, but all of its hens must be destroyed as a precautionary measure.

“It’s far too soon to know how significant the impact will be, but I know it will be significant,” Mr. Dean said in an interview at the Sioux Country Livestock Company, a restaurant on Main Street that serves as a local meeting place. Culling the flocks and decontaminating the barns could take months, he said, adding that it could be two years or more before Center Fresh recovers.

Some hens here were still laying eggs in barns that had yet to be emptied — and those eggs were being sold as a liquid product after undergoing a federally required extra pasteurization step.

But the long-term economic impact of the epidemic is still being assessed, especially since countries like China, Japan and Mexico have banned poultry imports from the United States.

Some analysts say consumers are probably seeing some price increases, not only for cartons of eggs but also for products that contain so-called liquid eggs, which are used in everything from mayonnaise to cake mix and are a major product of Iowa's poultry industry.

About 90 percent of the more than 25 million chickens that are being destroyed in Iowa produced liquid eggs, and already the wholesale price for those eggs nationwide has nearly doubled from late April. It hit \$1.23 a dozen on Wednesday, up from 63 cents a dozen on April 22, according to Rick Brown, executive vice president and an egg specialist at Urner Barry, a market research publisher. The federal Department of Agriculture's weekly report, however, was more cautious in its estimates of rising shell egg prices, but suggested that sharp increases for liquid eggs may be in the offing.

Major companies that use liquid eggs have started to warn that they may run short, which will impede sales and raise prices for products like cake mixes and ice cream. Nestlé, for instance, which makes Dreyer's, Edy's and Häagen-Dazs ice creams, as well as other products that incorporate eggs, said it had been discussing its options.

Some of that ice cream is made south of here in Le Mars, which calls itself "the ice cream capital of the world." "And summer's right around the corner," said Mark Bohner, regional director in the Iowa Farm Bureau Federation's office there. "When something like this hits, the scope of its impact may not always be so obvious — but it's big."

Known as "chicken central," Sioux County ranks 13th in the country in the amount of revenue generated by agriculture, about \$1.6 billion in 2012, after counties producing high-value fruit, vegetable and nut crops in California, Colorado and Washington State.

The losses also affect a wide range of support businesses, ranging from bank lenders and insurers to trucking operations, feed mills and farmers. “It’s devastating to the producers and devastating to this whole area,” said Mark Sybesma, chairman of the Sioux County Board of Supervisors.

After the egg producers themselves, the business most immediately hit by the crisis is that of breeding the chicks and pullets that become laying hens. Center Fresh, for instance, buys several hundred thousand chicks a month.

Those companies have carefully timed production schedules and must find new buyers for their birds quickly or be forced to euthanize their own live inventory.

“One of our customers did cancel orders, but fortunately we had other orders we were able to fulfill,” said Lawrence Basener, location manager for Centurion Poultry, a breeder farm that ships from 100,000 to 250,000 day-old chicks a week to egg producers from Pennsylvania to Colorado. “We found another home for the chicks we had in the incubators.”

Then there are those businesses involved in the food chain that support egg production.

Center Fresh’s hens consume 75 square miles of corn and soybean plantings a year, and the price of those crops is already low. Last week, Brian Kemp was out planting soybeans in fields in Osceola County, not too far from Sunrise Farms, where workers in white and yellow Tyvek suits could be seen tossing dead hens out of a barn into a Hertz rental truck.

Mr. Kemp said he was not too concerned yet about how the flu might affect the price of his crops. “Sure, I’m affected when the poultry industry is hit with avian influenza,” he said. “But we also have three other segments of the livestock industry that are feeding corn and soybeans.”

The rolling fields in the state’s northwest corner are dotted with cattle feedlots, hog barns and some barns housing broiler hens, which is a growing business

around Orange City in Sioux County.

“It’s not like I’m losing my only market,” said Todd Popken, a soy and corn farmer in Plymouth County. “But there’s going to be less competition for my product, which means lower prices.”

Mr. Popken has already seen the impact the flu is having on livelihoods. A friend’s truck that normally hauls feed for the egg industry is sitting idle. “Their family just lost their income,” Mr. Popken said. “That means no restaurant visits, fewer visits to Hy-Vee,” a popular grocery store chain.

Wayne Meerdink and his son run a trucking business that takes feed to egg farms and other livestock operations, and he’s bracing for greater competition. “Those trucks that haul chickens and eggs around are going to be looking for other ways to stay busy,” Mr. Meerdink said.

On the other hand, businesses dealing in, say, waste disposal, truck washing or Tyvek coveralls and disposable shoe covers are in high demand across the entire Midwestern region.

Just this week, federal lawmakers from Iowa called on the Agriculture Department to do more to help farmers with the culling and disposal of birds. The federal agency has made tens of millions of dollars available for assistance, and noted that it is deploying hundreds of staff members, including 85 in Iowa.

The state’s governor recently declared a state of emergency, and has now ordered up mobile incinerators to travel from farm to farm to help reduce the waste.

David Stecher, an organic waste management consultant, said egg producers had more experience than most with disposing of large volumes of birds as part of their routine operations. Center Fresh, for example, gets rid of hens after they’ve been laying for about a year, culling them from barns on a rolling basis to manage waste.

“There’s already a lot of infrastructure for depopulation in place in the industry,” Mr. Stecher said. “What makes this different is the size — so many hens have to be disposed of at once.”

Once the barns are cleared and disinfected, agricultural officials take environmental samples that involve a 21-day testing process. Once the tests come back negative, officials said, farmers can resume using the barns.

At Center Fresh, Mr. Dean said egg and poultry producers had to calculate the risk of repopulating their barns when no one knows for certain how the flu is transmitted.

“Some 280 people work for us,” Mr. Dean said. “That’s a lot of spending at the grocery store.”

The highly mechanized barns at egg farms have presented the U.S.D.A. and Iowa officials, not to mention producers like the Deans, with an unprecedented cleanup and disposal challenge, and nobody is quite sure how to approach it. Center Fresh was using “bio bags” to dispose of its hens, but after running into problems with that process, it is now composting dead birds on its property.

In a normal cull, Center Fresh would euthanize its birds and grind their carcasses for use in pet food.

But laying hens culled as part of controlling the avian flu outbreak cannot be disposed of that way, nor can they be composted inside the barns where they lived, which is how infected turkeys are being handled for the most part. “Disposal has been a challenge,” said Dr. T.J. Myers, associate deputy administrator for veterinary services at the Agriculture Department.

“It’s going to be two to three years before they’ll be fully back in operation,” said W. Dale Den Herder, chairman and chief executive of American Standard Bank, one of the largest agricultural lenders in Iowa. “There are state and federal workers all over helping to clean up and figure out what to do to avoid contamination.”

Mr. Dean has posted updates about the crisis on his Facebook page, along with photos of his five children and wife, who coaches the school district's swim team. "They're worried, of course, and there's been some tears at our house," he said. "But I'm more concerned about my team."

Still, as farmers and their employees double down on biosecurity measures at the big farms and work to clean the vast barns for new flocks, local businessmen return nearly every weekday morning to their favorite breakfast spot to trade theories on why bird flu keeps spreading. While most experts blame migrating wild fowl for the spread of the viruses, people still wonder if they were being spread more rapidly in the Midwest by dust or rodents in barns, or if some strains had become airborne.

"How come it hasn't hit Nebraska?" Wayne Meerdink asked last week. "They have chickens in Nebraska, don't they?"

Less than a week later, on Tuesday, Nebraska reported its first suspected infection — on a farm of more than a million chickens.

Correction: May 14, 2015

Because of an editing error, an earlier version of this article misstated the gas being used to euthanize chickens. It is carbon dioxide, not carbon monoxide. The article also rendered incorrectly the names of two ice cream brands. They are Dreyer's, not Dreyers, and Edy's, not Edys.

Ann Hinga Klein contributed reporting from Des Moines, and Hilary Stout from New York.

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