



SOUTH AUSTRALIAN LOCAL EGG SECTION

(S.A.L.E.S.)



**SUBMISSION IN RESPONSE TO:
REGULATORY IMPACT STATEMENT (RIS) DISCUSSION PAPER (OCTOBER 2015)
NATIONAL FREE RANGE EGG LABELLING**

22 November 2015

The Federal Treasury is seeking comment on the draft national standard for free range egg labelling in line with the Federal Governments consultation process

In particular, the Federal Government seeks comment on:

- A basic definition of ‘ free range’ for labelling purposes
- a possible ‘defence’ to assist producers uncertain of when it would be appropriate to use the free range label
- The mandatory disclosure of specific information to consumers; and
- the possible creation of specifically defined labelling categories, such as ‘premium free range’ and ‘ access to range’.

The South Australian Local Egg Section (SALES) represents over 80% of egg production in South Australia and is a member of Egg Farmers Australia (EFA)

Our submission supports the proposed review by the Federal and State Governments, in order to achieve a positive and transparent outcome for all stakeholders including Consumers, Egg Producers and Regulatory Authorities, however we express concerns that,

Such a review and any subsequent decision will,

1. need to deliver transparent, explicable, better and more meaningful consumer information,
2. eliminate confusion and,
3. Enable informed choice and upholds animal welfare and humane production objectives.

However it is vitally important that recognition is given by all involved, of the natural diversity in free range production systems and also the rapid growth in consumer demand for free range eggs over the past 5 years. Demand the egg industry presently meets (and also must consider supply requirements into the future) and that the information has its basis in science and realistic farming practices.

Free Range Egg RETAIL Volume Sales - AZTEC data services



Any decision should also recognise the substantial re-investment recently committed to by egg producers in Australia, in order to modernise the industry and sustainably meet the rapidly growing free range egg demand. A decision must guarantee that larger volume egg producers are not dis-enfranchised as a result of poor decisions based on market interference, supply distortion, fundamental ideology or misinformed perception.

Labelling should address the concerns around consumer confusion. Labelling regulation must also recognise that “**free range**” is a description of production method and not a brand that should be owned by a particular minority sector of the industry seeking protection for the sole purpose of economic advantage.

The Egg Industry has always used the description ‘free range’ for hens having access to outdoor foraging areas despite the extreme diversity in production systems and this must be allowed to continue.

Prescriptive marketing and a more precise description can be applied to an individual farmers’ unique method of production as part of prescribed niche marketing category.

Individual operators who believe their product may exceed a minimum standard should vigorously promote and market their own “point of difference” and allow consumers true choice to decide their ‘preference and price’ in a free market economy.

Over the past 3 years consumer research demonstrates a proposed regulatory standard density of 1500 hens per hectare is not driven by consumers and has no basis in science.

- *(Reference Attachments)*

Brand Story: AECL Summary of national findings 120517; Quantum Market research Sepember2015; Definition Free Range infographic Sept 2015; Ref: Brand Story: Project Equilibrium 120509)

There is no conclusive scientific study to support density as being an issue to consumers. The CSIRO model regulatory standard upon which it relies is years out of date and fails to take account of innovation, investment and modernisation, guaranteeing supply from new farming practices for consumers and retailers.

Two points that have been highlighted

1. Market research demonstrates consumers are tightly aligned to the current production practices of modernised large scale egg farms.
2. The ACCC definition is unfounded perception and an inaccurate representation of consumer expectations and no research methodology has been presented to support this view.

This second point above is very relevant. The ACCC definition is incorrect. Certainly we can argue that it is incorrect in terms of independent research which demonstrates that consumers simply want birds to have access to the outdoors (and not that “most of them can and do go outside on most ordinary days”)

The ACCC definition should not be relied upon:

1. The ACCC definition was arrived at through a consent judgement, meaning that there was no opportunity for a robust contest of ideas.
2. The definition that the ACCC was using was made without any research into consumer expectations and was decided by one federal court judge.
3. Our experience as Farmers and marketers of eggs, demonstrates what consumers expect from free range eggs, and that is a guaranteed supply of affordable eggs- Farmers focus daily on what consumers want as a fundamental basis of their business.
4. State and federal governments should legislate in law the **EFA definition** of free range: that laying hens have access to and are free to roam and forage on an outdoor range area during daylight hours in a managed environment
5. Price sensitivity as shown in the info-graphics attached demonstrates that more than 75% of consumers won't buy free range at prices above \$5.50. In this sense, the action of the ACCC is a distortion of competition and could see

over 80% of current free range egg stocks removed from supermarket shelves. That is, they have heard from the smaller 1500 niche players and have decided that sector needs protection from competition from modernised farmers, rather than encouraging them to compete by creating a niche product line, value adding as a marketing point of difference in a truly competitive market.

Any consumer regulatory standard for free range eggs should be broad-based, take into account all production factors, not be confined to stocking densities as a measure of desirable free range practice and be compulsory if it is to be a genuine standard that reassures consumers. Given, too, that we operate in a national market, national consistency is essential to ensure a competitive environment that is fair to all, irrespective of geography.

1. Artificial intervention in the market will escalate the price of free range eggs-

Market distortion reduces competition:

The introduction of a misleading regulatory standard favouring the minority volume of production (less than 20%) will have the effect of negatively intervening in the marketplace, substantially reducing supply and directly driving up price.

Reduced supply will reduce affordability. Independent research undertaken by the Centre for International Economics reveals that restricting the free range outdoor stocking density to 1500 hens per hectare will increase the price of free range eggs rising to between \$10.60 to \$12.80 per dozen, putting them out of the reach of most consumers.

With such a misleading regulatory standard, the Government could propagate a false and misleading notion that modernised, state-of-the-art, volume, food safe, free range egg production is somehow deceptive or inferior grade. This is destabilising to innovation and investment in the industry and offensive to the integrity of honest egg farming families.

2. Adhere to any other standards to be prescribed in the regulatory standard;

It is essential that any proposed regulatory standard safeguard consumers by being as vigilant on **food safety, workplace health and safety, environmental and bio-security** obligations as it is on stocking densities.

3. The discussion paper purports to know consumers' values and expectations.

The discussion paper states that *“steps must be taken to ensure that consumers have the ability to identify a product that they can be assured has been produced in line with their values and expectations. It is hoped the benefits of the regulatory standard will implore more producers to meet the standards, providing greater certainty for consumers and incidentally ensuring a greater standard of animal welfare in the sector.”*

The paper offers no data or evidence of consumers' values and expectations. If the discussion paper fails to attract a depth of informed feedback from consumers, it behoves the Government to properly research and gauge consumer understanding before it settles on the need for action, if any.

Modern Farming Systems

Australian egg farmers in this modern era are reflecting 5 principal requirements

1. Food Safety in Egg Production
2. Egg Supply security for Consumers
3. Egg Affordability for consumers
4. Hen Welfare (Bio security, Predator control and Controlled environments)
5. Environmental Sustainability (Manageable and efficient land use)

Consumers, State Health Authorities, Egg Industry and Retail Quality Assurance systems, Animal Welfare and Statutory Authorities are having major influences in the latest production systems for free range eggs.

Farmers already reflect what consumers want! Our survival depends on responding to consumer needs.

SUMMARY

In response to growing uncertainty over the future of caged egg production - evidenced by moves to restrict further development of cages in ACT and Tasmania - the industry has responded positively to shift its focus to invest in modernised free range production systems.

The question that many in the industry are asking is this: *“Can a viable modernised industry survive and invest with confidence in the face of market distortion and relentless interference by ideologically-driven interest groups trying to gain protectionism and an un-competitive market advantage?”*

Primarily the egg industry in South Australia agrees to changes in egg labelling requirements in a way that simplistically incorporates stocking density on the carton. With consumer education and information, labelling may afford a genuine and durable framework for a transparent regulatory standard that informs choice for consumers and minimises cumbersome and expensive regulation.

Contact:

Dion Andary
Spokesperson

South Australian Local Egg Section (SALES)

Phone: 0408 694 446

email: dion@dayseggs.com