

REPORT ON PROCEEDINGS BEFORE

**SELECT COMMITTEE ON THE USE OF BATTERY CAGES
FOR HENS IN THE EGG PRODUCTION INDUSTRY**

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

UNCORRECTED

At Jubilee Room, Parliament House, Sydney on Wednesday, 14 August 2019

The Committee met at 10:30

PRESENT

The Hon. Emma Hurst (Chair)

The Hon. Courtney Houssos

The Hon. Ben Franklin

The Hon. Rod Roberts

The Hon. Lou Amato

The Hon. Shaoquett Moselmane

Mr David Shoebridge

The Hon. Mark Pearson

Christine Parker, Academic, before the Committee via teleconference, affirmed and examined

The CHAIR: Welcome to the second hearing for the inquiry into the use of battery cages for hens in the egg production industry. The inquiry is examining egg farming production methods, with a focus on whether or not the use of cages for hens is associated with poor animal welfare outcomes or practices. It is also looking at potential legislative measures to prevent poor animal welfare outcomes, the impact of egg-producing commercial operations that use battery cages and the protection of consumer interests. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would also like to pay respects to the Elders past and present of the Eora nation and extend that respect to other Aboriginals present. Today is the second of two hearings we plan to hold for this inquiry. Today we will hear from RSPCA Australia, academics, lawyers, an industry body and farmers. Before I commence I would like to make some brief comments about the procedures for today's hearing.

Today's hearing is open to the public and is also being broadcast live via the Parliament's website. A transcript of the hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I would also remind media representatives that you must take full responsibility for what you publish about the Committee's proceedings. It is important to remember that Parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. I urge witnesses to be careful about any comments you may make to the media or to others after you complete your evidence as such comments would not be protected by Parliamentary privilege if another person decided to take action for defamation. The *Guidelines for the Broadcast of Proceedings* are available from the secretariat.

There may be some questions that a witness could only answer if they had more time or with certain documents to hand. In these circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. I remind everyone here that Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of Parliamentary privilege. I therefore request that witnesses focus on the issues raised by the inquiry terms of reference and avoid naming individuals unnecessarily. Witnesses are advised that any messages should be delivered to Committee members through the Committee staff.

To aid the audibility of this hearing, may I remind both Committee members and witnesses to speak into the microphone. The room is fitted with induction loops compatible with hearing aid systems that have tele-coil receivers. In addition, several seats have been reserved near the loudspeakers for people in the public gallery who have hearing difficulties. Finally, could everyone turn off their mobile phones or turn them to silent for the duration of the hearing. I welcome our first witness, Professor Christine Parker, who is giving evidence via teleconference today. You may make a short statement.

Professor PARKER: I would like to inform the Committee that I am a regulatory governance expert, so my expertise is about when market-based governance works and when Government regulation is needed. The main point of my submission has been that our current animal welfare regulation is geared towards conditions in battery cages for hens. This is now out of step with both community standards and the market practice, as we can see from what consumers, retailers and food service companies are doing. That means we are relying on market-based standards, but they are also failing to adequately regulate animal welfare regulation in the new cage-free system. I think we need to transition out of the battery cages and make new regulations for the new cage-free systems.

The CHAIR: If you don't mind if I start, I just have a few questions. If we rely on consumers to be the surrogate regulators of animal welfare, instead of having Government legislation, do you have any concerns about the effectiveness of that as a process? If so, what are they?

Professor PARKER: Yes. That is the system we have been working with since 2000, which was the last time that Governments around Australia considered banning battery cages. They went to a system where they said, "We will encourage producers and retailers to provide cage, barn and free-range options and to label them for consumers to choose". That is the system we have had for the last 20 years. About two-thirds of consumers have bought free-range or cage-free because they are worried about animal welfare. About half of them are regularly buying cage-free. We know that consumers want to buy cage-free, but they have to rely on the labels, which means that they are relying on the businesses who are producing the labels.

As a result, we have had a whole series of problems with misleading labelling. Essentially, if we have to rely on consumers to be the regulators, they can send the signal that they want something other than battery cages, but they cannot set what the exact conditions of animal welfare are, and they cannot check whether the labels that

they are looking at and the marketing that they are looking at is actually true or not. I think we need to listen to what the consumers or the citizens are saying, that they want to move out of battery cages. Then we need some support from Government to actually say what animal welfare conditions there should be for the cage-free system.

The CHAIR: Also, a large amount—at least 50 per cent—of the caged eggs that are produced are being used in baked goods and processed foods, where the actual system that that egg came from is not labelled. Do you think that will affect consumer behaviour, and do you think that is probably why there is still a demand for caged eggs? Some of our submissions have said that most of the change has come from the shell eggs, where people are purchasing eggs directly from cartons.

Professor PARKER: Yes, that is correct. Consumers can see when they buy a carton of eggs what it is. If they have thought about animal welfare, then they will think about it and they will tend to buy a higher welfare option. My understanding is that is about half of the eggs produced in Australia. The other half are used for processed goods and in catering and so on, where consumers do not see a label and may not even think about the fact that that is an egg and they could think about what they want to buy. However, I think we need to realise that, globally, hundreds of big food service companies, fast food companies, processed food companies and hotel chains, all of these companies have committed to going cage-free by 2025. There are two ends to what is happening in the market.

There is what the consumers have been asking for via Coles and Woolworths, essentially, in Australia, but then there is also the fact that McDonald's, Hyatt hotels, General Mills and all of these big companies have realised that animal welfare is an issue for them as well. They are moving more slowly but they are also moving to cage free. I think the Australian egg industry will have to catch up with that one way or another. We would be better off moving towards that in a managed way, where we are setting higher standards from Australia.

Mr DAVID SHOEBRIDGE: Thanks, Professor Parker, for your submission and for your evidence today. There is a lot of discussion in the submissions about some consumers choosing free-range eggs, some consumers choosing caged eggs, but is there any evidence anywhere that anybody actively chooses caged eggs—that there is an active preference anywhere in the market for people to say, "I want my eggs to come from caged hens"?

Professor PARKER: Not that I have seen. No, there is not. In the literature there is evidence about what they call willingness to pay for higher welfare. We do see that consumers or citizens will say they want higher welfare and that they would buy higher welfare if it was available, but when they actually get to the shop obviously some consumers would buy the cheaper option. So they are not necessarily buying it because it is caged; they are buying it because it is cheaper. So there is a sort of drop-off between what your attitude is as a citizen who would like higher welfare and as a person with a limited amount of money to spend on the shopping when you turn up at the supermarket. I think what we should take from that is that when we see that about half are buying cage-free it means that there is probably another portion of the population—there are surveys showing it—that they would like to buy cage-free but they cannot resist the temptation of buying the cheaper option.

The CHAIR: Are they influenced by the placement and the advertising and those aspects as well?

Professor PARKER: That is right, yes. That is why, once Coles and Woolworths introduced cage-free and advertised it, our research showed they used much more of their shelf space for cage-free so people buy it more. It is a little nudge, but they want to buy it more.

The Hon. SHAOQUETT MOSELMANE: So the pricing is critical in their decision. As you say, 50 per cent would want eggs from hens that are free range and so forth, but when it comes to the market the pricing is critical. How do you address that issue?

Professor PARKER: I think it is extraordinary that so many are willing to pay a little bit extra to buy cage-free eggs. I just put that up front. Then I argue that at the moment we have uncertainty in the markets for the farmers about what free range means or whether the farm will be acceptable in the market or not. So there are some inefficiencies there. If we actually change the baseline then you tend to get investment into the necessary know-how, technology and so on to make the prices come down a little bit. And you would also get a bit more certainty around people who were willing to invest in better systems. My view is that it will even out in the end—the price will be a reasonable price. It may well come down, as it came down when the supermarkets started doing it.

Mr DAVID SHOEBRIDGE: I have a couple of questions about how you, as an academic, assess when industry-led and private regulation is appropriate for an industry and when government should step in and assert its role to regulate a market. What are the thresholds? What are the indicators, from your academic research, that suggest that the Government should step in and regulate?

Professor PARKER: Good question—probably a complicated answer. In this case we have seen quite a lot of misleading conduct. That is a kind of warning sign. More philosophically, my view is that industry always has to do something. We cannot just have government stepping in and doing everything. Industry has to come on forward. But then we need some accountability around what they are doing. We looked at: Are there any assurance and accountability systems around what industry is doing? That involves looking at, when there is a free-range label on the egg product, is it based on a set of standards that has been made in a way that takes into account a range of evidence of stakeholder views?

So, is there a set of standards that are appropriately made? Are they monitored and enforced? Does somebody actually go and check that the businesses are meeting those standards? Then, if there is any non-compliance, is there an appropriate response to that? Is there accountability? Is there punishment, correction or whatever? The problem we have at the moment with the free-range and other higher-welfare labels is that most of them do not meet that set of standards. The standards have been set purely by the industry or the supermarket with little recourse to outside evidence and opinion. They are mostly not well monitored and enforced and there is no recourse or accountability. It has all been left to the consumer protection regulators who have a lot of other things to worry about.

Mr DAVID SHOEBRIDGE: Professor, if I am to read your submission together with that answer, would I be wrong in saying that we have strong evidence of the community wanting standards, and searching for standards, together with the industry failing to self-regulate and enforce its own standards?

Professor PARKER: Yes.

Mr DAVID SHOEBRIDGE: And it is that combination that leads you to the conclusion that government needs to step in?

Professor PARKER: Yes. Very well put.

The Hon. SHAOQUETT MOSELMANE: Can I follow up on the comment you made earlier with regard to efficiencies? Can you elaborate on what efficiencies that the industry could take up and why they have not taken them up?

Professor PARKER: I should say that I am not an economist; I am a governance expert. I am not an industry person, but my understanding is that in 2000 Australia decided to stick with cages and made the cages a little bit bigger. At that point in time industry were in the process of investing in those particular cages to meet the standards. The understanding was that they would last about 10 or 12 years. So now we are at a point—or maybe a bit longer—where they have those particular barns with those particular cages and technologies about feeding hens and all the different things that go into getting an egg at the other end. Now we are in a position where there is still a lot of uncertainty about what the future standards will be—whether cages will stay, whether we will go to the enriched cages, whether there will be different systems. There is a range of different ways that free-range farming could be done, and some of those are still developing.

So I argue that the continuing uncertainty and unrest among consumers about what is there has meant that we are sitting there with outdated technologies. Some of the big egg producers have put money into new ways of doing farming—new barns and so on—but my understanding is that some of the other ones have not. That may just be cultural—"That's the way we've always done it so we are not going to change"—but I think it may also be because they are not sure whether they are going to be rewarded in the market for going to a new system.

The Hon. COURTNEY HOUSSOS: Can I just ask one follow-up on your conversation about standards? One issue that the committee is dealing with is whether these standards are better addressed at a State level or at a Federal level. Do you have a view about where is most appropriate for the standards to be set?

Professor PARKER: I do not have a strong opinion about that. I think it is great if we have consistent standards because, for industry certainty, that is going to be a lot simpler and easier to comply with. As I guess you all realise, as with many areas, we have a system where we are trying to set nationally consistent standards but they have to be enforced at the State level. There has been some inconsistency in how animal welfare regulation standards are monitored and enforced in the different States. So we really need the States to buy in to whatever it is going to be and to really have a strong opinion, and it may be that we need some States to take a lead and help, and then other States will follow on from that.

The Hon. LOU AMATO: Thank you Professor. If I can go to your submission on page 2, you say that a very high proportion of consumers—about half—buy free range and barn eggs. In the third paragraph you go on to say:

This suggests that battery cages should be phased out, with appropriate time and assistance to farmers

My question firstly is what sort of time period do you think is appropriate and, secondly, what sort of assistance do you think farmers should have? Thirdly, if we go a little further down, you say:

... farmers who currently farm cage eggs to transition to new technologies or to move out of the egg industry altogether.

What do you think those farmers should do if they get out of the egg industry? What are those mum and dad farmers to do for their livelihood?

Professor PARKER: I am just keeping the options there because I guess some may be at a stage where they are ready to retire and actually need help with doing that.

The Hon. LOU AMATO: But you do not know their circumstances really, do you? You are just making an assumption.

Professor PARKER: No, what I am saying here is that—actually I am just trying to think about the fact that the Government should not just say, "Let's ban battery cages tomorrow." There actually needs to be a process by which farmers are assisted.

The Hon. LOU AMATO: One of our witnesses yesterday stated that a lot of farmers are still paying off the debt from the transition to some of these new cages. They still have not quite paid off the debt.

Professor PARKER: Yes.

The Hon. LOU AMATO: I think those cages came into effect in 2007. They are still paying off debt, so there is no way they can retire if they are still paying off debt, and you are suggesting maybe they should get out of it and do something else.

Professor PARKER: That is exactly—

The Hon. LOU AMATO: What sort of time frame do you propose is appropriate and what sort of assistance to farmers would you suggest?

Professor PARKER: What I was trying to signal was that I actually think that needs to be investigated. I could not speak for the farmers because I have not gone and spoken to those farmers, but I would suggest that the appropriate authority would need to consult and find that out.

The CHAIR: The Hon. Rod Roberts?

The Hon. LOU AMATO: Just one last question, if I may?

The CHAIR: As long as you let the witness answer.

The Hon. LOU AMATO: Yes. Going back to eggs in supermarkets, would you agree that a lot of consumer interpretation is particularly through advertising of free-range eggs and barn eggs. Would you say that a lot of people's interpretation of that in their minds is that they are actually buying perhaps a better quality egg and not necessarily that those chickens are just running around?

Professor PARKER: I think that what we know from people who have done focus groups with consumers is that consumers see animal welfare, environmental sustainability and the quality and healthiness of animal-sourced food products, like eggs, as all connected, so it is not necessarily—

The Hon. LOU AMATO: But they are all eating the same food.

Professor PARKER: Sorry?

The Hon. LOU AMATO: The chickens are all eating the same food, so the quality of the egg is not going to be any different.

Professor PARKER: I could not comment on that. I am just saying that I do know from research that consumers see those things as connected. I think there are some differences, if the animal has eaten different food then the eggs can be different. As you would know, you get different coloured yolks depending on whether it is winter or summer if hens are free ranging, so there may be some differences. But just to answer your question, I think consumers do see these things as all related, but they are not that educated, you know, consumers know they would—

The Hon. LOU AMATO: No, in a lot of people's minds they think that the chickens are running around free, so obviously the eggs have got to be better for them and that entices them to buy.

The Hon. MARK PEARSON: Is that a question, Mr Amato?

The CHAIR: I am going to move on to the Hon. Rod Roberts because we have very tight time.

The Hon. ROD ROBERTS: Thank you, Professor Parker, for your submission. As you would understand, we will be charged with making recommendations at the end of these committee hearings and therefore we rely on evidence and submissions from people like yourself to help us formulate our recommendations. For the purpose of clarity, I would like to take you to the top of page 2 of your submission. You state:

A very high proportion of consumers (about half) buy free range and barn eggs when given the opportunity in supermarkets.

Would it be equally fair to say that a very high proportion of consumers—about half—buy cage eggs as well?

Professor PARKER: Yes, I guess that is the implication, about half buy cage eggs and about half buy free range and barn eggs.

The Hon. ROD ROBERTS: So it is about the same proportion then, not a higher proportion but about the same proportion?

Professor PARKER: This sort of goes back to the conversation we were having before. I guess it depends what sort of baseline you are running from. Given that the cage eggs are cheaper, and that was sort of the standard model for quite a long time, to me it seems like it has been a very big rise in people buying non-cage eggs, and it seems to be increasing, so that seems to suggest that people are actually willing to pay more to buy these, and as I said there are probably others who would like to but they tend to buy the cheaper option. So that seems very significant to me.

The Hon. ROD ROBERTS: So a correct statement would be that it is split approximately fifty-fifty and that is probably because of pricing. Would that be a fair assumption and surmise of it?

Professor PARKER: I think so, but—yes.

The Hon. ROD ROBERTS: One last question: The second sentence in the same paragraph states:

This clearly indicates that a majority of Australians are very concerned about the cruelty of barren battery cages ...

I am certainly not accusing you of anything here at all, but do you think that the "majority of Australians" might be a stretch when we have just determined that it is only about 50 per cent?

Professor PARKER: Yes, I realised when I read it this morning I should have made that clearer. I have some data here from 2014 that two-thirds of Australians say they have bought cage free eggs because they are concerned about the welfare of battery cage hens. The presumption I am making is that if on any one occasion half of the eggs bought are cage free, that means there is actually a pool of people who are buying cage free, that is a bit more than half. Not everybody always buys cage free on any occasion—

Mr DAVID SHOEBRIDGE: Because they have to overcome a price—

Professor PARKER: Probably about two-thirds would like to or do, but they do not always, every single time.

Mr DAVID SHOEBRIDGE: Because there is a price barrier that is meaning that a proportion of people who would want to buy free range are not buying free range because of the price barrier. That is how you come comfortably to a conclusion that it is more than half.

Professor PARKER: That is correct, yes.

The Hon. BEN FRANKLIN: Could I ask one question, please?

The CHAIR: Very quickly, one last question.

The Hon. BEN FRANKLIN: Thank you. Just to pick up on my colleague the Hon. Courtney Houssos's point about whether we regulate at a State or a Federal level, I am just wondering what your view is of the national draft standards and guidelines that have obviously just been done and they are out for consultation?

Professor PARKER: I had put in a submission on that as well—a longer submission I guess—which pretty much reflects the same ideas, so it argues for a transition out of battery cages—

The Hon. BEN FRANKLIN: Sorry, Professor, we just have a bit of a time issue.

Professor PARKER: And also argued that we move—

The Hon. BEN FRANKLIN: I understand. Sorry, Professor, can you hear me?

Mr DAVID SHOEBRIDGE: Let her answer.

Professor PARKER: A set of animal welfare standards around cage free systems.

The CHAIR: Sorry, Professor, can you hear us?

The Hon. BEN FRANKLIN: I understand that is your view. My question was what is your view of the actual draft guidelines, standards and guidelines, that have come out?

Professor PARKER: I am not sure I can comment on that at the moment. I am not quite sure what you are asking, sorry.

The Hon. BEN FRANKLIN: The draft standards and guidelines have come out and my question is: Do you think that they are adequate? Do you think that they address a number of the issues that are being raised, and are you comfortable with them or do you think that more needs to be done? What is your view specifically about the standards and guidelines that have come out?

Professor PARKER: I would not like to comment on that at the moment because I have not directed my mind to that enough.

The CHAIR: That is all right. Thank you very much and thank you so much for attending today and letting us call you in. The Committee has resolved that answers to questions taken on notice be returned within 21 days. I do not think there were any questions on notice for you but if there was, the secretariat will be in contact with you in relation to any questions taken on notice.

Professor PARKER: Great. Thank you.

The CHAIR: Thank you again.

(The witness withdrew.)

ANNE ROSEMARY ELLIOTT, President, Sentient, Veterinary Institute for Animal Ethics, sworn and examined

The CHAIR: Would you like to start by making a short statement?

Dr ELLIOTT: Thank you. Thank you for establishing this inquiry, which is long overdue. I represent Sentient, an independent, veterinary-driven, not-for-profit organisation solely devoted to animal welfare advocacy. Sentient submitted to the draft animal welfare standards for poultry public consultation in 2017. That process was a missed opportunity to review the use of battery cages for hens. Since then public opinion, the marketplace and global standards have continued to move away from this outdated and brutal system. Contemporary understanding of animal welfare extends beyond biological functioning to consider the interests and experience of the animals themselves. This is, and should be, confronting to industry and to all of us who benefit from animal use.

Animal welfare science is now asking uncomfortable questions, such as whether the way we keep animals allows them to enjoy positive mental states and a life worth living. Hens are socially, emotionally and cognitively complex. It is shameful that in Australia our treatment of approximately 70 per cent of laying hens bears no reflection of this. Instead, we treat them as disposable commodities. All housing systems vary in their welfare potential. The challenges in cage-free systems can be addressed with good management but there is an inherent limit on the level of welfare that can be reached in a cage. The spatial restrictions in cages prevent hens from behaving in ways that characterise them as birds and consequently these restrictions debilitate their physical health. The human equivalent of this confinement is too horrifying to contemplate.

Battery cages have the worst animal welfare outcomes of any housing system for hens. Sentient advocates for a legislative phase-out of battery cages in Australia, leading to a ban on the production of eggs using cages and on the sale of eggs from caged hens. This will require a focus on safeguarding consistently high welfare standards for hens in cage-free systems, with more attention to genetics, husbandry and stockmanship. Such a transition will align our practices with current scientific knowledge, consumer choice and international standards. Thank you.

The CHAIR: Thank you. Yesterday we heard from the Australasian Veterinary Poultry Association and one of the honourable members asked a good question in regards to the sentience and intelligence of hens, asking from a veterinary perspective how much is a hen able to feel pain and fear and what is their ability to suffer from a veterinary perspective. I would like to hear your answer to that as well?

Dr ELLIOTT: I would be interested to hear their answer to that because it would apply to all birds and mammals; it would apply to us. A bird cannot tell you how they feel. They have a highly developed neurological system, as we do. The way we understand their needs is largely—I mean we can use physiological measures but it is largely through observing their behaviour because that is the most non-invasive way of doing that. We know just through knowing the anatomy that they have the neuro-mechanism to suffer. They suffer, they experience positive mental states and negative mental states such as pain, hunger—all of those that we feel. I think a five-year-old child could look at an animal and say, "That animal is suffering". I thought we were beyond the stage of being asked questions about evidence for sentience.

There is ample evidence and some of the experiments that have been done on animals are quite cruel but even in terms of fish you have a much lower neural system. We know that fish feel pain; they have done experiments on rainbow trout and they have shown that they can remember where they were. Something aversive was placed on their mouth, you can see them recoiling, they remember and they avoid that sort of situation. What we have done with the hens is usually looking at their behaviours. For instance, they suffer not just from physical pain, they suffer mental stress and frustration when they are unable to perform the behaviours that they are innately designed to perform because they are related to the jungle fowl, they have not changed in their need to, for instance, nest, so if you prevent a hen from building a nest site before she is about to lay, you will see a lot of behaviours that indicate frustration. They will be pacing, they may even delay laying that egg.

One of the other things they have done is experiment where they have got hens to push through a weighted door to see what their motivation is to perform certain behaviours so whether that behaviour was for a perch, a nest site or something else that was meaningful to them, they will push a lot harder to get to those. For instance, they will work twice as hard to get to a nest site as they will for food if they are about to lay an egg or 20 minutes off laying an egg whereas they may have been deprived of food for four hours. There is also a rebound effect. When they are not allowed to flap their wings or perform—just basic normal behaviours; I am not even talking about flying here—studies have shown that when you take the hen out, there is a real rebound effect. Actually that rebound effect is correlational to the amount of time that they were trapped in a cage, so I guess what that is showing us is that they do not adapt to situations of extreme confinement.

I remember in my vet training we went to a battery farm and we had to learn to handle hens and it was absolutely heartbreaking to take a hen out who had been sitting in there for so long in the dark, take her out, handle her and put her back in. She just wanted to flap everywhere. I feel like you need to see this to really feel. I think the other thing is we have compassion; we are human beings. We are supposed to be the most highly advanced species. You can feel it when an animal is suffering.

Mr DAVID SHOEBRIDGE: If you open the cage door they escape and they do not go back in unless you shut them back in. If they were allowed to make their own decisions they would never spend time in those cages?

Dr ELLIOTT: I agree.

The CHAIR: I just have another question before I move on. We also heard from the Australasian Veterinary Poultry Association, which argued that there were welfare advantages to battery cages. They argued that there were lower mortality rates and lower incidents of disease and these were indicators that this might actually be a higher welfare system. Could we get your response to that?

Dr ELLIOTT: Of course. Firstly, I would not want to be using mortality rates as the only indicator of welfare. There is some truth to what they are saying but I think it is a 50:50 situation. It is not 50:50; welfare is better in cage-free systems. But when we look at, for instance, mortality outbreaks it is definitely certain that infectious diseases are more likely to be transmitted in free-range systems or barn systems than they are in cage systems. That is definitely the case. There are some infectious diseases that pretty much only occur in non-cage systems, such as spotty liver disease. What I will say about infectious diseases is they are preventable with good management and they can be treated. Obviously, you are not going to save every hen. Then we look at other forms of mortality outbreaks such as cannibalism as a result of feather pecking. You have probably all heard of this, a few birds may start this and then there is a sort of social learning effect and you can lose 15 per cent of a flock. It is horrifying.

The almost received view is that this does not occur in cage systems and it only occurs in free-range systems. In my readings I have found that there are a lot of studies coming out of Switzerland and the Netherlands in general that they have been running cage-free systems and getting comparable mortality rates to those in battery systems for some years due to attention to stockmanship, biosecurity, et cetera. I have also found a study which I think I quoted in my submission, it was a meta analysis by Friere and Cowling in 2013. These authors compared 35 studies which described experiments comparing the impact of conventional cages with a range of alternative systems—that included barns and outdoor systems—on a range of laying hen welfare and production variables. I was not surprised that there was higher egg production in the conventional cage systems but there was greater bone strength in the alternative systems and there were no differences between the two systems in aggressive pecking, mortality, feather pecking and body wounds, which the authors interpreted as suggesting that the chance of a mortality or cannibalism outbreak maybe no greater in alternative than in cage systems. Their take on this is if we are wanting to look at the control of mortality we need to be focusing on the management rather than the type of housing system.

I brought evidence I would like to share with the Committee. This is an excellent review of all of these issues by the International Coalition for Animal Welfare. They did this as a submission to the World Organisation for Animal Health [OIE] when the OIE opened up their Terrestrial Animal Health Code to do a chapter on the on-farm welfare of laying hens. In that review they also cite a few studies that prove that with good management, preventative practice and flock health, loose-housed systems can achieve low levels of mortality comparable with the cage systems. My final point to this would be that in the battery systems while the infectious disease rate is lower, those birds have the highest rate of metabolic diseases. These are things that we cannot treat, particularly in the confines of the cages. The two that I am thinking of are osteoporosis. Hens in every system are prone to osteoporosis because of the way we have breed them for high production and they cannot use enough calcium for their egg laying. Traditionally if you took a jungle fowl she would probably lay 15 or 20 eggs a year. The birds we now have that we have bred selectively are laying 300-plus a year. They cannot deploy the calcium from their diets to do that so it comes from their bones, so they are all susceptible to osteoporosis.

Mr DAVID SHOEBRIDGE: But that is aggravated by lack of movement.

Dr ELLIOTT: It is totally aggravated by lack of movement. That then causes disuse osteoporosis and they have much higher rates of fractures when they either move, which these guys cannot move, or when they are picked up. In the battery system you have the highest rates of fractures during depopulation, which is an extremely brutal process. The other issue we have got is fatty liver haemorrhagic disease. The main causes of this are stress and inactivity. It is a horrific disease and it can lead to sudden death.

The Hon. SHAOQUETT MOSELMANE: What is the name of the disease?

Dr ELLIOTT: We call it fatty liver, it is fatty liver haemorrhagic syndrome. They have very poor liver functioning, which would lead to a sense of feeling quite sick, then a sudden death. These are things that are very much characterised in the battery systems and that is not something that can be managed by medication or prevented.

The Hon. COURTNEY HOUSSOS: You said that you are advocating for a legislative phase out of battery cages, would you support if that transition went also to barn laid, or would you like to see exclusively free range?

Dr ELLIOTT: No, I think we should be open to the barn-laid systems. It is a matter of how they are run. In a sense there are a lot of advantages in the barn laid. I prefer free range. Some people might not be able to manage free range. As long as they are well regulated. One of the problems in the barn-laid systems is that those are the birds that have the highest keel bone fractures—that is this bone here. They land off a perch and they crack their sternum. The reason this happens is that in many cases the perching is not appropriately placed or you have not got the correct stocking densities. One of the key issues in poultry production is to make sure that where the birds are reared is where they learn. They are like children, if you do not teach a child to speak—well, you do not need to teach them to speak—if you do not teach a child to do certain things when they are young, it is a lot harder when they are older.

With these birds, the time for them to start exercising and engaging in behavioural expression, getting on and off perches, locomotion, balance, is when they are young. If you do not do that when they are young and then they are stuck in a barn, they have not had the practise of being able to come off a perch and they land in the wrong way. There is a lot that needs to be done. We need to ensure that the rearing environment is as similar as possible to the laying environment and that all of that enrichment starts at the rearing environment, so the bird is learning how to do these things that they need to do to function as birds. Without that we will get accidents in some of the barn systems.

Mr DAVID SHOEBRIDGE: The environment does not allow them to learn appropriate responses.

Dr ELLIOTT: That is right.

Mr DAVID SHOEBRIDGE: It would be like asking the Hon. Lou Amato to do ballet.

Dr ELLIOTT: That is right, yes.

The CHAIR: Do you have a specific phase out period that you are advocating for, or is it merely a phase out?

Dr ELLIOTT: Let us look at what is being done internationally and what is working. I think it would be fair to say 10 years. The reason I am saying that is because I believe the Government needs to support farmers to keep going but to do so in a way that is keeping with the times, that is more humane and that is better in keeping with consumer preferences. I think, listening to Professor Parker's evidence earlier, that the price of cage-free eggs will come down, but it will not come down without government support for this transition. I feel like, well, what has been done everywhere else? The European Union, I do not know how long they took. We have got New Zealand, now we have got six States in America—I have a summary here.

Mr DAVID SHOEBRIDGE: Dr Elliott, probably much of this will be picked up in other questions.

Dr ELLIOTT: I think 10 years would be a very good period to help people change their infrastructure, learn about what is involved in managing birds cage free so that we do not have the spectacle of people going out of business and losing their homes, and then that creates other welfare issues for people. I believe the Government needs to be supporting farmers to make the transition.

The Hon. LOU AMATO: It was brought up yesterday about spotty liver disease. Could you enlighten us about what it is and what is happening?

Dr ELLIOTT: Well, it is a bit of an enigma. It is an infectious disease that is increasingly concerning. It causes suffering and mortality. The birds when they are post-mortem-ed, they have lesions on their liver, I am not an infectious disease expert but my knowledge of this is that we are not quite sure what strain of bacteria.

The Hon. LOU AMATO: That is what we were told yesterday as well. I thought perhaps you might have known a little bit more, but it sounds like no-one really knows what is happening. I am just curious about what it is and what is happening.

Dr ELLIOTT: I think it is campylobacter and I also understand that ACE Laboratory Services [ACE] is developing a vaccine at the moment. There is currently no vaccine. And, look, it is concerning and I think in all farming systems because we are dealing with biological systems in the environment and you cannot control everything.

The Hon. LOU AMATO: No. I appreciate your answer.

Dr ELLIOTT: I take my hat off to farmers.

The Hon. LOU AMATO: I am mindful of time.

The Hon. SHAOQUETT MOSELMANE: If may jump in on that one?

The CHAIR: Yes.

The Hon. SHAOQUETT MOSELMANE: Chicken livers are sold in some butcher shops, chicken shops and so forth. When consumers buy that fatty liver that has poisoned those hens, is there any scientific evidence that it could affect humans? I am not sure. It is just curiosity.

Dr ELLIOTT: Look, you know what? I would have to take that one on notice.

The Hon. LOU AMATO: It is a good question.

The CHAIR: Take that one on notice.

Mr DAVID SHOEBRIDGE: It has been around for nearly 60 years and I have never heard of a single chicken-to-human transmission.

Dr ELLIOTT: No. I have not, either. That is why—

The Hon. SHAOQUETT MOSELMANE: I am just curious. If the liver has killed the chicken, does it impact on the consumers?

The Hon. MARK PEARSON: Thank you, Dr Elliott. We have been looking at science about the welfare of hens in cages and various systems for ever since, probably, the cage has ever been put in place. The science delivers various arguments one way or the other and various experts have come here today and yesterday talking about that. At what point do you think it is time to apply the principle of the benefit of the doubt? We can go on with arguments forever as to problems with various systems such as the cage system, but if we were to put the question, "Let's give the hen the benefit of the doubt", we will never really know, will we, how hard she is going to work to get a nest, a perch or flap her wings or to sunbath, et cetera, but they do it when they get out of the cage very quickly, even though they have never experienced those things before. At what point do we need to put into the equation of assessing the situation the benefit of the doubt for the hen, do you think?

Dr ELLIOTT: I think we are there now. I do not think the evidence is equivocal. I think the evidence is very much in favour of welfare. As I said in my opening statement, you cannot—we have always talked about advantages and disadvantages of different systems and I think we need to reframe this now and talk about welfare potential and acknowledge that there is a welfare ceiling.

The Hon. MARK PEARSON: A welfare?

Dr ELLIOTT: Ceiling.

The Hon. MARK PEARSON: A beautiful one here.

Dr ELLIOTT: I know. I could look at it all day. It is gorgeous. I love stained glass. A welfare ceiling is what the cage systems, including the enriched cages, represent. It is a welfare ceiling. You cannot get beyond. If birds cannot express normal behaviours and because of the metabolic diseases they still get in those systems, which are painful and not able to be managed in those systems, I believe we are there now. The other thing is we used to think in terms of the five freedoms. They were really about, you know, getting enough food, being safe from predators, et cetera.

Animal welfare assessments really are now based on what we call the five domains model, which I am sure you are very familiar with. With this model, we look at the functional and biological domains. We will look at the animals' nutrition, their environment; we will also look at their health in terms of their injury, pain, disease and we look at their behaviour. All of those things are essential. But the overriding assessment of welfare is based on mental state.

The Hon. MARK PEARSON: Going to that statement, let us say that we recommend that cages be phased out over a five-year period and at the end of that five-year period there is still the question of higher

mortality in alternative systems, how do you look at that issue if we still have higher mortality in the other systems? How does that fit into this question of better welfare when mortality in those circumstances is not a measure of poor welfare for the rest of the flock, such as, say, live export when animals are dying. The mortality rate is a measure of how all the other animals have been bearing up or not bearing up to the trip. They might have made it to Kuwait, but they have suffered a great deal. Mortality is used as a measure there. But in this situation mortality is not used as a measure of the welfare of the flock. What would you say to that question if, in five years, we are still grappling with this slightly higher mortality rate in a non-cage system?

Dr ELLIOTT: And we still have cage systems?

The Hon. MARK PEARSON: No, we do not.

Dr ELLIOTT: I do not know how you would make the comparison then.

The Hon. MARK PEARSON: That is true, but this is the question we have to grapple with.

Dr ELLIOTT: An analysis would be of the causes of the—

The Hon. MARK PEARSON: Mortality is strongly coming through as well.

Dr ELLIOTT: Yes.

The Hon. MARK PEARSON: It looks like we have higher mortality in the other systems most of the time.

The Hon. SHAOQUETT MOSELMANE: When you say "other systems", that means free range?

The Hon. MARK PEARSON: Yes—non-cage systems.

Dr ELLIOTT: The disadvantage for hens is that battery cages every existed. If I were to be put into a plastic bubble somewhere inside a hospital, I probably would live my life and never get pharyngitis again. That is my sore point: It is awful. I will not die of it, admittedly, but I guess the disadvantage for hens is that they are in such a sterile type of system. If we were here talking about scours in calves or other animals, all animals are prone to infectious diseases and it is difficult job. Farming is a hard job and I will say that, but there are a lot of resources now from the veterinary profession to assist farmers. Really, every farmer will lose animals. We want them to lose as few animals as possible but you can never get away from infectious diseases. We cannot get away from it.

If you are saying that in five years time we have only got cage-free systems and we are still looking at similar mortality rates to what we have now in cage-free systems, then I would say we need to be looking at why, and the answer is not necessarily that they are out of a cage. To manage animal systems, you have to manage your environment. There are so many variables. We have to look at biosecurity. All of this has to be regulated properly and inspected properly. You have to look at stockman-ship, vaccinations, preventative treatments against parasites, maintaining the range—

The Hon. MARK PEARSON: Are you of the view that we will be able to deal with this mortality rate issue?

Dr ELLIOTT: Yes. I mean, they are already doing it. In the last 20 years in the Netherlands, they have been running cage-free systems without this being a specific issue. I have not heard that mortality rates there are at all high. Look, Australia is also somewhere where we have a couple of particular issues we need to look out for: One is avian influenza—well, that is the one I was thinking of. In terms of biosecurity, the CSIRO and other organisations already have information out there for producers on how to manage poultry systems that are outdoors when you could perhaps have wild birds or waterfowl flying past. A lot of that is around the management of bodies of water, not having trees that would attract those birds, thinking in fact about where you do place a poultry farm. It is complex and I am not saying it is not, but we are managing with other species: Why can we not manage with hens?

Mr DAVID SHOEBRIDGE: Dr Elliott, I know there has been some discussion in the submissions about differentials in mortality rates between free range and caged. As I was preparing for this, I was just trying to find some of the most recent studies about it. I would be interested if you could have a look at a report in avian pathology and the authors are Shini and Pathol. That is a 2019 published report. It showed mortality rates slightly lower in free range than caged and it particularly dealt with the fatty liver mortality rates. It showed that extraordinarily significantly higher levels of fatty liver mortality in caged than in free range: I think it was 74 per cent to 5 per cent. I would be interested, if you could on notice, review that most recent study and give us your observations on it.

Dr ELLIOTT: I definitely will. I read the abstract last night. It was one of these things where you had to pay to download the full PDF, so I will get it through a friend at uni.

The Hon. MARK PEARSON: We will give you the money.

Mr DAVID SHOEBRIDGE: If the question on notice goes to you, we could ask the secretariat to get it from the library and send the report to you. Given it was the most recent study I could find and it was Australian-specific, it was about Queensland egg production, I would be interested in your thoughts on it.

The Hon. BEN FRANKLIN: Going back to your discussion about keel bone damage, I have had a look into this as well. I bring to your attention some other studies that have been done and ask for your response. In 2012 Richards did a study about hens with keel fracture status monitored through the laying period in free-range areas and looked at the percentage of birds with fractured keels at 25, 35, 45, 55, 65 weeks and at the end of lay and found it was 5 per cent, 25 per cent, 49 per cent, 63 per cent, 66 per cent and then 78 per cent at the end of lay in free-range birds. There has also been other studies done that have looked at keel bone damage, Nicol said in 2006 that there was 60 per cent in a single tier system, Rodenberg in 2008 said 62 per cent in furnished cages, Friere who you talked about before said 73 per cent in the a very system and Wilkins said 86 per cent in free-range systems with aerial perches. I totally take your point about the bone damage and I do not dispute that but there is evidence that there is significant keel bone damage in free-range systems as well and I ask you to respond to that.

Dr ELLIOTT: Of course. I will have a look at those studies too. The other reason we would need a significant phase-out period is because there is a lot of work to do and some of the work is going to be genetic. We have done very well at selectively breeding poultry to produce more eggs for us. We have done it around production variables. We need to also do it around welfare variables. I hope I mentioned earlier that all of these birds are prone to osteoporosis. Dis-use osteoporosis makes it worse for the ones sitting in cages but because the birds are bred this way and they are prone to it, if you put them into a free-range system or up on a high perch, it does not surprise me that with their poor bone health that they will also be prone to getting fractures. What we need to do is selectively breed for bone strength. I have found evidence that this can be done in as short as two generations. Actually, an early study I found by Fleming in 2005 stated that hens selected from proved bone strength also had significantly higher egg production.

What we would need to be doing is rather than saying it is too hard, we will leave them in the cages, because that creates other issues, it is going to be about selective breeding, ensuring they get the correct calcium in their diets. I will go back to talking about the rearing environment as well, making sure that they have the facilities and the rearing environment with dry friable litter, perches, all of those opportunities to exercise and show behavioural expression. Some of them may not have had the opportunity to develop their balance and their locomotor behaviours. We need to do more research on perch placement. There are perches and perches. Even when you work as a vet and people bring in a little caged bird, it is really quite sad to see what they think a bird's claws will fit around. This is really multi-factorial but I would say that the key to it will be some genetic selection, as well as better management.

The Hon. BEN FRANKLIN: We have heard evidence about there being advantages and disadvantages in both systems and you have agreed with that. I am interested in your comments about smothering. We have heard discussion about smothering. What are your views about that in this free-range system?

Dr ELLIOTT: Yesterday I was reading about perching and there was a lovely study that talked about when you have aerial perches. Smothering is complex and it occurs, I believe, where you have high stocking densities, birds cannot escape from each other and something frightens them. The other thing is that these birds who are not handled much are very fearful. Smothering has awful consequences. It is about the system that you are keeping them in that can cause smothering. The other thing is if you have got opportunities for birds to go through pop holes and go outdoors or onto a veranda or up on a perch, they need to be able to get away from each other. When we throw hundreds or more of them in together and there is something that is frightening, there is a certain social contagion effect with birds. We are setting them up for these kinds of incidents. Again, I would say that in Richmond stocking density, to some extent selective breeding. We have got quite fearful birds and part of that is also due to the fact they are not really handled much.

Smothering is not an inevitable outcome of raising poultry in non-cage systems. But you need to look at all of the variables. Wherever you have an incident of mortality, what is really important is that the stockmen are alert to what triggered this, what has gone on? Was there a fox? Did you have someone on the property who should not have been there? Was there a bird that was sick? There has got to be a cause for this. When they are all thrown in together too much and they are very flighty anyway and they have got nowhere else to go other than

on top of each other—I would be happy to share this study about the perches that showed that once you have got perching availability, they can get away from each other and there is a lower risk of smothering.

The Hon. SHAOQUETT MOSELMANE: Dr Elliott, I know you come from the animal ethics perspective, but if caged hens were banned or phased out as you suggested perhaps into free-range, what mechanisms can you suggest to assist farmers in this transition?

Dr ELLIOTT: That is a very important question. There are a number of workshops at the moment. In fact, I brought a flyer. Humane Society International hosts workshops to assist farmers. This is actually on Friday 13 September in Bangkok, so I do not think any of us are getting there, but they happen all around the world. "Cage-free egg production, meeting the global demand and making a successful transition." Genetics companies as well as animal welfare companies are offering these sorts of workshops to assist farmers to think about what they would have to do in the transition. I do think there is an onus on government here to support. The current battery cages are probably due for replacing and I think there needs to be a very serious consideration about how we make this transition and what it becomes. I would definitely not be in favour of enriched cages. They have been put in and ripped out in Europe within a few years and in the United States as well. They have not produced significantly better welfare outcomes. To a consumer, a cage is a cage. There is also evidence that they put a little bit of substrate in there but the birds do not actually use it to dust bathe because it does not meet their needs. So, you have got sham dust bathing on the wire floor.

In part of my response I would like to say that to educate farmers about what the other systems would look like, where consumer demand is going, where the global trends are and how to keep up. In many professions now people are feeling the fear of being not needed or superseded by technological changes. You are talking about people who have worked with animals, they have been on the land for years and they want to stay farming. These kind of workshops by genetics companies and the Humane Society International are wonderful but I think the Government needs to put a lot of work into this to go and help inspect and say, what would it cost get you from here to here? What sort of training do you need in terms of stockmanship. My fear in some of the intensive systems is there is not enough veterinary treatment. The animals are easier to see, less handled. There will have to be a greater focus on farmers developing a veterinary health and welfare plans with a poultry vet.

So all of this is really an inquiry in itself. If we make a transition there has to be a very well-thought-out inquiry about how to do it to support the people on the ground. I do not want to see people suffering, and I certainly do not want to see more animals suffering. I do not want to hear that farmers have had to have all of their birds euthanized. As much as people in the animal movement hate to hear something like a 10-year phase-out, it does not mean that you have to wait 10 years. People could be ready. There will be different stages of readiness along the way, and I think you will get it right if you do it thoughtfully.

The Hon. ROD ROBERTS: In your verbal submission today you talked about The Netherlands and you mentioned the EU a couple of times. We heard evidence from other people yesterday about how the EU has free-range systems in place and that we should model ourselves on that. As a vet—as a person obviously with compassion for animals—what is your thoughts on the EU, particularly in the northern part of the Europe when they shed and barn their cattle for up to six months of the year?

Dr ELLIOTT: I am not in favour of that.

The Hon. ROD ROBERTS: But they do it, don't they?

Dr ELLIOTT: Yes.

The Hon. ROD ROBERTS: That is all I have to say. Thank you.

The CHAIR: Thank you very much for attending this hearing. The Committee has resolved that answers to questions taken on notice be returned within 21 days, but the secretariat will be in contact with you in relation to the questions that we have taken on notice and in regard to that study, as well.

Dr ELLIOTT: I would like to say thank you to the Hon. Emma Hurst for setting up this Committee. I think it is long overdue. Thank you to everybody; it has felt more like a discussion.

(The witness withdrew.)

TARA WARD, Volunteer Lawyer and Executive Director, Animal Defenders Office, affirmed

FARNHAM SEYEDI, Volunteer Lawyer, Animal Defenders Office, affirmed

The CHAIR: Would either of you like to start with a short statement?

Mr SEYEDI: Yes, I will. Thank you. The Animal Defenders Office is a national non-profit community legal centre that specialises in animal law. We are run entirely by volunteer lawyers. Our goals include seeking appropriate law reform to improve both the protection of animals and the ability of humans to make compassionate choices. At the Animal Defenders Office we recognise the sentience and inherent value of all animals, and acknowledge their ability to perceive and feel physical and psychological pain, irrespective of their species or purported function in human society. Unfortunately this cannot be said about New South Wales' current animal protection legal framework, especially in relation to battery caged hens.

In our submission we detailed how the permanent confinement of hens in battery cages would constitute animal cruelty under the Prevention of Cruelty to Animals Act but for exemptions and other statutory mechanisms that function to exclude caged hens from the protections under the Act. We therefore urge the Committee to consider following the ACT's lead and to phase out the battery cage. The Australian Capital Territory [ACT] did this by introducing a new offence into its Animal Welfare Act. It is now a criminal offence in the ACT for a person to keep hens for commercial egg production but not to keep them in "appropriate accommodation". This is defined in regulations so it can be easily changed as community standards change. Currently it is defined as barn or free-range housing systems. The ban was supported by other measures such as a ban on beak trimming, and the removal of the exemption that said an accused person will not have committed an animal cruelty offence if they can show that they complied with an industry code of procedure.

The ban finally came into effect in 2014 after years of failed attempts to ban the battery cage. The turning point was when banning the use of cages in the production of eggs was delinked from a ban on the sale of cage eggs. This greatly simplified the legal issues and allowed the ban to come into effect. At the same time the government "encouraged" the large local battery cage egg producer to transition to a barn system. This happened at a time when the facility needed to upgrade its cages anyway. So when the ban on battery cages came into effect, the ACT's economy did not collapse, there was no mass unemployment, there was still a profitable egg industry, and people were not wasting away in the streets from protein deficiency.

We urge the Committee to recommend that this initiative be followed, and that New South Wales parliamentarians demonstrate to their community that they too do not consider the pain and suffering of hens to be acceptable, and will take whatever measures are reasonable and practicable to eliminate this suffering. We thank the Committee for inviting for us to provide evidence before them, and do so with the hope that we will continue to pursue an Australian society that does not tolerate the unnecessary infliction of suffering upon sentient beings, including egg-layer hens.

The CHAIR: Thank you. Ms Ward, do you have a statement?

Ms WARD: No. I endorse the comments of my colleague.

The CHAIR: We have heard a lot, during this inquiry, about the national poultry standards process that is currently underway. People have been talking about a potential national approach to dealing with the battery cage system. But animal welfare is a State legislative issue. Can you talk a little bit about that, and how that State and national approach would best work?

Ms WARD: I think we have seen that where there are attempts to get a co-ordinated national approach it can take a very long time. When you have animals suffering on a daily basis that is not ideal. What we have seen, with the ACT implementing a ban on battery cages, is that jurisdictions can go it alone. There is a bit of a history to the ACT's ban. The Territory did try to get a national approach originally, so getting the ban was definitely not an overnight thing. Various attempts were made, especially, as Farnham said during our opening statement, when the ban on production was linked to a ban on the sale of battery cage eggs. That required the agreement of all the States and Territories. That never happened, so we had an un-commenced ban sitting in the Animal Welfare Act for years because we could not get that national agreement. When the ban on production was delinked from the ban on the sale of cage eggs the ACT could go it alone. It has done so. It has shown that it is completely doable. It has the advantage of setting a precedent and leading the way for other jurisdictions.

I think, on balance, we would probably support each jurisdiction considering its own approach and dealing with its own legislation. Even the national standards and guidelines—it was the same with the model codes of practice—are done at a national level but the national standards and guidelines will not have legal force in each jurisdiction until each jurisdiction makes a separate decision to incorporate it, somehow, into its own

legislation. That is another process that can take a long time, and you will end up with variations between jurisdictions.

The Hon. COURTNEY HOUSSOS: Can I follow up on that and pick up on your final point? Even with a national standard there can be variations amongst State levels because of the different ways, not just that the guidelines are developed, but also the way that they are then monitored and implemented at a State level. From a legal perspective, if we are to pursue a national approach how can we make sure that there are not differences between different States? What is the best way of doing that?

Ms WARD: It might be—and this is just speculation—what we recommended in a different context and that was when considering a ban on the domestic trade of elephant ivory and rhinoceros horn, looking at how to regulate the trade within States, and it was agreed that probably the best way to achieve that would be an agreement between all the jurisdictions, so it would have to be part of that agreement that a uniform approach be adopted and then implemented. In the ACT we see, with the national standards and guidelines, there already have been some. You would probably be aware of the national standards and guidelines on land transport of livestock that have now been implemented across the jurisdictions, or more recently on sheep and cattle. In the ACT we are going through the process of considering whether they should be adopted in their current form into our local legislation, and it is probable, or it is possible anyway, that some parts of those standards and guidelines will not be adopted in the ACT, so there will be that variation because we aspire to a higher level of animal welfare.

Mr DAVID SHOEBRIDGE: Would your preferred model be national standards be a minimum and then allowing States to move beyond them for greater protections?

Ms WARD: That is the current approach.

Mr DAVID SHOEBRIDGE: So this idea of uniformity of itself is not the ultimate outcome because you may get uniformly low standards?

Ms WARD: That is correct, and that is what happens, unfortunately.

The Hon. BEN FRANKLIN: But that is the nature of national standards and guidelines; that is not unusual?

Ms WARD: It does not have to be, you could aspire to have a best practice as your standards.

The Hon. BEN FRANKLIN: Yes.

Ms WARD: Yes, that is right, whereas I think it is acknowledged that that is not what the model codes of practice are; they are sort of the minimum standard. You could reverse that approach.

The Hon. BEN FRANKLIN: That is your view about where—

Ms WARD: I think that is objectively the stated approach with the model for best practice.

The Hon. BEN FRANKLIN: I understand that is your view.

Ms WARD: Yes.

The Hon. SHAOQUETT MOSELMANE: In your submission, on the first page under "Our submissions—overview", you say:

The ADO does not support the keeping of hens for commercial purposes, including for egg production.

Are you saying we should ban commercial purposes for hens?

Ms WARD: That is not what we are saying.

The Hon. SHAOQUETT MOSELMANE: That is what it says; I am just reading the first sentence.

Mr SEYEDI: We have made our position fairly clear in the submission and if we were suggesting that the entire industry be banned we would have stated that in the submission. Our point—

The Hon. SHAOQUETT MOSELMANE: I am just reading it.

Mr SEYEDI: Yes, so we have made our position clear on the keeping of hens for egg production, that there are poor animal welfare outcomes across the board; however, as the terms of the reference concern mainly battery cage hens we felt it was of utility to particularly note the unconscionable animal welfare outcomes in the battery cage facility and, at a minimum, for that to be banned.

The Hon. SHAOQUETT MOSELMANE: The population of the ACT is such a small number, almost smaller than the city of Canterbury-Bankstown. How do you relate that to a population of the State of New South Wales? How can you use that as an example to implement the policies in New South Wales where there are about seven or eight million people?

Mr DAVID SHOEBRIDGE: You could say the same for Tasmania.

Ms WARD: I think perhaps Mr Shoebridge was saying that a similar question could be asked if, say, Tasmania or one of the other smaller jurisdictions were to—

The Hon. SHAOQUETT MOSELMANE: But I am asking you. What is your view?

Ms WARD: I think, as the only jurisdiction that has implemented a ban, it is all we have got, so it does provide a useful example and certainly something that can be explored and examined and analysed and worked out as to how this one example could be applied to the largest jurisdiction in Australia. Some might say it is apples and oranges, but it is basically all we have and it does provide, therefore, a useful precedent because it has happened in Australia.

The CHAIR: Just to change the topic slightly, in your submission on page 10 you note that, while there are some laws in regards to the labelling of eggs directly to consumers in retail stores, and I will quote your submission:

... there are no requirements for hospitality industries (restaurants and cafes), or food companies which use egg products in the ingredients, to disclose the production methods of their eggs.

Can you expand on this and also explain why you believe that that is a problem?

Mr SEYEDI: In that part of the submission we were specifically referring to the contrast between retail eggs, which disclose the different housing methods of the hens that are in their production facilities, that would be caged, barn or free range, and under the Australian Consumer Law, because they are being marketed on the basis that they have those different housing standards, there is now the requirement within the consumer law pursuant to misleading and deceptive conduct but also the national information standard, which has some requirements that must be complied with when making certain claims, particularly if eggs are free range. So when we say that there are no similar requirements in hospitality or other foods, we are referring to foods, food products or processed food for example that have egg ingredients.

It may well be, although we do not have the data on that, that a lot of them would not use non-cage eggs, but because they are not making that claim in the first place regarding the methods or the source of their eggs, it would not be relevant as to whether they have committed misleading or deceptive conduct because they never made that claim in the first place. We believe it is still a concern because noting the numbers of consumers that do opt to eat non-cage eggs, there clearly is a significant proportion of the population that do care about the housing of hens that have delivered eggs, but they unfortunately are not really able to control the consumption of other products that have egg ingredients in them because they do not, to my knowledge—

The CHAIR: Is that a consumer rights issue? Do you see that legally as a consumer rights issue?

Mr SEYEDI: Yes, we would consider it a consumer rights issue, but also more broadly an animal welfare issue as well, to ensure that consumers can make choices consistent with better animal welfare outcomes.

Mr DAVID SHOEBRIDGE: Thank you very much for your submission, which was extremely helpful and thorough, and for the work you do. There is some debate in the submissions. We are going to have Australian Eggs come in next and their position is you cannot really say from the studies whether or not depriving chickens of their motivated natural behaviours, which is how they describe it, produces a negative animal welfare outcome. Can I ask, in a legal framework, do we need to actually identify clear scientific studies in relation to natural behaviour like perching, dust baths, flapping wings and the like? From a legal framework, how do we assess, if you like, our obligation to allow animals to have those natural movements? Do we always have to tie it to a scientifically proved welfare study, or is there a kind of right to be an animal, a right to have your natural behaviour?

Mr SEYEDI: I think the submission and evidence provided yesterday from Dr Malcolm Caulfield did indicate that, while scientific evidence is very helpful for assessing the range of animal welfare issues that can be present in various species including hens, it is not the be all and end all, and that to a certain extent it is an ethical issue as well, especially when comparing different housing systems, if one is preferred over the other. Regarding submissions made by the egg industry that the deprivation of these natural behaviours—apologies if I misunderstood the question, but that it was not necessarily a bad thing to be deprived of those natural behaviours—

Mr DAVID SHOEBRIDGE: Yes, I think that is their proposed take—

Mr SEYEDI: Yes. The only thing we would say is, although we ourselves do not have the scientific expertise to make that assessment, we would certainly query the evidence that they are relying on to make that statement. But also we would just point out from a legal perspective that both the model code of practice, which is prescribed in the Prevention of Cruelty to Animals Regulations, and also more recently the national animal standards regarding poultry refer to these natural behaviours as forming part of a hen's basic physiological needs. The same document also states that it is well understood that those are not possible under a cage system, so we would query, given that these on my understanding are industry documents, why the industry is now contradicting both those standards and guidelines.

Ms WARD: I would just add that this assessment must have already happened in the Australian Capital Territory, where the decision would have been evidence based. We would suggest that the science is out there suggesting that the animal welfare outcomes are against the interests of the animals to the point where that system of housing should be banned.

Mr DAVID SHOEBRIDGE: There is nothing wrong, if you like, with reaching an innate ethical understanding that a chicken should be able to flap its wings, that a chicken should be able to nest and that a chicken should be able to perch. There is nothing wrong—within a legal framework—to start with an innate sense of fairness or decency in making laws, is there?

Ms WARD: This goes to the interesting question—and I apologise if it is slightly off topic and let me know if it is—of acknowledging the sentience of animals in law. No jurisdiction in Australia does that but the science is clear that animals are sentient. There is that lag between science and the law and indeed community expectations. That is why advocates of acknowledging animal sentience say that it is important, because it goes to that very issue that we acknowledge that there are these innate behaviours and needs that should be given some capacity to be expressed. That would be totally accepted in a regulatory system.

The Hon. MARK PEARSON: Keeping your legal hat on, in the Prevention of Cruelty to Animals Act it says that it is an offence to cause harm, which includes suffering, and it is an offence to cause distress, infuriate, et cetera. It is a bit broad but it is there in the legislation. Do you think that there would be a reasonable prospect of success if the RSPCA or police were to, at the point when an egg farmer had depopulated and was about to repopulate the cages, seek a restraining order in the Supreme Court restraining that farmer from putting one hen in a cage while the court determined as to whether that was about to be an act of cruelty? Science and public opinion argue that it would cause unnecessary, unjustifiable and unreasonable distress and suffering to that hen for the time it is in the cage.

Mr DAVID SHOEBRIDGE: That sounds like a different inquiry, Mark.

The Hon. BEN FRANKLIN: Yes, law and justice.

Mr SEYEDI: We may have to take the question of that substantive, detailed scenario on notice. I take your point that the Prevention of Cruelty to Animals Act does list as an offence various acts on an animal, including any that cause suffering, distress and pain.

The Hon. MARK PEARSON: Particularly in the spirit of the objects of the Act and the title of the Act.

Mr SEYEDI: Certainly. And we would certainly consider that it would be consistent with the object of the Act for that to apply to all species and all the purported functions of the animals. The difficulty with the Prevention of Cruelty to Animals Act as it stands is that although it does create distinct objective definitions of what animal cruelty is, at the same time it does provide exceptions for particular species or classes of animals, including animals that are livestock or have a commercial purpose. Specifically—

The Hon. MARK PEARSON: I am not talking about exercise, because the only real exemption for stock animals is that you do not have to exercise them.

Mr SEYEDI: That is within the Act. However I believe section 34A says that the regulations may prescribe various guidelines that are to be adopted. Section 35 (2) (a) proceeds to state that those guidelines, when adopted by the regulations, can exempt any person or any specified class of persons, either absolutely or subject to conditions, from the operation of any specified provision of this Act. The Prevention of Cruelty to Animals Regulation 2012 does in fact adopt the Model Code of Practice, which provides various requirements for the keeping and confinement of hens, including allowing various practices which could be argued create distress and suffering. It could certainly be argued that the adoption of those guidelines did create an exemption from what would normally be classed as animal cruelty.

The Hon. MARK PEARSON: Legalised cruelty is the outcome. Is that correct?

Ms WARD: That is correct.

Mr DAVID SHOEBRIDGE: You have also got the exemptions for stock animals, which you reference in your submission.

Mr SEYEDI: Yes, that is correct, regarding exercise.

The Hon. LOU AMATO: Thank you for coming today. On page 2 of your submission you mention the terms of references. The submissions states:

The ADO submits that further legislative reform is required to prevent poor animal welfare outcomes to hens in the egg production industry generally, including banning other practices routinely carried out on layer hens such as beak trimming and forced moulting.

That is interesting because I had not heard about the forced moulting before. With regard to forced moulting, are you aware that it is already banned in Australia?

Ms WARD: Under New South Wales legislation it is legal to deprive animals of food and water for up to 24 hours.

The Hon. LOU AMATO: That is right. You are reading my mind—that is the next issue—because that needs to be looked at. We know that the Prevention of Cruelty to Animals Act states that the enforcement agencies are the RSPCA, the Animal Welfare League and the NSW Police Force. The RSPCA imposes it and it is prohibited. We know that it is against the law to do that. They cannot withdraw food or water from those chooks to force moulting.

Mr DAVID SHOEBRIDGE: For more than 24 hours.

The Hon. LOU AMATO: Pardon?

Mr DAVID SHOEBRIDGE: It can be withdrawn for 24 hours, which I think is her answer.

The Hon. LOU AMATO: Yeah, yeah, but they still have to provide a certain amount of protein—30 to 60.

The CHAIR: We will hear from the witnesses.

The Hon. LOU AMATO: I have one more figure—

The CHAIR: Lou, do you want an answer?

The Hon. LOU AMATO: If they have an answer, yes.

Ms WARD: Sorry, what was the question?

Mr SEYEDI: Is the question stating that the deprivation of food and water is not legal in Australia?

The Hon. LOU AMATO: No, what you are saying is that we should look into forced moulting, but when I looked into it I found that it is already illegal to have forced moulting.

Mr SEYEDI: Within the Prevention of Cruelty to Animals Act—and this raises the point we mentioned before about the distinction between what is normally considered cruelty and exemptions within certain industries, including agriculture—section 8 (1) states that a person in charge of an animal should not fail to provide an animal with food, drink or shelter. Then section 8 (2) and (3) state that evidence that that has not been complied with is evidence that they have not been provided with food, drink or shelter within an 24-hour period. On the one hand it states that within the Act, however, as we mentioned before, the regulation states that guidelines may be adopted which then exempt classes of persons from certain requirements or any and all obligations under the Act.

The regulations do adopt the Model Code of Practice, which goes into detailed requirements regarding forced moulting or induced moulting and does in fact say that a hen can be deprived of food and water for 24 hours. Even the proposed national standards also permits the deprivation of food and water for 24 hours, although it has some additional concessions such as saying that it should not be done routinely and should only be done when considered to be necessary. But in any event, just drawing between the sections in the Act and the provisions of the Model Code of Practice, there is a clear contradiction that exists, considering what evidence would normally be used to constitute cruelty within a 24-hour period.

Ms WARD: I wanted to add that we know that it does happen. Just this year in April an egg farmer was actually charged with animal cruelty, including aggravated animal cruelty. He had been carrying on a forced moult

that had endured for nine days at the time he was apprehended. It is a practice that is still happening within the industry.

The Hon. LOU AMATO: I was just interested because if it is banned it should be a banned issued.

Ms WARD: It is a different issue, you are right. It comes down to enforcement.

The Hon. ROD ROBERTS: Mr Seyedi, in your opening address you talked about—and rightly so—how the Australian Capital Territory has banned the use of battery cages for hens. You went on to say that people are not dying or starving in the streets as a result?

Mr SEYEDI: They are not deprived of protein.

The Hon. ROD ROBERTS: I think you said something about starving.

Mr SEYEDI: I said, "they are not wasting away in the streets", yes.

The Hon. ROD ROBERTS: Do you think for the sake of accuracy and balance, as far as the Committee is concerned, you should also say that caged eggs sales are not banned in the ACT?

Ms WARD: That is correct; they are not banned.

The Hon. ROD ROBERTS: That answers my question, thank you.

Ms WARD: That is right. That just goes to show—

The Hon. ROD ROBERTS: I think emotively people are not starving or wasting in the street. It is fairly emotive. We are talking about evidence-based material here. I know this is an emotive thing and you are very compassionate about your treatment of animals and I fully respect that?

Mr SEYEDI: Of course.

The Hon. ROD ROBERTS: But in coming to give evidence at a committee and drawing on emotive language I think it is relevant and important for me to create a balance for the rest of Committee members to know that caged eggs are still for sale in the Australian Capital Territory so the mere fact that people are not wasting or starving in the street may be reflected by the fact that they can still buy caged eggs?

Mr SEYEDI: We will take that point.

Mr DAVID SHOEBRIDGE: It is probably not the only reason.

The Hon. ROD ROBERTS: No, but certainly I am following on from the evidence of the witness, David, and that was people aren't starving in the street.

The CHAIR: Okay. The Hon. Ben Franklin.

The Hon. BEN FRANKLIN: Thank you very much, Madam Chair. I would like to pick up on the comments of the Hon. Shaoquett Moselmane and the Hon. Rod Roberts and start with your contention that you do not support the keeping of hens for commercial purposes, including for egg production?

Mr SEYEDI: Correct.

The Hon. BEN FRANKLIN: That is your starting point?

Mr SEYEDI: Yes.

The Hon. BEN FRANKLIN: Do you therefore believe that eggs should not be broadly available for sale, which would be the natural outcome of taking that position to the general population?

Mr DAVID SHOEBRIDGE: Point of order: We have a procedural fairness obligation to be fair to the witnesses who come before us. This witness has already said that while they may have that philosophical approach—

The Hon. BEN FRANKLIN: Yes.

Mr DAVID SHOEBRIDGE: —that is not their approach in seeking changes to government regulation in this submission. I think jumping back to a point that has already been answered in that manner is not providing procedural fairness to this witness.

The Hon. SHAOQUETT MOSELMANE: To the point of order: A legitimate question has been asked. I think the witness can say yes or no or give an explanation to that question.

The Hon. BEN FRANKLIN: It is also important because it is the beginning of a line of questioning that is basically going to be talking about the fact that there are other important elements in this debate rather than just the prevention of animal cruelty, which is very important, I grant that, but if this organisation has put something in their submission, it is not unreasonable for me to actually ask a question about something that is in their submission that they have chosen to submit.

Mr DAVID SHOEBRIDGE: I have no difficulty with asking a question but asking a question and failing to take into account the position that has been put is not fair to the witness.

The Hon. LOU AMATO: To the point of order: A bit of transparency should be—

The Hon. BEN FRANKLIN: I understand that.

The Hon. LOU AMATO: We are asking for transparency.

Mr DAVID SHOEBRIDGE: It can't be more transparent than putting it in your submission like they have.

The Hon. LOU AMATO: Well, it is in the submission and he is asking the question.

The CHAIR: Thank you. I am going to refer to the witnesses to see if they would like to take that answer on—

Mr SEYEDI: I am happy to answer that question. We have made our position very clear in the submission and we do stand by it that we do not support in its current form the confining of hens for egg production. Having said that, as mentioned before, we have been confining our response within the context of the terms of reference and to draw attention to the Committee of the particularly unconscionable acts in battery caged confinement specifically. Having said that and because it was open within the terms of reference to refer to the welfare of hens generally rather than simply within the battery caged system we did feel that was an opportune moment to mention the range of other practices that are legal within the industry generally that are linked with poor animal welfare outcomes. Of course it is a matter for the Committee and parliamentarians to make a decision as to what is the correct balance or the correct action to take in response to those concerns.

The Hon. BEN FRANKLIN: Understood, and I appreciate that. My point goes to the importance of having eggs as a relatively cheap protein source for people and that is, I think, where the Hon. Rod Roberts was heading in terms of caged eggs being available. Do you agree that it is important, particularly for those who might be socio-economically disadvantaged, that they have access to cheap protein sources?

Ms WARD: Absolutely, that they have access to cheap protein sources but we would contend that plant-based sources are very cheap and very readily available.

The Hon. MARK PEARSON: Just a question relating to that. Would the average cost of a barn-laid egg or free-range egg be considered to be somewhat cheaper than the same amount of protein in meat, in a steak, if one were seeking cheaper protein?

Mr SEYEDI: I can't say we have done a consumer analysis so I am not sure.

The Hon. MARK PEARSON: So whether it be plant, egg or flesh of an animal, would the average cost of a barn-laid egg be considered to be cheaper than the same amount of protein from meat?

Mr SEYEDI: Our understanding would be that a barn-laid egg would be cheaper than meat.

The Hon. BEN FRANKLIN: Could I go back to my original question? You raised the Australian Capital Territory [ACT] in your submission and in your discussions. The first point I want to reinforce is that obviously caged eggs are available in the ACT. The second point is that it did not actually impact very many farmers at all whereas in New South Wales if it was going to be brought in it would impact thousands of farmers. I am interested in your response to the enormous amounts of money that farmers have actually invested in these processes, particularly their caged egg processes, often going into significant levels of debt, on top of the fact that we are going through an extremely bad drought. If we shut down the caged egg industry, as you would like us to do, this potentially will send a number of farmers out of business and potentially will have all sorts of deleterious outcomes in terms of everything from more unemployment to potential high levels of suicide?

Ms WARD: No-one would want those outcomes and we are certainly not suggesting those outcomes.

The Hon. BEN FRANKLIN: I want to make it clear I am not suggesting that you are suggesting that?

Ms WARD: Yes, that is right. So we are all in furious agreement. As happened in the ACT—now I know the ACT is a smaller jurisdiction, et cetera, but there was a large caged egg producer—

The Hon. LOU AMATO: There was only one?

Ms WARD: Sorry?

The Hon. LOU AMATO: There was one.

Ms WARD: That is what I said—a large, very large—and there was a protracted negotiation with that business in terms of the transition. As I think we mentioned, it coincided and all this infrastructure that farmers have invested in has a natural shelf life so an approach could be adopted that when your infrastructure is reaching the end of its shelf life, that is when you make the transition. They will be looking at replacing equipment anyway, and that is certainly what happened in the ACT, so that is why we are focusing on that one particular way in which that could be approached.

The Hon. BEN FRANKLIN: That is terrific. Thank you. There has been some suggestion in this inquiry that potentially a way forward might be to say that any new cages should be furnished for example or have some level of being furnished. How would you respond to that? You would just like to stop cages altogether, I presume?

Mr SEYEDI: Yes.

Ms WARD: Yes, confining animals in cages in this context would continue to have poor animal welfare outcomes and could be dealt with by not using cages.

The Hon. COURTNEY HOUSSOS: Do you have a view then on barn-laid versus free-range?

Ms WARD: Barn-laid—

The Hon. COURTNEY HOUSSOS: I know it is a small proportion of the Australian market?

Ms WARD: There are significant animal welfare issues with the barn housing situation. It can be viewed as just one large cage but it all depends on how that is managed in terms of stocking densities. Other enrichment provided to the hens could go some way to ameliorate those animal welfare concerns.

The Hon. SHAOQUETT MOSELMANE: Just following up on the questions from the Hon. Ben Franklin with regards to the financial support provided to the one provider in the ACT, has there been any analysis on your part or any other research done on how the amount of financial assistance provided for that company in the ACT would translate to New South Wales, even a sample as to how much it would cost New South Wales if we were to apply the same process?

Mr SEYEDI: I do not think we have that information on hand.

Ms WARD: I am not aware of that analysis being undertaken. It is certainly a good suggestion.

The CHAIR: Is it something you want to take on notice?

The Hon. SHAOQUETT MOSELMANE: If that is possible.

Mr SEYEDI: Yes.

Ms WARD: Yes.

The Hon. MARK PEARSON: How many birds are housed in that particular facility for egg production that changed over?

Ms WARD: We are unaware of how many are currently kept in that. As we would all be aware, a certain degree of secrecy surrounds animal industries. We certainly know that before its transition it had approximately 210,000 caged hens housed in seven sheds and an annual capacity of approximately five million dozen eggs and around two million were exported outside the Australian Capital Territory.

The Hon. MARK PEARSON: Quite a large facility.

Ms WARD: Yes.

Mr DAVID SHOEBRIDGE: Is not one of the real systemic risks if this Committee, for example, were to recommend furnished cages as a practical solution, notwithstanding the fact that it is a very imperfect outcome for animal welfare, the industry may then invest in tens of millions of dollars of furnished cages, only to be right back here again in five or 10 years' time with the same demands for animal welfare, the same demands for free-range chickens, only the industry will be tens of millions of dollars in debt with what will soon be obsolete infrastructure? That would be almost the worst outcome, would it not?

Mr SEYEDI: Furnished cages are certainly something we do not support and we are supportive of the Australian Capital Territory model, which my understanding is ban cages altogether. We note that other animal bodies and stakeholders who have provided submissions and evidence to this Committee today and yesterday have also pointed out from their analysis of the evidence that furnished cages still inhibit a lot of hens' ability to express their natural behaviours.

Mr DAVID SHOEBRIDGE: But do you see my point about that could almost be the worst outcome for an industry? They get saddled with debt—

Ms WARD: We would agree with that.

Mr DAVID SHOEBRIDGE: —to put in place infrastructure that within a short period loses its social licence and we are back here again, only this time we have put farmers into more debt to produce inadequate infrastructure.

Ms WARD: We would agree with that.

The Hon. BEN FRANKLIN: But surely it is up to farmers. We heard yesterday from a farmer—

Mr DAVID SHOEBRIDGE: Surely it is up to government to have some far-sighted approach.

The Hon. BEN FRANKLIN: —who is actually focusing and responding to the market, where the consumption of caged eggs is going down and free-range eggs are going up and they have now crossed over. This farmer has now developed a 240,000-bird new free-range facility, even though he has a caged facility. Do you not think that the market is already dictating what is going to happen?

Mr SEYEDI: We certainly welcome steps taken in the market and suppliers that do elect to respond to consumer demand by removing negative animal welfare outcomes. What we would simply say to that is the issue with considering animal welfare, and specifically the infliction of animal cruelty as merely a market issue and a consumer issue, to us would suggest that the infliction of cruelty to animals, that is the pain and suffering on a sentient being that feels that pain and suffering and that would normally be a criminal offence not simply a difference of opinion or policy concern, to then link that to consumer demand, and indeed the market, to us we would see as immoral.

We would say regarding consumer demand, that it is not unheard of to legislate to catch up with consumer demand should it be that consumers desire greater animal welfare outcomes. Within the Prevention of Cruelty to Animals Act itself, there are various practices and sports, for example, that we can only assume would have once been permissible within New South Wales that are now illegal, things such as animal fighting, bullfighting, trap shooting, the keeping of game parks, that is parks where animals are confined for hunting, and live baiting, steeplechasing and hurdle racing, all of these are contained within—

The Hon. BEN FRANKLIN: Standards change.

Mr SEYEDI: Yes.

The Hon. BEN FRANKLIN: But in free-range farms we have heard evidence that there are a range of other not ideal outcomes, higher mortality rates, smothering, more diseases, a range of things that are also problems in free-range farms as well. It is not definitely one is better than the other, necessarily. I understand your position about the cages. Perhaps we take that as a comment.

The CHAIR: We have run out of time. Thank you for attending the hearing. The Committee has resolved that answers to questions taken on notice be returned within 21 days. The secretariat will contact you in relation to those questions.

(The witnesses withdrew.)

(Luncheon adjournment)

ROWAN McMONNIES, Managing Director, Australian Eggs, affirmed and examined

The CHAIR: I now welcome our next witness from Australian Eggs. Would you like to start by giving a short statement?

Mr McMONNIES: Certainly, thank you. Just to clarify who Australian Eggs is, we are the research and development corporation for the egg industry. That means we are a services body. We are not a representative body. That means actually under our funding agreement with the Department of Agriculture, we are prohibited from engaging in agri-political activity, which means by definition and also practice, we do not take a position on public policy matters. Our participation in this process has been with effort, to assist the process, in particular through our research work and also our experience working with the egg industry. We formed the view that we had knowledge that would be useful to the committee and we pulled that together into a submission. You might have seen that the submission is not particularly long, but it contains attachments.

The power of the submission I would put is in the attachments and there is important material that may well have been available to the committee, but in case it was not, we put it in there. I mention two things in particular. Australian Eggs, as the research development corporation has taken the lead on behalf of the egg industry in assisting to develop an Australian egg industry sustainability framework. The backbone of that process is a community engagement, community trust process in which we have engaged the CSIRO community researchers to assist. It does contain insights on community views in relation to the egg industry. The reports were included in the attachment and are available for reference but obviously, I am happy to take any questions on that.

There is also on this issue a great deal of debate and interest about the pros and the cons of various production systems and we recognise that. There is also an absolute mountain of material available on that issue and unfortunately, from time to time, you will find people tend to wade through it and if they have a perspective with respect to the use of caged eggs, they will pick up a piece of evidence and say ha-ha, I have found the answer, because they found something that assists the case that they would like to put forward. That is natural but it unfortunately has been a large part of the debate and has not contributed productively to that debate.

To assist the committee we thought, how do we overcome that? We have asked to have expert veterinarians prepare a report specifically for this committee which was attached, attachment C titled *Welfare Science Report*. We essentially inserted the terms of reference that the committee had arrived at into our scope of work and said can you please outline the pros and cons of the production systems? Can you do it in layman's terms? Can you do it in no more than, I think we said 15 pages and they could not help themselves and it made it to 20.

The point I would make is that it is an entirely readable, accessible document. It is intended to be for people that are non-welfare scientists and it is comprehensive. It sets out in a balanced way, by request, what the pros and cons are. We hope that that would assist the committee in wading through the various perspectives that you will hear. One final point about me personally, I am not a veterinarian. I am not an animal welfare science expert. As the managing director of Australian Eggs, you would say I am in management or I am an administrator, but through my work over many years I am exposed to a range of matters in relation to the egg industry and make myself available to the committee if I can assist in any way.

The CHAIR: In your submission on page 10 you have stated that the obvious measure that could be taken to assist egg farming businesses in responding to a ban on conventional caged egg farming is financial compensation. What kind of compensation do you think would be required?

Mr McMONNIES: Just to clarify, I was not putting forward a proposal on behalf of Australian Eggs or the egg industry. Perhaps that crept in there as a matter of common sense, that you have got a group of people in the community very passionate about welfare that would like to see caged eggs banned, it would appear, that is not the majority of people but they are a vocal group of people. Then you have got consumer demand for caged eggs which currently is in the order of approximately 40 per cent retail, which is a substantial amount. The way in which I framed it in the submission is that the egg farmers are caught in the middle of that dynamic. They have to meet consumer demand to stay in the market that they are in and utilise the investments that they have made. At the same time, some parties would like to see the end of that system.

At the moment, as best I am aware, it has been proposed that there be a ban on caged eggs. I know there are timeframes involved which may or may not be a solution to the problem, but no discussion around the financial compensation. In other words, people say we think the industry should phase this out and the industry ultimately should pay for that. I guess the simple point, the common sense point is, if people feel very strongly about it, whether they are a minority or majority, a conversation about that compensation surely would progress what they want.

Mr DAVID SHOEBRIDGE: The industry keeps talking about people choosing caged eggs. There is no evidence anywhere that people actively go out and choose caged eggs. No-one is going out hunting for caged eggs. There is pricepoint that may mean that they purchase caged eggs, but can you point to any study that says 40 per cent of people actively go out and want caged eggs?

Mr McMONNIES: I just simply do not understand the question.

Mr DAVID SHOEBRIDGE: You said 40 per cent of people choose caged eggs, can you point to any study that says people actively go out and choose caged eggs? "I want to buy caged eggs." Is there any study that supports your assertion?

Mr McMONNIES: As I was explaining, I do not really understand the question. When a consumer goes to the supermarket, they choose a range of products, including an egg, including a type of egg and type of production system. If they choose a caged egg, why is that not evidence that they have chosen a caged egg? I do not understand.

Mr DAVID SHOEBRIDGE: You think there is a consumer preference for caged eggs, that is actually your evidence, that 40 per cent of consumers have a preference for caged eggs? Is that seriously what you are telling us?

The Hon. BEN FRANKLIN: The evidence is they have made a choice.

Mr DAVID SHOEBRIDGE: Mr McMonnies, can you answer the question rather than the Hon. Ben Franklin.

The Hon. BEN FRANKLIN: That is the question that he has already answered twice now. Ask a third time, go for your life.

Mr DAVID SHOEBRIDGE: I was asking you, not the Hon. Ben Franklin.

Mr McMONNIES: Sorry, I do not understand the question. It does not mean anything to me.

Mr DAVID SHOEBRIDGE: I am saying this: People are willing to pay more and they choose to have free-range eggs, because they actually have to choose to pay more and they choose to get free-range eggs, because they have a preference for free-range eggs, primarily because of animal welfare reasons. There is no evidence anywhere that I have seen in any of your reports, in any of the industry studies that anybody actively goes out and chooses caged eggs. I am giving you the opportunity to point me to a single study that shows that.

Mr McMONNIES: I simply do not understand the proposition. If someone goes to a store—

Mr DAVID SHOEBRIDGE: That is unfortunate, given you are in charge of Australian Eggs.

The Hon. BEN FRANKLIN: That is offensive.

The CHAIR: We will move on. I want to talk about the supermarkets and this consumer push. We have had a lot of submissions and heard a lot of evidence over the last couple of days that the consumer demand away from caged eggs has been growing. We have also heard from a lot of advocacy groups that that is expected to continue. There are commitments from a variety of companies, supermarkets of a total phase-out by 2025. Advocacy groups are saying they are getting more and more companies on the list for these 2025 phase-outs. Given that, do you feel that government legislation actually helping with a transition phase-out and offering support to farmers to make that transition would be better than allowing these farms to simply collapse?

Mr McMONNIES: I do not know that I really have a view. As I flagged, I am not putting a proposal for compensation. It is not my role to facilitate a transition. I note there is—

The CHAIR: I do not mean what would the transition be, but from a broader perspective, do you feel it would be better to sit back and let consumers decide and potentially allow farmers to shut down and businesses collapse or to have a government transition with that compensation, as you pointed out in your submission?

Mr McMONNIES: I feel like I am being asked to choose between two policy options, for which I have a preference for neither. I am struggling to bring meaning to the issue. The premise of the issue is, it seems, we are banning caged eggs and how should we do that best.

The CHAIR: What I am saying is that if we do not ban them, what we are hearing from advocacy groups is that there is going to be a massive phase-out by 2025. What we are hearing from industry is that it may not cope with that sudden dramatic change. We are hearing from advocacy groups that if there is not a ban, they are going to ramp up their campaigns against caged eggs. That is the evidence from others. I am just repeating the evidence that we have heard. Maybe I will make it a much broader question. Are you concerned about what that will mean

for caged egg farmers if these advocacy groups continue to ramp up these campaigns and more and more companies are committing to a phase-out by 2025?

Mr McMONNIES: I will put it this way, and I will try to be as helpful as I can, but please cut me off if you want to direct me to a particular direction. I am extremely interested to see what happens over the next five, six or seven years around these retailer commitments to a phase-out. They are going to be quite difficult to achieve. As a former competition lawyer with some study of markets and some economic qualifications, I am interested in how the market is going to interact with these retailer declarations—"We shall do this by a particular date"—including in the context of all the things that you have flagged. There is activist activity and there has been a growth in free range over time, but if the retailer says, "At a particular date, 2023 or 2025, you will no longer get a product at my store"—I understand there is consumer demand for the product although I understand that that is a point of conjecture—it is going to be difficult to achieve.

It stands to reason that it is highly likely that they are not going to get the timing exactly right, even if that transition occurs and free range grows and cage shrinks, which again is in question. Perhaps the summation of all of that is that there is enormous uncertainty about those phase-out commitments and what will actually happen. We were aware that there will be egg farmers engaging with retailers to try to make those commitments happen—they are obviously under commercial pressure to do that—and looking to make investments. But people will not buy an egg they do not want to buy. Economics will reign supreme over this market.

The Hon. MARK PEARSON: Mr McMonnies, I think the question is that Woolworths and Coles will do what they want to do in respect of what they see consumers are asking for. Woolworths has already done it. There is no likelihood that these retailers will turn their policy around and go back to purchase more caged eggs for consumers. As we travel in this direction, and the demand for non-caged eggs increases, as these companies—even companies that use eggs as ingredients of products such as bread and biscuits et cetera—decide to do that, what do you think is the best way to assist farmers in that transition, given that the transition is coming? The writing is on the wall; there is no turning back, so the question is: What do you think is the best way for the Government to assist farmers to transition?

Mr McMONNIES: I just—

The Hon. MARK PEARSON: You don't know?

Mr McMONNIES: No, I do not know.

The Hon. MARK PEARSON: So what is the purpose of Australian Eggs—

Mr McMONNIES: We are a research development corporation—

The Hon. MARK PEARSON: —if you are not in a position to advise producers as to what they can do with this situation? Woolworths is not going to sit around and be nice to producers. They are a big business and they want customers coming in their front door. These are the decisions they make, and suppliers just have to meet the demand from the retailer. So the question is: What do you think is the best way to assist farmers—egg producers—to move in that transition direction?

Mr McMONNIES: As an organisation it is not in our mandate and we do not intend to become involved in that bilateral negotiation between egg farmers and supermarkets.

The Hon. MARK PEARSON: Okay. Thank you.

Mr DAVID SHOEBRIDGE: Can I ask you about something that seems to be in your mandate? Tell me about the virtual tour experience.

Mr McMONNIES: It is utilising virtual reality technology, which I am not an expert on. I will try to describe it to you. There seems to be multiple cameras on a fixed point that can provide images—distinct from our standard form of reference for cameras—on a 360 degree basis. It can allow you to engage in a form of "choose your own adventure" by moving around within a video that has been taken, and choose parts of it that you would like to examine, including zooming in and out, et cetera.

Mr DAVID SHOEBRIDGE: Is that going to be a currently-operating facility, or are you just going to choose what you think is the best one? How does it all work?

Mr McMONNIES: The footage has been taken from three currently-operating egg farms in the industry. It has been put into two formats. I will struggle to get the technical language correct, but one is a non-virtual reality experience—you can watch it on a personal computer—but you still pay for access to the content. We are in the process—work is being undertaken—to create that virtual reality experience. You might know more about

it than I do, but it involves the wearing of virtual reality goggles and people are able to turn, move and observe different aspects.

Mr DAVID SHOEBRIDGE: I will ask you two things about that. I was not on the Committee, but I know that the Committee went and saw a farm on Monday. Could you share with the Committee whatever footage you have so that they could compare that to their own experience. I think that would be useful. You can take that on notice. The second point is: Wouldn't it be better to have some on-going live monitoring of what actually happens on farms so that, rather than the industry choosing its favourite five minutes, you actually face up to ongoing live monitoring of what goes on in the farms and, for good or bad, people can see what happens?

Mr McMONNIES: It is not my role to tell the egg farmers what they should or should not do on their properties. There are some egg farms that have live web cams currently. They choose to do that, and some of them might put it on their packs and say, "See for yourself," et cetera.

The CHAIR: Are there any caged facilities that do live CCTV?

Mr McMONNIES: I am not aware of a caged facility.

Mr DAVID SHOEBRIDGE: Don't you think that would be an act of faith from the industry to say, "Here it is; see for yourself."

Mr McMONNIES: Whether or not it is, it is a matter for them to decide. It is not for me to insist. If you are interested in the issue of transparency and being able to see what a caged facility is like, we have a role in providing information to the public. There are those images available on our web site.

Mr DAVID SHOEBRIDGE: The industry has pushed back against activists who are getting on site and sharing images, some of which have shocked the community, and—

The Hon. ROD ROBERTS: Trespassing on site.

Mr DAVID SHOEBRIDGE: —that would suggest to me that the industry has something to hide. What do you say to that?

Mr McMONNIES: I do not think that that is the case. Obviously I am working from a general assumption. We have taken a view, as an organisation that has a mandate with respect to the sustainability of the industry, and we have engaged with representative bodies on this issue, to say that we need to be transparent, open and honest with the community. So part of our role is to share information in relation to the industry in a balanced way.

Mr DAVID SHOEBRIDGE: Don't you think it is telling that the only part of the industry that is willing to have live cams showing what goes on is the free-range component? That, of itself, suggests that that is the only part of the industry that is out there overtly proud to say, "These are the practices on our farms," while the caged part of the industry is trying to get politicians to ban people from going on, and criminalise people for telling the truth? Don't you think that that is telling?

Mr McMONNIES: I would not say that it is telling. You have a very small proportion of free-range farms that have taken the step of adding a video component. The same logic being applied would suggest that the others have something terrible to hide. I am not sure that is my natural assumption. My evidence is that that is not the case. In the end, if there was very strong demand for video based transparency, which you see great value in, you would see it happen, but there is not, it seems. Egg farmers are able to sell their eggs and consumers are not up in arms about having videos on farms. Some may think that it is an appropriate measure, and desire it, but it is not a mainstream perspective, it would appear.

Mr DAVID SHOEBRIDGE: That is your view.

Mr McMONNIES: I am basing that on the market. If it was a pre-condition of sale that there was a video—if you could not sell an egg in New South Wales or Australia because you did not have the video—then you would see a lot of videos, but we do not see that. We see the opposite of that. I am just observing that fact.

Mr DAVID SHOEBRIDGE: We have heard your argument about the concept of people choosing cruelty eggs, which I disagreed with earlier, haven't we?

Mr McMONNIES: Sure. Yes.

The Hon. COURTNEY HOUSSOS: I have a couple of questions given your organisation's research focus. Are you able to tell us what proportion of egg production is eggs that are sold in supermarkets because this

inquiry has been told that by 2023 or 2025, depending on the supermarket, they are going to end the sale of cage eggs. What proportion of the market is that going to affect?

Mr McMONNIES: We understand it is approximately 50 per cent. On many, many aspects of the egg industry we wish we had better data than that. There is simply nothing that records it, but you work backwards from estimates of total production based on the national flock and you can absolutely track retail well because you have scanned data and then you can work out it is approximately 50 per cent.

The Hon. COURTNEY HOUSSOS: So about 50 per cent of the total egg industry is eggs that people purchase in supermarkets?

Mr McMONNIES: Yes.

The Hon. COURTNEY HOUSSOS: Thank you. I am not trying to catch you out, I am just trying to get it right in my head.

Mr McMONNIES: Sure.

The Hon. COURTNEY HOUSSOS: Do you have any research or are you aware of any research on consumer behaviour about why barn laid eggs are such a low proportion of the Australian market? I say that because the feedback that we have received, or the evidence that we have received, is that a lot of the animal advocacy organisations think that barn laid is significantly better than cage eggs—maybe not quite as good as free range, but is definitely preferable. It is like 7 per cent of the total Australian market. Is that correct?

Mr McMONNIES: I think it is slightly higher. I think it fluctuates around 9 and 10 per cent year on year.

The CHAIR: Do you think that that is growing, that demand for barn eggs?

Mr McMONNIES: No, it has been quite stable over the years. Anecdotally, in the last 12 or 18 months the retailers have put quite a push on barn eggs, and that has of course influenced their share. I think they have gone up to 11 per cent or so. Again, from a broad understanding, anecdotally, I am not aware of a barn based study. I think barns struggled as a category. It is defined fundamentally by what it is not rather than what it is. The use of the term "barn"—it is an American word—is not particularly resonant I think with Australians. Free range appears to have come from—the genesis seems to be in animal welfare as the issue, and cage has been central to progressing that issue. The opposite of "cage" it seems conceptually for the community is "free", so they jump across the barn category to free range. That is what appears to be happening.

Interestingly on free range, I think it is very comforting or logical to assume people are buying free range for animal welfare. I certainly have had that view in the past. But there is a very interesting study, and I made it an attachment to the submission, by the University of Adelaide which took the time to say "Why do you buy free range?" and found that it was not necessarily the case, and that the primary reason people were buying free range was because they perceived it to be a better product, including because it sits at a higher price point in the supermarket and we have that pricing structure within the supermarket of good, better, best, so they were assuming it was a better product, not necessarily on a welfare basis.

The Hon. COURTNEY HOUSSOS: Thank you very much for your comprehensive answer. I wanted to ask you one final question: In your submission under point No. 6 you say:

... 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.

Can you explain to the Committee how significant this is?

Mr McMONNIES: I think it is very significant. I think I tried to express in the submission what keeps me up at night with respect to welfare, and it is not necessarily this production system debate, which I understand has an enormous amount of interest, but the evidence suggests that there is no production system, there are pros and cons, et cetera, and management is much greater—and I think you have heard all of that evidence. But what concerns me is what is happening in dark corners of any industry, including the egg industry, and people that are not keeping up with basic standards. You can have it as a guideline and you can rely on enforcement by police or the RSPCA, et cetera, but when we become aware of those instances, they are enormously troubling and you shudder to think that there are more like that out there.

I think it is a very poor reflection on our industry when those instances come up and certainly the stakeholders that I engage with do not run their farms anything like that. I mean I have one in mind, I think it was just last year, which was a terrible incident and I believe there has been enforcement action taken about it. So that is what I would like to see eradicated from the egg industry, from all primary industries, from any industry that

has an impact on animals, and management standards have the capacity to contribute to that because they would raise the bar in terms of accountability, for people to take control and custody of animals, and I do not see that as a bad thing. I must say I am tending towards policy and I am really talking from a personal perspective when I put that point.

Mr DAVID SHOEBRIDGE: So you think the worst thing for animal welfare in the chicken industry is not the systemic built, and millions upon millions of chickens being housed in cages, but it is ad hoc poor farming practices that is what you are telling the Committee is the worst thing for animal welfare?

Mr McMONNIES: Yes, but I would go further than "ad hoc poor farming practices". I am talking about appalling farming practices. I think we need to have good and better systems to ensure that appalling farming practices cannot happen.

Mr DAVID SHOEBRIDGE: How many of those appalling farming practices have you referred to the RSPCA or any other animal welfare body for prosecution?

Mr McMONNIES: I am not aware of them, I find out about them like you, through the newspaper, and when I do it is very troubling. You look at it and think, "How could this go on?"

Mr DAVID SHOEBRIDGE: Have you referred any for prosecution?

Mr McMONNIES: The ones I was not aware of? No.

Mr DAVID SHOEBRIDGE: Have you referred any that you were aware of for prosecution.

Mr McMONNIES: I just said I wasn't aware of them.

Mr DAVID SHOEBRIDGE: You have not referred any?

Mr McMONNIES: I have not referred any.

Mr DAVID SHOEBRIDGE: You say that is the worst thing for animal welfare, but you are this major player in the industry and you have not referred a single one for prosecution. Is that your evidence?

Mr McMONNIES: I have just given that evidence, yes, that is my evidence.

The Hon. BEN FRANKLIN: Mr McMonnies, are you aware of any circumstances where there have been these appalling breaches that you have made a deliberate decision not to report?

Mr McMONNIES: Yes, I thought I had just given that evidence, that I was not aware of these instances.

The Hon. BEN FRANKLIN: Of any instance, so it is not that you have not—

Mr DAVID SHOEBRIDGE: But his evidence is also that that is the worst thing—

The Hon. ROD ROBERTS: Please allow him to finish his question.

Mr DAVID SHOEBRIDGE: He can't say both.

The Hon. BEN FRANKLIN: You are being rude, David, and infantile frankly.

The CHAIR: Thank you members.

The Hon. BEN FRANKLIN: My point is simply this: The reason why you have not reported any is because you have not been specifically referred to any, like you have not seen any yourself?

Mr McMONNIES: That is exactly right. I was not aware of them. If I was aware of them I would be happy to report them.

The Hon. BEN FRANKLIN: Could I ask a couple of other questions?

The Hon. COURTNEY HOUSSOS: I just have one more. You referred to Egg Standards of Australia in your submission. What proportion of or how many farms in New South Wales are covered by their accreditation?

Mr McMONNIES: I do not have a number for farms in New South Wales. There are 200 sites nationally and, as you are aware, approximately 33 per cent of the national flock is in New South Wales, I think a rough figure of around a third of those sites would be fair to assume, so a number of sites. They tend to be the larger farms. They certainly tend to be the more sophisticated farms that have good record-keeping systems. It is ultimately a record-keeping process and auditing process. Sorry, I think I answered the question.

The Hon. COURTNEY HOUSSOS: Yes, that is great. I would love it if you would not mind taking on notice how many actual farms in New South Wales are accredited.

Mr McMONNIES: Yes, I think I can get that information.

The Hon. COURTNEY HOUSSOS: Thank you very much.

The Hon. BEN FRANKLIN: I wanted to go back to the choice issue, and people obviously determining that they are buying cage eggs by the fact that they buy them, which was obviously your evidence before, and the evidence that we have heard throughout this inquiry that they do that basically for reasons of cost because at the moment the cage eggs are the cheapest eggs in the market. Is that fair?

Mr McMONNIES: They are certainly the cheapest eggs in the market, I can certainly agree with that. I cannot tell you with any precision what is in the mindset of a community member while they are doing that. I would suggest to you that it is broader than a singular focused issue, but price is definitely—I can only assume price is a key driver.

The Hon. BEN FRANKLIN: Understood. Is the demand for cage eggs being met by the industry at the moment?

Mr McMONNIES: Well, there is a shortage of cage eggs at the moment, so no, it is not, and there have been out-of-stocks quite recently.

The Hon. BEN FRANKLIN: What do you mean there is a shortage?

Mr McMONNIES: There are not enough eggs to meet the demand—

The Hon. BEN FRANKLIN: The demand from supermarkets?

Mr McMONNIES: Yes, the demand at supermarket level. I have certainly noticed—we have an office in North Sydney and if you go into the Coles store there, there are gaps in the category. But most significantly I was over in Western Australia a couple of weeks ago and they were doing television news stories on the out-of-stocks there and I said, "Oh yes, we've got that too", but when you saw the image I mean the category was just decimated, it was around a third full, perhaps even less, which is an incredible oddity for supermarkets to have empty shelves.

Mr DAVID SHOEBRIDGE: Sorry, so your evidence about New South Wales is based upon your personal shopping experiences in North Sydney?

Mr McMONNIES: No.

Mr DAVID SHOEBRIDGE: It is not based on any numbers that you have from the industry or from retailers other than your personal shopping experience in North Sydney?

Mr McMONNIES: No, it is not just based on the shopping experience in North Sydney. It is based on engaging with stakeholders who sell eggs to the supermarkets.

Mr DAVID SHOEBRIDGE: Do you have any numbers?

Mr McMONNIES: No, I do not think so.

The CHAIR: Is it possible to get something on notice about where the egg shortages are for the caged-egg system? Do you know if it is egg shortages in all systems, or is it specific to caged?

Mr DAVID SHOEBRIDGE: Just in North Sydney?

Mr McMONNIES: It is a national shortage. It is a national market.

The CHAIR: Of all eggs?

Mr McMONNIES: No, of caged eggs, at the moment.

The CHAIR: Specifically just of caged eggs? Is that both for products on the shelf, or just one or the other?

Mr McMONNIES: I have not had any discussion, information in relation to product, but it is certainly an on-the-shelf issue. I am told that the supermarkets are asking for more caged eggs currently and they are unable to supply them.

Mr DAVID SHOEBRIDGE: But so far the only evidence you have given us, apart from your assertion, is you have seen a Chanel 7 news bulletin in Western Australia and your personal experience shopping in North Sydney. Some evidence is what I think the Committee is asking for.

Mr McMONNIES: Well, if you check the *Hansard* you will see I gave evidence to the effect that I engage with stakeholders that sell to supermarkets. Part of our mandate is to engage in marketing, so we have to engage with our stakeholders and ensure that we are on top of what is happening at any one time. It is both wasteful and embarrassing to market when there are no eggs. Part of the role is to stay in touch and ask what is going on in the market. The consistent feedback for some time, at least the last three months, is that the market is short, and it is short on caged.

The Hon. BEN FRANKLIN: I go to a different issue. If there is a shutdown of the caged egg industry, what economic impact would that likely have on farmers, who obviously currently use that system?

Mr McMONNIES: It could only be profound. I think you have heard substantial evidence that the industry runs on large-scale fixed infrastructure, and I mean the main part of the industry, the 80 per cent if you like of the flock, which are long-term investments. There is the analogy to the house, nobody buys a house and pays it off in a short period. So, we had previous reviews of the model code, we had phase out of what was referred to as the battery cage, and I think you are aware it is the small door cage, and a reinvestment process really over the last decade or 15 years, and the life of those assets is in the order of 30 years, so they are part paid down. Again, the analogy works, if you were part way through your house and the bank said actually, we prefer the money back tomorrow, otherwise we will foreclose, what will happen? There would be an enormous level of foreclosures, you would expect. That is my understanding of the issue.

The Hon. ROD ROBERTS: We heard the Hon. Mark Pearson say before, and I think he was using Woolworths as the example, taking a high moral ground and saying they will not stock it and that will drive the consumer. He said something along the lines that Woolworths will not back down, they will not go backwards. Do you recall last year Woolworths taking the high moral ground on the stocking of plastic bags, then doing a backflip for a period?

Mr DAVID SHOEBRIDGE: For shame, for shame, Rod.

The Hon. ROD ROBERTS: David, it is evidence and it is fact.

Mr DAVID SHOEBRIDGE: It is true, they did.

The Hon. ROD ROBERTS: That is your opinion. I am stating facts.

The Hon. MARK PEARSON: Point of order. I do not think it is appropriate for members of the Committee to be having these conversations, just ask the question.

The Hon. ROD ROBERTS: I asked the question, then I was rudely interrupted.

Mr DAVID SHOEBRIDGE: That is true.

The Hon. ROD ROBERTS: Our witness, who has come along to give his evidence, got rudely interrupted as well. You do recall Woolworths doing a backflip because of consumer—

Mr McMONNIES: Sure.

The Hon. ROD ROBERTS: Mr Shoebridge asked you a question along the lines of, do you have any studies of people actively seeking caged eggs, to which I believe you said no, you do not have that. There are 50 per cent of people in the market place who are buying caged eggs at the moment. They walk into a supermarket and they have a choice between caged eggs, barn eggs and free-range eggs. Is that correct? The fact that 50 per cent of people choose to buy caged eggs, it is a fair assumption then that 50 per cent of people are rejecting the opportunity of buying free-range eggs, is it not?

Mr McMONNIES: They clearly have an opportunity available to buy another egg.

The Hon. ROD ROBERTS: And they are choosing not to.

Mr McMONNIES: Whether they can afford that or not is for them. Yes, they make their choice.

The Hon. ROD ROBERTS: But they are choosing not to. They are actively rejecting free-range eggs.

Mr McMONNIES: I guess in that instance they are.

Mr DAVID SHOEBRIDGE: Although you are Australian Eggs, obviously chickens are a key part of what you have to deal with, correct? Chickens are a key part of what you deal with in your day-to-day work, chickens? You know a bit about chickens.

Mr McMONNIES: We do a lot of research and a lot of that research involves chickens. Is that the context?

Mr DAVID SHOEBRIDGE: Correct. You do a lot of research on chickens.

Mr McMONNIES: Indeed, we do.

Mr DAVID SHOEBRIDGE: Lots of thinking about chickens, chickens.

Mr McMONNIES: Sure, chickens, yes.

Mr DAVID SHOEBRIDGE: Do you think chickens should be able to flap their wings?

Mr McMONNIES: Well, that is an interesting question. It is one that I understand there are firm views on. Science does not really—

Mr DAVID SHOEBRIDGE: And I am asking you the question.

The Hon. BEN FRANKLIN: He is answering the question, David.

The Hon. LOU AMATO: Give him an opportunity.

Mr DAVID SHOEBRIDGE: It is pretty simple, yes or no. Do you think chickens should be able to flap their wings?

Mr McMONNIES: I think all questions of that nature need to be considered in context, and the real question is, is there a valid production system in conventional caged eggs, weighing up the pros and cons and applying personal values, including with respect to questions like that. I have come in today to provide evidence in relation to the work of Australian Eggs to the extent I can assist. I do not think I need to be put on trial for my personal values.

Mr DAVID SHOEBRIDGE: I am asking you in your capacity representing Australian Eggs. You say that a lot of what Australian Eggs does deals with chickens. It is a pretty simple question about chickens.

The Hon. BEN FRANKLIN: Yes, and he has answered it, David.

Mr DAVID SHOEBRIDGE: And you have not answered me yes or no.

The Hon. BEN FRANKLIN: Yes. You do not have the right to tell him which way he has to answer the question.

Mr DAVID SHOEBRIDGE: You have not answered—

The Hon. BEN FRANKLIN: He has answered the question appropriately.

The CHAIR: Honourable members, please.

The Hon. LOU AMATO: Point of order—

Mr DAVID SHOEBRIDGE: You have not answered. With due respect to you, Mr McMonnies, you have not answered the question, you have talked around the question.

The CHAIR: Thank you, Mr Shoebridge.

The Hon. LOU AMATO: I believe that the witness is being badgered, and equally I think the witness has answered the question.

The CHAIR: Mr Shoebridge, would you like to reword the question if you do not feel that you have received an adequate answer?

Mr DAVID SHOEBRIDGE: Mr McMonnies, rather than a treatise on the industry more broadly—and I am not interested in your personal values, but as a representative of Australian Eggs—do you believe chickens should be able to flap their wings?

Mr McMONNIES: I just do not understand how to engage with that. It is so—

Mr DAVID SHOEBRIDGE: All right. I will give you another question.

The Hon. BEN FRANKLIN: Let him finish the answer.

Mr McMONNIES: It just cuts across the genuine matters for discussion within the Committee, for which I make myself available to assist. I understand that it assists some to look at these issues through a keyhole, through a very narrow lens, to try to score points, et cetera. I did not come here to score points myself and I do not really wish to be drawn on other people's attempts to do so. In the end it will come down to people's values. For some you can look at caged eggs and say it is completely appropriate, the hens are safe, they are okay, it is fine. And for others—and I believe that is where your question is going—it is horribly inappropriate, including because a view that chickens should be able to flap their wings. I acknowledge both of those perspectives. That is my answer.

Mr DAVID SHOEBRIDGE: Mr McMonnies, I just wanted an answer from you.

The Hon. BEN FRANKLIN: And he has now answered it three times.

Mr DAVID SHOEBRIDGE: Do you believe chickens should be able to perch?

Mr McMONNIES: That is a very interesting question, for which there has been a lot of consideration and a lot of science. But it cannot ultimately be answered by science and it comes down to values, and that is something that Australian Eggs is investing in to try to understand better.

Mr DAVID SHOEBRIDGE: It comes down to values. What is the value that Australian Eggs places upon a chicken's ability to perch?

Mr McMONNIES: We would acknowledge, quite obviously, that chickens exhibit natural behaviours and there is value in those natural behaviours. How much? We do not have a view. There are complex trade-offs in different production systems, including other factors with respect to the health and safety of the bird and the natural behaviours. It is for others to decide where those trade-offs should land.

Mr DAVID SHOEBRIDGE: And I assume, so as this does not become a boring, iterative process, you will give similar answers in relation to the ability of chickens to nest?

Mr McMONNIES: Yes.

Mr DAVID SHOEBRIDGE: To engage in dust bathing and to engage in foraging?

Mr McMONNIES: Yes, they are all natural behaviours of the nature of the answer I have just given.

The CHAIR: Going back to the shortage of caged eggs, is that in relation to some of these disease outbreaks in salmonella? What was the cause of this sudden shortage of caged eggs?

Mr McMONNIES: It is interesting because there is no particularly firm evidence in that regard. We had salmonella enteritidis [SE] incidents earlier this year. I think there were 13 all told. Some of them in large farms and a number of them were in small farms, and some of them were in caged farms and others in barn and free-range farms as well. We have lost some caged eggs, or hens as a result of those SE incidents. But my understanding is that there is a broader driver through fluctuations in the market that delivers these outcomes in terms of shortages and it is not just—and perhaps not even predominantly—as a result of the SE incidents.

There have been in various periods in recent history, certainly since my involvement in the market, where there have been shortages of different production types. One of the reasons for that is that egg production is quite inflexible, it takes a lot of planning, including getting permits et cetera to get a new shed up and to add capacity. So judging what the market will be in a particular time, including 18 to 24 months out, and making an assessment without the benefit of knowledge, because it would be anti-competitive, of what your competitors are going to do means really the industry oscillates around a point and it is a fairly narrow band but it is a price-sensitive product so it does have an impact.

In 2016 I think there were shortages of free-range eggs and there were regulatory processes on at that time and I understand through engagement with stakeholders that was driving a resistance to invest. There was then a surge of investment, we had a long period of over supply leading to earlier this year which happened to coincide with the SE incidents—may or may not be significantly driven by them—and now we are short. But interestingly it is on cage this time and not on free range.

The CHAIR: That kind of shortage is quite normal and could happen in any of the systems at any point in time?

Mr McMONNIES: "Normal" suggests—it is not constant would be the point I would make. It is not that they are always over or short, et cetera. There is the general relative balance. What we have now is a distinct shortage—I mean, one that is sustained and has not been readily met.

The Hon. LOU AMATO: Mr McMonnies, I am of the understanding, and some members of the Committee are as well, that if there was not pressure on the farmers from Coles and Woolworths, who are the two main operators, would that enable the farmers to put the extra costs they have into utilising their farms better, if they had more money available, instead of being squeezed on the amount they get for their eggs? I know that may put you in a difficult position, but they are not the only ones they put pressure on. There are other farmers as well. If they had more money, they would have the opportunity to invest in a better process.

Mr McMONNIES: I will do my best and you can redirect me if I am not heading in the direction that you want me to, but a couple of notable points there is that this has been a time of particular pressure for the egg industry with respect to the drought and feed prices, which effectively had doubled over the past 18 months, and there has not been any, or any significant, increase in price and a retail level or from customers so they have been quite wedged there. In answer to your question, yes, that puts pressure on the business. It provides, unfortunately—

The Hon. LOU AMATO: You are working on a small margin.

Mr McMONNIES: You are working with a small margin and, I believe, in many cases you are working with a negative margin so it makes it very difficult to make forward-looking investments.

The Hon. LOU AMATO: Like the milk industry.

Mr McMONNIES: A further related point is that, quite obviously, if you want sustainable businesses and you want to see improvement in particular with respect to animal welfare, that is only ever going to be delivered by profitable businesses and a profitable industry. If you ripped the guts out of the profitability of an industry it is very difficult for them to say, "Right, this is the norm now. How do we improve it?" Where is the money going to come from?

The Hon. LOU AMATO: So external pressure will obviously put pressure on the farmers where they may have to cut corners whereas, if profitability was there, they would obviously be able to improve their operating systems.

Mr McMONNIES: Yes.

Mr DAVID SHOEBRIDGE: Mr McMonnies, say that of the exact consumer purchases they may buy a dozen caged eggs for \$5 at Woolworths or a dozen free range eggs for \$7 or \$7.50—they fluctuate up and down—what proportion of that goes back to the actual farmer?

Mr McMONNIES: I do not know the definite percentage. There is a rule of retail that it is a 100 per cent mark-up. My understanding is that that would not apply in the context of eggs and it would be less than half that is going back to the farm gate.

Mr DAVID SHOEBRIDGE: Do you want to take it on notice and try to get the figures?

The CHAIR: Yes, take that on notice.

Mr McMONNIES: I do not think I could get the information, really.

The Hon. BEN FRANKLIN: We have a couple of farmers coming in next week. You could ask.

Mr McMONNIES: I do not think I have access to it.

The CHAIR: I will wrap up because we have gone well over time. Thank you for attending a hearing.

Mr McMONNIES: No worries. Thank you.

The CHAIR: The Committee has resulted answers to questions taken on notice be retained within 21 days. The secretariat will contact you in relation to those questions that have been taken on notice. Thank you very much.

(The witness withdrew.)

BEDE BURKE, Partner, Glenwarrie Eggs, sworn and examined

ROBERT PEFFER, Sales, Packing and Distribution Manager, Canobolas Eggs, Molong, sworn and examined

The CHAIR: I now welcome our next witnesses. Would either of you like to start by making a short statement?

Mr BURKE: Yes, I would, thank you, Chair. As a co-owner in a business that my wife and I wholly own, on behalf of my wife and my family I really appreciate the opportunity to be here today. One of the key things that worries us about our future is the security of our current investments, which are significant. In my submission it is very clear that we have spent about \$5 million in cage infrastructure since 2008. We are also very concerned about the security of that investment but also the certainty to plan for future investments. The lead time that we have in terms of planning is so long in our industry that it worries me we are now going to find ourselves, as an industry and us as a family, in a hiatus of investment, whichever system may be to go into.

I also worry about not setting up our next generation of farmers, including my children, to the prospect of failure by eliminating a system that is a big part of our producer base in the industry at the moment. I love farming. I love working with livestock. In particular, I love working with chickens and layers, and I love eating eggs. I am spoilt by being able to consume fresh eggs on a daily basis. We not only care for the welfare of our hens in producing them in our five-star accommodation, but our family would love to reinvest in our industry and stay a part of the future of it. Thank you for the opportunity to give an opening statement.

The CHAIR: Would you like to make a statement?

Mr PEFFER: Yes, I would. Some of the same points that Mr Burke just made would also apply to us. Our family has been farming since 1955 in eggs. I am the third generation in the family business. During that time we have seen a lot of things happen in the industry. We have seen it very heavily regulated. We have seen it deregulated. We have seen a lot of changes through different codes and rules. I suppose we have stuck in there and we have been in it for the long haul. Now we are here to defend what we have done in the past and, I suppose, put forward a perspective for how we would like to see the future of the industry—not just for our family.

I am here on behalf of our 40 employees and contractors and people who rely on our business in our small community. We are probably the largest or second-largest private business in our town. It is a critical thing for country communities to realise the impacts of changes that might seem to make sense of paper, but it is an important thing for them to realise how that is going to translate on the ground and for generations in a family. Thank you for the opportunity to be here.

The CHAIR: My first question is to Mr Bede Burke. In your submission you say that there is no capacity for government to assist with the transition away from battery cages. Could you tell us a bit about what you mean by that? You talk about this uncertainty within the industry. If government was to provide more assistance would that make you feel more comfortable with the future of your industry?

Mr BURKE: Thank you for that question. I am 60 years old and we have on three occasions pulled out and trashed firstly the battery cage. There are photos that I am sure you are aware of. We had about 8,000 of those.

The Hon. LOU AMATO: How long ago was that?

Mr BURKE: That was done before 1983-84.

The Hon. LOU AMATO: It was quite a while ago.

Mr BURKE: Yes, and at that time they had significant value relative to the time then. In 2007 and 2008 we pulled out and trashed 30,000-cage capacity and those cages had a lot of life left in them. We have 106,000 birds in our new layer facilities and we have had no assistance or help in terms of firstly getting rid of the old cages and secondly in offsetting the costs of the new ones. The new ones cost us in excess of \$50 per bird so that is a \$5 million investment, as I said. We are probably 25 per cent through the debt repayment on that. It is very similar to the length of term of a house loan so for us to consider voluntarily moving away from the cages, there is no way that could ever happen until those cages obviously run out of their functional life.

The CHAIR: How long is their functional life?

Mr BURKE: Because all these new cage systems are built extremely well—ours originated in Germany and we have maintained them well; ours are eight and nine years old, the two sheds—we would hope that they have 30 or 35 years of life.

The CHAIR: Is that 35 more years or including the eight years?

Mr BURKE: No, 30 to 35 years of total life. That would be our expectation. To pull those cages out without any significant structural adjustment would really terminate our position in the industry. We have a situation where we invest in these things and at the end of life they have nil value, unlike buying a tractor—we are in broad-acre farming as well—at the end of the commercial life of that tractor we still have a trade-in value or a header or a spray rig, we have a trade-in value, or even in our other livestock systems, our sheep and our cattle, we have a trade-in value. With cages and with hens we have no value and from that perspective it is going to be tough.

The second comment I would like to make is that most people who have gone into non-cage systems—production systems—have generally leveraged their cage systems to do that, so it is helping to pay off the non-cage production system. We only have cage at the moment and for us to pull those out and go into a barn or cage-free inside the shed, we would have a period of nil production because it is a long time in gutting and changing them over, so without the Government having capacity to look at structural adjustment, as happened with the 2001 regulation, it is something that we cannot consider in that light.

The CHAIR: I have another question for either of you. You would be aware that major supermarkets such as Coles, Woolworths and Aldi have committed to phasing out caged eggs by 2025. How do you think this will affect your business and the industry generally? I will broaden that. We have a list of different organisations, Arnott's and various other companies, that are taking it out of their inside food products as well; they have made that same commitment. Where do you see that affecting your business going forward over the next 10 years?

Mr BURKE: My answer would probably be quite different to Mr Peffer because he has all production systems. In my summation, we sell most of our eggs into the food service industry so that does not require putting them into a 12-dozen carton. As the previous witnesses have stated, there is a shortage. I cannot fulfil the orders. The people whom I supply to keep requesting more eggs than I have and in that environment we do not see ourselves being severely affected because of the 50 per cent supermarket retail sales and 50 per cent non-supermarket but the reality is that down the track it obviously will have an impact.

Mr PEFFER: Yes. My answer on that is it depends on how good your parliamentary privilege is as to what I can say about things.

Mr DAVID SHOEBRIDGE: It is pretty solid.

Mr PEFFER: I have met and discussed with Woolworths, for example. In October 2013 I was out in a truck delivering our eggs. I got a phone call from a Woolworths category manager saying, "There's going to be an announcement tomorrow. I can't tell you what it is but don't be alarmed." That's not the kind of news that you really want to receive. So we waited, saw the news the next day and they were announcing that they were taking caged eggs out, all caged eggs, branded, their own brand, effective 2018. Now that hasn't happened, but the following week after that announcement we committed to building and installing sufficient cage-free production to replace all of our sales to Woolworths, which at the time was about 25 per cent of our business. Now if they had followed through on what they said they would do we would have been in a much different position to where we are now because we would have been in a box seat to be supplying that when many others in the industry were unable to do so, but they never went through with it.

They turned up to an industry meeting in 2017 and said, "Oh, by the way, that's not happening because the demand is still there for cages". They had done their trial, they had taken caged eggs out in places, they had built new stores and not put caged eggs in them and they found that it did not work because there is some portion of the market that is there; they are purely interested in getting that egg and whether it is cage or barn or whatever it is, they want a particular egg at a particular point. Now in some cases it is caged eggs. We know that people pay more for our caged eggs than what they pay for a supermarket generic free-range egg, and that is not based on what we are charging to the supermarket; that is based on their choices—I am not singling anyone out here but the supermarkets make choices about margin and they make choices about their strategies and it does not take a genius to work out that ultimately 40 per cent of \$6 is a better thing for them than 40 per cent of \$4.

So of course it is in their interest to drive people towards a more expensive egg. Now the proposition that we can just drive down the cost of free range over time through doing greater volume encounters probably two key issues. One is consumers do not expect when they are buying their free-range eggs that they are getting them from three and four and five hundred thousand bird farms. They might accept that for cages in many instances if they knew. Okay, that is just how it is but that may not be what they think that they are paying for. I am not here to criticise any farmers who have built big free-range installations; they are making their choices. But it may not match up with consumer expectations.

The other thing is there are inherent differences in the way that you can manage those free-range and barn operations that mean you cannot consistently produce the same egg mass or the same total volume of eggs, the same size of eggs, all of those factors, from a free-range or a barn operation that you can from cages. It is simply reality and in many cases the natural behaviours of the birds are what is responsible and one of the ways that cages achieve phenomenal long-term success and productivity is that they limit some of the behaviours of the bird that are detrimental to each other. If you looked at a flock of chickens and evaluated them psychologically, you would say they are all sociopaths because they are out there to weed out the weak from the flock and the bigger the flock the more birds that will be affected by that sort of bullying behaviour and there is just no way around that.

The Hon. COURTNEY HOUSSOS: Thank you both for your time today and for sitting through some of the inquiry. My question is about the staffing aspects of production, which is probably more relevant for you, Mr Peffer. Can you talk about how many birds you have, how many eggs that produces and how many staff you employ in each aspect of your production?

Mr PEFFER: There are two ways of thinking about it, one is capacity and the other is output, in terms of the number of eggs. In very round numbers, we have got capacity for 80,000 caged birds, 50,000 barn and 70,00-odd free-range hens. About 60 per cent is non-caged. But consistently we get closer to 50 per cent of our eggs would be caged because there is less downtime between batches. You do not need to let the birds spend as much time adjusting and finding nest boxes. The move from a rearing to a production system takes a lot less toll on a caged bird than it does on a barn or a free-range bird because they are going from one environment to another. We try and keep it as similar as possible but it cannot be perfect. Some birds do not find the water.

Some birds do not find the food or they get bullied away from it. That does not happen in cages. The dominant birds cannot dominate enough to prevent the bottom of the pecking order from getting at the food and water. That is one aspect of why we see different production numbers. In terms of the labour side of things, there is no doubt, you have got more physical work involved in barn and free-range. In cages every egg is a floor egg in a sense, but it is rolling off the floor of the cage onto a conveyor to get collected inside the packing shed. In a barn or in a free-range shed, if they do not lay those eggs in the nest boxes and they are laid on the floor, then best practice is that you cannot sell that as a retail egg, because you cannot necessarily guarantee how long it has been there. It might be half a per cent, in some batches it might be over two per cent.

They go from having a value of a shell egg that you could sell in a supermarket to having the value of pulp, getting sold out for very little. That takes a toll on the productivity of the system and somebody has actually got to go and pick them up. Whilst one individual can check our 80,000 birds twice a day thoroughly and still do other jobs in the meantime. We have a full-time staffer. Because of the hours in the day you actually have to have more than one person a day allocated to the free-range site. That is even with a high level of mechanisation. We have an automated packer to reduce the requirement for labour there but a lot of people either hand pack their free-range eggs or they have to employ multiple packers. The trade-off there is it is extremely expensive, but we did it because we thought that we would have very long life in that asset. Does that help?

The Hon. COURTNEY HOUSSOS: Yes, that is very helpful. In your submission you talk about how you supply large parts of regional New South Wales.

Mr PEFFER: Yes.

The Hon. COURTNEY HOUSSOS: I realise this is anecdotal evidence, but I would appreciate it if you could provide it to us, are eggs, both caged and free-range, more expensive in regional areas than they are in metropolitan areas and does that affect the demand, do you think?

Mr PEFFER: There are probably multiple answers to that. As far as the supermarkets go, we find the way they operate with us is they select one price and that is their statewide price. If we are supplying a store in western Sydney, that will be the same price as what it is in Forbes. For those guys it is no different, the cost to the consumer. As far as some of the other places, I, think in small towns, obviously you have got this freight component that starts to add up. That can be 20 cents, 30 cents a dozen to ship eggs, places like Lightning Ridge, Cobar and Bourke. We factor that into our pricing and in some of those instances we have group pricing. In some cases where we can do it more cheaply to one location and it costs us more for the other one, we wear the difference and just pick one price that goes across all of them. That is one way that we try and look after our country market.

As far as anecdotally generally about the level of support for the different systems, since we have launched our free-range eggs, we are probably selling 10 per cent free-range in some locations. In others we are still not getting any traction and even if we are the only eggs in the store, we might only sell one out of 30, one out of 20 boxes of eggs might be free-range. I had to double up yesterday because I was appearing here today and

do some additional deliveries that I would have done today and as I went around, I talked to people and said this is why I had to come early, because of this and anecdotally there was only really one reaction. There was a lady who summed it up well and she said, "Why can't they just leave us alone?" There were other people as well that said, "Good luck", et cetera. Basically, people do want to be free to make the choices that they are making. It is not always about price. As I said, we sell our caged eggs, they still sell. Some of the people do select them in supermarkets for factors that must be other than price because our caged eggs are not cheaper than the generic in some instances.

Mr DAVID SHOEBRIDGE: What proportion of the amount the consumer pays—\$5, \$7 a dozen eggs—comes back to the farmers as a general rule?

Mr PEFFER: As Rowan started to answer this too, there are two aspects to that. We are vertically integrated, which means that we are selling our brand in our cartons, delivered to a store in many instances or through maybe a third party wholesaler. We probably see on average a bit over 50 per cent of that money coming back to us.

Mr DAVID SHOEBRIDGE: That is when you do everything, including popping it in the store.

Mr PEFFER: It is unbelievable in the sense that we rear are chicks from day old, we vaccinate them, we bust our guts to do this stuff.

Mr DAVID SHOEBRIDGE: And you get half of what the consumer pays.

Mr PEFFER: Between us delivering to the back dock and someone scanning it out the self-service checkout, we get a bit over half and in some cases, less than half. The worst most egregious case was just under a third, and they dropped that line because it was not selling.

Mr DAVID SHOEBRIDGE: We could probably all make observations of that but thank you Mr Peffer. Mr Burke?

Mr BURKE: We get about 50 per cent.

Mr DAVID SHOEBRIDGE: Are you the same, vertically integrated?

Mr BURKE: No, not in terms of from the collecting of eggs through to marketing. We are vertically integrated from production through to packing. But it depends on who is paying the freight, who pays for the packaging material. Because in wholesale terms we sell to about 12 different markets, if one of my markets is not able to pay as well and the other market is paying better, wants more eggs, we just shift those eggs.

Mr DAVID SHOEBRIDGE: It seems to be bizarre that you think of the collective effort in getting the egg to the supermarket and that receives half the income, and the effort of, as you say, taking it from the storage docks, scanning it and send it through, gets the other half. Something is not right there, is it?

Mr PEFFER: Did you say "immoral"?

Mr DAVID SHOEBRIDGE: I did not, but I will now.

Mr PEFFER: I have had difficult conversations with category managers and, to their credit, the individuals who work for Coles and Woolies—and anyone else—are decent people but they have a job to do. They turn them over. I have been doing my role for close to 10 years, and they turn them over. There are at least five or six in both those chains—maybe five—for example, managing the category. So every deal you have done and every time you have helped somebody out in the past someone new comes along, and they do not owe you anything.

Mr DAVID SHOEBRIDGE: It is a brand new day.

Mr PEFFER: That was certainly the case with the transitioning idea. We were being pressured significantly to provide more barn eggs. Only two months prior to that we were asked, by that same individual, whether we would like to install another cage shed, because they were not keeping up with demand. They would fund it. We would have to do all the work.

Mr DAVID SHOEBRIDGE: Could I ask another question about the dollars? Mr Burke, you said that it was about \$50 for a cage. Is that right?

Mr BURKE: Ours cost us that in 2008-09.

Mr DAVID SHOEBRIDGE: How many birds were in that cage?

Mr BURKE: Six birds per cage. We have 106,000 in two sheds on the farm.

Mr DAVID SHOEBRIDGE: How many eggs, roughly, do your birds lay in any given year.

Mr BURKE: In a day?

Mr DAVID SHOEBRIDGE: Not in a day, in a year.

Mr BURKE: About 2.8 million dozen.

Mr DAVID SHOEBRIDGE: How many does any one bird lay?

Mr BURKE: One bird, in its life of about 80 weeks, will lay about 370 or 380 eggs. Sorry, that is hen housed. That is the number of birds you put in. The number of eggs that you get out divided by the number of birds you put in, is our hen-house figure. That is what industry talks about. That includes mortality.

Mr DAVID SHOEBRIDGE: I am just talking about how many eggs an individual bird lays on average in a year.

Mr BURKE: That would be 370 to 380 over—

Mr PEFFER: That would be less in a year.

Mr BURKE: No, I said that that was to 78 weeks of age.

Mr DAVID SHOEBRIDGE: More than one a day was super impressive or, otherwise, troubling.

Mr BURKE: No, I did say to an age.

Mr DAVID SHOEBRIDGE: It is about 300 eggs a year, isn't it?

Mr BURKE: Something like that, yes.

Mr DAVID SHOEBRIDGE: That is about 1,500 eggs per year out of each of those cages, or probably more than that—1,800 eggs—from your \$50 cages. Six times 300 is about 1,800.

Mr BURKE: No, no; it is \$50 per bird.

Mr DAVID SHOEBRIDGE: \$50 per bird?

Mr BURKE: Yes.

Mr DAVID SHOEBRIDGE: So 300 eggs per year. I was trying to work out what the marginal cost for providing the cage is, per egg. If it is \$50—I will assume that it is a 15-year investment—per egg the capital investment that you pay is a fraction of a fraction of a cent. It is significantly less than one cent per egg.

Mr BURKE: Can I qualify there. You asked me what the cages cost. You did not ask me what the land costs and all the other supporting infrastructure costs.

Mr DAVID SHOEBRIDGE: I am focusing on the cage. You were concerned about the lost investment in the cage. A fraction of a cent per egg is the capital cost for the cage, isn't it?

Mr BURKE: I would like to take that on notice, because I think you are out of the ballpark quite a bit. We talk about the variable cost of production at the moment being about \$1.10 or \$1.15 a dozen. That is in the caged production system. That is for birds, feed, electricity, labour and water. Additional to that is our fixed costs, and that fixed cost is significantly higher than 0.1 of a cent.

Mr DAVID SHOEBRIDGE: We were talking about the cages, so I will just tell you how I did the numbers. It is \$50 for a cage. I assumed it is over 15 years—and you were talking about 35 years—and that is less than \$3.50 a year in terms of the capital cost. You may have some debt et cetera but it is less than \$3.50 a year. So if you are knocking out 300 eggs per chicken, if you only use them for 15 years it is slightly over one cent per egg, but if you are running it over 35 years it is one third of a cent per egg. I am just wondering why these capital costs are the big argument in terms of production costs.

Mr BURKE: We talk in dozens and you are all of a sudden talking in a unit of one-twelfth of that.

Mr DAVID SHOEBRIDGE: I am happy for you to check my numbers.

Mr BURKE: That has a massive impact in terms of the optics of what you are saying. We do not talk per egg; we talk per dozen. That is a significant difference between 12 and 14 cents a dozen.

Mr DAVID SHOEBRIDGE: I will take you through the numbers again. It is \$50 per chicken per cage. That is the per chicken cost of the cage. That was your evidence earlier. If you spread out that capital over 15 years it is about \$3.33 a year. Are you with me so far in the maths?

Mr BURKE: I would love to follow it through and work it through.

Mr DAVID SHOEBRIDGE: It is about \$3.30 a year.

Mr BURKE: I am hearing what you are saying.

Mr DAVID SHOEBRIDGE: If each chicken produces 300 eggs per year and that investment only lasts you for 15 years, it is still only a fraction over one cent per egg for the capital cost of the cage. As I do the maths I am wondering why that capital investment is such a barrier to transitions.

The Hon. LOU AMATO: You have never run a business, have you, David?

Mr DAVID SHOEBRIDGE: Mr Burke?

Mr BURKE: I do not think your numbers are correct. I am not writing them down; I am not following it through.

The CHAIR: Mr Burke, if you want, you can take it on notice.

Mr BURKE: I will take it on notice. I will give you one comment in response to that. We do not always have periods of profitability. So when the wheat price last August went from \$200 a tonne to \$500 a tonne, egg prices did not move until March or April of this year. We have gone from having a reasonable profit to a negative return on our eggs for that significant period.

Mr DAVID SHOEBRIDGE: I am not trying to suggest that there are not other cost pressures on your industry, and I am not suggesting that simply buying the cages is the beginning and the end of the cost of producing the eggs. What I am putting to you—I will make it very plain—is that the marginal cost of that kind of capital investment per egg is very, very modest. I have given you the basis upon which I have done those calculations, and I am more than happy for you to chew it over and give us an answer on notice.

Mr BURKE: I am happy to do that.

The Hon. LOU AMATO: Mr Burke, can you explain to us exactly your operational costs—your true costs—and also the fluctuations in the cost of feed, your workers, your electricity costs and your whole costs? Coming from a business background I understand that there is so much more cost involved, especially if you have a labour rate. What is your true cost—your final figure? Your business will go up and down, so can you give us your analysis on how it really works, please?

Mr BURKE: I could take the question on notice in addition to giving you some basics, now.

The Hon. LOU AMATO: Just give us a rough calculation so that David will understand.

Mr BURKE: In terms of our variable cost of production, 50 per cent of that is normally feed. At the moment that has climbed to about 60 per cent. About 30 per cent of the variable cost of production is the replacement pullet and the balance is labour, electricity, water, repairs and maintenance, and packaging. That, at the moment, is well in excess of \$1. So if we were to stop producing eggs tomorrow our fixed cost of production that would keep going on is X amount per year, which I think is what Mr Shoebridge was asking me about.

Mr DAVID SHOEBRIDGE: Yes, I was asking about that small aspect.

Mr BURKE: I am happy to provide that in more accurate detail.

The Hon. LOU AMATO: That will probably help David out, as well. It will break it up.

Mr BURKE: My cost of production, in the cage production system, will probably be much lower than what Robb's position would be in the different production systems.

Mr PEPPER: I suppose with respect to Bede's comment, our production cost is similar but then we have a grading cost of X cents per dozen and a packaging cost, and there is a lot more staff involved in our operation and a delivery cost. Then you are looking at things like trucks, fuel and all of these things. Three per cent to the minimum wage on 1 July. You just do not get a 3 per cent rise out of anybody because of that. I found some old docket books from the nineties. We were selling eggs for approximately \$26 a box—which is roughly \$1.75 per dozen. Since then the minimum wage has more than doubled. We just do not see those numbers translate through.

The Hon. LOU AMATO: When your costs go up—say, your feed costs and other costs that are substantial cost to you—how easy is it for the people you supply to, particularly the bigger supermarkets and so forth, to accommodate that price increase if you go, "Listen guys, things have gone up. I need to increase my price." How willing are they to compromise?

Mr PEFFER: Anecdotally, which is all I can offer you on this, I have not heard of a single egg producer that has succeeded in achieving a substantial price increase related to the drought, even though it is demonstrable that we are under pressure. Shelf prices have increased in the past couple of weeks. The benefit of that is actually a second-hand one. The markets that you are supplying that are not the supermarkets are then able to put their prices up because they are not competing against the cheapest price on the supermarket floor.

The Hon. LOU AMATO: If you play with the big boys, you cannot really—

Mr PEFFER: Oh, look, you go along and you do your best. You make a case. I was told by one on one occasion we moved back. In 2012 we clawed our way back to our 2004 pricing with Coles.

Mr DAVID SHOEBRIDGE: Maybe we should have a separate inquiry into the grossly inappropriate power of that duopoly.

Mr PEFFER: The difficulty there is—

Mr DAVID SHOEBRIDGE: Let's do that, Lou.

The Hon. LOU AMATO: I will do that.

Mr PEFFER: I do not want this to be taken the wrong way—that I am here to put the boot into them, either—because they offer us a market. I have thought, "Well, what have we open an egg shop in Bathurst? What if we open an egg shop in Orange?", which is our home market. It is not going to work. They have got a market for a reason. People go there. I go there and I buy my whatever there as well. It is just is how it is. The big thing that I would love to say is that there is a lack of transparency and there is definitely a power imbalance when producers—we cannot get together and talk about what our prices are to them, and they have got all the information. That is okay. That is how it is, in a sense, but it is starting to distort our market.

Mr DAVID SHOEBRIDGE: Maybe there should not just be free range labelling. Maybe there should also be a farmer price market labelling as well. That would be nice. When people are purchasing, they can see what type of egg it is and see what they paid the farmer.

Mr PEFFER: Hey, you are going to make it so that my grandchildren cannot do business with these guys.

The Hon. LOU AMATO: The retailers are making all the money and the farmers are doing all the work.

The CHAIR: Just in recognition that we are very close to running out of time and there are a few more members who have questions, thank you, Mr Amato.

Mr PEFFER: The one comment that I would make on Lou Amato—

The Hon. MARK PEARSON: I just have one question.

Mr PEFFER: I am sorry, Mr Pearson—is that it is all very well with some of these numbers to say, "Oh, on a per egg, it's this." What you have to think about is that it is millions of chickens and laying tens of millions of eggs. A relatively small-medium-size farm like ourselves are producing millions of dozen a year. It is substantial when you multiply it out, and that is the key sort of thing. It is the same on the welfare side. It is all very well to look at percentages and say, "Well, the mortality is X." It is millions of chickens that will die because they are being taken out of cages and put into other systems.

The Hon. MARK PEARSON: Mr Peffer, before you got the phone call, when you are packing that truck, of what Woolworths was intending to do the next day, what was the proportion of cage, barn and free range on your property?

Mr PEFFER: Okay. It was 80-20 at the time. We were 80 per cent caged.

The Hon. MARK PEARSON: Then you invested in free range.

Mr PEFFER: We then invested in barn, which was I suppose a bit out of step with some of the other parts of the industry, but in part because we were taking baby steps, I suppose. We would have to set up additional rearing facilities. I mean, it was substantial.

The Hon. MARK PEARSON: You were responding to a sudden demand that was going to come from a major retailer. Of the changes that you made—now you have considerable free range, considerable barn and cage—have you been able to sell all those eggs?

Mr PEFFER: I very rarely have trouble selling eggs.

The Hon. MARK PEARSON: So you were able to adapt and be profitable, even though it was a sudden pressure put upon you to produce eggs in a different way for the largest retailer.

Mr PEFFER: Sure.

The Hon. MARK PEARSON: I suppose I am talking about adaptation.

Mr PEFFER: I understand. There are two things there: Without blowing our own trumpet too much, we have always been prepared to do some things that might seem a little bit out of step with the industry. In the mid-nineties when people were a bit unsure about which way regulation was going to go, we built cages. We built cage rearing—some of the first cage rearing in Australia—to try to get better outcomes and lower mortality through the rearing process. And a little bit the same when there was discussion before the 2008 stuff came out, we built two cage sheds in the intervening period and also a barn. Then we went and did another bar. Then we had a hiatus because you just cannot keep investing all the time. You have got to get the money back.

We were at the point in our business, for personal reasons, family reasons, my cousin had rejoined the business after studying and had come back in so we had two young men that wanted who grow the business again. We were already contemplating what we were going to do. We had a sales representative from a manufacturing company coming to visit us already. It was on the cards, but we had not decided to do anything. The Woolworths announcement effectively pulled the trigger on something. It gave us comfort and certainty, ironically, that whatever we did, we would be all right; but that is not to say that we could have done it without the cage base.

The Hon. MARK PEARSON: So are you suggesting—

The CHAIR: I am sorry, Mr Pearson. We do not have time.

Mr PEFFER: I certainly am experiencing that shortage. I could talk forever.

The CHAIR: I am sorry, we have run out of time. If people do have further questions, we can put them on notice. Thank you, both of you, for attending this hearing.

Mr PEFFER: You are welcome.

The CHAIR: The Committee has resolved that answers to questions being taken on notice be returned within 21 days. The secretariat will contact you in relation to the questions that have been taken on notice. Thank you both.

(The witnesses withdrew.)

Dr BIDDA JONES, Chief Science and Strategy Officer, Acting Chief Executive Officer, RSPCA Australia affirmed and examined

Dr JED GOODFELLOW, Senior Policy Officer, RSPCA Australia affirmed and examined

The CHAIR: I now welcome our next witnesses from RSPCA Australia. Would either of you like to start by making a short statement?

Dr GOODFELLOW: Yes, thank you. I would like to thank the committee for giving the RSPCA the opportunity to provide evidence. Some animal welfare issues are complex and difficult to resolve, but in our view the use of conventional battery cages by the Australian egg industry should not be one of them. For over two decades the animal welfare science has been clear—the welfare of layer hens is severely compromised in battery cages and there are successful, widely used alternative production systems which can and do provide hens with good welfare. You have no doubt heard much testimony over the past two days about the fact that every system has its advantages and disadvantages. Of course, this is true. But the fundamental point of distinction, which cannot be overlooked, is that there is an inherent limit on the level of welfare that can be reached in a battery cage.

The impacts of behavioural deprivation in the battery cage system affect every single hen, every single day of their productive lives. This cannot be overcome by good stockmanship. It cannot be overcome by further research and development. It is an unchanging and inevitable feature of the system itself. It is this fact which has led eminent scientific advisory councils around the world to conclude that battery cages must go. The European Union Scientific Veterinary Commission; the UK, Farm Animal Welfare Council; the New Zealand National Animal Welfare Advisory Committee; and the Canadian National Farm Animal Care Council. All these committees have arrived at this same conclusion. Accordingly, 30 of the 36 nations of the OECD, have now phased out battery cages or are in the process of doing so. They all considered the evidence base and made a decision to move their industries to a more humane and sustainable future.

While we are still debating the topic here, the rest of the world moves on. If we want to build community trust and confidence in livestock agriculture, we must move on too. This necessarily involves setting an end date on the use of current conventional battery systems. We have viable alternatives. Indeed, almost half the industry is already producing safe, affordable, nutritious eggs without the use of battery cages. This is the future for the industry. Investment in this space is an investment in the future of the industry. It can be done, the scientific evidence base and overwhelming community expectations call for it to be done and the RSPCA is willing to work with government and industry every step of the way to help make it happen.

The CHAIR: We heard yesterday from the Department of Primary Industries [DPI] that it will cost \$1.3 billion to phase-out battery cages over 10 years. What is the RSPCA's view of that figure of \$1.3 billion and have you done any costings of your own?

Dr JONES: That costing relates to the entire impact of the standards across the board. That regulatory impact statement relates to the national poultry standards. There are half a dozen or more industries involved in that process. The impact precisely on moving away from the current cage infrastructure was a much lower figure than that. I do not have that to hand with me, but it is outlined in that statement. I would, however, say that there is a final decision regulatory impact statement in preparation now that will be more refined in scope and the consultants have been given a direction from the animal welfare task group to cost the installation of the new furnished. That is yet to be seen what that outcome will be, but the \$1.3 billion figure certainly is not isolated to transitioning away from the battery cage infrastructure.

The other factor to note there is that involved a very significant figure of some \$600 million relating to one particular standard that involved certain restrictions to the big trimming practice and I believe that is also being clarified and refined as well. I cannot advise what that final figure will be, but we should be notified of that within the coming months.

The CHAIR: You also said in your submission that failing to phase-out battery cages could have broader implications for the whole egg industry in regard to social licence. Can you give us a little bit more detail on what you mean?

Dr JONES: We have had recent research commissioned by the Federal Department of Agriculture, Australia's Shifting Mindset on Farm Animal Welfare and it shows quite alarming findings relating to community's growing concern around farm animal welfare issues. 95 per cent of the community were reported as having a concern about farm animal welfare. 91 per cent indicated that they wanted to see some reform to address the issues they were concerned about. Indeed, in that report, battery cages in particular were singled out as one of the systems that caused a significant degree of concern. When we talk about other implications, other than economic implications of not moving from the status quo, that is what we are referring to. That is not just for the

industry sector in itself, it is also for government and the perception of the community that government will respond to community expectations and act on the scientific evidence base. I think there would be a significant erosion of trust in government's performance in that area because of the widespread community interest and engagement in this issue if we were to have an outcome from this national standards development process where there was no end date placed on the battery cage system.

The CHAIR: We also heard today from Australian Eggs who said that the majority of people are not wanting a ban on caged eggs, but the research that you are quoting seems to say something very different. Do you want to respond to what that witness said, about most people not wanting a ban?

Dr GOODFELLOW: I think that response was based on the research of the industry survey that was conducted last year and is underway again now. It is important to note that that survey has not reported an answer to the question about whether those respondents support battery cages. It has not asked that. It is broad questions around the general support for the Australian egg industry, which of course, is the whole industry and people are responding on the basis of the fact that they support the industry, they buy eggs, they think eggs are part of their daily diet. We know that when we ask the specific question and we have done this numerous times, as have others, using the same kind of representative sample. This is not RSPCA supporters, this is using third party companies to look at what Australians representatively support, up to 85 per cent of the Australian public say that they would like to see an end to battery cages.

The CHAIR: We have heard other evidence that still 50 per cent of people are buying caged eggs. How do we account for that difference? If 50 per cent of people are still buying caged eggs, but over 80 per cent are saying they want to see an end to battery cages?

Dr GOODFELLOW: It is an interesting question. Consumers make choices for various reasons and often we find that people's behaviour, what they say they would like to do, is not necessarily what they always do. That applies across a range of different choices.

Mr DAVID SHOEBRIDGE: Look at our Federal Government.

Dr GOODFELLOW: I will not comment on that. Most consumers are overwhelmed when they reach the egg aisle in a supermarket. Even I am overwhelmed on the rare occasion when I need to do that. I say that because I have my own hens. The range of labels, the range of claims that is made on egg cartons is vast. It is extremely confusing. We are all driven by price when we make choices in supermarkets. We have other factors that affect our choices, but choice is always important. Consumers also expect that legislation will protect animals from cruelty. They think that if they can buy a product on the shelf of a supermarket, then the animals involved must have been protected from cruelty.

The range of labels and the range of claims that are made on egg cartons are vast and it is extremely confusing. We are all driven by price when we make choices in supermarkets and we have other factors which affect our choices, but price is always important. I think consumers also expect that legislation will protect animals from cruelty. They think that if they can buy a product on the shelf of a supermarket, then the animals involved must have been protected from cruelty.

The Hon. MARK PEARSON: Is there a presumption of regularity?

Dr JONES: There is. And so I think there are also people who do not have a concern about animal welfare; they are disinterested in animal welfare. But the majority of people are concerned about animal welfare. They think it matters, our society recognises that it does, and so we need to make sure that our legislation matches those expectations and does indeed protect animals from cruelty. Our view is that in order to reach that point we were need to actually ensure that the systems that are being used to provide eggs, so that where consumers are making those choices, do actually protect them from cruelty.

Mr DAVID SHOEBRIDGE: Thank you for your evidence, Dr Jones and Dr Goodfellow. The industry keeps saying—it keeps making this claim that 40 to 45 per cent of people choose caged eggs at the supermarket. Therefore, that option should be available for them to actively choose. Do you know of any research that suggests that a consumer actually goes in and says, "Today, I want to buy caged eggs and I am actively going to choose caged eggs"?

Dr GOODFELLOW: No. I believe, obviously, certain people purchase eggs on different parameters, different values, and price of course is one of the most significant. And they are in large part purchasing on price. That market, if conventional cages were to be phased out, would simply purchase the next cheapest option. But they are not seeking out, to our knowledge, a production system that confines hens to barren cages. That is not the motivating factor behind purchasing that particular product.

Mr DAVID SHOEBRIDGE: So this argument that the industry keeps putting forward about consumer choice is really a false argument because no-one is choosing—well, maybe there is a tiny fraction of the population, but there is no evidence that anyone is choosing caged eggs?

Dr GOODFELLOW: Not for the particular feature of the cage.

Mr DAVID SHOEBRIDGE: Not for the fact of being caged?

Dr GOODFELLOW: It is more based on the price. And on the consumer choice argument, as Bidda just mentioned, when you go to the egg aisle consumers are flooded with choice in terms of the different range of eggs, the different systems that are available, the different claims and phrases that are used. And what is on the table, at least with the national standards, is—well, one of the options is a 10-year phase-out of the barren cage system, but it would still provide producers with the option, if they wished, to take it up for using the furnished cage system. So in effect, the same range of options would still be available. It would simply be—instead of being a barren cage egg, it would be a furnished cage egg. Whether or not producers will invest in that system is a voluntary, sort of commercial decision for them to make based on market signals. The role of regulation is really to set that minimum standard, the minimum benchmark. And our proposition is that that minimum benchmark really should not be including the continued, indefinite use of the barren cage system.

Mr DAVID SHOEBRIDGE: What is the RSPCA's position on furnished cages?

Dr JONES: This was provided in our written submission. We have conducted a review of all different systems and looked at, you know, where we see the current science sits on those systems. Furnished cages offer some of the additional benefits to battery cages in that they provide hens with the ability to perch, the ability to lay their eggs in a nest, and some opportunity to scratch. However, hens in those cages still have less behavioural opportunities and ability to move than they would in a non-cage system. So we recognise that there are some benefits to providing those furnishings in a cage over barren battery cages.

It is probably also important to note that in the past 20 years whilst we have been having this hiatus, if you like, in terms of improvements to production systems, there has been every opportunity for the industry to enrich cages. There has been every opportunity for the industry to move towards these systems. The science was there 20 years ago. Those systems have been in place in a number of other countries. But the industry has chosen not to. It has chosen not to take the opportunity to enable them to have a system that would improve welfare using a caged system that they currently have. So our view about furnished cages is really based on the science. There is one important point to make, though: Furnished cages only offer those benefits over barren battery cages if enough space is given to every bird and if the number of birds in a colony cage is not too high. So if you do not have adequate stocking densities, you do not get those benefits.

Mr DAVID SHOEBRIDGE: Isn't there a danger, in opening that up as a key part of the transition, that the industry invests in furnished cages, we know that they are substandard in terms of an animal welfare outcome compared to free range, all we do is kick the argument down the road for another five or 10 years and we are back here again if five or 10 years saying, "Let's ban furnished cages"? What if there is a huge amount of investment in the industry and we are back on the same battleground again?

Dr GOODFELLOW: Yes. I think that is a really fair comment. Again, it goes back to what I said earlier. The proposal in the national standards—pathway B, as it is called—does not prepare the industry or current cage egg producers to go into furnished. It is just simply saying that after a 10-year time frame if producers wish to continue farming with cages, they need to provide those furnishings. Whether or not that is a smart investment decision to make in light of the market trends and the market signals about moving to cage free, that is a question for the industry to determine. But there is nothing compelling them to go into that particular system.

The Hon. BEN FRANKLIN: I guess first it is probably more a comment. There are lies, damn lies and statistics. And I am not suggesting that your statistics are incorrect in any way, but I guess I am saying that there are always opportunities to present different statistics in different lights. I just had a quick look at *Australia's Shifting Mindset on Farm Animal Welfare*, which is a very interesting document. And I did note—I understand your comments, but then you can also look at other statistics for example, that there are only 27 per cent of people who consider farm animal welfare to be a serious issue, for example. I am not suggesting that it is not an issue and so on, but that is one. Or, alternatively, when asked about, "Do you agree that the welfare of the following farm animals is generally good?" On chickens for egg production, 65 per cent agreed. So that is two in three. So I guess I am just balancing up the equation just a little in terms of that. I am happy if you would like to comment on that.

But my fundamental question is the cost one. Your submission says that you think that it would be appropriate for Government to be involved, if there were to be a forced transition over the ten-year time period

I think that you were suggesting. I think we have heard evidence. I think you were in the room when we heard evidence that it would be very difficult for people in the industry, after the debt that they have taken on, particularly through the drought and all the rest of it, to take on such an economic impost themselves. Have you done any modelling on—and I am happy for you to take this on notice, by the way—what you think the Government should do, which areas it should provide funding, how those funds should be constructed and so on? I mean, it is that we have to put the rubber on the road and there will be massive budgetary implications, and so I am just interested in if you have done any work in that area.

Dr GOODFELLOW: The short answer to that is no, but certainly it is something that we are more than willing to commit some resources to, certainly if that is something that is seriously being considered by Government. We have had some economic advice that has been provided, but it was more general in nature in terms of the type of assistance that could be provided. It didn't break down the numbers. But in terms of whether it is sort of financial incentives through low-interest or no-interest loans or rebates or just simply the provision of capital, that is something we would be very interested to look into further. But no, we have not done that precise sort of analysis to date.

The Hon. BEN FRANKLIN: No problem. The other issue that I was thinking about is when you are looking at this potential transition you obviously do not feel that going to furnished cages is enough.

Dr GOODFELLOW: It would certainly be an improvement, a recognised improvement on the barren cage system, so as Bidda said we do recognise that science provides evidence that there are welfare benefits. It is not an ideal system, but again we accept that no system is necessarily ideal from a welfare standpoint, so on the various indicators of animal welfare it is better than the barren cage system, but again it will be a commercial decision based on market trends as to whether or not the industry actually invests in that particular system.

The Hon. BEN FRANKLIN: I understand, and just a final question: I understand your contention and you have made a number of points regarding the deleterious impact on chickens in cages. We have heard evidence from other sources talking about a number of issues for chickens that are free range, whether it be smothering, cannibalism, a higher incidence of various diseases, higher mortality rates, and so forth. I would be interested in your comments on that. Do you accept that there are issues with the free range system as well that will need to be addressed, and do you want to comment further on that?

Dr JONES: Yes, of course we acknowledge that there are differences with different systems and each system has its own advantages and disadvantages. As I said in my opening statement, it is the fact that there is a ceiling on how much you can—on the welfare of hens in battery cages. There are a couple of things worth noting in terms of some of the assessments that other groups have put forward. I think there is a characterisation that animal welfare science around cages is somehow values based and inconclusive. I think that is incorrect. I think the science-based decisions that have been made globally to phase out battery cages—

The Hon. BEN FRANKLIN: Is that furnished cages as well, by the way?

Dr JONES: No.

The Hon. BEN FRANKLIN: So it is just the conventional cages of the 30 to 36?

Dr JONES: Yes. Some of those countries do not have furnished cages, but—

The Hon. BEN FRANKLIN: On whole, thanks.

Dr JONES: That number is for battery cages.

The Hon. BEN FRANKLIN: Yes.

Dr JONES: And it is also reflected in the scientific review that the Victorian Government commissioned as part of the standards and guidelines process. There is a high level of agreement amongst animal welfare scientists that there are substantial welfare problems with battery cages, so I think it is important to note that. It is also important to note that the way that we assess welfare has to be one that includes all of the different characteristics that fit into what "welfare" means. There is also a characterisation by the egg industry to hive off behaviour as though behavioural needs are not so important because they are harder to measure than some other things.

They are obviously just as important and they need to be considered alongside all of the other aspects of the welfare, health, nutrition environment that animals are in and their overall mental state as a result of their welfare state. We also have to think about the duration of welfare impact. So the issues that occur in battery cages, as I said, are inherent with the system and they affect every bird every day. There are risks around other systems that are risks that need to be managed and we know that with good management of those systems we can reduce

those risks. They are not things that are guaranteed to affect every bird every day, so there is a difference in terms of the severity and the duration of the welfare impact in battery cages compared with other systems as well.

Dr GOODFELLOW: Can I just make one additional point there: If you look at the level of R&D going into addressing the challenges of non-cage systems—feather pecking mortality—there is a significant amount of R&D being invested around the world in that. When it comes to the welfare impacts of the battery cage system, particularly around the extreme behavioural deprivation, there is zero R&D going into that because it is impossible to change that outcome and be in that system, you have to change the system itself to deal with those impacts. I think that is another way to look at it as well, that we have opportunities for improving those risks in the non cage; there is really no opportunity to improve the impacts in the battery cage system.

The Hon. ROD ROBERTS: Thank you both for coming today and giving up your time; you are not compelled to come and give evidence as witnesses, so we appreciate it. I am going to be very specific here and I will probably address it to you, Dr Jones, because it was in your verbal submission, but Dr Goodfellow, feel free to join in. In fact, in your written submission you talk about the UK Farm Animal Welfare Council, and I will target them in particular. I am reading from a website that you are probably very familiar with. It is called "Compassion in World Farming". It is a UK site and it talks about the UK in particular. I will paraphrase here to shorten things, but it refers to co-operation between Compassion in World Farming and the RSPCA and the Calf Stakeholders Forum, for example, and they talk about how many male dairy cattle are killed in the UK each year. There are 55,000 dairy calves shot every year in the UK. Would you consider that a good model of animal husbandry and practice?

The Hon. MARK PEARSON: Point of order: I fail to see the relevance—

The Hon. ROD ROBERTS: The relevance is, Mr Pearson—

The Hon. MARK PEARSON: Can I finish my point of order please? I fail to see the relevance of a question about dairy calves in the UK in relation to battery hens in Australia.

The Hon. ROD ROBERTS: These witnesses along with others during the course of our inquiry have been using the UK and the EU as models which we should be following. I am talking particularly about the UK here in terms of some very bad animal management and welfare practices that have been brought to light by an organisation that is included with yours, the RSPCA, albeit the English version, but I am sure you would work hand in hand.

Mr DAVID SHOEBRIDGE: I join in that point of order. We do have limited time. I get that there is a political point but—

The Hon. ROD ROBERTS: We have allowed all your questions all the time, particularly badgering of Mr Bede Burke over a proposition you were trying to put forward.

Mr DAVID SHOEBRIDGE: If you would allow me to finish, my point of order is—

The Hon. MARK PEARSON: Should we wait until the Chair is listening?

Mr DAVID SHOEBRIDGE: I am just trying to finish my point of order.

The Hon. MARK PEARSON: Yes, but she is not listening.

Mr DAVID SHOEBRIDGE: She can walk and chew gum at the same time.

The CHAIR: I am sorry, members, I am going to bring this to a close. I am going to refer to the witness as to whether or not they want to choose to answer that question.

Dr JONES: The question you are asking is going back to whether or not international studies on animal welfare are relevant. Is that what you are asking?

The Hon. ROD ROBERTS: I will be very direct. What I am suggesting is we have been told that UK Farm Animal Welfare Council and European Union Scientific Veterinary Commission reports that they are the role model that we should be following, and what I am suggesting is that everything that comes out of the UK and the EU as far as farming practices are concerned is not necessarily best practice at all. We could go into barn raised cattle and cattle in Northern Europe that are constantly tethered inside barns. You would be aware of that. What I am suggesting is that Europe and the UK are not models that we should be seeking out and genuflecting to because, albeit not in chickens, their farming practices leave a lot to be desired as well.

Dr JONES: Every country that practices animal agriculture has animal welfare issues. There is no doubt about that. They may well and do vary from country to country. When it comes to this issue, when it comes to

laying hens in cages, the science and the research and the practices and the welfare outcomes are consistent around the world. We know what the problems are, whether the cage is in Australia or in Switzerland or in Oregon or in France. The welfare science around this issue is consistent. That is a separate thing from whether there are other animal welfare issues around other types of farming in other countries.

The Hon. ROD ROBERTS: I accept that, thank you.

The Hon. COURTNEY HOUSSOS: Thank you for your time this afternoon and for your submission. In terms of your language—and I am not being difficult—you talk about "battery cages" and we have heard from other witnesses, obviously from the industry, who say, well we do not have battery cages anymore. When you talk about battery cages, you are talking about what the industry calls "conventional cages", is that right?

Dr GOODFELLOW: Yes, that is correct. The history of the battery cage is that the first US patent for the battery cage design had "battery cages" in the title of the patent. The slight changes that the industry refers to in terms of increasing floor space by 100 square centimetres—which is probably not much bigger than a mobile phone—in our view does not change the nature of the system. The term "battery" comes from the resemblance of the system to the cells of a battery, in terms of having common dividing walls and rows upon rows. The current conventional cage system is still reflective of that term and that descriptor.

The Hon. COURTNEY HOUSSOS: Thank you for the clarification. What is your view on barn operation. You obviously have a definite view on cages, but what is the view of the RSPCA on barn operations?

Dr JONES: Our view is that both barn and free-range—which is a barn with outdoor access—both of those systems can provide good welfare when they are well-managed. The distinction in terms of those two systems—and the RSPCA runs its own approved farming scheme and we set standards that are above the legal minimum for animal welfare. We allow both barn and free-range to come under the scheme. We are supportive of both of those systems. The issues around the welfare of birds in those systems are largely about what is happening to them when they are indoors. Free-range systems allow birds to go outside but they still spend most of that time indoors, in the barn, so there are factors that affect welfare in those barn systems, such as stocking density. We believe those standards should also be increased. That is part of our advocacy in the standards and guidelines process that we are part of at the moment. We are talking about improving standards for layer hens across all systems but we do not see a future for battery cages.

Dr GOODFELLOW: I just want to add one brief point: we do see that the barn category has not seen a lot of growth in recent times. The regulatory impact statement does predict that if there was to be a phase-out of the battery system, the barn category would be a category of high growth. When you are looking at the retailer commitments to go cage free, then we will probably see quite a bit more investment in the barn system. It probably needs a bit more of a marketing push behind it to explain to consumers what it does mean. As Doctor Jones said, that system, even though it is indoors, can achieve higher welfare outcomes when the birds are allowed to express their innate behaviours.

The Hon. COURTNEY HOUSSOS: I note Doctor Jones's earlier comments about how the egg aisle can be somewhat overwhelming and the distinction between a barn-laid, a cage free and a caged egg, can be difficult for consumers to make.

Mr DAVID SHOEBRIDGE: I think McMonnie said that people jump straight over barn. You are either making a choice about free-range or caged and nobody really considers barn in the current—

Dr GOODFELLOW: It will be interesting if barn is the next cheapest option, once caged is phased out. I would imagine there would be significant growth.

The Hon. COURTNEY HOUSSOS: Can I ask then, in terms of the transition, I know we have heard that supermarkets are phasing out cages and that there are some big businesses that, in various parts of their operations, are moving out. Are any of them making an explicit change to free-range? Or, is the expectation that they will all just simply progress to barn-laid?

Dr JONES: I think there will be a mix of both. One of the terms that is currently used is "cage free" and cage free is not followed by free-range, cage free is barn. So, I think there will be a mix of those two.

Dr GOODFELLOW: I am not aware of any commitments by the major companies to go free-range. They usually use the term "cage free", which basically gives them the option of the different cage-free systems.

The Hon. LOU AMATO: Thank you both for being here today. In your submission on page 2 there is a mention of an increased incidence of vegan activists entering farm properties. Believe me, as a democracy,

I believe everybody has the right to protest and voice our opinions. What are your thoughts on the biosecurity threats of some of these activists going onto these farms?

Dr GOODFELLOW: It is a good question. We were at a Senate inquiry on Monday talking about this very issue with the Commonwealth's new proposed legislation. Of course, we acknowledge that there is a risk with any farm entries of increasing biosecurity risks. As we testified to the Senate inquiry, we are not aware of any biosecurity outbreaks caused directly by activists but we acknowledge that the risk is certainly there.

The Hon. LOU AMATO: So, nothing has been pinpointed at this stage to any outbreaks. But have there been any outbreaks on the farms?

Dr GOODFELLOW: Biosecurity outbreaks?

The Hon. LOU AMATO: Yes, any biosecurity outbreaks on any farms that have had activists there, that you are aware of?

Dr JONES: There are biosecurity outbreaks on farms all the time but I do not think that any of them have been linked to—

The Hon. LOU AMATO: No, where activists have been there and then there has been an outbreak?

Dr JONES: I am not aware of that connection.

The Hon. LOU AMATO: You are not aware of any at this point?

Dr JONES: No.

The Hon. LOU AMATO: That is good to know.

Mr DAVID SHOEBRIDGE: I reckon Ray Hadley would have told us about it if there was any evidence.

The Hon. LOU AMATO: It is a concern, especially going from farm to farm.

Mr DAVID SHOEBRIDGE: Yes, but there is no evidence of it ever happening.

The Hon. MARK PEARSON: I think there are more biosecurity problems from hunters getting on to farms. Thank you both very much for coming. My question relates to the behaviour deprivation that is claimed by scientific evidence in relation to hens in cages. Apart from the science of what hens do or how hard they work to express various behaviours, is there any science that shows how the deprivation of not being able to do those behaviours—perform those behaviours—affects the hen while it is living in the cage?

Dr JONES: Affects the hen in terms other indicators?

The Hon. MARK PEARSON: The hen in the cage is not able to do dust bathing, perching, sunbathing—whatever it is. It is deprived of being able to do those things. Most of the science talks about what the hen does when it is able to do it and how hard she'll work. But I am wondering if there have been observations—because I have not been able to find it—of how the inability to perform those behaviours affects the hen, who is living in the cage?

Dr JONES: Well, in terms of the things that hens cannot do, one of the reasons why it is difficult to look at what you are asking is because when hens cannot do something, there is nothing to observe. Of course, it is striking that when you take a hen out of a battery cage and put it into an environment where it can express its natural behaviour, it does. Those hens have not lost that ability; it is there. There is research that says that if you deny an animal something that is intrinsically important to it, something that it will work hard to gain access to—and we know hens, for example, will go without food to work towards access to a nest box which shows us how important that is to a laying hen.

We know that that can cause frustration but we also know that there are health issues with hens in cages not being able to move freely. The fact that they cannot walk around and the fact that they cannot stretch out their wings or flap their wings, those things do not just affect their mental state, they actually affect their health; they affect their bone density. We also have a couple of non-infectious diseases—fatty liver disease and kidney disease—that are more prevalent in cage systems and that are likely caused by these behavioural restrictions. It is not just an effect on their overall mental state, it is also an effect on their health.

Mr DAVID SHOEBRIDGE: That utter confusion that pretty much anyone who goes into the egg aisle suffers from. That five minutes of being overwhelmed by different claims, different assertions, different prices and then trying to juggle them all in front of you. One of the responses to that has been a series of apps and one is

the CluckAR app by CHOICE. Do you know if, has the RSPCA looked at any of those apps to see if they provide a consistent or thorough assessment of the different products?

Dr JONES: We have not done an assessment of the apps but I think from personal experience I have used the CluckAR app to see what it does. One of the things it does is tell you an important aspect which is stocking density on ranges for free range eggs, or free range hens. Those apps are helpful but we need something much simpler than that. We need to actually be able to look at the eggs and know that any carton of eggs we take off the shelf, we are guaranteed that the hens have had acceptable levels of welfare throughout their lives. That is the confusion we have at the moment that there are cartons of eggs that come from hens in battery cages. The evidence shows us that those hens are suffering, yet we can still buy those eggs.

Mr DAVID SHOEBRIDGE: In some ways the fact of having to produce the app points out how absurd it is because it is pretty much the only part of the supermarket where you can actively see consumers standing there and doing on-the-fly product research as they are making a choice. You do not see that at the peas section, you do not see that at the toothpaste section, you only see that the egg section. There is something wrong, is there not?

Dr GOODFELLOW: And such is the interest in egg consumers in the welfare credentials of the product they are buying as well. I think it is a clear demonstration of that. I think that is absolutely a point of market failure that needs to be addressed. The other point of market failure that I think is relevant to this inquiry, relevant to the continued use of battery cages. Because we talk about the price point of battery cage eggs being lower than other categories, the extent to which that price point is actually artificially low because the animal welfare, the animal suffering is being externalised from the price of that product. While other categories are actually internalising the animal welfare input costs into the price of the product, the battery cage egg is externalising that animal suffering. Therefore there is a role for Government to again set those minimum benchmarks to ensure that we do not have what is effectively a market in animal suffering.

Mr DAVID SHOEBRIDGE: I think it is true that it will have an impact on low-income families and members in the community. But there are other solutions to that which probably are not the subject of this inquiry such as raising new start and a variety of other solutions that we should be looking to for those real impacts upon low-income households.

Dr GOODFELLOW: When you do look at the increase in price for the next cheapest option we need to put that into perspective because that literally comes down to a matter of cents. We are talking about 80c more for the next cheapest option for a carton of eggs. That needs to be factored in. I saw in the NSW Farmers submission that they were saying about \$1 increase in eggs that this would cause. You break that down on a per egg basis, it is around 8c per egg. That is certainly higher than some of the economic analysis that we have been provided in terms of what the increased price would be when the economies are scaled to increase for non-caged.

Mr DAVID SHOEBRIDGE: Is there any international evidence about what has happened to prices in other jurisdictions that you could share with us on notice?

Dr GOODFELLOW: Yes. I think there certainly would be. I do not know any studies to hand but we can certainly—

The Hon. BEN FRANKLIN: Can I just have a quick follow-up on the price issue. We just heard evidence in the last session about the fact that there are potentially supermarkets who are deliberately currently putting downward pressure on the price of free range eggs in order to ensure a transition because they will make their 40 per cent on their \$6 rather than their 40 per cent on their \$3 or \$4. I just put that to you. To say that this sort of cost difference that you are talking about may be something that if a transition occurs may suddenly escalate again.

Dr GOODFELLOW: Yes. We have heard about that in relation to the free range category because the supermarkets are interested in promoting it. I have not heard that in relation to the barn, I could be wrong. But again, there is nothing that is proposed in the national standard that would be requiring producers to go to that end of the market in terms of the more expensive free range version. That current market that is buying the caged eggs will go to the next cheapest option which may be a furnished cage egg or it may be the barn system. I do not know if those retailer dynamics, in terms of what particular categories they are promoting, are relevant to each category. They could be but I am not aware of it.

The Hon. BEN FRANKLIN: Yes but it is not clear.

Mr DAVID SHOEBRIDGE: On a separate point Australian Eggs in their submission make this assertion and I will just give you an opportunity to respond to it:

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.

What do you say to that proposition from the industry?

Dr JONES: It is a very selective view I think. As I said earlier, we cannot separate out different types of, different bits of animal welfare and assume that some do not matter and some do. It is true that measuring the effective state of an animal is difficult on its own but what we need to look at is what are the different impacts on different domains of animal welfare. As I mentioned earlier, health, nutrition, environment and behaviour, these are the four areas that have to consider together when we are looking at well for assessments. The view that the industry has taken in terms of saying that essentially in their submission that behavioural needs do not matter to hens, it is clear that they do. It is clear that they have an effect on health if you do not provide hens with and meet those behavioural needs. And it is also clear that that is that odds with the majority of scientific opinion around the world on layer hen welfare.

Mr DAVID SHOEBRIDGE: You could lock a child in a house and refused to allow them to go to school a childcare. It would reduce that child's risk of getting a contagious disease but at extraordinary costs to the child's welfare and development and the like. And it seems odd that that same analysis is being ignored by the industry when it comes to chicken or other sentient beings.

Dr GOODFELLOW: It is not really surprising because, and we see this with other industries as well, they emphasise and focus on the basic biological functioning domain of animal welfare because that correlates quite well with their productivity goals. If the animal is healthy and producing, the animal's state of welfare is deemed to be good by the industry because it does match up well with those productivity outcomes. But when you factor in the behaviour or the effective states domain of animal welfare which conclusively scientific assessment across the world says is relevant, then it runs into some inconvenient truths. Even though a hen inside a battery cage may lay an egg every day, to suggest that that hen is in a good state of welfare simply because she is producing an egg is a really simplistic and scientifically invalid way to assess welfare.

The Hon. BEN FRANKLIN: But equating battery cages, equating a hen in a battery cage with a child locked in the house is clearly insane and obviously a stretch far too far. You are not suggesting, I would not have thought, that chickens have the same level of sentience as human beings.

Dr GOODFELLOW: No.

The Hon. BEN FRANKLIN: Good. I am just getting on the record

Dr GOODFELLOW: Obviously there is some pretty—

Mr DAVID SHOEBRIDGE: Nor was I, just for the record

The Hon. BEN FRANKLIN: You made the metaphor.

The CHAIR: Can I just ask one more question because I know we are running out of time. You also referred to the independent review that was done by the Victorian Government in regards to this national standards and guidelines process. My understanding from that review was that it concluded that free range systems and barn laid systems that are well-managed can have similar low mortality rates as caged systems. However, from industry witnesses that we have had over the last couple of days, they have said that that is incorrect. What has been, what are your thoughts in regards from the RSPCA? Do you find that you can get similar mortality?

Dr JONES: Well, yes, again I would refer to our submission and the science. The science shows that, yes, well-managed, non-cage systems can achieve the same levels of lowering mortality as cage systems. It is a matter of how well those systems are managed but the research shows that it is possible and, indeed, it is happening in Australia right now to have similar levels of mortality across different production systems. What we have had over the past 20 years with no proper investment in Australia into improving management in non-cage systems, we have not progressed as much in that area as we should have done, I think. That is an area that once we get to the point where that is the focus—non-cage systems are the focus of the industry—then the investment in research and development to improve those systems, to improve the level of stockmanship across Australia and to improve the minimum standards, those will only lead to improvements because, if you like, the sky is the limit when it comes to non-cage systems but we have this ceiling on welfare when it comes to battery cages.

The Hon. LOU AMATO: I would like to add further to that. Our witness yesterday—poultry veterinarian and secretary of that part of the association, so we are talking about the vets—they stated that in the cage system their mortality rate was a lot less and it was very difficult to get the barn ones and the outdoor ones to that level. They said it was impossible to do it, to achieve it.

The CHAIR: I think that was my question as well.

The Hon. LOU AMATO: No, that is what I am saying. I am going by what the vets were saying.

The CHAIR: Are you a vet, Dr Jones? Is that correct?

Dr JONES: No, I am an animal behaviour scientist.

The Hon. LOU AMATO: No, I was interested because it is great if you can reduce it to that level. It is great. That is why I want to hear it. I am trying to compare it by listening to different witnesses.

Mr. DAVID SHOEBRIDGE: Your evidence is that there are endless opportunities to improve output and welfare opportunities in a cage-free environment but there is a seriously bounded set of opportunities—very limited opportunities—if you limit yourself to cages and that if the industry wants to have a future its future is far greater in the non-cage environment. Is that your evidence?

Dr JONES: Yes.

The CHAIR: Thank you for attending this hearing. The Committee has resolved that answers to questions taken on notice be returned within 21 days. The secretariat will be in contact with you in relation to any other questions that were put on notice.

(The witnesses withdrew.)

The Committee adjourned at 15:59.