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Vittoria Bon
Government Relations
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Dear Vittoria,

Coles Group have asked that Egg Farmers of Australia outline some of the challenges related to the phase out of caged eggs.

In our initial discussion with you and Andrew Kenny in March, the focus related to the situation in Western Australia where Coles Group had made the decision in 2019 to stop selling caged eggs on shelves. Last Thursday, 9th April, during our telephone conversation it was evident that the discussion within Coles Group had moved from a focus on Western Australia to a national approach.

It is therefore important for Egg Farmers of Australia to provide information on the challenges faced by our industry and ask for clarification pertaining to a number of key issues.

The first point to be made is that without consultation with industry, a decision was taken by Coles Group in 2018 for a phase out of caged eggs by 2023. In 2019, a snap decision was made, again without industry consultation that caged eggs would not to be sold in Coles supermarkets in Western Australia.

This decision was 4.5 years prior to the date decided by Coles Group for phase out and therefore industry was very disappointed by the way in which business was conducted. When this decision was made there was no compensation for those farmers that were forced to close their cage business and this left properties with caged facilities, feed mills and grading floor assets stranded with debt payments still to be made.

There is capacity in Western Australia to provide caged eggs to Coles Group. It should be noted that in order to do this there is a clean-up cost before commencement in maintenance, checking workplace health and safety of all machinery is safe, that feeders work and rodent control is re-established and monitored.

The value of caged assets is zero when not being used and this means that the capacity to use these as security is diminished. This was found to be the case when cages needed to be upgraded due to new regulations. The cages were not worth anything and are not an asset with any value at end of life.

It is not simply a matter of adding hens to cages and flicking a switch for all to be up and running. A considerable time is needed for the rearing of pullets, depending on the breed 16 to 24 weeks. There is therefore a cost involved in re-launching these facilities and industry is sceptical that any support will be provided by Coles Group. Farmers do not want this work seen as simply a cost of doing business, as it was when producers were forced to closed their facilities through the actions of Coles Group.

Is Coles Group willing to provide any financial support to farmers who will need to undertake checks of their facility prior to restocking?

In the last year there has only been one application for expansion in the egg layer industry. Development applications are generally provided 2 or 3 years prior to consideration and decision by local councils.

The application mentioned above would have been made when the cost of production was less and the Australian dollar stronger. In the course of the application costs have increased. The reason investment has not been undertaken in the egg layer industry is due to the decisions being undertaken by retailers. This has provided instability in the market and a situation where egg farmers cannot gain finance from banks for investment.

The lack of investment is directly correlated to farmers not being paid a fair price for their eggs by retail groups. Egg farmers must make money to reinvest money in their business.

Is Coles Group prepared to show that they support the egg layer industry, are prepared to invest time, energy and a fair price for product into our sector? This would seem the only solution to move forward.

The *Australian Animal Welfare Standards and Guidelines* is another challenge for industry. This process has been ongoing for 6 years and although industry has invested a great deal of time and money into the process, the inaction of Government and undermining of retailers, making phase out periods for caged eggs prior to the completion of the *Standards and Guidelines* has not assisted in this process coming to a conclusion.

The Egg Farmers of Australia *Standards and Guidelines* position is as follows: Egg Farmers will continue to use conventional cages with the repair or replacement of these cages. Any new green field sites for egg production will be required to install furnished cages to an Australian definition. These cages would include a scratch pad or rail and nesting area.

Is Coles Group prepared to wait until the Australian Animal Welfare Standards and Guidelines are completed before taking further positioning around production systems or particular egg products?

If Coles Group were to restock caged eggs in Western Australia, the company could position to do this without mandating a phase out period for caged eggs. The COVID-19 situation has raised the issue of food security and there is now a challenge that retailers justify if the continued supply of essential products is possible. All production systems are needed in order to meet consumer demand.

Is Coles Group prepared, if asked publicly to advise that the company will not mandate a time for the phase out of one production system given the demand from the consumer, that the company provides choice of egg types and that all production systems are required to feed the nation?

In order to keep up with the annual increased consumption of eggs and population increase, 600,000 hens need to come into production annually. This means an additional 3% each year on the current flock. More egg facilities will be needed and yet due to the persistent negative returns when grain prices commenced doubling in 2018, a lack of investment resulted.

Sadly, it has come to a crucial juncture in the road. If decisions are not made by the retail sector for the long term, providing surety to egg producers of the business having skin in the game a steady supply of eggs and increase supply will not be possible.

Time and time again the egg industry makes the point that the Australian egg layer industry is not that of the United Kingdom. Our farmers deal with entirely different climate conditions and if there is a shortage of eggs, it is not a matter of simply driving a semi-trailer over the border with more eggs as is the case in Europe.

Coles Group took the initial position to phase caged eggs out in 2023.

What was the justification for this year being chosen? What data or reasoning was considered in this decision?

The year of 2025 has been mentioned.

Can Coles Group provide to industry the reasoning as to why this new timing is being considered?

It seems that retailers are trying to follow global policies in relation to phasing out a production system that does not make common sense in a climate and environment such as Australia. The egg industry has raised with retailers the concern around Avian Influenza and Salmonella *Enteritidis* and how these diseases could impact all flocks but particularly free-range flocks. Should wide outbreaks of the disease occur, it would therefore be necessary to depend on caged and barn laid eggs for supplies.

The challenge for industry is that it has already explained to Coles Group representatives that a challenge for farmers is the debt on caged facilities, feed mills, grading floors, machinery and land assets that must be paid back to banks after industry has undertaken two restructures with no support from Government or retailers.

It has been noted time and time again that there are caged facilities that cannot move to another production system due to lack of land. The way that retailers could assist these businesses should a phase out occur has not been discussed.

There is grave concern from industry that decision makers take decisions lightly, without continuity, as personnel move on to other positions in the company. This leads to cumbersome policy decisions that are not taken for the long term. A key contact within the business focused on egg related policy seems to be lacking.

The management of egg related matters have therefore been a source of frustration and challenge to industry. Many of the challenges are a direct result of decisions made at the retail level. This is why last year, Egg Farmers of Australia sought to engage with retailers regularly not just to meet and provide information about industry but to help in providing solutions so that both industry and retail can work together for better outcomes for all.

The COVID-19 situation has seen the way that businesses do business impacted and further expense has been added to businesses by way of increased purchase of PPE, additional sanitising stations, businesses operating with staggered starts, the use of different facilities for staff to take breaks and off site teams should an infection occur. All these changes have come at additional cost to producers. Costs that are eating away at many producing eggs lower than the price of production.

Egg Farmers of Australia would therefore request that Coles Group advise how the business going forward aims to focus on egg policy and if a staff member will be a key point not only for contact but to discuss egg policy.

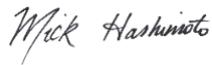
These issues cannot be unpacked purely through written correspondence or in a short timeframe of a 30 minute meeting given the neglect of the industry for so long. The egg industry often feels that although we are a staple in the supermarket trolley of consumers, we are overlooked in comparison to other commodities. **The situation in relation to eggs needs to be revisited.**

Our organisation feels that many of the issues raised have fallen on deaf ears as industry has warned retailers about the situation that would be faced and ways the retail sector should take action in how industry can be best supported in order for a steady supply of eggs on supermarket shelves into the future. If the egg policy settings are right this can be a successful public relations opportunity for Coles Group and ensure a relationship with industry that is more than transactional.

Given the matters outlined above, Egg Farmers of Australia CEO and Board Director Representatives would therefore request a zoom meeting with Coles Group Representatives. Egg Farmers of Australia also request a written response to this letter.

Our organisation looks forward to correspondence from Coles Group in due course.

Kind regards



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