

***Food Policy & the Environment - Bridging the gap
an agricultural perspective***

'The egg industry in context'

Friday 13 February, 2009

James Kellaway – Managing Director



Australian egg industry - overview

- 🥚 Old, established, Australian primary industry producing a range of eggs & egg products.
- 🥚 Approximately 440 commercial egg producers with 19.7 million hens producing 3.887 billion eggs (192 eggs per capita).
- 🥚 Industry GVP A\$512 million.
- 🥚 98% domestic trade (retail & food service).
- 🥚 Production distributed in all states with Victoria & Queensland being the largest producers.
- 🥚 Limited, but increasing, vertical integration & business consolidation.
- 🥚 Market de-regulation in the late 80's leading to a 'sink or swim' philosophy.
- 🥚 Industry is made up of few large companies & many small companies with the top 20 representing 80% of the flock.

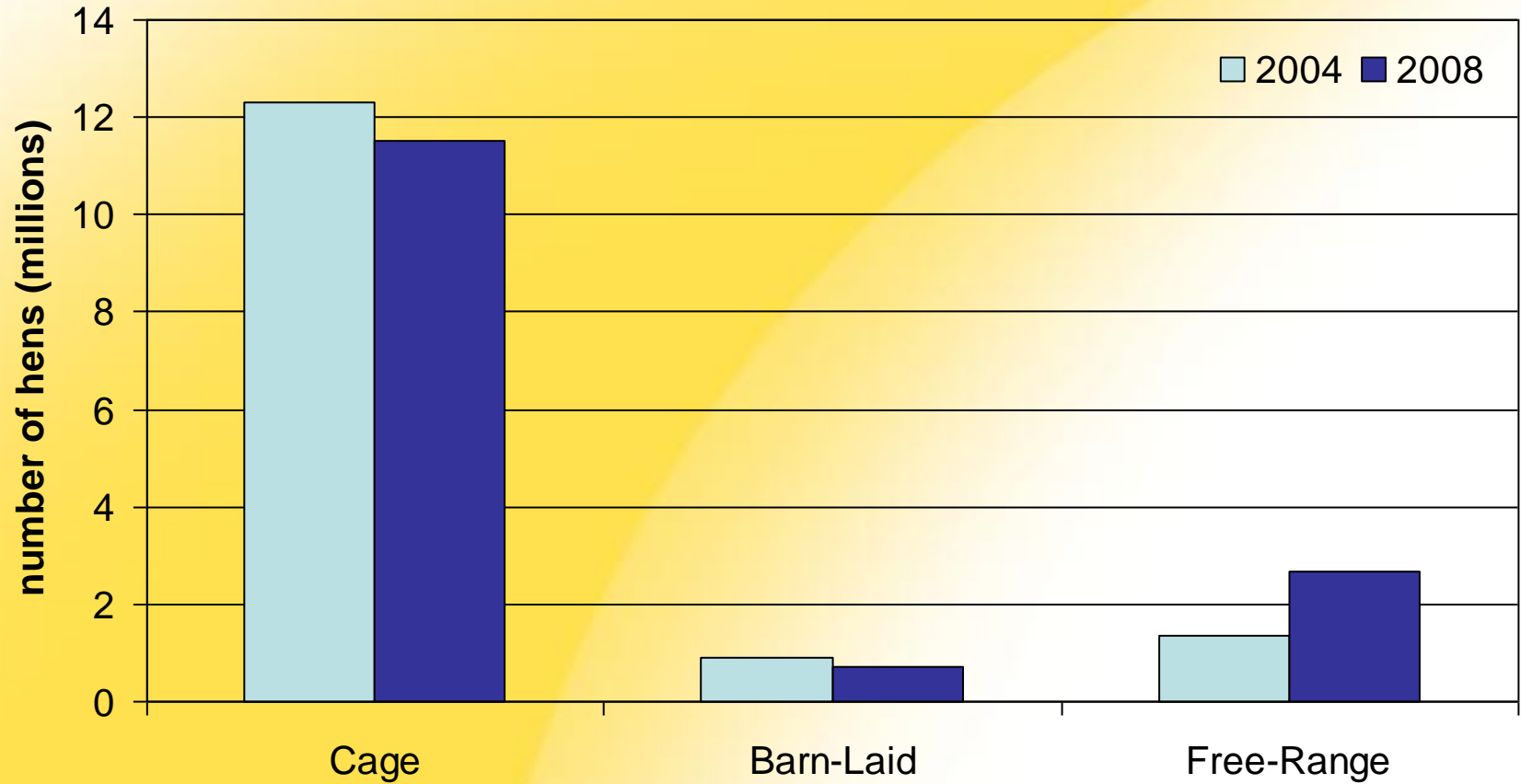


Australian egg industry - overview

- 🥚 Economies-of-scale in larger flock numbers with the adoption of new housing & product technology.
- 🥚 Niche market opportunities for smaller/specialised egg producers.
- 🥚 The retail egg market is characterised by long term supermarket contracts and the boxed market for wholesalers and smaller retail outlets.
- 🥚 Other market segments include food service, egg processing and export.

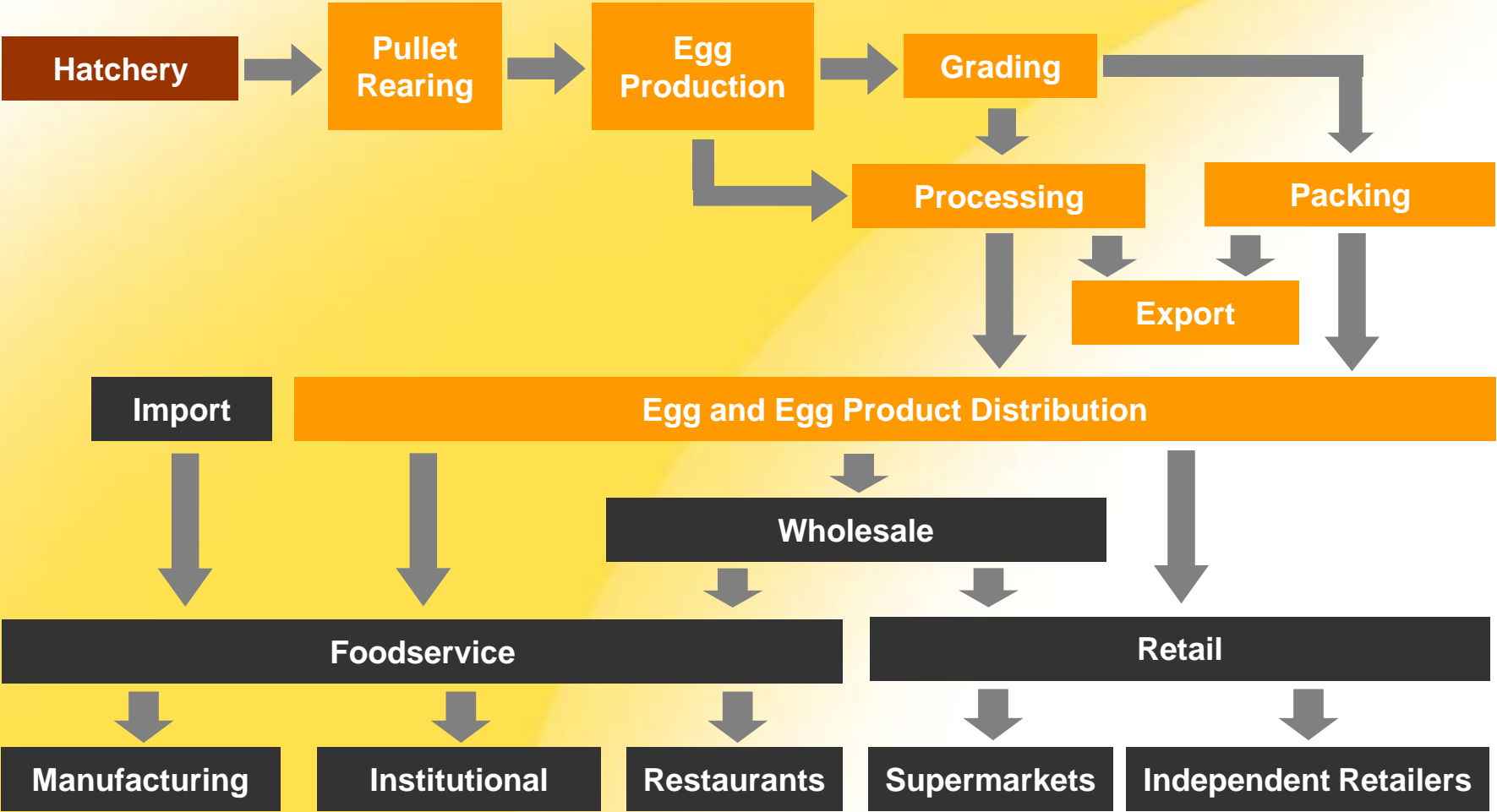


Egg production systems



Source: QDPI, AECL

Egg industry supply chain





Egg industry challenges

- 🥚 62% of eggs retailed are distributed through two major supermarkets (duopoly).
- 🥚 More competition at the POS.
- 🥚 Limited on-farm investment by some egg producers, albeit increasing.
- 🥚 Animal welfare has been promoted, need to increase the focus on the product.
- 🥚 Quarantine / biosecurity issues regarding imports & cost competitive concerns regarding export business development.
- 🥚 Proliferation of store (generic) brands.
- 🥚 Government 'red tape' and increasing paper-work & regulations.
- 🥚 Competitive environment of homogenous products has previously forced the development of a marginal industry.



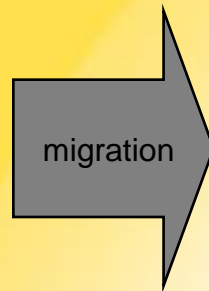
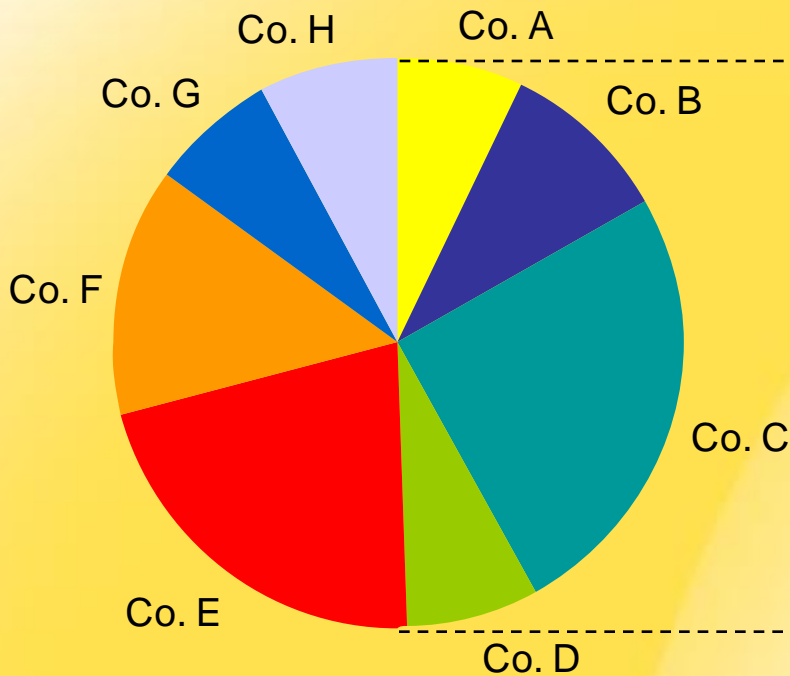
Egg industry challenges

-  Maintaining downward pressure on prices, the lowest price is usually the market price.
-  This is despite consumers believing that eggs are great value for money.

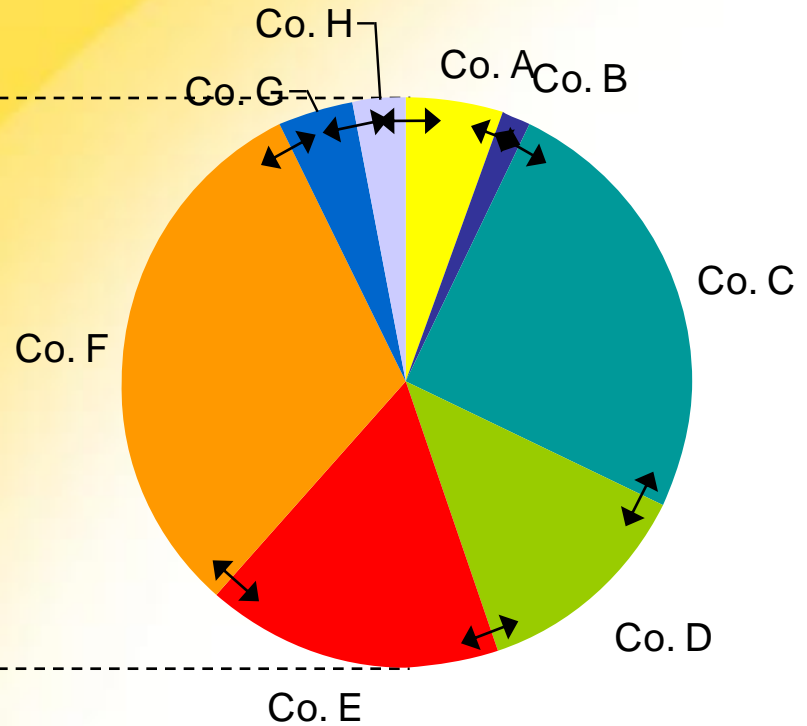
Branded marketing outcome



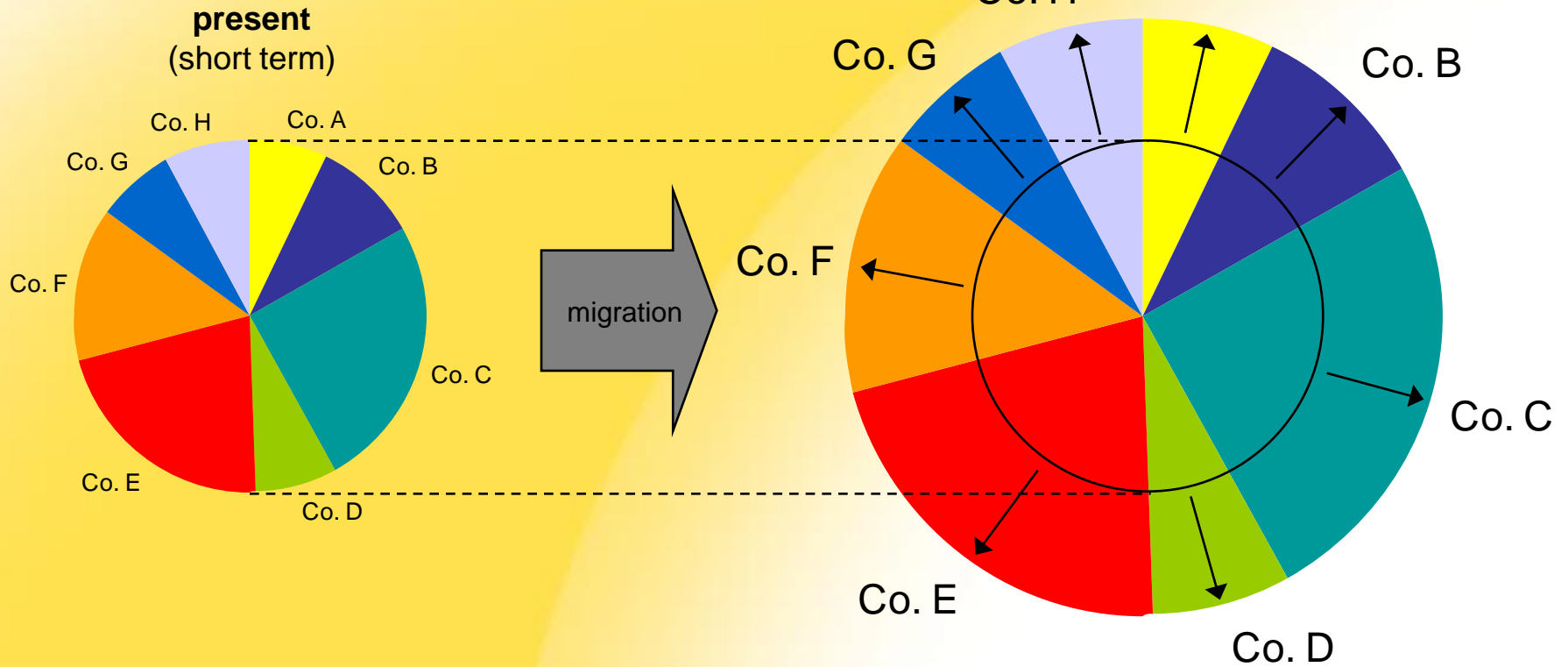
present
(short term)



future
(medium term & possible long term)



Category marketing outcome



AECL operational framework

AECL Vision
 A RESPONSIBLE AND PROACTIVE INDUSTRY SERVICE PROVIDER
 SUPPORTING THE AUSTRALIAN EGG INDUSTRY TO ACHIEVE ITS VISION

AECL Mission Statement
 To develop and drive integrated on-farm solutions and through chain and market services – with R&D and promotional levy investments – that maximise benefits and revenue for the Australian egg industry and the community while minimising barriers and costs for Australian egg producers.

Strategies & Outcomes

CORE PILLARS

| | | | | |
|-------------------------|-------------------------|---------------------------------|---|--|
| Market Awareness | Market Education | Supply Chain Enhancement | Public Affairs & Stakeholder Relations | On-Farm Innovation & Efficiency |
|-------------------------|-------------------------|---------------------------------|---|--|

PROGRAMS

| | | | | |
|--|---|---|--|---|
| <ol style="list-style-type: none"> 1. Consumer program 2. Food Service program 3. Media Relations program | <ol style="list-style-type: none"> 1. Consumer program 2. Health Care Professionals program 3. Media Relations program 4. Student Educational program | <ol style="list-style-type: none"> 1. Retail Services program 2. Supply Chain program | <ol style="list-style-type: none"> 1. Government Relations program 2. Corporate Communications program 3. Issues Management program | <ol style="list-style-type: none"> 1. Basic & Applied Research program 2. Egg Quality program 3. Egg Producer Research, Innovation & Development program 4. Poultry CRC program |
|--|---|---|--|---|

AECL consultative framework

AECL VISION

A RESPONSIBLE AND PROACTIVE INDUSTRY SERVICE PROVIDER SUPPORTING THE AUSTRALIAN EGG INDUSTRY TO ACHIEVE ITS VISION



AECL Mission Statement

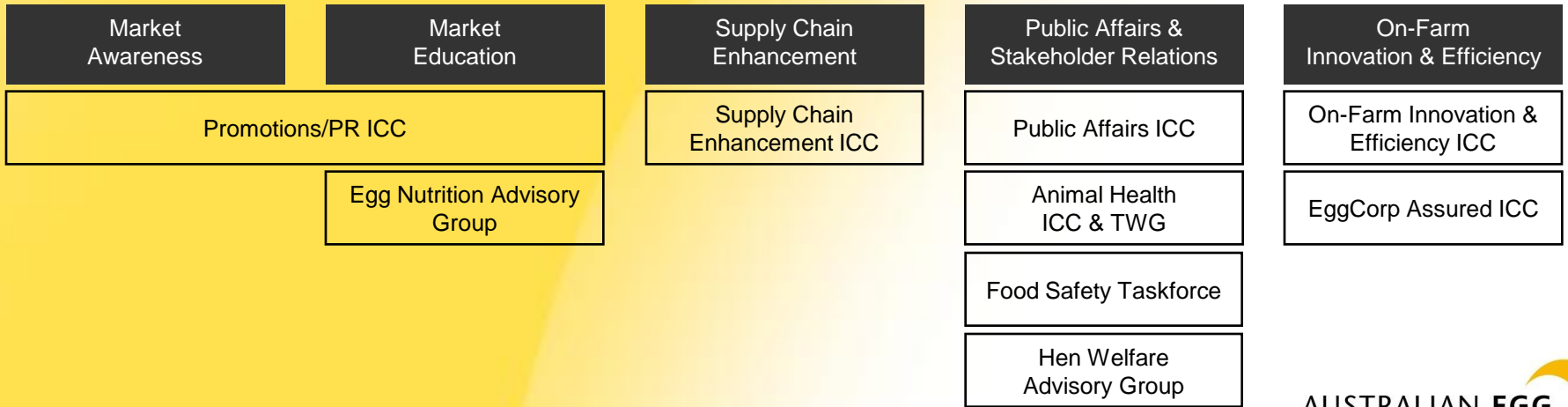
To develop and drive integrated on-farm solutions and through chain and market services – with R&D and promotional levy investments – that maximise benefits and revenue for the Australian egg industry and the community while minimising barriers and costs for Australian egg producers.










STRATEGIES & OUTCOMES



A E C L C O R E O P E R A T I N G ' P I L L A R S '



Egg industry priorities

-  Flock health & disease management
-  Environmental sustainability
-  Building egg demand
-  Food safety
-  Animal welfare
-  Feed availability & bird nutrition
-  Supply chain & egg distribution
-  Training, information & technology transfer