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Submission - Free Range Egg Labelling

Consumer confidence in free range egg labelling is low. A core issue is lack of transparency. There is a high level of cynicism by both consumers and producers about the sector due to inconsistencies. The key challenge is achieving an acceptable and sustainable balance between the various stakeholder interests.

Producers most penalised by the lack of transparency is the small producer following a traditional free range approach. The free range egg market is dominated by large producers using modified fixed sheds that barely squeeze within any free range definition. A small producer approach is more consistent with many consumers' expectations.

Small producers' cost per unit though is higher due to infrastructure and labour costs. A commercial return on this traditional production method is thwarted by different production methods being marketed as the same item. Consumers are not provided a reliable basis to differentiate.

To establish a set of standardised definitions to be used throughout the sector would be relatively easy. A combination of mandatory and optional production practice disclosures then enables consumers to easily evaluate products. This gives a significant improvement to labelling transparency. It would be a low cost compliance measure, easily verified if required. If an assessment cannot be verified then it does not achieve its purpose and consumer uncertainty remains.

Government leadership at a national level is required to ensure a common platform is used that can be easily understood and applied. These steps would assist small producers in particular to properly inform consumers of their product's characteristics.

This submission provides some background on the free range egg sector and then outlines a series of recommendations that would help to increase consumer certainty about free range egg labelling.

Current status

Australian Competition and Consumer Commission's (ACCC) free range definition that most hens go outside on most ordinary days is a nonsense benchmark that satisfies no one – other than those wishing to prolong the current state of labelling confusion.

Such a guideline is difficult to consistently interpret and is impossible to enforce in all bar the most blatant forms of breaches. This is not an efficient, effective or reliable environment for either operators or consumers.

It is the most basic definition for any type of free range operation. It gives no insight to the core animal welfare considerations that are important to consumers in the free range market.

CSIRO's Model Code of Practice already exists but is just not enforced. In most jurisdictions it is accepted as an appropriate standard to be followed to entitle a producer to label their product as free range eggs.

The largest volume of free range eggs are from operations with mass production using modified fixed infrastructure facilities. Within the free range sector these operations are small in number but high in output volume. Their product is sold through the large supermarket chains and retail outlets. Their marketing uses the free range title and country styled imaging not consistent with their underlying operations.

This leaves smaller operations to fight over the scraps. The retail price for these scraps however is heavily influenced by the benchmark price of the high volume product.

From outward appearances an egg is a homogenous product and there is no physical way to differentiate between the underlying production methods used. A large volume of consumers are clearly prepared to pay a higher price to support a production method they believe applies animal welfare considerations that they prefer.

The variety of definitions presently used in labelling of free range product therefore penalises those operations that try to genuinely follow a process that is more aligned with free range egg consumers' expectations regarding animal welfare considerations.

Production factors

Viability for small free range egg farmers is often dependent upon conveying to consumers the key points of differentiation of their product relative to a higher volume produced items. There is a reliance on these characteristics being acknowledged and potentially earning a premium to cover the higher operating costs.

The main incremental costs associated with operating to these expected levels are:

- Increased level of tailored infrastructure, typically in the form of smaller mobile sheds and service vehicles;
- More sheds required, i.e. to support lower stocking rates;
- Higher labour and transportation costs servicing dispersed sheds; and
- Larger tracts of land dedicated to the operation with more extensive supporting utilities, e.g. water and power.

These are real costs that are incurred by an operator producing to the Model Code criteria. To sustainably operate to this level – consistent with what many consumers expect, then there needs to be an efficient way of reliably providing consumers insight to these factors compared to a producer who operates to different criteria.

Larger operators however would potentially need to incur considerable funds to comply with the Model Code because they currently operate with minimal modifications to a pre existing operation in order to access premium prices. This is a cynical approach that has resulted in consumer frustration and has invited campaigns by animal activist groups.

Authorities and the larger industry groups are heavily influenced by the largest free range egg producers who have most at stake in losing access to this market.

Larger industry bodies (e.g. AECL and Egg Farmers of Australia which is then reflected in the current position taken by ACCC) are happy to accept a compromised free range egg definition in an effort to maintain the status quo. The larger bodies are led by and receive the bulk of their funding from producers who have little incentive to change.

Regulators and government should not be swayed by the argument that a restrictive classification of free range or quality labelling transparency will result in a shortage of cheap eggs. Eggs can still be produced in significant volumes – neither the industry or the consumer is under threat. The current argument is designed around extending access for larger producers to a premium market without complying with consumer expectations. This just muddies the waters for everyone else.

Without certainty of market and prices that may be earned then financial modelling cannot be accurately prepared and further investment in suitable infrastructure is deferred.

To allow the continued use of intensive fixed infrastructure operations referring to themselves as free range producers, pointing to larger blocks of land and assuming that if birds roamed then they have access to a huge space, in most cases is wrong. The reality is that most layers are reluctant to roam too far away from the safety of their housing. If that housing is fixed in one location then they will not be accessing fresh pasture particularly with a high number of birds housed in that fixed location.

Use of mobile sheds is synonymous with consumers' perception of true free range eggs. It also enables better access to fresh pasture for the livestock. This would be applicable to the majority of smaller operators but comes at a cost. Providing a standard confirmation of whether mobile sheds are used is therefore highly relevant in any discussion on free range egg labelling.

Linkage to consumer interests

Consumers want reliable labelling transparency, consistently applied across this product range so they are able to make an informed purchasing decision. This is what consumers already thought they were receiving when they sought out free range eggs.

Similar products are currently being offered for sale but at different prices. Eggs appear largely homogenous in nature so no real visual differentiation can be applied. There is therefore a higher level of reliance on the labelling to:

- assign value to the product;
- to assess value for money; and
- determine consistency with the consumers' purchasing preferences and values.

The argument that other products, e.g. flour, is not subject to additional labelling compliance requirements and therefore this requirement would just add costs. This argument ignores animal welfare concerns that are at the core of this issue.

There are minimal 'ethical' or 'values' concerns in regards to a product such as flour, other than the use of chemicals or genetically modified inputs. Consumers can be highly sensitive to these later factors and labelling clearly differentiates between the alternate production processes.

The use of a clear set of mandatory and optional labelling criteria would allow the consumer to select a higher grade of product or one produced to different criteria. It then enables consumers to determine whether there is a sufficient correlation between quality and price.

Many consumers will only want a base level of comfort and will be guided primarily by price. Others may be content spending additional amounts based on their understanding of the sector and their preferences.

Standardisation of format and terminology provides consumers both efficiency and reassurance around their purchasing behaviour and decisions. Ideally in due course this would be in conjunction with adopting the Model Code which would set a consistently applied, enforceable standard of what is a free range product.

Compliance issues

Consumers will have varying levels of interest in getting a further level of understanding of background details on the underlying production methods applied. A simple system that allows them to efficiently evaluate in store thereby helping close the current expectation gap would be beneficial.

Standardised label disclosures and symbols are already used within the food industry plus across other sectors. These highlight the features available in their service offering. For interested consumers it allows a quick visual confirmation for comparison purposes. The accommodation industry for instance has a range of immediately identifiable criteria and symbols that are consistently used and are quite informative. It helps to allow a better comparison of features to ensure there is a relevant and justifiable correlation between criteria and price.

Ensuring all marketers of eggs meet a common set of labelling requirements supported by an acknowledged set of free range definitions would help significantly. It reduces the expectation gap between consumers understanding of and producers' actual production method. At present it is too grey. There is often no significant price differential for any extra production effort applied largely because of consumer uncertainty.

Clear quantitative guidelines are required. These can then provide a basis for compliance and assist verification, if required.

The type of criteria generally of interest to free range egg consumers and relatively easy to report are:

- stocking density rate – 1,000 birds/hectare;
- housing density rate - birds/sq m;
- non debeaking – yes or no;
- mobile housing - yes or no;
- accreditation, membership;

Small producers generally would find it easier to meet any new operational compliance requirements to access their target market. There would be some transition costs associated with changes to labelling but these are one off adjustments.

Most would welcome the opportunity to have a greater level of transparency regarding their production methods if it highlights what other larger producers are not doing. The end result is that they may receive a more appropriate level of payment for their effort.

Having an enforceable standard will not cause a crisis in the egg industry. It may cause headaches for existing producers who have prepared their financial modelling on the murky status quo, which protects the inflated prices they receive for non compliant product.

Historically it is far too easy to distort reported operating data within the poultry sector. Non certified statistics are internally produced and are not subject to independent verification. This inevitably leads to further frustration by smaller producers re consistency across the sector.

Unless there is a system capable of verification that can be easily applied and with repercussions for misreporting then continued examples of gross breaches will be an unfortunate ongoing feature of the industry. This will then hold back sector development and further investment in essential infrastructure and suitable, compliant operations.

Recommendations to bridge the expectation gap

Ideally the Model Code of Practice should be adopted as the base criteria and enforced as a minimum standard for those wishing to label their product as free range.

A set of standard labelling criteria, definitions and abbreviations/symbols should also be prepared. These should be kept basic and simple but allow flexibility for add ons. It should include a combination of:

- required disclosures; and
- optional disclosures.

This allows transparency without being too restrictive on operators. Those familiar with the industry practises who wish to confirm their understanding of the details of an operation, can refer to an industry website for further background details on definitions, abbreviations and symbols used.

Some criteria would be qualitative which could be confirmed with a positive confirmation. If not confirmed then it can be assumed that it doesn't apply, e.g. use of mobile sheds. Other criteria would be quantitative, e.g. stocking or housing density rates.

The disclosures and their basis could be:

- required disclosure - stocking density rate – 1,000 birds/hectare;
- required disclosure - housing density rate - birds/sq m;
- required disclosure – non debeaking - y/n or set symbol;
- optional disclosure - mobile housing - y/n or set symbol; and
- optional disclosure - accreditation, membership

Generally outdoor stocking density might be shown to fit within one of the following categories:

- less than 750 layers/hectare – shown as 0.75;
- less than 1,500 layers/hectare – shown as 1.5;
- less than 2,500 layers/hectare – shown as 2.5;
- less than 10,000 layers/hectare – shown as 10; and
- more than 10,000 layers/hectare – shown as 10+.

Potentially the above categories have their own classification, e.g. premium free range, for <750 layers/hectare.

Operational records should be maintained to substantiate any reported information included as part of free range egg labelling.

The summary operating disclosures could be shown as either a horizontal or vertical box. The minimum required font size and preferred colour for disclosures should be set and followed.

The disclosure of an operation with 1,500 layers/hectare using mobile housing of 10 layers/sq m that do not apply debeaking might be shown as:

SR	DR	ND	M
1.5	10	√	√

The disclosure of an operation with 10,000+ layers/hectare not using mobile housing with 20 layers/sq m that debeak might be shown as:

SR	DR	ND
10+	20	x

The disclosures once introduced would become routine labelling items that can be checked at a glance by individual consumers. Both sets of qualitative and quantitative disclosures would be capable of being verified for compliance purposes based on property records or through inspection.

Initial awareness campaigns for producers, marketers and then consumers re the transition and standardisation of disclosures would assist the implementation.

Summary

A mandatory set of consistent disclosure requirements is necessary to ensure a fair and commercial approach that balances out consumer concerns with practical support for free range egg producers.

Consumers then have confidence to make an accurate purchasing decision consistent with the production method that they prefer - subject to the price of the product.

Having a stable and accepted labelling environment allows producers to undertake appropriate financial analysis and model their operations to their preferred target market.

Yamstick is a privately owned, certified organic property based on the NSW North Coast. We are family owned and operated. As part of our operation we have a relatively small flock of free range chickens housed in mobile sheds that comply with our Australian Certified Organics registration. This background provides us with the practical experience to provide the above submission.