

Kristina Crichton
Committee Clerk
Standing Committee on Environment and Public Affairs
Via email: env@parliament.wa.gov.au

Petition no. 145- WA Egg Industry

Thank you for your time in considering the petition lodged on my behalf by the Hon Jacqui Boydell MLC in the Legislative Council on 11 February 2020.

I have been an egg producer for over 40 years and have sat on the Commercial Egg Producers Association (WA) Committee for 20 years, serving as the Association's President since 2016.

In recent years I have witnessed a changing dynamic between local producers and major supermarkets and the consequent effects for all egg farmers and other retailers. After on-going consultation with WA egg producers, I believe it is important to highlight the challenges currently facing the local industry and to stress the concerns of producers about the viability of the industry going forward. Highlighted in the petition is the major concerns by not only producers but concerned consumers who wish for the longevity and sustainability of the WA egg industry.

The current position for egg producers in WA

Industry has seen increases in costs, particularly poultry feed, for a range of reasons over the last 18 months. The main cause has been the impact of the 2018 east coast drought, the effects of which continued into 2019 and now 2020. The devastating impacts of recent fires in the Eastern States compounded the situation and has meant that demand for WA grain to the east coast has continued in the current year and continuing high prices for livestock farmers.

Like other intensive livestock industries, input cost increases affect production costs meaning WA producers are finding it even more challenging to pay higher feed prices. The increase in feed costs have effects on egg producer's ability to continue to invest in new infrastructure and flocks to meet the supermarket driven demands to produce cage-free eggs.

Negotiating contracts with major supermarkets

It would appear that major supermarkets have little regard for the plight of farmers and their economic viability. In the case of commercial egg production, the response to external factors such as the drought there appeared to be a reluctance by major supermarkets to negotiate sustainable pricing. This has a flow-on effect to all egg farmers as the benchmark is set too low. The price of free-range eggs in WA (ABS statistics) has been significantly the lowest in Australia.

Concerns over reduced returns to the egg industry has restricted the ability for farms to reinvest into new cage-free facilities, and in some cases less chickens have been placed on farms. Currently our forecasts indicate that there will be an egg supply shortage with the first signs of this currently. This is a similar situation to that which occurred in 2019.

Inability to re-invest in new infrastructure to meet cage-free demands by major supermarkets

Major supermarkets have stated their intentions to phase out caged eggs in the coming years (Coles, 2023, Aldi 2025 and Woolworths 2025) although even that seems to change behind the scenes. Many commercial egg producers are suffering financial stress and simply cannot afford to invest in their businesses to meet current and future supply requirements in cage-free production.

The WA industry cannot meet the required production amounts within the time frame without funding for the necessary infrastructure and costs associated with expanding into cage-free production. As forewarned by industry this predicament was evident in March last year when Coles WA decided to bring forward their phase out date to 1st March 2019 by discontinuing the sale of caged eggs in this state. This pre-emptive move led to an egg shortage in WA Coles stores and the early retirement of a large number of cage layer hens.

Supermarket auditing and traceability processes and standards to ensure consumers are getting what they pay for.

The uncertainty surrounding transition to cage-free, the lack of adequate return of eggs, the volumes of eggs required, and the mix between barn and free-range has not been conducive for investment in new facilities. WA industry has reached a crucial point in the on-going survival of locally produced eggs, and producers are concerned that soon the industry will be in the same position as the dairy farmers, so therefore stress the necessity for the Committee to consider the points summarised below in relation to finding a way to alleviate the current difficulties faced by producers and to help ease the financial implications producers currently face.

- More scrutiny by the ACCC of adherence to the supermarket code of conduct- allowing negotiations to take place within 30 days of a request from a producer.
- Appropriate price adjustments from major supermarkets to be passed on when high cost of production is experienced by farmers.
- A clear commitment to be outlined from major supermarkets on how they will financially support the transition to cage-free eggs in WA.
- It is still unclear to the egg industry as to why Coles WA changed to selling only cage-free eggs at a very low price whilst maintaining caged eggs in other states.

Thank you again for your consideration and I look forward to the Committee's response to the Petition.

Regards,

Ian Wilson