



'Katham Springs'
Bio-Dynamic Free Range Eggs
Kangaroo Island



28/10/15

Manager Consumer Policy Unit Small Business,
Competition and Consumer Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Treasury

Re: Free range egg labelling consultation

We appreciate the opportunity to provide the following comments to Treasury on free range egg labelling.

We are Graham and Kathy Barrett of Katham Springs Bio-Dynamic Free Range Eggs located on Kangaroo Island, South Australia. We currently run 4,000 laying hens, with a stocking rate of 150 birds per hectare, producing approximately 45,000 dozen eggs per year. We ensure our eggs are free range by maintaining the following:

- stocking no more than 1,000 birds per shed, with 1 shed per 8 hectare paddock
- birds have unrestricted access to the outside range 24 hours per day
- all food and water is outside the shed to encourage the birds to range
- each range is planted with trees to provide natural shade and shelter for the birds
- Maremma guardian dogs protect the birds from predators

The current situation within the free range egg market (ie. no standard definition of free range) negatively affects our business due to increased competition from producers who are not truly free range. The costs of production for true free range are higher, mainly due to increased labour costs and initial capital expenditure for land, which is reflected in the price of our product. When eggs are labelled 'free range' the consumer expects a premium product, and is willing to pay more for this, so the producers of eggs that are not truly free range are receiving higher profit margins by claiming to have this premium product. Competition is good for any market, however when this, competition is brought about by misleading consumers, it unfairly punishes those producers who in fact do have the premium product. In South Australia there are two producers who claim to have 80% of the market and stock their hens at 10,000/ha, which would not meet consumer expectations of free range. (Article in 'The Australian' 16/4/15)

We support the following definition of free range: *An information standard that would prescribe that eggs can only be labelled free range if most birds range freely on an open range during daylight hours on most ordinary days with stocking density of a maximum of 1,500 birds per hectare of outdoor space. There would also be an additional 'access to range' category for producers who fall short of the free range definition by failing to meet the stocking density requirement only. In addition, barn and cage egg production systems would be defined so producers would need to ensure that they label their eggs as either free range, access to range, barn or caged. This definition is based on a combination of options as described in the Consultation discussion paper: Free range egg labelling.*

The above definition of free range would support our business by providing a more level playing field across the market. Competition would be more closely based on product quality differences, rather than perceived differences, as the four classification categories would allow for greater differentiation within the market.

The above definition of free range would help consumers by clearly identifying the practices being used by each egg producer allowing consumers to make an informed decision when purchasing their eggs. Clear labelling practices, including the four classification categories, would allow consumers to more accurately compare different egg brands, on not only their retail price, but also on animal husbandry practices, and stocking densities to ensure the product they are purchasing aligns with their needs and values.

The above definition of free range would result in very minimal cost increases per year for our business. Our current label clearly includes the term 'free range', and our practices would enable us to keep this term. We also currently list our stocking density on our label, which could remain under this option.

Should the term 'premium free range' be implemented this would result in costs of approximately \$1000 to change our labels, \$400 to change our outer box packaging, \$2000 for replacement display material and up to \$15,000 in costs associated with obsolete packaging should any labelling change become law immediately. Obsolete packaging costs would most likely be higher for the smaller producers, as the turnover of packaging is longer. Our preference in this instance would be for a grace period to apply to allow for old packaging to be utilised.

We would also like to address some of the questions in the consultation paper:

1. Can you comment on how many eggs are being sold as 'free range' that maybe produced in conditions that would not conform to the information standard? *In South Australia alone we are aware of 3 producers currently labelling their product as 'free range' who would not comply with the proposed information standard if the stocking density is 1500/ha. These producers could easily be selling over 10,000,000 dozen eggs per year under false labelling claims. One producer with six sheds of 30,000 hens with 80% lay could produce 4,380,000 dozen eggs per year and there are at least 3 producers of this size in South Australia. Calculations based on figures quoted in the link <http://www.abc.net.au/news/2014-11-05/nrn-sa-egg-expansion/5867402>*

In an article in 'The Australian' 16/4/15 titled 'Legal action brings to the boil free range debate' two producers in South Australia were mentioned as stocking at 10,000 hens/ha and have 80% of the market share. This means that up to 80% of free range eggs produced in South Australia may not meet consumer expectations of free range.

2. What harm have you and your farm suffered due to misleading production system claims for eggs made by competitors? *Whilst to date we have not suffered greatly due to misleading claims by our competitors, as demand for our product currently exceeds our production capacity, we are concerned that should a change to labelling laws not occur, our profit margins will reduce to a point where we become unviable trying to remain competitive.*

3. Does the definition 'most hens go out side on most ordinary days' reduce the current problem? Would consumers have a greater ability to identify whether free range eggs produced to this definition are in line with their values and expectations? *We do not feel that this definition alone would give consumers absolute confidence and as detailed above we prefer the wording 'most birds range freely on an open range during daylight hours on most ordinary days with stocking density of a maximum of 1,500 birds per hectare of outdoor space' as we believe by including the additional stocking density of 1,500 birds per hectare would provide this confidence and better reflects consumer expectations. We do agree however that wording to this affect would allow consumers to better identify which producers best met their needs and values.*
4. Would the disclosure of stocking density help consumers distinguish between different husbandry practices? *As above, we believe that the disclosure of stocking densities may improve the consumers' ability to distinguish between different animal husbandry practices. In our discussions with consumers the words Free Range is the easiest way for them to make choices as they don't understand the full concept of a number per hectare.*
5. Would a premium animal welfare category benefit consumers and impact on your business? *We believe that the term 'free range', in conjunction with disclosure of stocking density, sufficiently allows the consumer to identify high animal welfare standards are being met, and as such an additional 'premium free range' definition would not be necessary. As previously mentioned any move towards 'premium free range' would mean costs for change to our labels and packaging, along with costs associated with obsolete packaging on hand at the time of the change.*
6. Currently the proposal is for the premium free range definition to be called 'premium free range'. Is 'premium' the best descriptor or should this category simply be called 'free range'? *We believe 'free range' is sufficient to describe this category.*
7. Does an 'access to range' category accurately reflect the 'grey area' between free range and barn eggs in a way that meets consumer expectations and describes production methods? *We believe 'access to range' would accurately reflect the 'grey area' between free range and barn eggs if it is defined as follows: 'most birds range freely on an open range during daylight hours on most ordinary days with stocking density above 1,500 birds*

per hectare of outdoor space’.

8. *What would the cost be to your business to change your labels to 'premium free range'? As previously mentioned, costs to change labelling of our product to 'premium free range' could be in excess of \$15,000 once you take into account any obsolete packaging. This amount or similar imposed on a small business is a huge cost to the business. We have been selling our eggs using the term free range since our business commenced in 1999 as per the model code of practice guidelines. It seems unfair to expect the producers (many that are quite small) that set up their businesses with 1500 hens/ha to be expected to change their labels and marketing just so the big end of town can cash in on the consumer awareness and marketing we have implemented over many years.*

We would also like to bring to your attention that we dispute the claim made by Egg Farmers Australia that 'egg farmers are united on free range', we have never been contacted by them to have our views taken into consideration and are not aware of any producer with stocking densities of 1500 or less being involved with the decision making of this group. In their release 16th October 2015 there was no mention of a stocking density for free range and this is just as crucial as the access to outdoors.

We thank you for the opportunity to participate in the consultation process for the change to free range egg labelling and we hope that you will take our thoughts into consideration when making your decision.

Yours sincerely,

Graham and Kathy Barrett

Katham Springs Bio-Dynamic Free Range Eggs