

1 April 2020

Vittoria Bon
Government Relations
Coles Supermarket
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Dear Vittoria

Egg Farmers of Australia appreciates the time that you and Andrew Kenny provided to engage with industry on Friday 27th March.

The current situation in Australia for the Egg industry

The egg industry in Australia is faced with an Australian dollar worth 0.55 Euro. As equipment for the industry is manufactured in Europe, the decision to invest at this time would be a difficult decision on a weak Australian dollar.

The cost of egg packaging has increased 5% and the cost of both grain and supplements have also increased. Interruptions to the Soy meal supply from Argentina is a cause for concern.

Intensive industries of dairy, pork, feed lotters and eggs are concerned that the wheat price has jumped 20% and current panic buying increases both the demand for wholesale trading for stock feed and also through the purchase at retail level of pasta and bread.

The egg industry will be competing with other commodities domestically and against the purchase of Australian wheat by other nations. There does not seem to be any relief in the near future given that the harvest of wheat, barley and canola (winter crops) will not eventuate until November or December.

https://www.dairyaustralia.com.au/industry/farm-inputs-and-costs/grain-report?gclid=EA1aIQobChMI4e6Hx-PA6AIVkKuWCh0IkQ9CEAAAYAiAAEgLh5fD_BwE

Avian Influenza (AI) is a very real threat to the egg industry. A vaccination is not available for AI and should migratory birds infect free range flocks, birds will need to be destroyed.

Some years ago, an AI outbreak at a free range farm impacted on stocks of eggs in Canberra. The lack of eggs on shelves was due to the caged system having been phased out in the ACT. This placed huge strain on supermarkets being able to have eggs available on shelves as eggs were required to be sent over the border. With supply tightening as we head into our winter production period eggs will not be available for supplies to be moved to other states.

It is interesting to note that when caged eggs were phased out in the ACT, there was a reduction in egg sales across all categories.

National day-old chicken hatching figures are down from 1.6 million day-old chicks in February 2019 to 1.5 million chicks in February 2020. As farmers are not investing in pullets to their current capacity, particularly in Western Australia, there is significant cage capacity available also in Victoria and New South Wales.

It would take 6-8 months to ramp up to full production again. A large amount of free range investment has been made on the back of cage production. Where sustainable cage production has been stopped, payment on debt and investment into other systems is not possible.

If Coles were to return to stocking caged eggs in Western Australia, industry capacity is such that the following measures would need to be provided:

- a) Engagement with industry around the planning of idle assets
- b) Retail price
- c) Long term agreements

With a current shortage of eggs some retailers have focused particularly on the 'box market' given the reduction of eggs in the hospitality industry for businesses such as cruise ships. It should be noted that 70% of eggs in the box market are produced through the cage production system.

With a recession on the horizon, all egg production systems will be required to feed the nation and the egg farmers are proud to give consumers a choice. Egg farmers have had two restructures forced on industry having to adhere to changes in legislation without any support from Government or retailers. A caged production business requires 30 years to pay the debt on the facility, not just the cages but all the infrastructure that is required to support caged egg farming. There is capacity in Western Australia for increased egg production through the caged system.

The independent research undertaken by the CSIRO outlines the increase in trust consumers have in the work of egg farmers. The level of trust is at 58%, an increase on 2018 results of 53% trust. The full report can be found for download at <https://www.australianeggs.org.au/what-we-do/sustainable-production/sustainability-report/>

Industry has been faced with the impacts of COVID-19 resulting in an increase in biosecurity and awareness of prevention measures including but not limited to:

- Signage and refresher courses for staff in handwashing
- Staff understanding action to be taken should they feel unwell
- Increased action by supervisors in looking for symptoms in staff
- Limiting the contact between staff to reduce the possibility of infection
- Use of PPE
- Understanding the possibility and options of a reduced workforce or interruption to the supply chain

Increased measures whilst required do add an additional cost to the production of the egg.

Given the current COVID-19 situation, consumers are not concerned with a particular production system rather this is seen as a secondary issue to having food security.

Situation in England

The English system for egg production can not be compared with that of Australia. The climatic conditions are vastly different. Australian hens are truly able to be free-range even in Winter. In England, hens are able to remain indoors for 12 weeks and still be labelled as Free Range.

In England a break out of Avian Influenza results in free range status being cancelled when authorities order birds inside. <https://www.theguardian.com/lifeandstyle/shortcuts/2017/feb/28/what-does-free-range-actually-mean-its-complicated>

It should also be noted that England imports a large number of caged eggs from other nations including Spain and the Ukraine.

Situation in NZ

A snap decision was made in New Zealand to phase out caged eggs by 2022. Caged egg production accounts for 89% of production in New Zealand.

New Zealand has a small industry with a national flock of 3.6 million in comparison to Australia's national flock of 21 million layers. New Zealand's smaller flock reduced from 4.2 million and yet the demand for eggs increased causing shortages on shelves.

<https://www.theguardian.com/world/2019/apr/16/new-zealand-suffers-egg-shortage-as-farmers-scramble-to-go-free-range>

Egg production in New Zealand will continue to reduce with the phase out decision. Farmers need to make a significant capital investment to move to another system and many are not in a situation to be able to do this given the debt on their current facility. The New Zealand Government did not provide a restructure package or make any support available for caged egg farmers in New Zealand resulting in the industry consolidating.

https://www.nzherald.co.nz/the-country/news/article.cfm?c_id=16&objectid=12242122

Coles has the opportunity now to ensure that egg shortages do not become a regular occurrence in Australia by taking the decision to allow caged eggs on shelves in Western Australia and to reverse the decision on a phase out across other states.

In New Zealand, the Animal Welfare (Layer Hens) Code of Welfare 2012, replaces conventional cages by the end of 2022 and the industry has been required to move to colony cages, barn or free range.

Farmers in New Zealand who had just changed to new cage facilities were forced to move to colony cages suffering the debt of the current business. Difficulties in preparation for planning, when long lead times are needed, was evident when this snap decision was made. The situation shows that changes proposed either regulatory or retail based must be in partnership with industry.

<https://www.stuff.co.nz/business/97117960/egg-producers-federation-says-farmers-face-financial-ruin-to-switch-to-cage-free>

RSPCA

Egg Farmers are well aware of the long-standing position of the Federal RSPCA lobbying for a phase out of caged egg production systems.

Some state RSPCA organisations as enforcement agents of industry codes believe that the RSPCA should not be actively engaging in an advocacy role.

Please find below a list of points that may be of assistance or consideration in relation to discussions or campaigns received from the RSPCA and or their supporters.

- Caged hens are really social housing for hens
- In these difficult economic times, consumers need to have a choice in the product that they choose
- Coles Group needs to be responsible in supporting both local farmers and our consumers
- Without the cage system consumers will have to pay more for eggs. Eggs are a low-cost protein that are purchased by families who are on a budget

- All systems, cage, barn and free-range meet the current Government requirement of the Model Code for Poultry.
- Welfare in caged hens ensures they are in a climate-controlled environment with less risk of animal welfare impacts from disease that may be transmitted by being outside and with automatic manure removal that ensures less parasites and waste of eggs given floor eggs are not an issue
- Hens have a reduced mortality and do not experience hen pecking to the same extent as other systems
- Cages protect hens from predators such as foxes and hawks

If we can help you step through this challenging process Egg Farmers of Australia are more than happy to assist. Please don't hesitate to contact us info@eggfarmersaustralia.org or on mobile 0434 999 600.

Kind regards



Melinda Hashimoto
CEO
Egg Farmers of Australia