

# choice

## FREE RANGE EGGS: THE CONSUMER PERSPECTIVE

SUBMISSION TO CONSUMER AFFAIRS AUSTRALIA AND NEW ZEALAND



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# ABOUT US

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. By mobilising Australia's largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

To find out more about CHOICE's campaign work visit

[www.choice.com.au/campaigns](http://www.choice.com.au/campaigns)

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# INTRODUCTION

CHOICE appreciates the opportunity to provide the following comments to Treasury on free-range egg labelling.

Since 2011, the Australian Competition and Consumer Commission (ACCC) has taken six separate actions against producers over misleading free-range egg claims. In the absence of a national, enforceable standard, it is relatively easy to mislead consumers, and there is a financial incentive for some producers to do so. The result is that consumers lose, as do producers of genuine free-range eggs.

The purpose of a national information standard for free-range eggs should not be to shield producers who might be misleading consumers. Nor should it be about trying to change farming practices or for that matter encouraging consumers to choose one particular product over another. It is simply to give consumers accurate information about whether a product meets their expectations and understanding, so they can decide whether they wish to pay a premium. Australians have expectations about how free-range eggs are produced, and a standard should ensure that eggs sold under this label meet those expectations.

CHOICE commissioned a nationally representative survey to help understand consumers' expectations. The data presented in this report is clear. The vast majority of consumers (87%) believe that it is important, very important or essential that eggs labelled 'free-range' come from hens that actually go outside regularly.<sup>1</sup> This is a direct reflection of how free-range eggs are marketed to consumers, and the reasonable expectations that arise from this marketing.

CHOICE is aware that some producers are actively lobbying through this process for a standard that sets a lower benchmark for free-range egg production than the definition established through case law (which is that at a minimum, most chickens go outside on most ordinary days). If this occurred, the ACCC would no longer be able to take action against producers that have been found to be making misleading claims such as those highlighted in successful ACCC enforcement action in recent years.

Rather than broadening the definition of free-range to bring in eggs that don't meet consumers' expectations, a majority of consumers think that egg producers whose products fall short of a

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<sup>1</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to 'How important do you think a national free range egg standard includes the following elements?' Percentage shown are total rated essential, very important and important. n= 1677.

free-range standard should be able to label their products in a way that accurately reflects their production practices, for example ‘access to range’.

## Recommendations

### First preferred option

CHOICE recommends that a national information standard for free-range eggs should reflect consumers’ reasonable expectations that:

- The majority of chickens actually go outside regularly
- Birds have room to move comfortably when outdoors
- Birds have room to move comfortably inside the barn
- Farmers undertake animal welfare practices.

The definition that best reflects this is outlined at option 3a of the Consultation Paper. We recommend that this category is simply called ‘free-range’, rather than creating a new ‘premium free-range’ category. Producers who choose not to meet this standard should label their products in a way that more accurately reflects their production model, for example ‘access to range’.

### Second preferred option

CHOICE would support codifying the case law definition under option 2 provided maximum indoor and outdoor stocking densities were set reflecting consumers’ expectations, and with outdoor stocking densities labelled on pack. This would mean that for eggs to be labelled free-range, they would have to be produced by hens that can, and do, move about freely on an open range on most ordinary days.

CHOICE supports the ACCC’s guidance on the factors considered necessary to achieve ‘most hens moving about freely on an open range on most days’. This guidance helps producers understand when they can label their eggs as free-range so as to avoid misleading consumers.

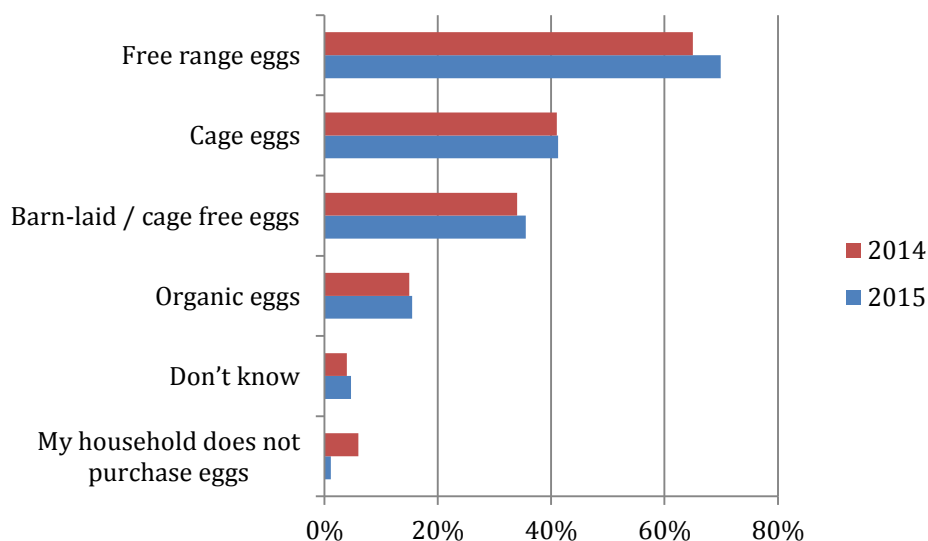


# THE PROBLEM

## The free-range egg category is growing in popularity

70% of Australians say they bought free-range eggs in the past 12 months,<sup>2</sup> compared to 65% in 2014.<sup>3</sup> 41% of Australians bought caged eggs and 36% bought barn-laid eggs.<sup>4</sup> However, consumer expectations of ‘free-range’ don’t match with all the products that claim to be ‘free-range’. With the free-range category growing in popularity, the scale of this problem and the need for an effective solution is even greater.

**What eggs did consumers buy in the past 12 months in 2014 and 2015<sup>5</sup>**



There is a statistical difference between the percentage of consumers who bought free-range eggs in South Australia (79%) and Queensland (63%). Queensland is one of the few states with legislation defining free-range, defining a maximum stocking density of 10,000 hens per hectare. In comparison, the South Australian government is in the process of implementing a voluntary code that defines a maximum stocking density of 1,500 hens per hectare.

<sup>2</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to “In the last 12 months, has your household purchased the following types of eggs?” n=1695.

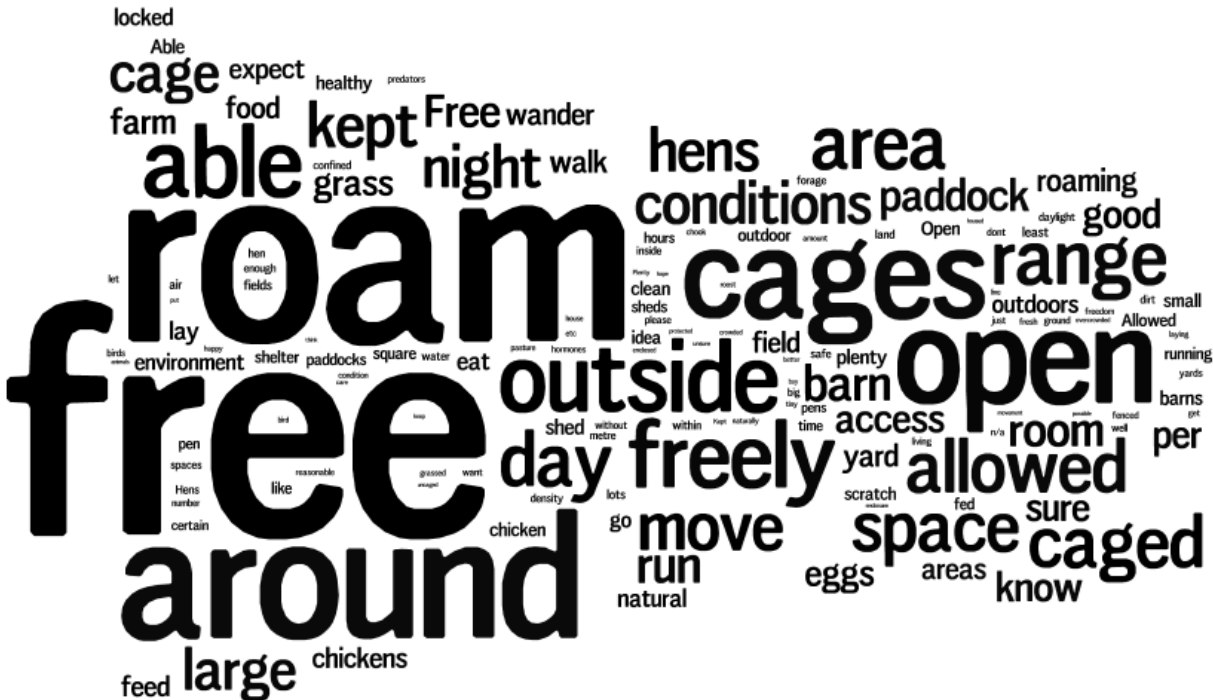
<sup>3</sup> 2014 CHOICE Free Range Egg Labelling Survey, response to “In the last 12 months, has your household purchased the following types of eggs?” n=1696.

<sup>4</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to “In the last 12 months, has your household purchased the following types of eggs?” n=1695.

<sup>5</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to: ‘In the last 12 months, has your household purchased the following types of eggs?’ n=1695.

### What do consumers think free-range represents?

Respondents to our 2014 survey were asked an open-ended question on what conditions they expect hens to be kept in to produce free-range eggs.<sup>6</sup> Over 1,100 people responded and key themes emerged. The image below highlights the main words that consumers believe free-range to mean. The word cloud gives greater prominence to words that appear more frequently.



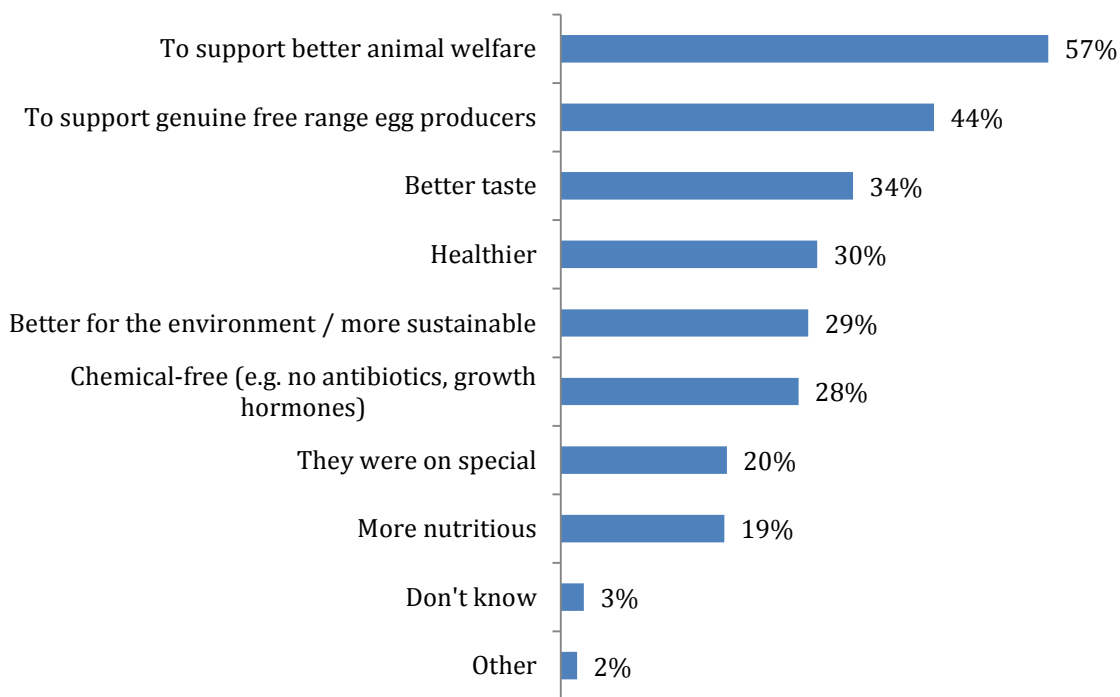
Note: the word cages/cage/caged appears often as it is referenced in relation to free-range being cage-free or not confined to cages

<sup>6</sup> 2014 CHOICE Free Range Egg Labelling Survey, response to: 'Under what conditions do you expect hens are kept to produce free range eggs?' n=1598

## Why do consumers buy free-range eggs?

Most people say they buy free-range eggs to support better animal welfare and genuine free-range egg producers. Other reasons include perceived traits of free-range eggs; that they taste better, are healthier or chemical-free.

**Why do free-range egg buyers buy free-range?<sup>7</sup>**



<sup>7</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to: 'What are the reasons your household chose to purchase free range eggs?' n= 1184.



## How are free-range eggs marketed to consumers?

A selection of images on free-range egg cartons stocked in major supermarkets shows a consistent theme – lush green fields, open space and chickens that are outside. This marketing creates the very reasonable consumer expectation that eggs labelled as ‘free-range’ are produced by hens that actually go outside. The egg industry has helped to create this expectation and is leveraging it to drive purchasing behaviour. Producers should be willing to live up to the expectation in their farming practices.





## Consumers cannot trust free-range labels

In the absence of a national, enforceable standard for free-range eggs, it is relatively easy to mislead consumers, and there is a financial incentive for some producers to do so. The result is that consumers lose, as do producers of genuine free-range eggs.

### Consumers are being misled

A June 2015 CHOICE analysis of free-range eggs, barn laid eggs and caged eggs in 93 supermarkets across Australia found that consumers pay up to almost double the amount for free-range eggs over caged.<sup>8</sup> Per 100g, consumers are paying on average;

- \$0.99 for eggs labelled free-range.
- \$0.71 for eggs labelled barn laid.
- \$0.55 for eggs labelled caged.<sup>9</sup>

An examination of a broad cross-section of eggs labelled as free-range shows a wide variation of stocking densities. CHOICE now has data on 110 egg products labelled as free-range, up from the 55 we examined in July 2015. From this list we found major differences between products. Of the 110 free-range egg products, stocking densities were only available for 75.<sup>10</sup> Of the 75 products with known stocking densities the lowest stocking density was 7 hens per hectare and the highest stocking density was 10,000 hens per hectare.

Consumers cannot use price as a reliable proxy for production methods. There is no absolute correlation between price and stocking density. In some cases, large producers appear to be cashing in on consumers' desire to buy eggs that meet a higher standard of welfare without delivering a product that meets these claims.

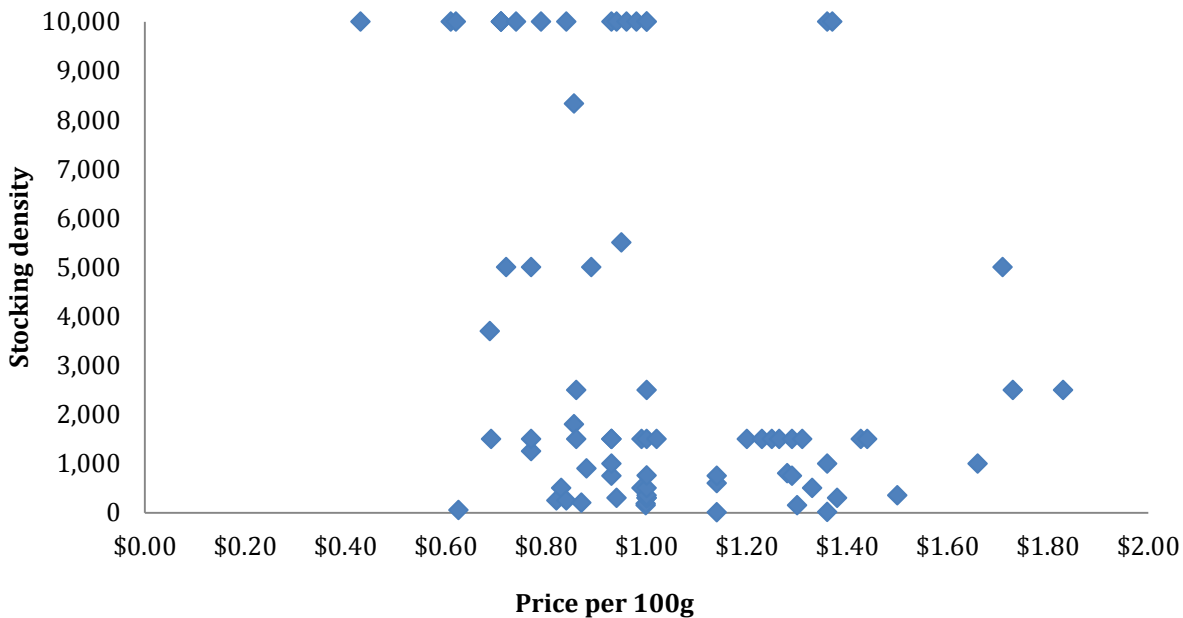
<sup>8</sup> Making the Claim Meaningful: <https://www.choice.com.au/~media/619b60e5a1f04b2191d09fd9dab4c72e.ashx>

<sup>9</sup> Making the Claim Meaningful: <https://www.choice.com.au/~media/619b60e5a1f04b2191d09fd9dab4c72e.ashx>

<sup>10</sup> Based on CHOICE's research of stocking density and price of 110 egg products labelled as free range. Where stocking density information was not listed, CHOICE contacted the producers for this information.



**No absolute correlation between price and stocking density**



The largest producers and sellers of free-range eggs - Aldi, Coles, Eco Eggs, Farm Pride, Manning Valley, Pace Farm and Woolworths – have stocking densities of 10,000 hens per hectare. Eco Eggs sells at the same price as many small-scale free-range egg producers despite having a stocking density of 10,000 hens per hectare. In 2013, CHOICE awarded Eco Eggs a Shonky for having a stocking density of 20,000 hens per hectare<sup>11</sup> and in 2014, they were the subject of ACCC proceedings for alleged misleading conduct. Based on the research presented here, it appears that Eco Eggs continues to charge a premium for a product that does not meet the expectations of the majority of consumers who buy free-range eggs. Other producers at a similar price-point produce organic free-range eggs and their higher costs are likely a reflection of additional production methods associated with organic production.

Pace Farms, Manning Valley and Farm Pride - three of the four largest egg producers - accounted for 30.7% of the number of free-range eggs sold in Australia in 2014.<sup>12</sup> Given the grocery volume of free-range eggs sold in 2014 was 696 million<sup>13</sup>, from these producers alone,

<sup>11</sup> <https://www.choice.com.au/about-us/media-releases/2013/october/2013-shonky-award-winners>

<sup>12</sup> Retail World 2014

<sup>13</sup> Retail World 2014

we can estimate a minimum of 213 million eggs sold as free-range in Australia didn't meet the expectations of the vast majority of Australians who purchased free-range eggs in 2014.<sup>14</sup>

## Detriment to genuine free-range producers

The absence of a nationally consistent and enforceable standard for free-range eggs also has significant implications for producers, especially those producing to genuine free-range standards.

Of the 110 free-range egg products we looked at, 46 products have a stocking density of 1,500 hens per hectare or less. These producers are meeting an important element of consumers' expectations but their products are placed in the same category as large-scale egg producers who have a stocking density of over six times this amount. This is an unfair playing field. Genuine free-range farmers incur greater costs to produce to consumers' expectations yet large-scale producers charge the same premium and distort the market.

We encourage the Federal Government to engage with genuine free-range producers to understand the detriment currently being faced by this segment of the market.

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<sup>14</sup> Making the Claim Meaningful: <https://www.choice.com.au/~media/619b60e5a1f04b2191d09fd9dab4c72e.ashx>

# THE SOLUTION: A ROBUST STANDARD

An information standard is needed to give consumers confidence in the free-range egg label. To get to the heart of what consumers want, CHOICE has commissioned research into consumer perceptions of free-range eggs.<sup>15</sup> These insights into consumer needs should form the basis of any labelling standard.

## Consumers want a clear free-range egg standard

87% of consumers said that there is a need for a mandatory national standard for free-range eggs.<sup>16</sup> And 88% of consumers want a standard that allows them to differentiate between genuine free-range eggs and eggs that fall short of their expectations of free-range.<sup>17</sup>

**To what extent do you agree that there is a need for a mandatory national standard that egg farmers must comply with in order to sell their eggs as free-range?**



■ Strongly agree ■ Agree ■ Neither agree nor disagree ■ Disagree ■ Strongly disagree ■ Don't know

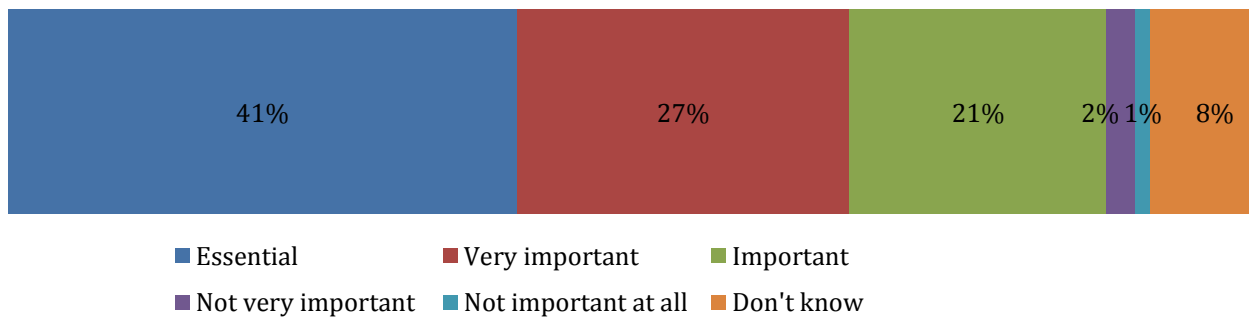
<sup>15</sup> See pg. 33 for research methodology.

<sup>16</sup> 2015 CHOICE Free Range Egg Labelling Survey in response to 'There is currently no enforceable national standard for free range eggs in Australia, which means eggs sold with any 'free-range' label or logo in the current market come from farms with very different animal welfare standards and conditions. As a result, consumers can be misled into buying eggs labelled 'free-range' that are not actually produced under free-range conditions. This also creates an unfair free-range egg market especially for farmers who engage in genuine free-range practices. To what extent do you agree that there is a need for a mandatory national standard that egg farmers must comply with in order to sell their eggs as free-range?' n=1677

<sup>17</sup> 2015 CHOICE Free Range Egg Labelling Survey in response to "How important do you think that a national free range egg standard should allow consumers to differentiate between genuine free range eggs and eggs that fall short of their expectations of free range". Asked to those who bought eggs in the last 12 months n=1677

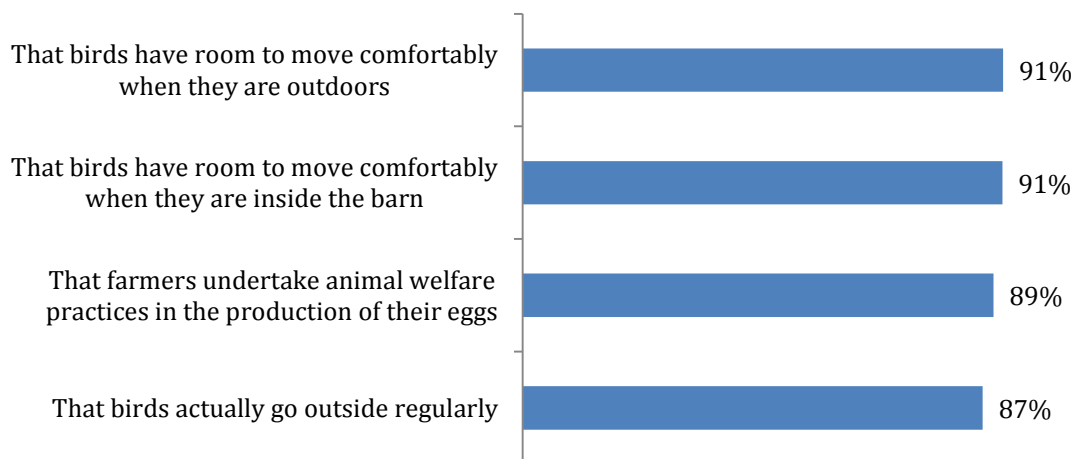


**How important is a standard that allows consumers to differentiate between genuine free-range eggs and eggs that fall short of their expectations of free-range?**



**What do consumers want in a free-range egg labelling standard?**

**The elements that free-range buyers think are important in a standard<sup>18</sup>**



<sup>18</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to 'How important do you think a national free range egg standard includes the following elements?' Percentage shown are total rated essential, very important and important. n= 1677.

Respondents were presented with descriptions of possible free-range egg standards based on those contained in the Free-range Egg Labelling Consultation Paper. We asked respondents whether the definition ‘hens must be allowed to move around freely on an open range on most ordinary days’ or variations of this would meet their expectations.<sup>19</sup> The options were mutually exclusive, i.e. respondents could only select one. 27% of respondents believed the proposed definition needed to be stronger and that for producers to call their eggs free-range, they must also have to meet additional animal welfare requirements.

What do consumers think about the proposed free-range definition ‘hens must be allowed to move around freely on an open range on most ordinary days’?	% support
The above definition needs to be stronger. For producers to call their eggs free-range, they must also have to meet additional animal welfare requirements	27%
The above definition meets my expectations of free-range eggs, no additional requirements needed	22%
I don't know	17%
The above definition meets my expectations of free-range eggs but I would also like an additional category which represents producers who choose to engage in better animal welfare practices	16%
The above definition meets my expectations of free-range eggs but I would also like producers to declare on the carton how much space the hens have to move around in the outdoors	14%
None of these standards is good enough to me	3%
All of these standards are too strict/have gone too far	2%

<sup>19</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to ‘The government is currently developing different options for a mandatory national standard for free range eggs. One of the definitions being considered is that hens must be allowed to move around freely on an open range on most ordinary days. The government is also considering variations on this definition which would impose additional requirements on egg labelled as free range. Read the below variations and select which definition best meets your expectations of free range eggs.’ n=1677

## What do consumers perceive to be appropriate stocking densities?

Outdoor stocking density is just one of a number of factors that indicates whether eggs are produced in free-range conditions. However it is one of the few tangible factors consumers have to assess free-range claims, and as a result is highly valued by consumers.

We asked consumers about their expectations of stocking density in two ways – first without any context on existing certifications and standards, and second after providing information on various existing standards and related stocking densities, and with a neutral description of different interpretations of the existing Model Code of Practice for the Welfare of Animals: Domestic Poultry (the Model Code). We then asked whether consumers believed a higher stocking density should be allowed ‘with rotation’, and if so, what it should be.

Most consumers stated that 1,500 hens per hectare or below was the maximum outdoor stocking density they would want for a national free-range egg standard (47% and 67% respectively).

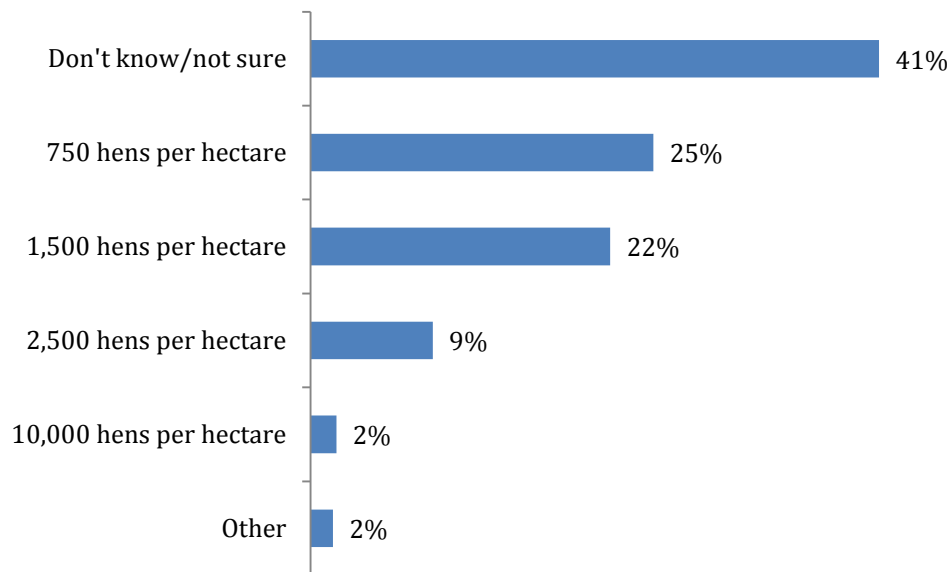
A majority of consumers (58%) said they thought a higher stocking density should be allowed ‘with rotation’.

Of these respondents, the largest group (48%) believed the higher stocking density allowed with rotation should be 1,500 birds or less, while a further 30% believed an upper limit of 2,500 was acceptable.

In every formulation of the question, a very small number of consumers identified 10,000 birds per hectare as an acceptable upper limit (2% for the first two questions, and 7% of those who agreed with the concept of a higher limit with rotation).

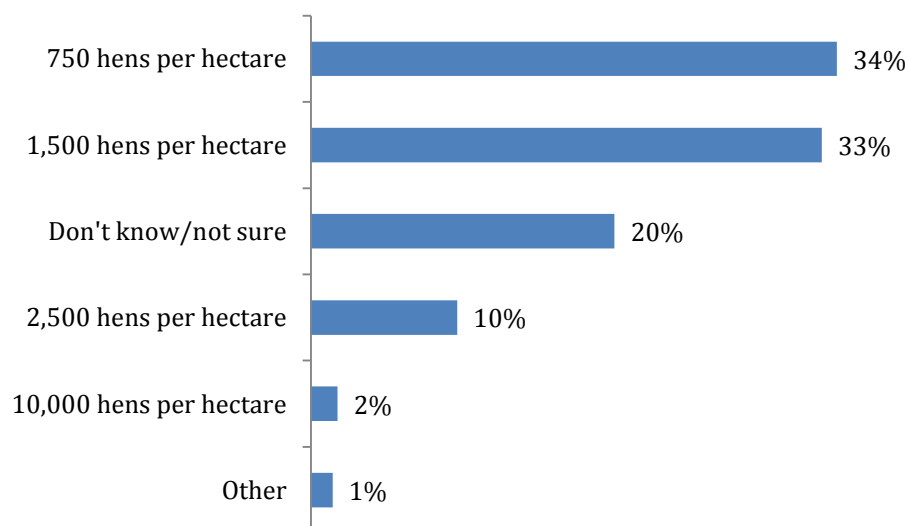
**What stocking density for free-range eggs do consumers perceive to be appropriate?<sup>20</sup>  
(question presented with limited information on stocking density)**

47% of egg buyers stated 1,500 hens per hectare or less is an appropriate stocking density. 2% believed 10,000 hens per hectare was appropriate.



<sup>20</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to 'Stocking density of free-range eggs can be used as one of the measures of how genuine free-range eggs are. This refers to the amount of room that hens have to move around when they are outside. The higher the stocking density, the less room the hens have to move around. In your opinion, what is an appropriate maximum outdoor stocking density for a national free-range egg standard? A hectare is 100m x 100m.' n=1677

**What stocking density for free-range eggs do consumers perceive to be appropriate WITHOUT rotation? (question presented with context provided on stocking density)<sup>21</sup>**



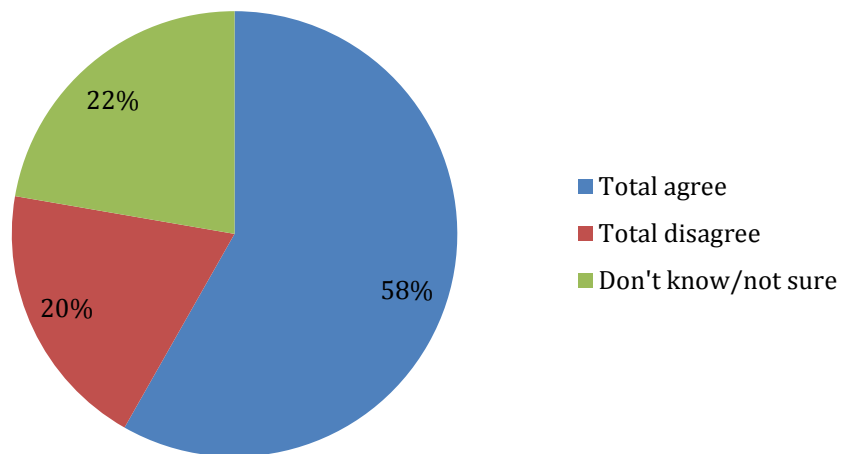
<sup>21</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to 'We'd like you to consider stocking density for free range eggs based on some of the current standards and certifications. This refers to the amount of room that hens have to move around when they are outside. The higher the stocking density, the less room the hens have to move around. The current voluntary code for free range eggs recommends a maximum outdoor stocking density for free range eggs, but this is interpreted differently by different groups. Some groups, such as consumer groups, animal welfare groups and many small free range farmers, believe it specifies a limit of 1,500 hens per hectare, while other groups, such as the NSW Farmers' Association and those representing large-scale egg producers, believe it says the maximum stocking density can be up to 10,000 hens per hectare with regular rotation of flocks of hens onto fresh range area. The following table shows some of the current certifications and standards used by different groups:

	Maximum outdoor stocking density per hectare WITHOUT rotation	Maximum outdoor stocking density per hectare with regular rotation
Free Range Farmers Association Inc.	750	750
South Australia's voluntary code	1,500	N/A
ACT legislation	1,500	2,500
RSPCA free range standard	1,500	2,500
Australian Certified Organic Standard	1,500	2,500
European Union free range egg standard	2,500	4,000
Coles	10,000	N/A
Queensland legislation	1,500	10,000

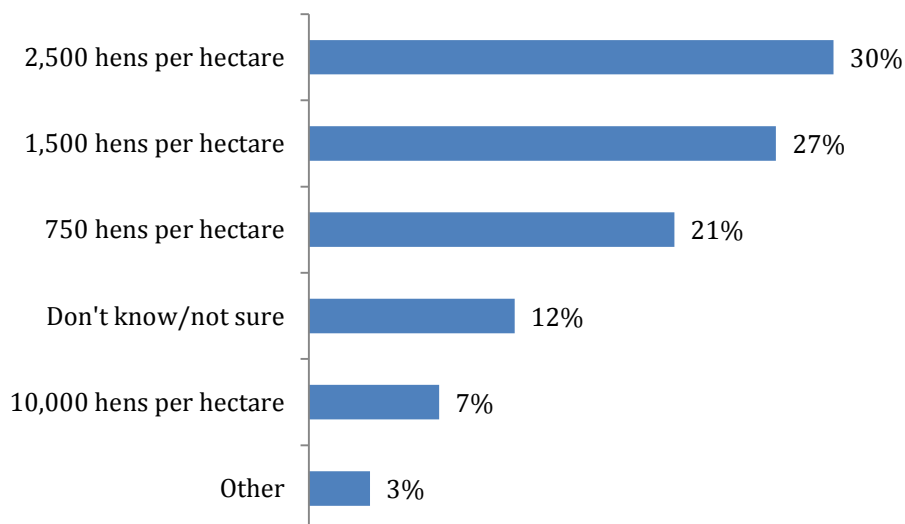
\*Regular rotation means moving hens onto a different area of pasture to let another area of pasture rest.

Taking into account the above information, what do you consider an appropriate outdoor stocking density for a national free range egg standard without rotation?  
n=1677

**Should stocking density be allowed to be higher for producers who regularly rotate their hens? <sup>22</sup>**



**What stocking density for free-range eggs do consumers perceive to be appropriate WITH rotation?<sup>23</sup>**



<sup>22</sup> 2015 CHOICE Free Range Egg Labelling Survey, response to 'Some interpretations of the voluntary code for free range eggs believe that stocking density should be allowed to be higher for producers who regularly rotate their hens (i.e. moving hens onto a different area of pasture to let another area of pasture rest). To what extent do you agree with such interpretation??' n=1677

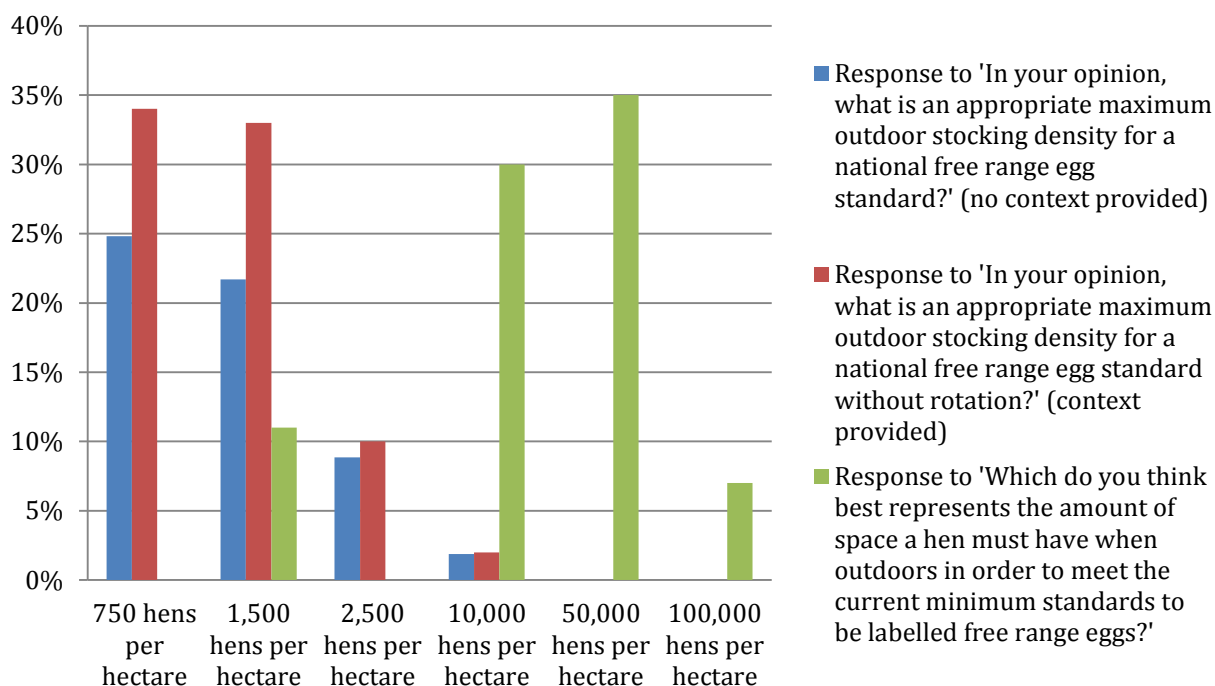
<sup>23</sup> 2015 CHOICE Free Range Egg Labelling Survey, responses to 'What do you consider to be an appropriate outdoor stocking density **with regular rotation**?' n=973



## There is a large gap between what consumers want and what they think is being sold

Research released by NSW Farmers asked people what they considered the current maximum stocking density for free-range eggs in Australia.<sup>24</sup> Examining this data next to responses about what people think genuine free-range stocking densities should be shows a significant and worrying gap between what consumers expect free-range to be and what they believe is being currently sold as free-range. It highlights the level of distrust in the current market and the need for meaningful change.

### Perception on current stocking density standard vs. desired stocking density<sup>25</sup>



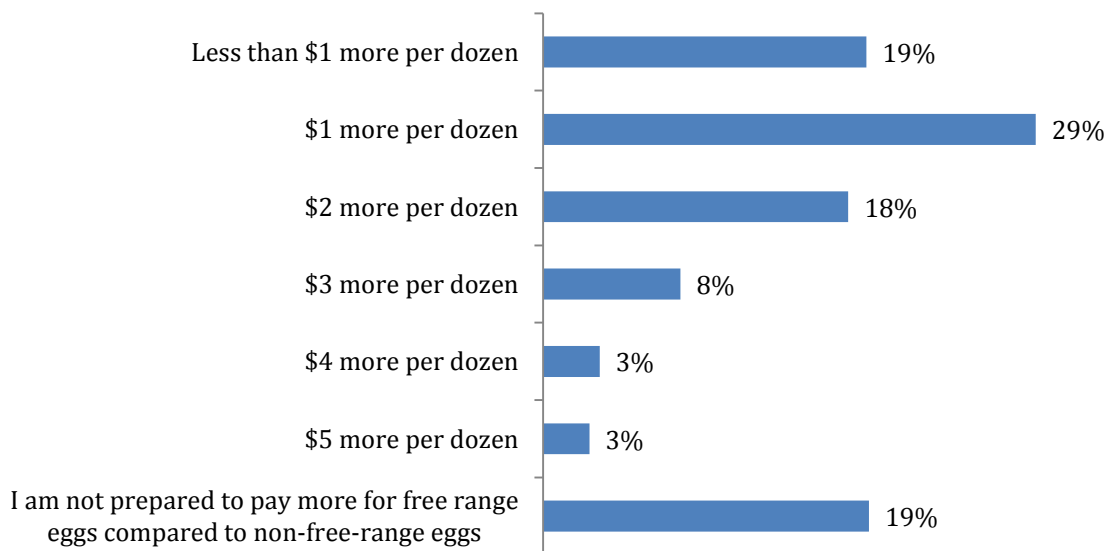
<sup>24</sup> [http://www.nswfarmers.org.au/data/assets/pdf\\_file/0004/45607/Defining-Consumer-Expectations-Free-Range-Topline-Findings-Aug-15.pdf](http://www.nswfarmers.org.au/data/assets/pdf_file/0004/45607/Defining-Consumer-Expectations-Free-Range-Topline-Findings-Aug-15.pdf)

<sup>25</sup> Comparison of stocking density survey data from the 2015 CHOICE Free Range Egg Labelling Survey and NSW Farmers 2015 survey excluding those that responded 'don't know': [http://www.nswfarmers.org.au/data/assets/pdf\\_file/0004/45607/Defining-Consumer-Expectations-Free-Range-Topline-Findings-Aug-15.pdf](http://www.nswfarmers.org.au/data/assets/pdf_file/0004/45607/Defining-Consumer-Expectations-Free-Range-Topline-Findings-Aug-15.pdf)

## Consumers are willing to pay for confidence

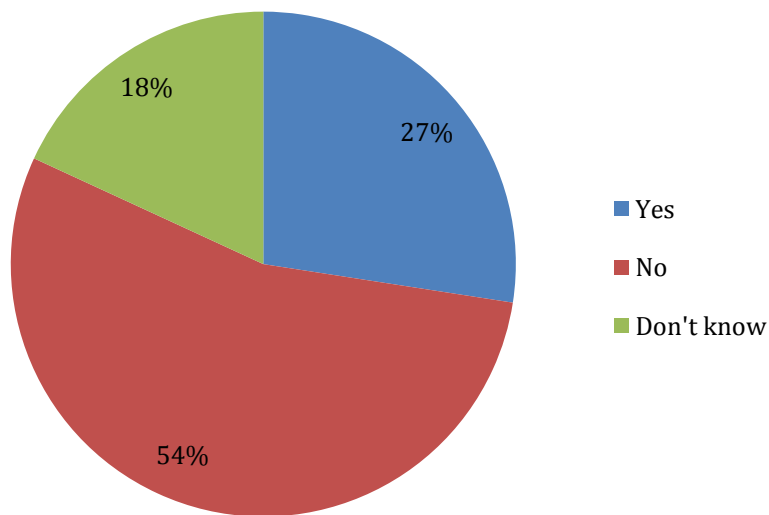
Consumers are craving confidence and would be willing to pay more for free-range eggs if a standard was in place. However if a standard doesn't end up meeting consumers' expectations, willingness to pay drops dramatically.

**If a standard for free-range eggs was in place which meets consumers' expectations of free-range, how much more would you be willing to pay for free-range eggs?<sup>26</sup>**



<sup>26</sup> 2015 CHOICE Free Range Egg Labelling Survey in response to: "If a mandatory national standard for free range eggs was in place which meets consumers' expectations of free range, how much more would you be willing to pay for free range eggs compared to non-free-range eggs?" n=1677

**If a free-range standard doesn't end up meeting your expectations of free-range, would you still be prepared to pay extra for eggs labelled 'free-range'?<sup>27</sup>**



<sup>27</sup> 2015 CHOICE Free Range Egg Labelling Survey in response to: 'If a free range standard doesn't end up meeting your expectations of free range, would you still be prepared to pay extra for eggs labelled 'free range?'' Asked to those who selected they were willing to pay extra for free range eggs if a standard was in place n= 1343

# RECOMMENDATIONS IN DETAIL

## Free-range must be the top-tier category

CHOICE recommends that a national information standard for free-range eggs should reflect consumers' reasonable expectations that:

- The majority of chickens actually go outside regularly
- Birds have room to move comfortably when outdoors
- Birds have room to move comfortably inside the barn
- Farmers undertake animal welfare practices.

The definition that best reflects this is outlined at option 3a of the Consultation Paper. We recommend that this category is simply called 'free-range', rather than creating a new 'premium free-range' category. Producers who choose not to meet this standard should label their products in a way that more accurately reflects their production model, for example 'access to range'.

Adopting this recommendation would result in the following four categories:

- **Free-range**; produced by hens that can, and do, move about freely on an open range on most ordinary days plus animal welfare requirements (as defined in option 3a)
- **Access to range**; produced by hens that have access to the outdoors (as defined in option 3b)
- **Barn**; produced by hens that are continually housed within a barn in which they are free to roam
- **Cage**; produced by hens that are continually housed in a cage within a barn

A four tiered system would provide consumer choice and confidence while catering to different production models. Consumers could make informed choices about the eggs they buy and choose whether to pay a premium based on confidence they are getting what they pay for. It would also ensure those producers who do not wish to meet consumers' expectations of free-range eggs could still provide accurate information differentiating their production methods from other categories.

## **Second preferred option: Case law and maximum stocking density**

CHOICE would support codifying the case law definition under option 2 provided maximum indoor and outdoor stocking densities were set reflecting consumers' expectations, and with outdoor stocking densities labelled on pack. This would mean that for eggs to be labelled free-range, they would have to be produced by hens that can, and do, move about freely on an open range on most ordinary days.

Our data highlights that consumers want this information to be labelled in the format 1,500 hens per hectare rather than 1 hen per 6m<sup>2</sup>.<sup>28</sup>

### **A standard must require that the majority of chickens actually go outside regularly**

When consumers think of free-range, they think of hens being outside. 87% of consumers believe that this is an important element in a standard.<sup>29</sup> At the very minimum, CHOICE supports the case law definition of free-range eggs being produced by 'hens that can, and do, move about freely on an open range on most ordinary days'.

When cartons of free-range eggs carry images of lush paddocks and hens in the outdoors, this creates a reasonable expectation for consumers that the eggs are produced by chickens that actually go outside. Any standard that did not incorporate this as a minimum requirement would fall short of consumers' expectations, and would also be inconsistent with the case law and Australian Consumer Law (ACL). The effect of this would be to shield producers who are engaging in misleading or deceptive conduct under the current law (as demonstrated by the successful ACCC enforcement action to date) from prosecution. The purpose of the ACL should be to protect consumers from misleading claims, not to protect shonky businesses from prosecution.

<sup>28</sup> 2015 CHOICE Free Range Egg Labelling Survey in response to: 'If outdoor stocking density were required to be listed on egg cartons for free range eggs, how would you prefer to see this information?' n=1677

<sup>29</sup> 2015 Free Range Labelling Survey in response to 'How important do you think a national free range egg standard includes the following elements?' Percentage shown are total rated essential, very important and important. n= 1677

**A standard must require that birds have room to move comfortably when outdoors and inside the barn**

91% of consumers think it is important that birds have room to move comfortably when they are outdoors and similarly 91% of consumers think it is important that birds have room to move comfortably inside the barn.<sup>30</sup>

The term ‘move comfortably’ can be defined through stocking densities. Stocking density is important for consumers because a low stocking density is associated with positive conditions for hens. 47% of egg buyers believe 1,500 hens per hectare or less is an appropriate outdoor stocking density, whereas 2% believe 10,000 hens per hectare is appropriate.<sup>31</sup> For a standard to align with consumers’ expectations, it should define a maximum stocking density. Egg producers stocking at densities of 10,000 hens per hectare do not meet consumers’ expectations.

Indoor stocking density is also important but harder for consumers to define. In the assessment of the Certification Trade Mark Application (CTM1390450) filed by Australian Egg Corporation Limited in 2012 to set a maximum outdoor stocking density to up to 20,000 birds per hectare, the ACCC stated that “high stocking densities within a shed are likely to impact on a bird’s ability and willingness to make its way out on to the range and impede a bird’s ability to engage in natural behaviours.”<sup>32</sup> It is essential that free-range production requires low indoor stocking densities.

**A standard must only apply to eggs produced using better animal welfare practices**

The Consultation Paper states that a premium free-range category (option 3a) would accommodate consumers who would prefer to purchase eggs from egg producers that not only employ free-range production methods but also engage in practices that consumers believe are better for animal welfare.<sup>33</sup>

<sup>30</sup> 2015 CHOICE Free-range Egg Labelling in response to ‘How important do you think a national free range egg standard includes the following elements?’ Percentage shown are total rated essential, very important and important. n= 1677

<sup>31</sup> ‘Stocking density of free-range eggs can be used as one of the measures of how genuine free-range eggs are. This refers to the amount of room that hens have to move around when they are outside. The higher the stocking density, the less room the hens have to move around. In your opinion, what is an appropriate maximum outdoor stocking density for a national free-range egg standard? A hectare is 100m x 100m.’ n=1677

<sup>32</sup> <https://www.accc.gov.au/system/files/Initial%20assessment%20of%20Certification%20Trade%20Mark%20application%20-%20Australian%20Egg%20Corporation%20Limited.pdf>

<sup>33</sup> Free Range Egg Labelling Consultation Paper pg 28



CHOICE's 2015 survey highlighted that 57% of consumers purchase free-range eggs to support better animal welfare practices, the single highest factor identified.<sup>34</sup> When presented with the definition 'hens must be allowed to move around freely on an open range on most ordinary days', the largest segment of respondents (27%) believed that this definition needed to be stronger and that for producers to call their eggs free-range, they must also have to meet additional animal welfare requirements.<sup>35</sup>

We would recommend against the creation of a 'premium free-range' category over and above regular 'free-range'. Free-range is a premium claim and it should be defined on the basis of what consumers expect.

### **Creating an access to range category**

Producers who choose not to meet the minimum standards for free-range production should have the opportunity to provide information on labels that accurately reflects their chosen production practices, such as 'access to range' or 'barn yard'. Free-range egg buyers agree; 62% thought that there should be a specific category for producers who don't meet the minimum standard for free-range eggs.<sup>36</sup> The Consultation Paper identifies labelling concerns from producers whose hens have access to an outdoor range but are unlikely to go outside on most ordinary days. This solution would ensure that these producers have a labelling option that reflects their practices while still communicating their point of difference to consumers. It would also ensure that the process of creating a standard did not force producers to change their production methods.

### **Defences should not be allowed as part of the standard**

CHOICE does not support the inclusion of defences in meeting a free-range egg standard. Producers that do not meet the basic definition of free-range should not be allowed to apply for a defence in order to use the label.

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<sup>34</sup> 2015 CHOICE Free Range Egg Labelling Survey, responses to: 'What are the reasons your household chose to purchase free range eggs?' n= 1,184.

<sup>35</sup> 2015 CHOICE Free-range Egg Labelling Survey , responses to 'The government is currently developing different options for a mandatory national standard for free range eggs. One of the definitions being considered is that hens must be allowed to move around freely on an open range on most ordinary days. The government is also considering variations on this definition which would impose additional requirements on egg labelled as free range. Read the below variations and select which definition best meets your expectations of free range eggs:' n=1677

<sup>36</sup> 2015 CHOICE Free-range Egg Labelling Survey in response to 'Some egg producers allow their hens access to the outdoors and do not engage in caged production practices, but may fall short of meeting other requirements in the free range egg standard. Do you think there should be a specific label for this category (e.g. 'access to range', 'barn yard')?' n=1677

The ACL places an obligation on traders not to mislead consumers in promoting their goods and services.<sup>37</sup> If defences are put in place that allow farmers to label their products in a way that does not meet consumers' expectations, it is possible that the information standard would encourage labels that could be inconsistent with basic consumer protections under the ACL.

The ACCC provided guidance on the factors considered necessary to achieve 'most hens moving about freely on an open range on most days'.<sup>38</sup> This guidance helps producers understand when they can label their eggs as free-range and not be misleading consumers. If producers want more certainty, then we would defer to further guidance rather than prescribed defences.

### **Certifications and trademarks**

The Consultation Paper suggests that consumers who value 'premium' factors can rely on existing certified trademarks and accreditation schemes. However our research on consumers' perceptions of free-range suggests that the majority of consumers already expect these 'premium' factors when they pay a premium for eggs labelled 'free-range'. Certified trademarks have not addressed the problem to date and are highly unlikely to; further action is required.

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<sup>37</sup> [https://www.accc.gov.au/system/files/1029\\_Free%20range%20Eggs%20guidelines\\_FA.pdf](https://www.accc.gov.au/system/files/1029_Free%20range%20Eggs%20guidelines_FA.pdf)

<sup>38</sup> [https://www.accc.gov.au/system/files/1029\\_Free%20range%20Eggs%20guidelines\\_FA.pdf](https://www.accc.gov.au/system/files/1029_Free%20range%20Eggs%20guidelines_FA.pdf)

# COSTS AND BENEFITS

## The cost of failing to act

With 213 million eggs being sold as free-range that didn't meet the expectations of the vast majority of consumers' last year, there is clear evidence of detriment.<sup>39</sup> The Consultation Paper estimates that consumers could be paying a premium of between \$21 million and \$43 million per year for free-range eggs that don't meet their expectations.

The Consultation Paper indicates that the costs associated with the status quo (option 1) are \$480,665 for producers. This cost comes with no benefit to consumers. If costs are going to be incurred to implement a standard, it should substantially reduce consumer detriment.

## The cost to consumers of self-sourcing information

If consumers can't trust labels then they must search for alternate information that gives them the confidence they need to make their purchasing decisions. The time spent hunting for information about free-range eggs on the CHOICE website is illustrative of the time consumers lose due to poor quality labels.

From July to October 2015, over 92,000 people viewed CHOICE's webpage listing producers who produce in line with the Model Code. On average, people spend 4.43 minutes on this page. This is wasted time as people should be able to trust free-range egg labels. We expect people are also searching on other sites as well as spending additional time in the supermarket inspecting labels. If people don't have trust in a standard this will cost consumers many hours in time they should not need to spend.

## The cost of loss in confidence in labels

In 2014, almost one-third of people didn't have confidence in the free-range label.<sup>40</sup> If a standard does not meet consumers' expectations, the risk is that people will continue to lose trust in the free-range label. Consumers may turn away from the supermarkets and major brands, opting for farmers markets or local grocers to find genuine free-range. Alternatively they might turn

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<sup>39</sup> Free Range Eggs: Making the Claim Meaningful: <https://www.choice.com.au/~media/619b60e5a1f04b2191d09fd9dab4c72e.ashx>

<sup>40</sup> 2014 CHOICE Free-range egg Survey in response to 'How confident are you that eggs labelled 'free range' are produced under what you would expect free range conditions to be?' n=1113

away from free-range completely, buying categories such as ‘barn laid’ or ‘caged’ where there is less uncertainty in the label.

If consumers lose trust in the term free-range, this not only has implications for the egg market, but for broader consumer trust in food labelling. The work of other regulatory bodies such as Food Standards Australia and New Zealand (FSANZ) will be made much harder. FSANZ is an important government body that sets food labelling standards to protect the health and safety of consumers.<sup>41</sup> Naturally it relies on labelling to provide information to consumers. However it will be increasingly challenging to achieve this objective if public trust in food labelling is reduced.

## The value consumers place on a standard that meets their expectations

The cost of defining ‘free-range’ as a premium category is negligible compared to the confidence it would provide to consumers. The Office of Best Practice and Regulation (OBPR) states that you can measure the value people place on something by observing how much they actually pay for certain goods or services, and the quantities of those goods and services that are consumed.<sup>42</sup> Consumers pay on average \$0.99 per 100g for free-range eggs<sup>43</sup> so a 700g dozen carton of free-range eggs is on average \$6.93.

70% of Australians aged 18 to 75 bought free-range eggs in the past 12 months.<sup>44</sup> If we expand this to the Australian population (aged between 18 and 75) of 15.25 million<sup>45</sup>, we can estimate that 10.67 million people bought eggs in the past 12 months (0.70\*15.25). If each consumer only bought one free-range egg carton a year, the value place on free-range eggs for one year is \$73.94 million.

However we know that consumers are prepared to pay more and less depending on whether a standard meets their expectations. If a mandatory national standard was in place that meets consumers' expectations, 58% of free-range egg buyers would be prepared to pay more than \$1 per dozen for free-range eggs compared to non-free-range eggs. However of those that said they would be willing to pay more, 56% of people we surveyed would not pay more if a standard didn't meet their expectations.

<sup>41</sup> <http://www.foodstandards.gov.au/about/Documents/Principlestatementonpublhealthandsafety.pdf>

<sup>42</sup> [http://www.dpmc.gov.au/sites/default/files/publications/006\\_Cost-benefit\\_analysis.pdf](http://www.dpmc.gov.au/sites/default/files/publications/006_Cost-benefit_analysis.pdf)

<sup>43</sup> Free Range Eggs: Making the Claim Meaningful: <https://www.choice.com.au/~media/619b60e5a1f04b2191d09fd9dab4c72e.ashx>

<sup>44</sup> 2015 CHOICE Free-range Egg Labelling Survey

<sup>45</sup> There were 15,252,484 Australians aged 18-75 in the 2011 Census

This means that the value placed on free-range eggs could rise or fall dramatically depending on what a standard looks like. If a standard meets consumer expectations, the value of free-range eggs would increase to the extent that it would outweigh any of the costs involved in achieving it.

## CONCLUSION

There are many egg products currently being sold under the 'free-range' label that do not meet consumers' expectations. We are not calling for these producers to change their production process or cease to exist; we are recommending they label their products accurately.

This can be achieved through an information standard that defines four egg categories; free-range, access to range, barn and cage. At a minimum, a national information standard should require that eggs labelled 'free-range' are produced in farms where:

- The majority of chickens actually go outside regularly
- Birds have room to move comfortably when outdoors
- Birds have room to move comfortably inside the barn
- Farmers undertake animal welfare practices.

Any products that don't meet these minimum requirements should be labelled in a way that accurately reflects how they were produced, for example 'access to range'.

As the Consultation Paper identifies, the objective of this consultation is to enhance consumer confidence and certainty regarding egg labelling. Any standard that falls short of consumers' expectations will not pass this test.

## About the research

### 2015 research

The 2015 CHOICE Free-range Egg survey was conducted among 1,695 Australians aged 18-75 years with quotas set up to ensure the final sample was representative of the Australian population by age groups, gender and state and data weighted to the latest ABS population data (Census 2011).<sup>46</sup> Fieldwork was administered and managed by GMI-Lightspeed who is a member of AMSRS and abides strictly to codes of conduct for market research and panel management. Fieldwork commenced on 23 October 2015 and was completed on 28 October 2015. Data has been significance tested at 95% confidence levels.

### 2014 research

The 2014 CHOICE Free-range Egg survey was conducted among 1,696 Australians aged 18-75 years with quotas set up to ensure the final sample is representative of the Australian population by age groups, gender and state and data weighted to the latest ABS population data (Census 2011). Fieldwork was administered and managed by GMI-Lightspeed who is a member of AMSRS and abides strictly to codes of conduct for market research and panel management in Australia. Fieldwork commenced on 3rd November, 2014 and was completed on 7th November, 2014. Data has been significance tested at 95% confidence levels.

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<sup>46</sup> Note, anyone who completed the parallel 2014 Free Range Egg Labelling Survey was excluded from the 2015 sample.