



POULTRY RESEARCH COUNCIL

Suite 1, Level 18, Town Hall House
452-462 Kent Street, Sydney 2000 Tel: (02) 264 5977 Fax: (02) 261 3592
P.O. Box Q160, Queen Victoria Building, Sydney 2000

Dear Egg Industry people,

This is a special issue of the newsletter to report on the findings of a unique study tour last year.

After their 33 day fact finding trip, Geoff Stewart of the Australian Council of Egg Producers and Ian Stewart of the Australian Egg Marketing Council decided that the industry overseas faces pretty much the same problems as it does in Australia.

There is some good news - medical opinion on the cholesterol issue is moving in egg producers' favour.

But Ian Stewart concluded that "the general outlook for producers worldwide is not a happy one and unless there is some international effort to grapple with surplus, welfare and health issues, little improvement appears likely".

Countries visited were Sweden, Denmark, Holland, England, Scotland, Northern Ireland, Canada and the United States. Discussions were held with producers, marketers, industry bodies, public relations consultants, researchers and doctors. Visits were also made to poultry farms, grading floors, research centres and retail outlets.

In summary, the main findings were that:-

- * The egg industry around the world is now generally unregulated;
- * What little regulation remains is under close examination;
- * Declining consumption and surplus production is a worldwide problem, and further concentration of ownership seems inevitable;
- * Other significant problems include welfare and declining sales and profits.

Ian Stewart reported on a number of issues of interest to Australian egg producers.

WELFARE

This movement is generally strong in Europe although the EC has not been able to agree on common welfare regulations and no viable alternative to the cage system has been put forward.

Under new welfare requirements in England producers can now run only three birds in what used to be a five bird cage. Some problems have been encountered with antibiotic levels; producers are required to keep records of antibiotic use and levels are monitored by the Ministry of Agriculture.

Welfare is not a significant problem in North America, although in Canada there is discussion about increasing the required cage floor space per hen.

In Sweden, government policy is that animals should be kept in as natural conditions as possible. The government is looking to abolish the cage system by 1998.

In Denmark the system is also under review and the floor area requirement for hens is higher than those in other EC Countries. Holland does not seem to have many welfare problems.

HEALTH

To establish the latest position on the cholesterol/saturated fats/eggs debate, discussions were held with several leading researchers. Although there is more evidence now of the problems of diets high in saturated fats, there is still the problem of identifying high risk patients and government agencies are still recommending a daily intake of less than 300 mg of cholesterol.

Work done in the USA by the Egg Nutrition Center (jointly funded by Canada) has paid off - the attitude of the American Heart Foundation has changed and there is a general feeling that eggs have been badly treated in the past.

In England, the British Egg Industry Council's (BEIC) aim is to educate cardiologists, as they are the ones who provide information for the medical profession generally.

In Europe there is concern about the effects of the cholesterol problem on egg sales but this varies from one country to another.

MARKETING AND PUBLIC RELATIONS

In Sweden, the Poultry and Meat Board, which covers the egg industry, raises money from a producer levy and from tariffs and spends some of this income on generic advertising.

A voluntary levy collected by the BEIC raises some \$300,000 annually and it is spent on advertising and public relations. The BEIC believes this expenditure is just as effective as the \$3 million formerly spent by the government-run British Eggs Authority, which has been wound up.

Education is extensive with a video going to all schools for a charge of \$10. English producers are encouraged to purchase the video and donate it to their local school. BEIC also organises displays for teachers. Recent emphasis in England has been on capturing a significant share of the fast food and pub food markets.

Egg product accounts for some 20 per cent of the US market and it is regarded as being more profitable than shell eggs. Producers are looking to development of the product market to generate industry growth in the future.

A worrying trend has emerged in the United States where retailers are demanding large eggs only.

SURPLUS MANAGEMENT

There is general agreement that there is no viable export market and that surplus should be avoided if possible. However the Dutch take a different view and are vigorously chasing export markets even at low returns.

Export markets for European producers used to include the Middle East, which is now self-sufficient, and the Far East, which has been affected by the US Export Enhancement Programme.

There have been attempts to limit production in Europe generally, but these efforts have been frustrated by the Dutch who have lost some of their traditional export markets and will not agree to limitations. The Dutch pack eggs for the British market in British boxes to the exact specifications of the customer and have also captured a significant percentage of the German market.

Past attempts to control production on a voluntary basis in Sweden have failed and as a result there is still overproduction. More recently Swedish producers have learned the benefits of limiting production; 75 percent of producers are complying with a scheme to leave their hen houses empty for up to 10 weeks each year and as a result there has been an increase in profitability. Surplus is handled by the Poultry and Meat Board which tries to dispose of it in shell form.

PRICES

In Sweden, prices are negotiated between producers and a consumers board. If prices rise above set limits import tariffs are lowered; if they fall below a lower limit tariffs are raised. A quality symbol which is put on at grading attracts a bonus payment.

At a time when the world market price was around 3 kroner the average wholesale price of eggs in Sweden was almost 12k, with the Poultry and Meat Board supporting the market at around 9k.

Canadian egg prices are set by a committee of producers, consumers and government, based on cost of production. At the time of the visit industry average price structure in Canada was:

To producers	¢ 0.96 - 0.98
Wholesale	¢ 1.20 - 1.30
Retail	¢ 1.50

USA producer prices in 1987 were the worst for some time with eggs offered for sale as low as 28 US cents per dozen. As a result there is a good deal of concern in the Canadian egg industry about the effect of the free trade agreement with the US, which took effect in January.

Generally, the advantage is with retailers. They have increasing control of packaging and distribution arrangements and are enjoying ever-increasing retail margins.

PACKAGING

Approaches vary considerably. Polystyrene cartons are used extensively throughout North America and major retailers are not interested in a wide variety of packaging.

In Europe there is a good deal of variety with a majority of cartons being pulp.

In England, where there is still a strong trade selling directly to the public through Farm Shops, packaging is extremely diverse; the Thames Valley Co-operative alone packs eggs in 400 different types of package.

PRODUCER NUMBERS

The number of egg producers is falling worldwide.

In the United States the number of producers with more than 10,000 layers fell from 2,484 in 1985 to 1504 in 1987. Present indications are that due to lack of profitability there will be less than 100 producers left in this category in 10 years. Some 54 per cent of production is in the hands of 52 farms, each with more than a million hens.

England has a total of 40,000 producers, but 38,000 of them have less than 500 birds. A particular problem is the price for spent hens, which in many cases represented the producers's margin. This price has dropped from 13-15p per 1lb to 2-4p per lb.

In Sweden, where twenty years ago there were 60,000 producers, there are now only 17,000. Less than 700 have more than 200 hens.

In Holland the number of producers has decreased from 2500 to 2000 over the first 10 years. However the number of hens has increased from 17.5m to 35m and is still rising.

GOVERNMENT ATTITUDES

The Swedish government will not control supply because it recognises that if quotas were to be introduced they would assure a value. Because of the cost of surplus management, the government has discouraged investment in the

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industry and is considering closing down the Poultry and Meat Board. This would throw the cost of surplus directly back on to producers.

Support has been reduced in England following the winding up of the British Eggs Authority. The government now requires that all extension services be paid for.

In Canada, where the industry is organised along similar lines to the Australian system, with provincial boards handling matters within each province and a national board handling national affairs, there is concern that government support might be reviewed. The major factor worrying Canadian producers is the effect of the new free trading.

OBVIOUSLY, THE INDUSTRY HAS ITS PROBLEMS WORLDWIDE, AND MANY OF THEM WILL BE FAMILIAR TO AUSTRALIAN PRODUCERS. STILL, AUSTRALIAN PRODUCERS MIGHT SPARE A THOUGHT FOR THEIR COLLEAGUES IN SWITZERLAND. CAGES ARE BANNED IN SWITZERLAND, BUT THE SWISS GOVERNMENT ALLOWS CAGE EGGS TO BE IMPORTED FROM HOLLAND AND GERMANY!

Yours sincerely,

NEIL INALL

P.S. The name of this council has recently been changed by legislation to reflect its talk more accurately. The new name is the Egg Industry Research Council. I should mention too that the Council's Chairman John Radcliffe recently told the Minister for Primary Industries and Energy, John Kerin, that he wishes to stand down as Chairman from Tuesday 21st March.