

**Submission
No 392**

**INQUIRY INTO USE OF BATTERY CAGES FOR HENS IN
THE EGG PRODUCTION INDUSTRY**

Organisation: Australian Eggs

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INQUIRY INTO THE USE OF CONVENTIONAL CAGES FOR HENS IN THE EGG PRODUCTION INDUSTRY

1. AUSTRALIAN EGGS

Australian Eggs is an egg industry-owned public non-listed company which integrates marketing, research and development and industry services for the benefit of egg farmers and other stakeholders.

Australian Eggs services all known Australian egg farmers irrespective of their size, location or farming system. Importantly, Australian Eggs is not an industry representative body but in order to perform its role as an industry services body effectively, Australian Eggs consults with representative bodies.

Given Australian Eggs is not a representative body, it is not able to put forward an industry position to the NSW Parliamentary Committee for the inquiry into the use of conventional cages for hens in the egg production industry (**Committee**). Australian Eggs understands that detailed submissions will be provided by egg industry representative bodies. Along with other views, Australian Eggs encourages decision makers to have regard to these submissions as they provide a unique perspective on the application of welfare management in context.

2. THE ANIMAL WELFARE DEBATE

The quality of debate regarding animal welfare is currently at a low point. Animal welfare campaigns that present an over-simplified and emotive picture of animal welfare issues have been extremely successful in gaining public and media attention and building a support base for animal welfare organisations. However, these campaigns have been counterproductive in progressing meaningful engagement on animal welfare issues and ultimately, progress in genuine animal welfare outcomes.

This as a loss for all stakeholders and ultimately the Australian community. Australian Eggs offers the following perspectives to encourage all stakeholders to participate in genuine and productive debate on animal welfare issues:

- Progress on animal welfare cannot be achieved in the absence of farmers. Farmers are at the frontline of animal welfare and are the only parties that have the capacity to deliver outcomes. The notion that the perspective of farmers should be set aside on

any basis, including a perceived conflict of interest, is folly and puts at risk the welfare of animals;

- Progress on animal welfare requires recognition of progress made. Absolutism in the pursuit of outcomes undermines the quality of the debate and the incentives for farmers to implement improvements; and
- Progress on animal welfare requires recognition of the capacity of science to inform the debate, and not be a substitute for a debate. Science is highly relevant to animal welfare but cannot answer the ultimate question for the community as to the appropriate balance between competing objectives. Failing to recognise this degrades the value of science and the debate.

The key role of farmers in delivering animal welfare will only be recognised and respected if primary industries adopt a leadership position on welfare management and improvement. Australian Eggs has sought to assist the egg industry in achieving this by investing in hen welfare and community engagement research that has the capacity to significantly increase the collective understanding of hen welfare and improve the quality of the welfare debate.

To ensure that the Committee has a deep understanding of how welfare issues arise in context, Australian Eggs encourages the Committee to visit egg farms and see each farming system in operation for themselves. In addition, Australian Eggs will shortly release a virtual tour experience on our website www.australianeggs.org.au and would be happy to make an onsite virtual reality experience available to the Committee if there is interest.

3. WELFARE ASSESSMENT FRAMEWORKS

For many years the predominant assessment framework for welfare was based on the biological function of the animal. This was driven by a general consensus that the most important aspects of welfare were those related to the physical needs of animals along with mechanisms being available to measure biological function. More recently, increased interest in welfare has led to the emergence of other frameworks including affective state in which welfare can be considered in terms positive and negative experiences, both physical and mental (see Attachment A – Welfare Assessment Frameworks Report).

Scientific studies have been conducted to explore affective state with studies establishing that hens exhibit natural behaviours that they are motivated to engage in. Science has been less instructive in identifying the consequences of depriving hens the ability to engage in motivated natural behaviours. Studies of biological function indicate there are limited impacts from the consistent deprivation of motivated natural behaviours and there are not yet robust methods to assess affective state.

The challenge of welfare issues is that they are naturally contentious as stakeholder groups fill knowledge gaps with conflicting values. Much has been made of this knowledge gap on natural behaviours with strong views emerging as to what the welfare impact of depriving hens of natural behaviours could be. They have generally been assessed on a scale from inconsequential to manifest cruelty. These perspectives are generally based on personal values, rather than scientific findings. The primary basis upon which it can be said a hen 'needs' to engage in natural behaviours is a subjective value judgment.

Confusion may arise where assessments of the welfare impact of depriving hens of natural behaviours are present in scientific reports but this does not change the nature of those assessments. In the absence of scientific observations, the 'expert' judgements of welfare scientists assessing the welfare impact of depriving hens of natural behaviours should be recognised as the personal value judgements of the authors.

Recent research conducted by Australian Eggs demonstrates that welfare science is replete with subjective value judgements (see Attachment B – Animal Welfare and Values Report). Rather than a criticism of scientific approaches, this is the nature of welfare assessments in which important aspects cannot be ascertained. The question that follows is how the assessment of welfare should be guided when existing science alone cannot provide clear outcomes.

Australian Eggs is seeking to address this by conducting:

- research that explores new ways to measure positive and negative affective states in hens through techniques involving Micro RNA biomarkers; and
- community research that seeks to test welfare issues directly with a representative sample of Australians to provide insights on mainstream community expectations.

Research projects on these topics are currently underway and it is expected that findings will be available towards the end of 2019.

4. EGG FARMING SYSTEMS

The technical aspects of egg farming systems identified in the terms of reference are addressed in a report recently prepared by poultry veterinary consultants, Scolexia (see Attachment C – Welfare Science Report).

This report clarifies that:

- Conventional cage systems are not associated with good or bad welfare outcomes;

- Conventional cages have clear advantages and disadvantages from a welfare perspective; and
- The scientific literature cannot provide conclusive guidance on the merit of egg farming systems with an assessment of the advantages and disadvantages requiring subjective value judgments.

5. COMMUNITY ENGAGEMENT AND EXPECTATIONS

Australian Eggs acknowledges the challenge for the Committee in understanding conventional cage egg farming in the context of the ongoing public debate. In particular, campaign organisations have garnered significant support for the perspective that conventional cage egg farming involves cruelty to hens through the inability to engage in a full range of natural behaviours. While many facts are used to support this position there is also a significant degree of emotion and subjective value judgments which can be difficult to engage with.

This challenge is exacerbated by the use of conventional government regulatory processes in which interested parties are given an opportunity to provide their perspective through submissions. While these processes have an aspect of fairness to them, they are unlikely to be capable of capturing the perspective of the community as a whole. This is because the broader community is generally not interested enough to participate in the process such that a misleading picture of community sentiment is provided.

Examples of this dynamic can be seen through the current poultry welfare standards and guidelines review which has been operating since 2015 (**Standards and Guidelines process**). The public consultation in this process resulted in an extraordinary response, largely as a result of the activities of campaign organisations. However, most of the submissions included standardised responses and/or strong views on the use of conventional cages without addressing the basis for those views or the standards and guidelines that were the subject of the consultation process.

An overview of the public consultation process demonstrates the difficulty created where conventional public consultation processes are used to explore mainstream community expectations (see Attachment D – S&G Public Consultation Report). The NSW Government also conducted its own public consultation process in relation to this issue in 2018. While the results were not as extreme as the Standards & Guidelines process, the themes were the consistent (see Attachment E – NSW DPI Public Consultation Report).

In contrast, Australian Eggs has developed the Australian Egg Industry Sustainability Framework as a process of community engagement and ongoing industry improvement. The backbone of this process has been a community research program conducted by the CSIRO that seeks to ascertain community attitudes in relation to the egg industry through independently conducted social science research.

The process has proven to be very productive in providing insights on community attitudes and has given the egg industry an understanding of the drivers of community trust. It has also identified priority issues for the industry to explore and progress to ensure alignment with community expectations. In February 2019, Australian Eggs completed the first annual cycle of this process and has recently commenced the second annual cycle with a view to building on the initial research insights.

The research conducted by the CSIRO in 2018 showed that Australians do consider welfare to be very important but in a manner which is distinct from the perspectives of campaign group supporters. Importantly, the research showed that for welfare campaign group supporters, welfare is a matter of principle whereas for the broader community it depends on the circumstances. It also showed that across a range of factors, welfare campaign group supporters are a separate group which can be clearly distinguished from mainstream Australians.

Australian Eggs encourages the Committee to have regard to the insights available through this process as it provides useful context in understanding community perceptions of welfare issues (see Attachment F1-3 – Australian Egg Industry Sustainability Framework Reports).

6. WELFARE LEGISLATION

Australian Eggs can't inform the Committee on specific legislative measures to prevent poor welfare outcomes in the New South Wales egg industry. However, Australian Eggs does undertake research and marketing activities which provides a good understanding of how welfare issues apply in a practical context.

Australian Eggs' experience is that there is a disproportionate focus in the public welfare debate on issues that are not the key drivers of welfare. Research has repeatedly established that there is no perfect egg farming system and that each system has positives and negatives (see Attachment C – Welfare Science Report). Despite this, concerns continue to be expressed in relation to cages in a manner that suggests a move to furnished cages or alternative systems will deliver clearly improved welfare.

In fact, the greatest threat to hen welfare in New South Wales is farmer that fail to care for hens properly. It is through poor management that we see incidents of animal cruelty involving either incompetence, indifference or malice. Sadly, these incidents continue to arise in a range of farming systems. The consequences are horrific, reflecting poorly on all egg farmers, regulatory authorities and our communities.

Australian Eggs tries to address this dynamic through the development of quality assurance programs that provide for independent auditing of egg rearing and laying farms and egg grading facilities. The New South Wales Food Authority has recognised Egg Standards of

Australia (**ESA**) as a useful tool in focusing most of its' finite enforcement resources on egg farming businesses that are not subject to independent auditing under ESA.

However, ESA operates on a voluntary basis only. While approximately 80% of the New South Wales flock is covered by the scheme, participation is generally driven by retailer customer requirements. As there remains a significant proportion of retailer customers in New South Wales that do not require ESA accreditation, there is limited incentive for all egg farms to participate.

As a result, there remains a role for standards and regulatory activity to ensure appropriate minimum standards are met. The development of these minimum standards has been the subject of the Standards and Guidelines process and has been supported by the egg industry (see Attachment G – S&G Poultry Standards 2017). It is a frequently overlooked point that the egg industry is the first and only industry to support the imposition of mandatory legal requirements on egg farmers to ensure that appropriate welfare standards can be maintained.

7. ENVIRONMENT AND HEALTH

Conventional cage egg farming systems have some environmental benefits over other egg farming systems (see Attachment H – Environment Life Cycle Assessment). The main contribution to energy use across the egg supply chain is feed production. As cage farming achieves higher rates of feed conversion, feed requirements are slightly lower with a consequent benefit for energy use.

Egg farming also uses a significant amount of energy on-farm, particularly as the majority of the national flock is in environmental sheds to ensure hens are protected from the harsh climate. Conventional cage systems use less energy per hen as they are enclosed systems compared to free range, and generally have higher stocking densities than both barn and free range systems through the greater use of vertical shed space.

Conventional cage systems also assist in manure management and as a consequence, nutrient load on the environment. They also use land efficiently and like barn systems, avoid hens degrading the surrounding environment through natural scratching activity.

The health and safety of workers is not a major issue in the egg industry with workplace accidents being infrequent relative to extensive agriculture industries. A notable issue is dust and ammonia in alternative systems. Where slatted floors and manure belts are not used, manure builds up and can create dust and ammonia that can give rise to respiratory issues for both hens and farm workers. However, voluntary standards currently apply to ensure that this is managed to an acceptable level.

8. CONSUMER TRENDS

There has been sustained growth in free range egg farming over the last 15 years giving rise to an industry transition from predominantly cage farming to a balance between cage farming and alternative systems.

This has been driven by consumer demand for premium eggs with free range eggs perceived to be higher quality (see Attachment I – Motivations for Buying Free Range Eggs). Recently, the growth in alternative farming systems has been accelerated by commitments by major supermarket retailers to phase out cage egg supply by either 2023 or 2025 and the consequent supply and stocking decisions of those retailers.

Data on farming system share of the national egg market is not regularly available. The 2010, 2016 and current farming systems share estimates are set out in the table below.

	2010	2016	2019
Cage eggs	68%	55%	49%
Barn eggs	7%	9%	12%
Free range	25%	36%	39%

Source: Australian Eggs surveys and estimates

New South Wales accounts for approximately 31% of the national flock and it could be expected that the New South Wales flock would broadly reflect the national proportions.

The graph below demonstrates the way in which the farming systems share of national retail grocery volume have moved over the last three years.

	2017	2018	2019
Cage eggs	49%	44%	40%
Barn eggs	8%	9%	11%
Free range	41%	45%	47%

Source: IRI Aztec May 2019

It can be observed from this data is that:

- Free range egg farming has been and is likely to continue to be a growth category
- Barn/cage free farming has struggled to establish a substantial share of volume with most of the reduction in cage demand translating to growth in free range; and
- There remains substantial consumer demand for cage egg farming.

9. CONSUMER PROTECTION

Like all food products, eggs are the subject of regulation by the New South Wales Food Authority under the Food Standards Code (**Code**). The Code requires that food is labelled accurately and that labels include specific nutritional information.

The primary consumer protection issue arising in the egg industry is ensuring that the price premium attached to barn and free range farming is reflected in accurately labelled egg products.

Issues arose in the early development of alternative systems with consumer protection regulators taking enforcement action in relation to:

- Claims regarding free range farming which had the potential to mislead consumers as to the extent to which hens accessed ranges; and
- False claims relating to egg farming systems (i.e. egg substitution fraud).

These issues were largely resolved through the development of a free range egg farming standard under the Australian Consumer Law in 2016 which clarified the manner in which eggs must be farmed in order to be labelled 'free range'. While there is always a risk of fraud in any food supply chain, this is ultimately criminal conduct and there have been no recent prosecutions indicating the egg industry has issues with supply chain integrity.

There are no additional consumer protection issues that arise in connection with conventional cage egg farming. The distinction between cage and free range eggs is generally well understood and consumers that value that distinction have clear choices in the retail products they purchase.

A number of food manufacturers also use eggs produced by alternative systems in products such as baked goods and may market this to provide a point of difference and consumer choice. Cage eggs are regularly used in manufactured food products without reference to the egg farming system. There is no evidence that consumers may have been misled or held a reasonable expectation that eggs from alternative systems may have been used in these circumstances.

10. ECONOMIC AND SOCIAL IMPACTS

Egg farmers work hard to deliver an important staple food product to the New South Wales community. Where consumer demand shifts, the egg industry has proven to be highly responsive to change and is in the process of rapidly transitioning egg farming capacity to meet the evolving demand of consumers and retailers.

Things become more complex where there is a disconnect between consumer demand and community sentiment regarding egg farming systems. Strongly held views by a substantial number of passionate advocates for a ban of cage eggs conflict with sustained demand for conventional cage egg farming by a substantial proportion of New South Wales consumers. Egg farmers are caught in the middle, having no control over the outcome and facing all of the consequences. It is simply not possible for egg farmers to recast consumer demand and waive their debts in order to avoid conjecture.

There is a significant impact on egg farmers and the egg industry as a result of this dynamic. Firstly, it is demoralising to be cast as a villain in campaigns pressing for a ban on cage eggs. This has an impact on egg farmers personally and their families. It also has an industry impact by driving a negative perception of the industry which creates an obstacle to participation and investment.

Secondly, the financial impact of a ban on conventional cage eggs is potentially devastating. The egg industry is characterised by long term fixed infrastructure investments backed by long term debt facilities. Regulatory intervention to preclude the use of conventional cage egg infrastructure would make the ability to repay the associated debt seemingly impossible, risking foreclosure and putting egg farming businesses at risk.

The economic impact of a ban on conventional cage eggs has been estimated as part of the Standards and Guidelines process. These estimates, which are currently undergoing further refinement by the RIS consultants, indicate costs in the order of \$800 million arising from a phase out of conventional cages over a 10 year period. This cost reflects the cost of rebuilding the egg industry using alternative systems to replace the eggs currently produced using conventional cage infrastructure (see Attachment J – S&G Poultry RIS 2017).

The obvious measure that could be taken to assist egg farming businesses in responding to a ban on conventional cage egg farming is financial compensation. For some reason this has not been a feature of the Standards and Guidelines process. However, it is notable that in the two Australian jurisdictions that have capped or banned conventional cage egg farming (Tasmania and ACT) compensation was provided.

The impact on the New South Wales community from a ban on conventional cage systems would be in the form of a reduction in the affordability of a staple protein source. Based on the cost of production identified in the poultry welfare standards and guidelines process, this increase is likely to be in the order of 30% in the retail price of conventional cage eggs which are currently the most affordable eggs.

New South Wales community would also have to meet the ultimate cost of conventional cage infrastructure that was decommissioned through regulatory action before the end of its asset life. This is unlikely to be in the form of a direct pass through of costs as pricing is largely determined by supply and demand. However, other jurisdictions such as New Zealand have experienced a significant reduction in the total flock and supply shortages following a regulatory phase out of conventional cage eggs leading to substantial price increases being imposed on consumers.