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New York's AG Lays a Rotten Egg

A lawsuit accuses farmers of price gouging during the pandemic.

Cartons of eggs on sale in a supermarket in New York, April 14.

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A bright spot during the pandemic has been the resilience of the food supply, which kept staples on shelves. But now state attorneys general in New York, Texas and West Virginia are taking aim at farmers—and the market forces—that helped keep eggs on Americans' plates.

What did the farmers do to run allegedly afoul of the law? They responded to an unprecedented increase in demand for retail groceries, including eggs, by selling eggs at prevailing market prices, which rose in New York from about $1 for a dozen large eggs from January through early March to about $3 on April 1. During normal times, our economy relies on price adjustments to avoid shortages.

In pandemic times, opportunistic politicians call these adjustments “price gouging.” In announcing her lawsuit against Ohio-based Hillandale Farms, New York Attorney General Letitia James alleged the egg producer had “exploited hardworking New Yorkers to line its own pockets” and “made millions by cheating our most vulnerable communities and our service members.”

Never mind that the relative price increases observed in New York, Texas and West Virginia were modest compared with the national average increase. The U.S. Agricultural Marketing Service reports that the average wholesale price of large white eggs rose from about 60 cents per dozen in January through early March (about the same price as last year) to more than $2.50 at the beginning of April, a fourfold increase.

That price jump reflected a limited supply of eggs suitable for retail stores and a sudden substitution of grocery purchases and home cooking in place of restaurant dining and commercial food services when governments shut down much of the economy. Americans typically spend nearly half of their food dollars on meals away from home. Consumers also rushed to stockpile eggs.

As much as farmers wished for more eggs, it takes several weeks to expand the number of laying hens. The slight supply increase that did occur resulted from repurposing eggs from food processing and food service to retail markets. By late-April egg suppliers had time to expand and, though demand remained high, prices in New York and nationally returned to pre-pandemic levels. Would suppliers have responded so readily if eggs had continued to trade for around a buck a dozen? Not likely.

If the state AGs had their way, sellers would have had to ration their supplies. Goods would have likely gone to the biggest and best customers—
like Walmart and Kroger. The smaller stores that serve mostly low-income neighborhoods would get none. And without a monetary incentive for suppliers to increase the number of hens, those shelves would have stayed empty.
Out-of-state egg suppliers could have avoided Ms. James' wrath and her lawsuit by shipping their eggs to states without price-gouging laws or with less reckless prosecutors. New York consumers would have been left with even more empty shelves. Farmers have now likely learned which states to avoid in the unfortunate event of a future national emergency.

Attorney General James alleges an overcharge of $4 million by Hillandale, which amounts to about 20 cents per New Yorker. Doesn't she have better uses of her time and New York taxpayer resources?

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