

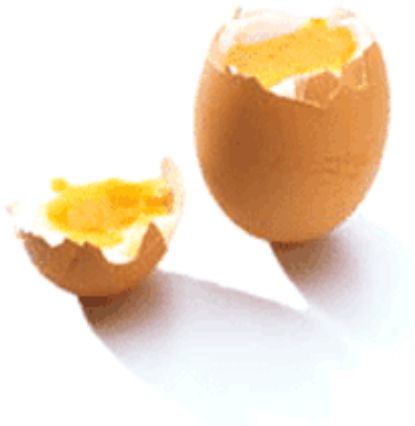
AUSTRALIAN EGG<sup>®</sup>  
CORPORATION LIMITED



# Australian Egg Industry *Review*

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*Australian Egg Corporation Limited*

*- September, 2005 -*





# Egg Industry Size



- 12.7 million bird flock, up from 12 months ago.
- Gross value of production A\$320 million (US\$200 million).
- Approximately 450 egg producers, down from 12 months ago.
- Average flock size remains small.
- Few larger producers, many smaller producers. A major merging of two large egg businesses over the last 12 months.
- National industry with a concentration in the South East.
- Cage (78%), barn-laid (4%) and free range (18%) constitute the main production systems.
- It would seem that the growth (trend) in free range egg volume has reduced.



# Market Channels



- Total retail market represents 43% of production & increasing.
- Supermarket sales represent 92% of total retail with the remaining 8% constituting 'other retail' (route trade).
- Sales to the food service industry, egg processing or food manufacturing & export represent 57% of all eggs produced.
- Generic or house-brand sales has increased from less than 20% of category sales in supermarkets to over 70% in 3-5 years. Supermarkets want to increase this further.
- House brands are positioned in the market as being 'no frills' and cheap, not premium products. Setting a price 'floor' in the market.



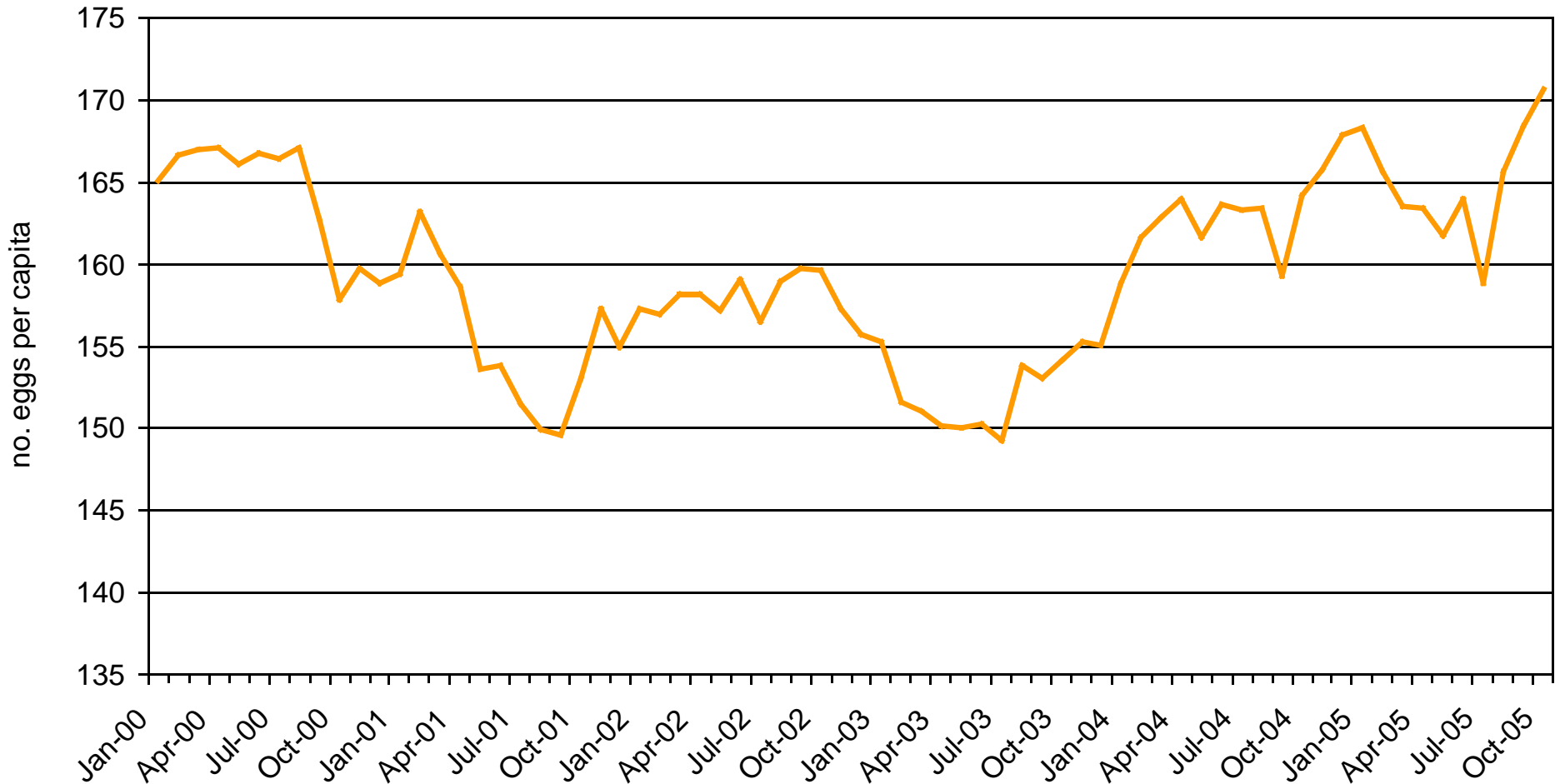
# Egg Consumption



- Egg consumption has ‘turned the corner’ after many decades of slow decline.
- From a low of 149 eggs per person in July '03 to 165 eggs in August '05 and growing. The egg industry has recently established a goal of achieving ‘200 by 2010’.
- Total consumption 313 million dozen.
- Eggs were ‘slipping off the menu’ as alternative sources of protein were being promoted:
  - High protein diet ‘fad’ assisting (now run its course).
- Human health & nutritional issues remain a key barrier for over 50% of the market.



# Egg Consumption





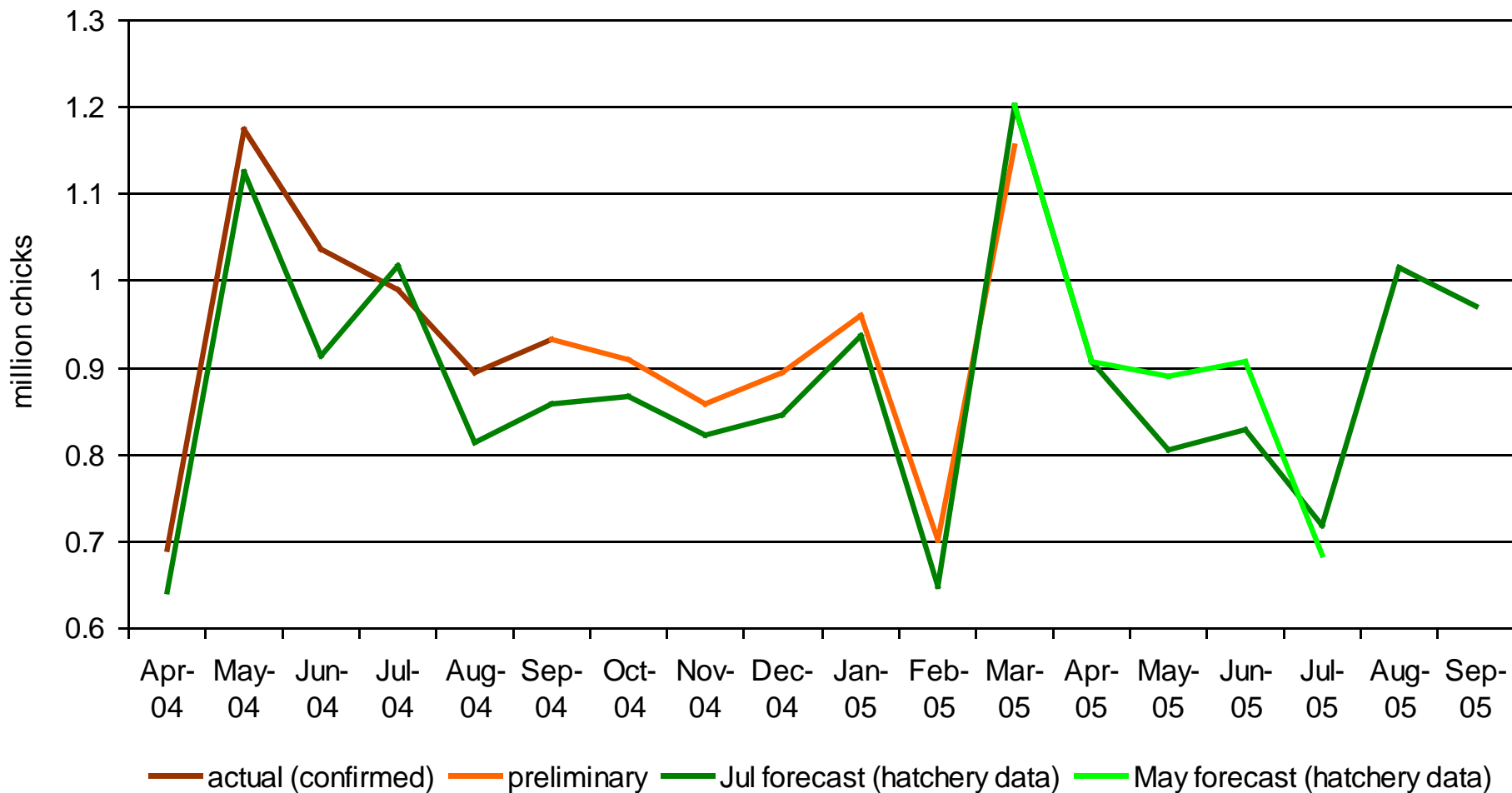
# Egg Supply Situation



- Bird numbers increasing, bird yields increasing (24.7 dozen per hen per year) ‘double whammy’ supply effect.
- Downward pressure on pricing.
- Previous shortages drove prices higher leading to increased production mentality.
- An over-supply situation will result driving prices lower.
- Industry supply forecasting model:
  - Chick hatchings / placement (3-month forecast).
  - Flock age demographics (current).
  - Egg supply indications (9-month forecast).
  - Egg price indications (9-month forecast).
- Minimise the ‘boom / bust’ cycle of supply and revenue.

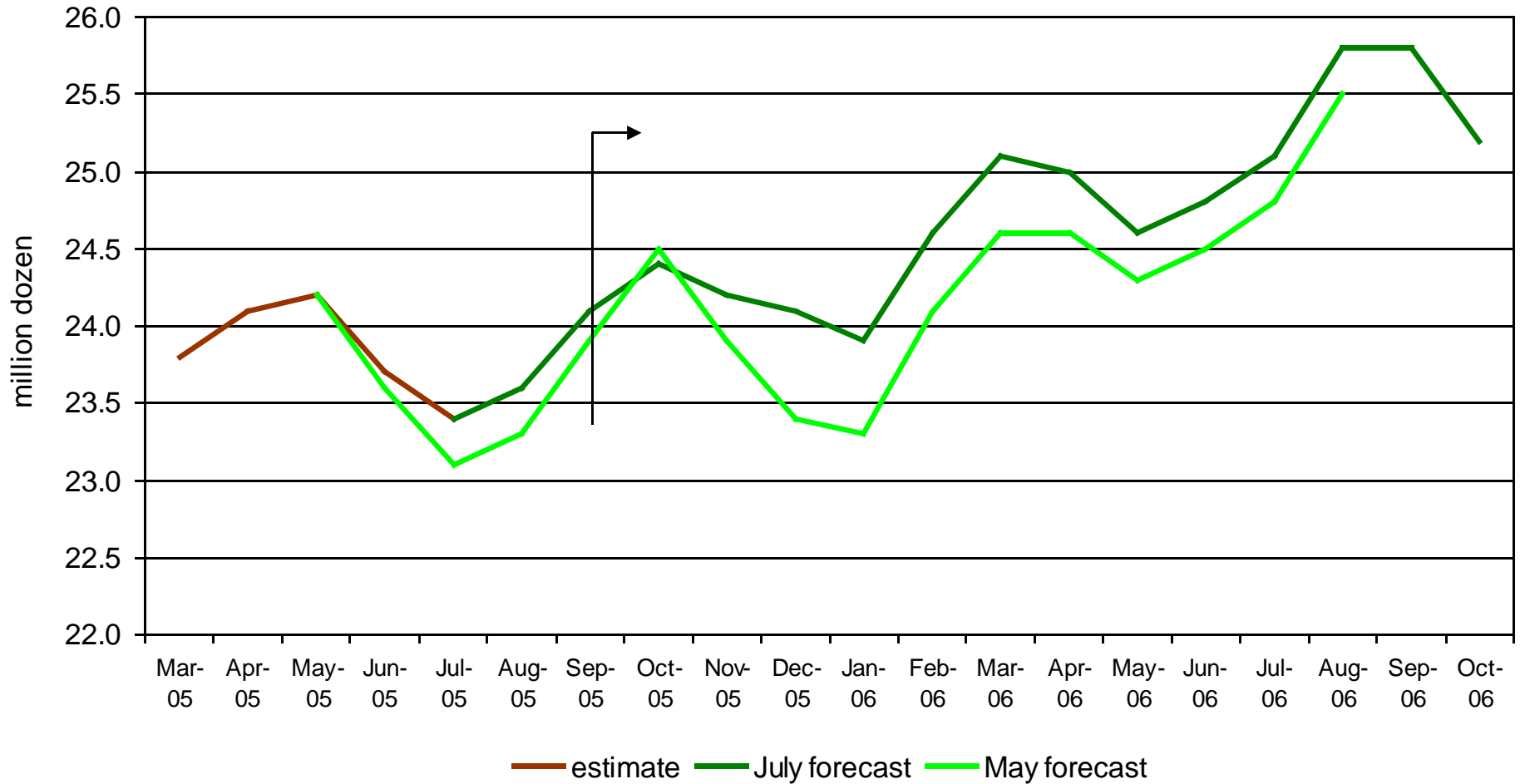


# Chick Placements





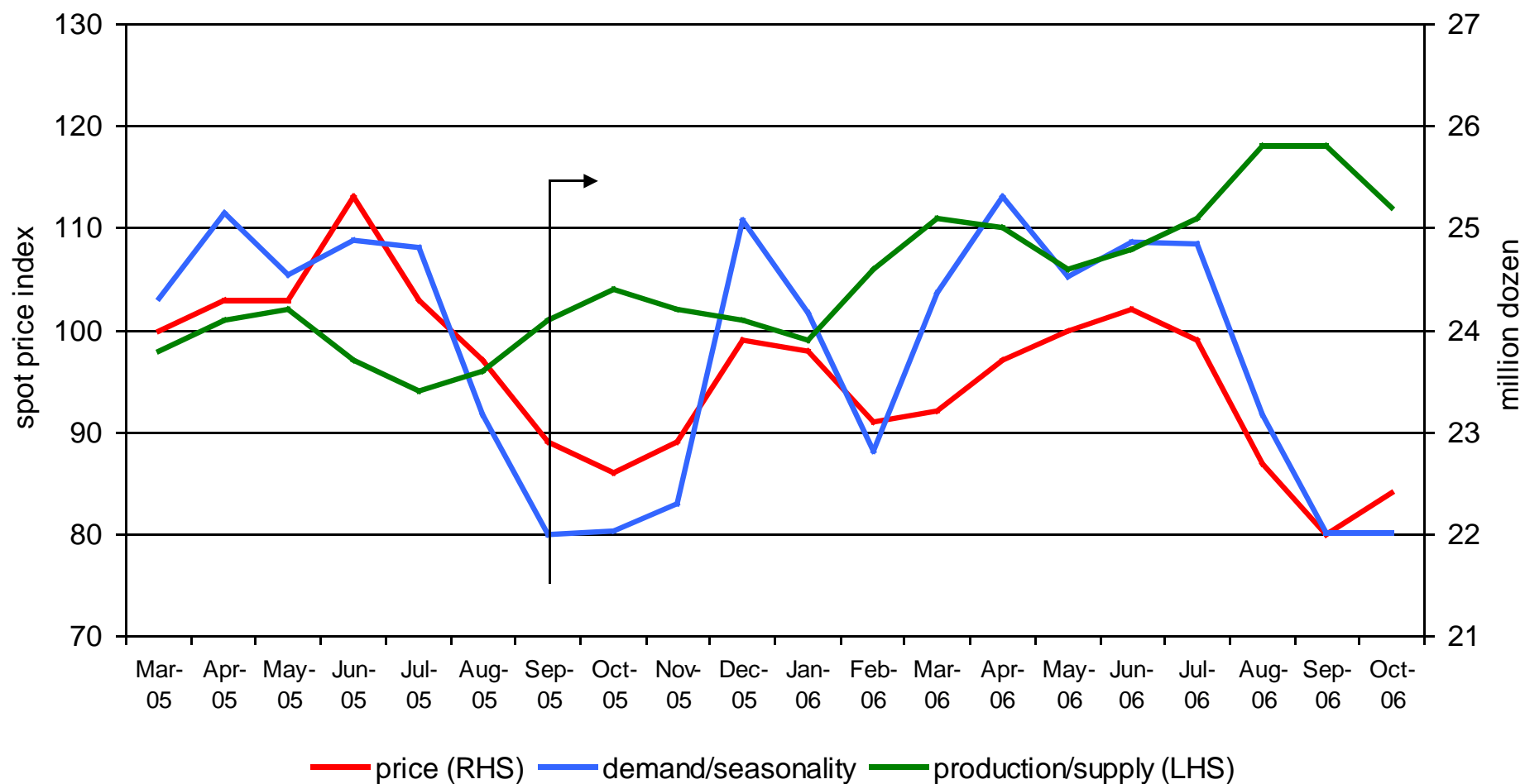
# Egg Production / Supply







# Australian Egg Market





# Animal Health



- Current disease free status provides a 'marketing edge'.
- Must remain vigilant and not become complacent.
- Industry structures and quarantine arrangements:
  - Emergency response plans.
  - Quarantine arrangements and action plans.
  - Biosecurity code of practice.
- Exotic disease threats, ongoing.
- Threat of HP Avian Influenza & ongoing reports regarding 'bird flu' in Asia.
- Review of AUSVETPLANS:
  - Newcastle Disease (ND).
  - HP Avian Influenza.



# Animal Welfare



- Continues to build importance with legislators.
- Minority groups continue to promote animal rights focusing on intensive livestock industries. Industry participants are proactive in addressing welfare issues including investments into R&D.
- Model Code of Practice to be implemented by January 2008.
- Most egg producers have been slow to adopt the new requirements.
- Significant capital investment required.
- Industry pursuing government structural adjustment assistance.



# Egg Quality Assurance



- Development of a national industry QA program.
- Assurances on animal welfare, animal health, food safety, environmental concerns, truth-in-labelling and product quality.
- Accredited auditors have been now been trained and registered.
- Provide a level of product guarantee.
- Tool to differentiate the egg category and link with product promotions.
- CODEX Alimentarius review of the Hygienic Code for Eggs and Egg Products.





# Industry Issues / Programs



- Market research and market monitoring.
- Product management and supply co-ordination.
- Retail category management.
- Product quality parameters to deliver consistency.
- R&D on-farm through producer-driven innovations leading to production efficiencies & sustainability.
- Market promotions, advertising and Public Relations (PR):
  - Convenience / versatility
  - Health / nutrition
- Grain prices and bio-fuels (ethanol production).

