



Hon Alannah MacTiernan MLC
Minister for Regional Development; Agriculture and Food; Ports;
Minister Assisting the Minister for State Development, Jobs and Trade

Our ref: 64-16143
Your ref: Petition No. 145

Hon Matthew Swinbourn MLC
Chair
Standing Committee on Environment and Public Affairs
Legislative Council Committee Office
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Dear Chair

PETITION No. 145 WESTERN AUSTRALIAN EGG INDUSTRY

Thank you for your letter dated 19 March 2020 regarding the Western Australian egg industry.

The State Government remains committed to a viable egg industry in this state. Over the last nine years, the farm gate value of egg production in Western Australia (WA) has grown by over 55 per cent, from a production value of \$38 million in 2009-10, to a value of more than \$69 million in 2018-19. WA has also seen a major shift from eggs laid in cages to free-range chickens during this period, with the number of layer hens in the free-range system as high as 47 per cent. (Source. Australian Eggs)

Whilst this growth is very positive, I have been concerned about a number of issues around the egg industry for the past year and I have been in direct discussions with the industry peak body, Commercial Egg Producers Association (CEPA), over the last 18 months.

On 9 September 2019, I wrote to CEPA agreeing that producing cage-free eggs would be challenging at a retail price of \$ 3.00 per dozen which was for a short time the price at Coles. I offered for DPIRD to support an independent economic analysis of the cost of producing cage-free eggs for the industry. After some discussions, CEPA did not take up this offer as it was concerned the supermarket may use this information against them in contract discussions. Our discussions included with industry offering to fund a cost of production benchmarking study to underpin their negotiating with supermarkets.

We more recently conducted an Industry Round Table on 11 March 2020. It was attended by a cross section of the local egg industry and also attended by Department of Primary Industries and Regional Development (DPIRD) staff, a representative from the

Department of Health (egg traceability), Trevor Whittington (CEO of WA Farmers) and the Hon Colin de Grussa MLA.

It is clear that the two largest producers in WA have very different views on the state of the industry and the fairness of pricing. It is estimated these two producers produce approximately 80% of the eggs in WA. Only one of these producers is a member of CEPA.

Petition No. 145 lists five concerns from the industry. The State Government understands the concerns raised and will continue to work with the industry to help address these issues. Many of the issues raised are outside the direct control of the State Government. It is clear that the cost of grain in 2019 has created challenges for many producers. The recent drought in the Eastern States has had a direct impact on feed grain prices in this State. This has affected the Eastern State egg producers possibly to a greater extent, so it is unlikely that competition from the Eastern States has increased.

Each of the petitions concerns are addressed below:

Egg shortages

Due to the seasonal cycle, egg production does dip in winter. The short supply of eggs last year on the supermarket shelf was a result of the decision by Coles Supermarket to end caged eggs sales suddenly and the normal dip in egg production over winter. The industry believes without Coles sudden decision it could have met the normal winter demand. There is no evidence there is an on-going shortage of eggs.

Egg pricing decisions in WA

The major retailers, Coles, Woolworths and Aldi, have long indicated their intent to move away from selling cage eggs to only barn and free range eggs. Coles has committed to a 2023 deadline whilst Woolworths and Aldi have committed to a 2025 deadline. I was concerned about Coles' decision on 1 March 2019 to stock only barn laid and free range eggs in Western Australia. This decision brought forward the previously communicated 2023 transition to cage-free eggs and was made seemingly without giving adequate notice to egg producers.

As a consequence, their ability to meet the new market conditions was compromised. We wrote to Coles expressing our concern about the lack of notice to industry. We now understand this decision was made by Coles because they were able to source their full requirements from a large egg producer in WA who was already providing Coles with cage-free eggs and so were able to move their time table forward.

The inability of suppliers to renegotiate prices when impacted by seasonal events.

While the Government supports contracts that allow movement of prices within the contract, this is a commercial arrangement between the supermarket and the egg farmer. Any Government intervention in the market would need to be underpinned by strong evidence of unfairness. The case for establishing a minimum price has not been made as the industry believes it is not in their interest to have an investigation of the cost of production. Further, one of the biggest producers believe the prices offered by supermarkets is adequate.

Supermarket auditing and traceability

The State Government does consider egg traceability and ensuring food safety as very important. To this end, the State Government is currently working with Australian Eggs, CEPA and the Department of Health to look at new technology and how it could be applied to eggs. As a government, we are aware of the financial pressures on egg producers and are looking at ways of increasing traceability without increasing on farm costs. Traceability and point of sale auditing offers our industry a strong opportunity to enhance food safety and promote consumer assurance that the free range eggs they are buying are free range eggs. My Department believes this is a marketing opportunity for the local industry and will continue to work with the industry to develop this technology.

Clarification on the support measures major supermarkets would provide to help commercial egg producers potentially expand free range egg production systems

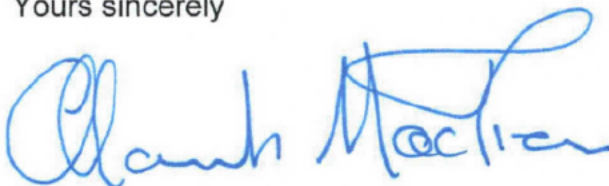
We are advised the major supermarkets have significant protocols in place to establish the bona fides of the sustainable egg industry in this state.

As stated earlier, the State Government is committed to a viable, sustainable egg industry in this State. Research and development (R&D) works well when both industry and government work together.

As discussed at the Round Table, my Department has supported industry benchmarking (at a farm level) for the local wine, horticulture and dairy industry. These reports are designed to allow small and medium producers to identify issues within their business and help improve profitability and sustainability. I have offered to conduct the same industry benchmarking work for the local egg industry. The feedback from the wine, horticulture and dairy industry has been positive towards the benefits of benchmarking.

The challenges of the current drought and the pricing policies of supermarkets are issues that impact many agricultural industries in this State and there is no straight forward solution. Our approach remains to work closely with each industry to help them through these periods. The State Government remains committed to a viable sustainable egg industry in this State.

Yours sincerely



**HON ALANNAH MACTIERNAN MLC
MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD; PORTS;
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