



# MEDIA RELEASE

## US drought affects Aussie egg prices

24<sup>th</sup> July 2012

The winds of the world's global economy are again impacting on Australian farmers with local egg prices likely to rise as a result of a drought in the USA.

AECL Managing Director James Kellaway said US corn and soybean crops were being devastated by their worst drought in over a quarter of a century and this was driving grain prices upwards in international markets.

"As a result, this will impact on the cost of producing a dozen eggs which will increase egg prices to higher levels. Feed is the biggest cost in producing free range, barn-laid and cage eggs, representing more than 50% of the variable cost of egg production. The increase on the cost of production this situation could impose translates to up to an extra 50 cents at retail," Mr Kellaway said.

"Our grain prices are heavily influenced by the global production and trade in grain. Due to prolonged drought conditions affecting US crops, US wheat prices have risen to reach close to US\$1000/bushel and are currently 40% higher than 6 months earlier with the recent price being to higher price levels," he said.

"Early signs for the Australian winter crop look promising across a number of districts, however, given the US situation, it looks as though the Australian crop will be traded at much higher prices than recent years and we are seeing the market factor this into grain prices now, to the benefit of grain growers but to the detriment of fee grain-reliant industries, such as eggs.

"Feed costs have already risen up to 50% on previous rates recorded a couple of months ago. Recent Australian wheat quotes have reached in excess of A\$300 per tonne with all other feed ingredients also reaching higher levels," he said.

"While we started the year at relatively low levels, feed has now passed 2010 levels, 2011 levels and now the higher prices recorded in 2009. It seems only a matter of time before grain prices hit the significant levels recorded in 2008 when global talk was centred on food security."

Mr Kellaway said that some egg farmers are already buying grain at these much higher prices while others will soon need to renew contracts for the supply of grain and with it, increased financial pain that will certainly impact egg farmers' bottom line.

"This will need to be factored into the pricing of eggs in the market given the slim margins already operating in the production of eggs as egg farmers do not wish to compromise on the quality of feed grain provided to our laying hens. Australian egg farmers are passionate about only using good quality feed for our laying hens including natural Australian grain," he added.

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