

Hon Jacqui Boydell MLC

Member for Mining and Pastoral Region

Our ref: 200226/CH

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

PETITION NO. 145 - WA EGG INDUSTRY

I write to bring to your attention to some of the challenges facing Western Australian egg producers and which risks threatening the viability and livelihoods of our local producers. While many of these challenges are being faced by egg producers across Australia, there also exist some unique circumstances within our State.

On behalf of WA's egg producers I raise the following concerns in relation to Petition No. 145 – WA Egg Industry.

Ability to renegotiate contracts with major supermarkets

While the challenges facing industry are complex, they are primarily in relation to the bargaining powers between egg producers and the major supermarket chains – in particular, Coles and Woolworth. Producers have informed us they have a restricted ability to renegotiate contracts with supermarkets in the event of changing circumstances, for instance, the impacts of the drought.

When negotiations do occur, it is a lengthy process, often taking three months or more. During this time, egg producers are forced to honour the existing contract, often operating at a loss until a more appropriate price is agreed to. Producers have informed us they find this negotiation process intimidating, and many feel pressure not to voice their concerns for fear of having contracts reduced or terminated. Further, due to the way in which these negotiations are conducted, it is in the interests of the major supermarkets to delay finalisation of a renegotiated price.

The Nationals WA believe a supermarket Code of Conduct should be implemented to ensure all negotiations take place within 30 days of a request from a producer.

Impacts of drought

The impacts of the drought across Australia have been widespread. In the case of WA egg producers, the drought has severely increased feed prices, with Egg Farmers Australia informing us the average feed price has increased significantly - from \$230 a tonne to \$520 a tonne. Despite this increase in production costs, there has been a reluctance from the major supermarkets to increase the price they pay to egg producers.

As a recent example, Coles and Woolworths increased the prices of their eggs on store shelves in October – with Coles barn laid eggs increasing from \$3 per dozen to \$3.35 per dozen, and Woolworths own brand cage eggs increasing from \$3.35 to \$3.50 per dozen. While Coles and Woolworths have stated the drought as the cause for the increase, producers inform us that only a small percentage of this price increase has been returned to them, making little or no difference to their situation. It would be difficult not to draw the conclusion that the major supermarkets are profiteering from the drought due to them not passing on the full increases to the producers.

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The Nationals WA believe the full on-shelf price increase from Coles and Woolworths should be passed on directly to egg producers.

Cage egg phase out transition arrangements

Cage egg producers are particularly vulnerable due to current market conditions. Coles and Woolworths have stated their intention to transition away from cage eggs by 2023 and 2025 respectively. While producers have indicated their support for this transition, they are simply unable to manage this transition while receiving such low returns from the major supermarkets.

For egg producers to make the successful transition to free range eggs, they require necessary funding to upgrade their on-farm infrastructure and systems. These changes do not come cheaply, and if the supermarkets will not provide support to egg producers through this transition, many producers will no longer be able to operate and will be forced to leave the industry.

The Nationals WA believe supermarkets should outline a clear commitment as to how they will financially support the transition to free-range eggs in Western Australia.

Coles cage egg ban in WA

While Coles continues to sell cage egg in all States except Western Australia in line with their commitment to phase out cage eggs in 2023, WA egg producers were shocked when Coles ceased all cage egg sales without consultation in March 2019. This decision had a huge impact on local producers, resulting in farmers being left with 10 million cage eggs which were unable to be sold and 250,000 cage eggs which were sadly destroyed.

The Nationals WA wrote to Coles following this to understand Coles' decision, but were not given an adequate response.

The Nationals WA believe that Coles needs to provide full details around their decision to end cage egg sales in WA while continuing cage egg sales elsewhere in Australia.

It is the belief of the industry that the big supermarkets are treating egg producers in a similar manner to dairy producers a decade ago. With recent reports that Coles did not pass on the full profits of a milk price rise to struggling dairy farmers, it is becoming increasingly evident that more needs to be done to support our primary producers when dealing with the supermarket duopoly.

I thank you for taking the time to consider these issues and I look forward the Committee's response to Petition No. 145 – WA Egg Industry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jacqui Boydell', written in a cursive style.

Jacqui Boydell MLC

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