



# **Certification and Labelling in the Australian Egg Industry**

**Final Project Report**

**A report for the Australian Egg Corporation Limited**

By Assoc Prof Fred P. Gale

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# Foreword

This project was conducted to better understand the structure of private certification and labelling schemes in the Australian egg industry and, building on the experience of the Forest Stewardship Council in the forest industry, to assess the feasibility of establishing an 'Egg Stewardship Council'.

The research employed a recently developed three-dimensional governance framework to compare and contrast six labelling schemes: Australian Certified Organic (ACO), Egg Corp Assured (ECA), Free Range Egg & Poultry Australia (FREPA), Free Range Farmers Association (FRFA), Humane Choice (HC) True Free Range and Royal Society for the Protection of Animals (RSPCA) Accredited Farming Scheme. For comparative purposes, the study also assessed the Forest Stewardship Council (FSC) scheme, viewed by many as an example of 'best practice' in the field of private governance.

This project was funded from industry revenue which is matched by funds provided by the Australian Government.

This report is an addition to AECL's range of peer reviewed research publications and an output of our R&D program, which aims to support improved efficiency, sustainability, product quality, education and technology transfer in the Australian egg industry.

Most of our publications are available for viewing or downloading through our website:

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# Abbreviations

ACCC	Australian Competition & Consumer Commission
ACO	Australian Certified Organic
ACOS	Australian Certified Organic Standard
AECL	Australian Egg Corporation Limited
AQIS	Australian Quarantine and Inspection Service
ASI	Accreditation Services International
BFA	Biological Farmers of Australia
CAR	Corrective Action Request
CB	Certification Body
CoC	Chain of Custody
ECA	Egg Corp Assured
EG	Expert Group
EU	European Union
FREPA	Free Range Egg & Poultry Australia
FREPAA	Free Range Egg and Poultry Association of Australian Inc
FRFA	Free Range Farmers Association
FSANZ	Food Standards Australian New Zealand
FSC	Forest Stewardship Council
HACCP	Hazard Analysis and Critical Control Points
HC	Humane Choice
HCTFR	Humane Choice True Free Range
HSI	Humane Society International
HSUS	Humane Society of the United States
ICC	Industry Consultative Committee
IFOAM	International Federation of Organic Agriculture Movements
IGI	International Generic Indicator
ISO	International Organization for Standardization
JAS-ANZ	Joint Accreditation System of Australia & New Zealand
MCoP	Model Code of Practice for the Welfare of Animals—Domestic Poultry
MSC	Marine Stewardship Council
P&C	Principles and Criteria
PEFC	Programme for the Endorsement of Forest Certification
QA	Quality Assurance
R&D	Research and Development
RABQSA	Registrar Accreditation Board Quality Society of Australasia
RDC	Research and Development Corporations
RSPCA	Royal Society of the Protection of Animals
SME	Small and Medium Sized Enterprises
TAC	Technical Advisory Committee



# 1 Executive Summary

Private governance via standard setting, auditing, certification and labelling is developing apace in Australia and elsewhere. Increasingly, however, consumers are becoming sceptical of labels and want to know they can trust the claims being made. This project investigates private governance in the Australian egg industry and focuses on the labels used to signal to consumers how the eggs were produced and on the standard setting, auditing and certification arrangements that underpinned these labelling claims.

Six major egg labelling schemes were assessed: Australian Certified Organic (ACO), Egg Corp Assured (ECA), Free Range Egg & Poultry Australia (FREPA), Free Range Farmers Association (FRFA), Humane Choice True Free Range (HC) and RSPCA's Accredited Farming Scheme (RSPCA). For comparative purposes, the study also assessed the Forest Stewardship Council (FSC) scheme, viewed by many as an exemplar of 'best practice' in the field of private governance.

Using a mapping technique developed and pioneered by the researcher, the study plotted the seven schemes across three dimensions: political, institutional and regulatory. The three-dimensional mapping revealed significant differences between egg labelling schemes in terms of who runs them (political dimension), how they operate (institutional dimension), and the nature of the standard underpinning the labelling claim (regulatory dimension). The mapping also highlighted a significant difference between all egg labelling schemes and the FSC's scheme. The FSC scheme includes diverse stakeholders under a 'polycentric' political, institutional and regulatory arrangement. In contrast, all egg labelling schemes examined here varied from 'somewhat' to 'highly' monocentric, each excluding a number of significant stakeholder groups from participation on boards, in operations and in standards development.

The study found that all egg labelling groups have invested a great deal of time, energy and money in developing their schemes and are unlikely to undertake initiatives to merge to form a new 'stewardship' standard. The industry is internally divided across egg production systems and no simple resolution of the caged, barn and free range conflict is evident. If an egg certification scheme along FSC's 'stewardship' lines is to emerge, therefore, it would need to be an initiative of a new body. It would be critical that such a body enlist the active support of opinion leaders from key stakeholder groups (i.e. industry, environment, animal welfare, and consumers' organisations) from the beginning. Since animal welfare groups will not condone caged-egg farming, it appears that a new standard would at a minimum have to be based around barn and free range egg production. Whether such a group of stakeholders could form and a new stewardship standard and label be developed is an open question. If multiple labels that tell only a part of the production story (related to such issues as safety, quality, organics, animal welfare, free range and Australian made for example) were to generate significant consumer confusion leading to action, then pressure could develop for an 'all-in-one' sustainability label. If that were to happen, then an 'Egg Stewardship Council' would be worth investigating as an institutional arrangement for reconciling what currently appear to be irreconcilable differences.

## 2 Overall Conclusions

- There is considerable hybridity in the governance structure of Australian egg certification and labelling schemes
- Four schemes differed from all others on a least one dimension
- Only two schemes were identical across all three governance dimensions
- The Forest Stewardship Council scheme is clearly differentiated from all six egg certification and labelling schemes as it is the only scheme that is polycentric across all three dimensions of governance
- There are several barriers to developing an Egg Stewardship Council. These include significant differences in visions over what constitutes 'sustainable egg production' and competition amongst existing schemes for market share
- There may be an opportunity to develop an integrated 'sustainable' egg production certification and labelling scheme building on free-range production methods
- An Egg Stewardship Council could emerge from existing free-range systems; it is more likely to be the initiative of a new, independent group, however, as existing schemes have a great deal already invested in their own proprietary schemes

## 3 Project Background

### 3.1 Commodity Chain Governance

Commodity chains are increasingly being governed by private sector actors as well as government agencies. Such private governance occurs via the establishment of codes of conduct, guidelines and standards, against which a company's performance can be audited and certified. Claims that companies conform to a stated requirement can then be made on company websites and product labels. Recent pressure to demonstrate 'green', 'ethical', and 'Australian' production has resulted in an explosion of new schemes and the extension in the scopes of existing ones. Both developments are designed to reassure consumers that products are safe, sustainably produced, made in Australia, avoid sweatshop labour and are ethically acceptable.

### 3.2 Forestry and Fisheries Governance

Despite some superficial similarities, private governance schemes differ markedly within and across sectors in terms of those involved, the institutional arrangements employed, and the regulatory structures adopted. In some sectors, notably forestry and fisheries, a globalising commodity chain is coming to be governed in part by multi-stakeholder standard, certification and labelling schemes like the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC). While differing subtly in how they manage stakeholders, both these schemes bring together a wide diversity of interests—large and small producers; workers, communities and indigenous peoples; and mainstream and grassroots environmental civil society organisations—into a single institutional arrangement to negotiate the content of a standard, the accreditation arrangements for auditors, chain of custody arrangements, and the requirements for certifying and labelling products as 'responsibly produced' or 'sustainable'.

Some studies suggest that the legitimacy of private governance is closely related to the structure and quality of its 'inputs' and 'outputs'. In an extended analysis of private forest governance schemes at the global level, Cadman (2011) argues that the Forest Stewardship Council scheme is more legitimate than either the International Organization for Standardization (ISO) or the Programme for the Endorsement of Forest Certification (PEFC) schemes because of the quality of its governance arrangements. These include a sophisticated, equitable, chamber-based system for mediating industry, environmental and social interests. In contrast, Cashore et al. (2004) building on the idea that FSC-style schemes are 'non-state, market-driven' forms of governance, place more emphasis on the political process whereby schemes gain legitimacy with internal and, especially, external audiences. According to these authors, scheme managers can directly manipulate audience perceptions of legitimacy by undertaking 'converting', 'conforming' and 'informational' strategies. Converting involves providing incentives for external audiences to accept the scheme, whereas conforming involves making changes to the scheme to meet external audience expectations. Informational strategies are designed mainly to secure ongoing support from internal audiences. Despite the different approach, Cashore et al. (2004) likewise conclude that the FSC has managed to achieve a high-level of pragmatic legitimacy within the forestry sector as a consequence of good strategic management based on judicious use of converting, conforming and informational strategies.

### 3.3 Research Question

Inspired by the FSC and MSC approaches, this research project emerged from a simple question: are such multi-stakeholder, stewardship council-style approaches transferable to the egg industry? A project proposal to explore this idea was submitted to AECL and, following a review, funding was secured. This report answers the question affirmatively but cautiously. Currently, the Australian egg industry is fragmented into several different camps, each defending different egg production schemes and their associated labelling claims. Consumer pressure is growing however for truth-in-labelling on the one hand and more comprehensive labels on the other. If this pressure were appropriately channelled by a multistakeholder leadership group, an egg stewardship council scheme could prove quite attractive. Whether such a group will actually emerge and whether it could successfully negotiate a compromise amongst diverse interests remains an open question.

### 3.4 Research Objectives

The original project objectives, as set out in the funding application, were:

1. Describe the current status of certification and labelling in the egg industry nationally and internationally
2. Identify the key similarities and differences in certification and labelling systems generally as well as between the FSC and MSC specifically
3. Provide an account of current attitudes to egg labelling schemes from those within and outside the sector
4. Analyse the potential contribution of a stewardship-council type scheme to the egg industry
5. Examine the opportunities and barriers of the development of an Egg Stewardship Council and how might these be overcome
6. Consider whether an egg certification scheme should be implemented on a global, regional or national level

This report addresses all the above objectives although, given the structure and operation of the international and Australian shell egg industry, some are treated in more detail than others. Notably, less attention is paid to international factors because the shell egg supply chain in Australia is almost exclusively national with imports disallowed under the tight quarantine provisions of the Australian Quarantine and Inspection Service (AQIS). While international organisations such as the Food and Agricultural Organisation, the European Union (EU), the United States Department of Agriculture and the Humane Society International do exercise some influence in Australia, all schemes investigated here overwhelmingly reflected domestic rather than international concerns.

# 4 Private Governance

## 4.1 Literature Review

The academic literature on what can be broadly referred to as 'private governance' is vast and spans all the components of a process that eventuates in a label being placed on a product (e.g. Cashore et al. 2004; Pattberg 2007; Tollefson et al. 2008; Gulbrandsen 2010; Gale & Haward 2011; Cadman 2011; Lister 2011; Ponte et al 2011). While there are many studies that focus on product labelling (e.g. Blewitt et al. 2011), the label itself usually represents the last step in a process that involves some combination of the following:

1. The development of a vision, set of principles, code of practice or formal standard
2. The development of an audit system to certify operations to the standard
3. The establishment of a system to accredit auditors entitling them to certify operations to a specific standard
4. The establishment of a chain-of-custody (CoC) system to ensure that products are tracked through the supply chain so that substitution, mislabelling and fraud are minimised
5. The placement of a label or logo on a product or a website to signal to consumers that it meets certain requirements (e.g. high quality, safe, animal friendly, sustainable, fair, made in Australia).

Each of the above steps related to standards, certification, accreditation, chain of custody and labelling is the subject of a large, technical, professional literature that is not especially well integrated. In addition, there is a substantial academic literature that seeks to contextualise these often discrete processes as key components of a 'new governance' and 'private governance' approach to industry regulation in contradistinction to command and control 'old governance' approaches by governments that employ formal regulation backed by penalties.

The advantages of this broader focus on new, private governance is that it enables us to take a step back from matters concerning the technical design of a scheme to consider the more fundamental issues at stake in developing and operationalising it. The broader focus also calls into question the fundamental assumption that it is only or mainly governments that have authority to regulate behaviour in national and global markets and identifies private actors and actor-coalitions as increasingly exercising regulatory authority in discrete issue areas. Placing schemes in this larger governance context, the broader approach also investigates not only the technical aspects of a scheme's design, but also its political origins, institutional structure and regulatory arrangements. These are viewed as being critical to understanding the several dimensions of a scheme and the reception it receives from stakeholders and the general public.

## 4.2 Three Dimensions of Governance

As noted, the literature in this field is relatively new, diverse, and lacking in coherence. In an effort to introduce order, a number of authors have developed conceptual frameworks to analyse exemplars of private governance. In one early account, Treib et al. (2007) developed a three-dimensional framework for analysing private 'modes of governance' across the policy, politics and polity dimensions. Building on and extending their approach, Tollefson et al. (2008) and Tollefson et al. (2012) have developed a three-dimensional framework for analysing instances of new governance across three dimensions: political, institutional and regulatory. Together with a group of other authors, they applied this approach with good results to several new governance initiatives at the regional and national levels including environmental assessment, emissions trading, and certification and labelling schemes (Craik et al. 2012; Doelle et al. 2012; Capano et al. 2012).

The advantage of the Tollefson et.al (2012) framework is that it provides a technique for mapping the diversity of the components of new governance arrangements, revealing how schemes that are identical in one dimension (i.e. regulatory arrangements) may differ significantly in other dimensions (i.e. in their political and/or institutional structures). In this study, I employ the Tollefson et.al (2012) framework to map the six major egg certification and labelling schemes currently in use in Australia. To illustrate differences between these schemes and multistakeholder schemes, a mapping of the Forest Stewardship Council scheme for comparative purposes is also included.



# 5 Methodology

## 5.1 Three-Dimensions of Governance

The methodology adopted in this study involves a three-dimensional mapping of Australian egg certification schemes utilising the Tollefson et al. (2012) approach. This approach captures differences in schemes' political, institutional and regulatory arrangements, providing a tri-focal lens to compare one scheme with another to highlight similarities and differences. The methodology is developed around a common, horizontal, monocentric-polycentric axis, which captures the number of actors involved in a scheme. The precise meaning of the monocentric-polycentric axis varies depending on whether one is examining its political, institutional or regulatory dimension. When examining a scheme's political dimension, the horizontal axis refers to the number and diversity of actors that are able to exert real influence on the scheme's development. The fewer the number of actors and the lesser the diversity, the closer the scheme is placed towards the monocentric pole. Conversely, the larger the number of actors and the greater the diversity, the closer the scheme is placed towards the polycentric pole. The focus here is on an organisation's board of directors or governing body. In contrast, when examining the regulatory dimension of a scheme, the horizontal axis refers to the number and diversity of actors involved in the development of the standard. A standard developed by a single interest group would be located towards the monocentric pole whereas one that included many diverse stakeholders would be located towards the polycentric pole. The monocentric-polycentric axis is located at the centre of the governance analysis because it captures what is thought to be a core feature of best-practice new governance arrangements: the inclusion of a broad spectrum of diverse stakeholders in the establishment, development and management of a scheme.

## 5.2 The Politics Dimension

While the horizontal axis remains the same across each of the dimensions (although the meaning changes), the vertical dimension varies depending on whether one is examining a scheme's political, institutional or regulatory component. When examining the political dimension, the focus is on whether power/influence favours state or non-state actors. This dimension is designed in part to capture the distinction between 'old' and 'new' governance arrangements. A conventional 'old governance', governmental approach to regulation involving a government agency with almost exclusive influence over the scheme would see it located in the top left-hand quadrant on the political dimension. Conversely, a highly polycentric arrangement with no government involved—the ideal type of 'new governance' arrangement—would be located in the bottom right-hand quadrant (see Figure 3-1).

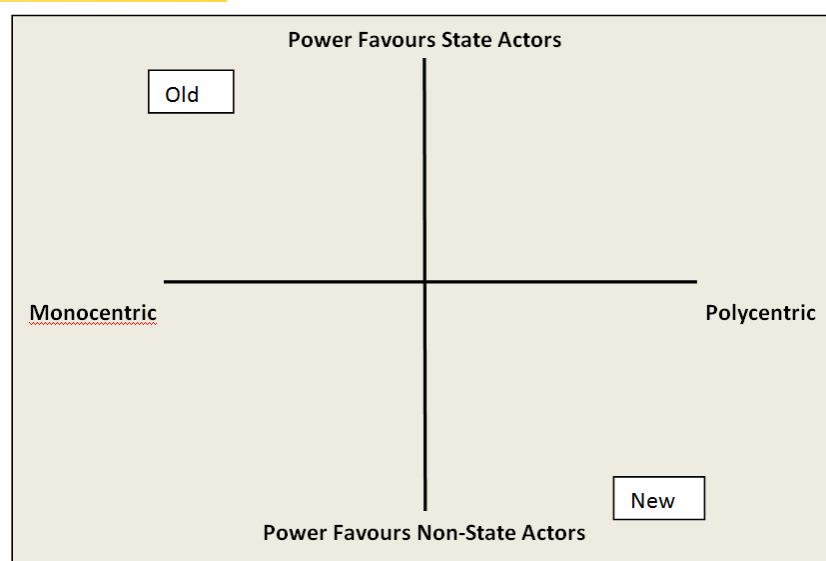


Figure 5-1 - Ideal 'Old' and 'New' Governance in the Political Dimension

### 5.3 The Institutional Dimension

The institutional dimension examines the degree to which a scheme utilises dedicated, differentiated and formal institutions to achieve its objectives. Schemes are located across the horizontal monocentric-polycentric axis based on the number and diversity of actors encompassed. The vertical axis then seeks to discriminate between schemes based on their degree of formality and differentiation. This distinction is based on the perception that, all things being equal, a scheme will perform better when it is managed by a dedicated and differentiated institution that focuses on achieving its core objective rather than broader-based institutions where an organisational unit is likely to experience competition for resources and attention.

Likewise, performance will improve if the scheme has offices, a budget, dedicated staff and clear rules of procedure as opposed to operating in a more informal manner and lacking many of these attributes. For illustrative purposes, Figure 3-2 contrasts an ideally structured 'old' governance arrangement that is monocentric and formal with an ideal type of 'new' governance arrangement that is viewed as being informal and polycentric. As will be demonstrated later, however, this old/new dichotomy is simplistic and many new governance arrangements have actually evolved formal, differentiated institutions to secure their objectives.



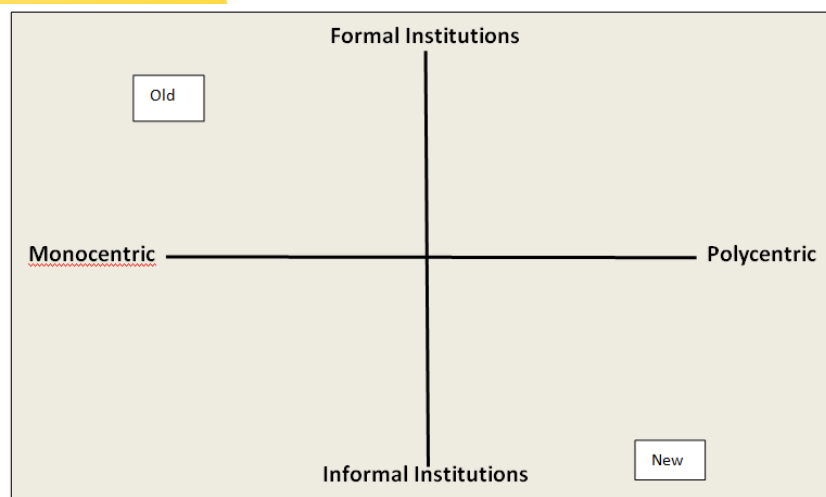


Figure 5-2 - Ideal 'Old' and 'New' Governance in the Institutional Dimension

## 5.4 The Regulatory Dimension

Finally, the regulatory dimension aims to capture the degree to which the requirements of a scheme are precise and obligatory as opposed to general and voluntary. The meaning of the horizontal axis in this dimension refers to the degree to which the standards underpinning certification and labelling schemes have been developed 'in-house' or have emerged from equitable, multistakeholder bargaining forums. Schemes located towards the monocentric pole are those that are developed by a single actor. In contrast, schemes located towards the polycentric pole would be developed by several diverse stakeholder groups. The vertical axis aims to capture a key distinction between different kinds of regulatory arrangements, that between management, technical and performance standards (Tollefson et al. 2008).

The distinction is based on the location in the supply chain that the standard targets. Management (or process) standards focus on the planning stage, technical standards on the production stage, and performance standards on the output stage. Performance-based requirements that target the output stage, and are precise and obligatory, approximate the 'hard law' regulation implemented by governments and can impose significant costs on an industry sector. On the other hand, management standards that are general and voluntary and that target the planning stage constitute 'soft law' arrangements, may create so much room for interpretation as to jeopardise the standard's objectives. Figure 3-3 provides an illustration by contrasting an ideal-type of 'old' governmental regulatory arrangement located in the top right-hand quadrant (a single government actor and precise, binding and non-delegated 'hard law' regulation) with an ideal type of new governance 'soft law' arrangement located in the bottom right-hand quadrant signalling a high degree of imprecision, voluntariness, and delegation. Again, it will be clear later on that this old/new dichotomy is challenged by the hybridity of actual practices.

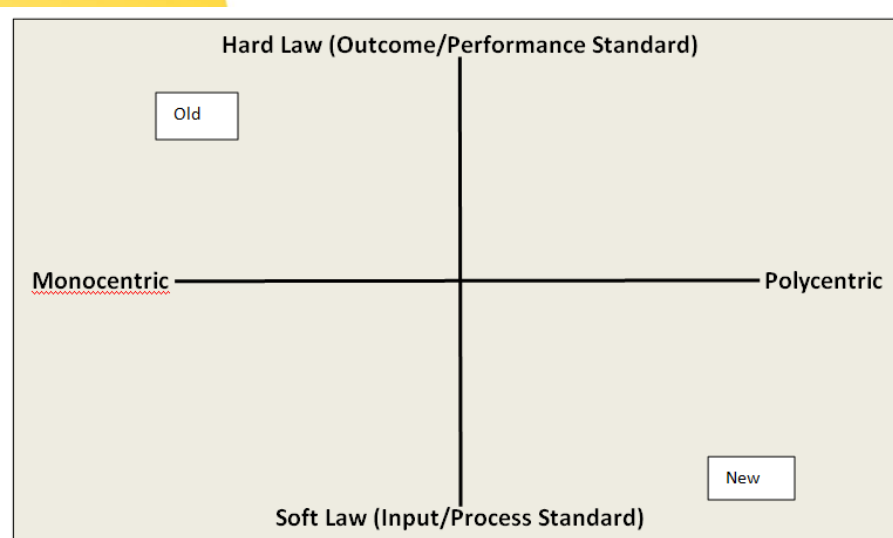


Figure 5-3 - Ideal 'Old' and 'New' Governance in the Regulatory Dimension

## 6 Australian Egg Industry Certification and Labelling Schemes

### 6.1 Egg Production in Australia

Egg production in Australia has been increasing steadily. Data from AECL indicate that the total volume of eggs increased from over 320 million dozen in 2008 to around 390 million dozen in 2012, an average annual increase of over 4%. Not only has the volume of eggs increased, but there has also been a marked shift in production methods from caged to free range systems (collated in Table 4-1). Whereas in 2007, over 70% of total production used cages, in 2011 that figure had fallen to about 55%. In contrast, free range egg production grew from about 20% to about 34% of total egg production. Steady growth from a much lower base also occurred in the 'barn raised' production system. These changes were accompanied by considerable industry consolidation with the total number of enterprises declining from 289 in 2007 to 155 in 2011.

Table 6-1- Growth in Volume and Value in the Australian Egg Industry 2007-2011.  
Source: AECL Annual Reports.

Year	2007		2008		2009		2010		2011	
	Vol	\$	Vol	\$	Vol	\$	Vol	\$	Vol	\$
Cage (%)	74.9	63.2	67.8	54.3	63.5	49.5	56.8	42.4	55	42
Free Range (%)	20.0	30.1	26.8	38.6	26.6	37.3	28.4	40.7	34	44
Barn (%)	5.1	6.7	5.5	7.1	7.6	9.1	9.4	11.5	9	10
Organic (%)	n.a.	n.a.	n.a.	n.a.	2.2	4.1	3.6	5.4	2	4
Number of Enterprises	289		206		164		156		155	

As is evident in Table 4-1, several production systems are now in operation in Australia. The three major systems—cage, free range and barn—are defined in the Model Code of Practice for the Welfare of Animals—Domestic Poultry, 4th Edition (PISC 2002).

- 2.1.1.1      Cage Systems  
Birds in cage systems are continuously housed in cages within a shed.
- 2.1.1.2      Barn Systems (Non-cage Systems)  
Birds in barn systems are free to roam within a shed which may have more than one level. The floor may be based on litter and/or other material such as slats or wire mesh.
- 2.1.2.3      Free –Range Systems (Non-cage Systems)  
Birds in free range systems are housed in sheds and have access to an outdoor range.

The Model Code of Practice (MCoP) provides considerable detail on each system's specifications in terms of cage size, indoor and outdoor stocking densities, lighting, ventilation, food, water and management practices. However, this detail notwithstanding, there have been disagreements within the industry over the meaning of some of the terms, especially with regard to what constitutes 'free range' production. Thus, while consumers appear to be increasingly demanding free range eggs, there is no consensus in the industry as to what that means.

The growth in free range production evident in Table 4-1 is the complex outcome of regulatory changes to caged production requirements, pressures from animal rights' groups, shifting consumer preferences and the action of some large retailers. Consumers, in particular, appear to be demanding food options that better reflect their values. In a consumer survey carried for Food Standards Australia New Zealand, about one quarter of respondents buying a product for the first time reported checking the label to see if the product was free range or contained genetically modified organisms; around 13 percent checked to see if it was organic (FSANZ 2008).

The increased salience of diverse consumer preferences has placed a premium on the food label. As a recent inquiry into food labelling noted:

The label on a food product is the primary communication medium between the producer/supplier and the consumer. As the food supply has evolved and become more complex and extended, so too the label has evolved to play a greater role in 'connecting' consumers with their food (Blewitt et al. 2011).

The food label is the arena in which many of the most intense disputes over food take place, for the label provides the most public face for controversies over food (Blewitt et al. 2011).

There are today a large number of food labels competing for consumer allegiance in the egg market. These labels make a variety of claims with a focus mainly on the production system used. The accuracy of these claims is governed by Australia's 'truth in labelling' laws as enforced by the Australian Competition and Consumer Commission (ACCC). To ensure that labels accurately communicate relevant information to consumers, specifications are required, as too production methods.

Many of the basic requirements governing eggs production and transportation are set out in formal government and industry codes of practice and guidelines. Some of the major ones are:

- Model Code of Practice for the Welfare of Animals: Domestic Poultry
- Model Code of Practice for the Welfare of Animals: Land Transport of Poultry
- Model Code of Practice for the Welfare of Animals, Livestock and Poultry at Slaughtering Establishments
- Code of Practice for Shell Egg, Production, Grading, Packing and Distribution
- Code of Practice for the Manufacture of Egg Products
- Code of Practice for Biosecurity in the Egg Industry
- Environmental Guidelines for the Australian Egg Industry

These codes and guidelines are recognised as best practice in the industry and sometimes have legislative force. For example, in Queensland, the Model Code of Practice for the Welfare of Animals—Domestic Poultry has been incorporated into the State's Animal Care and Protection Regulation 2002.

In many cases, the certification and labelling systems analysed in this report default to the provisions of the above codes and guidelines. For example, in the Royal Society for the Protection of Cruelty to Animals (RSPCA) scheme, it is specified:

These Standards do not necessarily repeat all the animal welfare provisions in the relevant model codes or standards for animal welfare. At the very minimum, compliance is expected with the latest edition of the

- Australian Model Code of Practice for the Welfare of Animals—Poultry (or equivalent Australian Standard or State code where one exists).
- Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock.
- Australian Model Code of Practice for the Welfare of Animals—Livestock at Slaughtering Establishments (or equivalent Australian Standard or State code where one exists) (RSPCA 2011b).

## 6.2 Six Certification and Labelling Schemes

To apply the three-dimensional governance framework to the Australian egg industry, a literature survey supplemented with interviews of key informants was undertaken. Six certification and labelling schemes were identified as being the most important. These are:

- *Australian Certified Organic (ACO)*
- *Egg Corp Assured (ECA)*
- *Free Range Egg & Poultry Australia Ltd (FREPA)*
- *Free Range Farmers Association (FRFA)*
- *Humane Choice True Free Range (HC), and*
- *RSPCA Approved Farming Scheme (RSPCA)*







A brief explanation is required for the omission of some schemes. A variety of organic schemes exist that include the following in addition to Australian Certified Organic: NASAA Certified, BFA Registered Product, OGA Certified Organic, O.F.C., Tasmanian Certified Organic and Demeter. ACO was chosen as it is by far the largest label in the organic market, a market which has historically focused on certifying horticulture produce rather than meat and dairy products. In relation to the schemes initiated by AECL, it was decided

to focus on the existing Egg Corp Assured scheme which has been operational since 2005 rather than the Egg Standards Australia Quality Assurance scheme, which has recently been withdrawn following concerns expressed by the Australian Competition and Consumer Commission (ACCC).

Individual companies also put claims on their labels such as 'vegetarian', 'eco eggs', 'Omega 3 eggs' and so forth. These were not investigated because they do not constitute formalised schemes and are essentially claims designed to secure a marketing advantage. Finally, both Coles and Woolworths package eggs under their own brands, which are marketed under their own labels and it would have been interesting to map their schemes using the approach adopted here. However, neither Coles nor Woolworths responded to the invitation to be interviewed and it was not possible to map their schemes based on the public information available. Some further study of these schemes is warranted, however, given the enormous influence these two retailers exert on the Australian egg industry. Both retailers do, however, require suppliers of eggs to be certified to AECL's ECA scheme; and both also stock eggs certified under the RSPCA, FREPA and ACO schemes.

Table 4-2 sets out a summary of the six selected schemes. The following section outlines how each scheme is structured and operates, focusing especially on their political, institutional and regulatory elements.

Table 6-2 - Six Australian Egg Certification and Labelling Schemes

Organisation	Scheme Version	Major Actors	Intent of Scheme	Logo
Australian Egg Corporation Limited (AECL)	<i>Egg Corp Assured (ECA), National Egg Quality Assurance Program, Auditor's Evidence Guide, Version 2.4, September 2008</i>	Pullet rearers, major producers of caged, barn and free range eggs, and operators of grading floors'	Precise, detailed, process-based standard targeting food safety, animal health & welfare, biosecurity, egg labelling and environmental stewardship	
Biological Farmers of Australia	<i>Australian Certified Organic Standard 2010, Version 1.0</i>	Major producers of organic foods	Precise, detailed, performance-based standard targeting organic food production	
Free Range Egg & Poultry Australia Ltd (FREPA)	<i>Rangecare's Code of Practice for Accreditation by FREPA 2011&amp;FREPA Free Range Egg Standards 20 March 2012</i>	Free range egg producers	General, flexible, performance-based standard targeting market advantage for free range producers	
Free Range Farmers Association	<i>Farm Accreditation Standard, Free Range Eggs, Rev 7- December 2010-AG1143 review issue</i>	Free range egg producers	Precise, detailed, performance-based standard targeting market advantage for free range production and animal welfare	
Humane Society International (HSI)	<i>Humane Choice True Free Range Standards-Poultry, Version 2.1 2011</i>	Free range producers	Precise, detailed, performance-based standard targeting free range production and animal welfare	
Royal Society for the Prevention of Cruelty to Animals (RSPCA)	<i>RSPCA Approved Farming Scheme Layer Hens, August 2011</i>	Barn and free range egg producers	General, flexible, performance-based standard targeting animal welfare in barn and free range egg production systems	



### 6.3 Australian Certified Organic Scheme

The Australian Certified Organic (ACO) scheme has the largest market share of all of Australia's organic labels, accounting for 72% of total post-farm gate certifications in a 2012 survey (Monk et al. 2012). The scheme is a wholly owned subsidiary of Biological Farmers of Australia (BFA), a membership organisation with a board composed of five elected and up to two appointed member-directors. BFA devolves responsibility for policy consideration to 13 Advisory Groups covering such areas as horticulture, monogastric livestock, bio-inputs, and education and training. These groups provide input to the Standards Advisory Group, composed of 12 members drawn from a wide spectrum of organic industries (Monk 2009).

BFA established ACO in 2001 to 'distinctly separate the task of certifying and regulating organic products from that of promotion of the industry and representing the industry's interests to government' (BFA 2012a). ACO provides certification services to the Australian organic industry, and claims to have more than 1,500 operators within its certification system. It manages most aspects of the certification application process, which moves through three major phases: application, audit and, if successful, certification. Applicants submit a range of documentation to ACO including a Statutory Declaration and an Organic Farm Management Plan. These are checked by ACO and the 'pre-certification' period commences. ACO assigns one of its auditors to assess the operation against the Australian Certified Organic Standard (ACOS) (see below). The auditor's report is reviewed by the ACO's Certification Review Committee. If there are no corrective actions, then the operation can obtain a licence to use a stippled version of ACO's 'bud logo' with the words 'In Conversion' written inside. This status continues for a year, following which the operator may apply for full certified organic status (ACO 2012).

The structure of the ACO scheme is set out in Figure 4-1. The intent of the scheme is to certify operations as 'organically' produced. To do so, ACO utilises the ACOS, a standard developed by the BFA Standards Advisory Group. The 2010 version of ACOS has been developed by BFA and is compatible with two different, but complementary, Australian organic standards. The first is the Australian Quarantine and Inspection Services' (AQIS) National Standard for Organic and Bio-Dynamic Produce (the National Standard), which was developed in the 1990s by the organic industry and AQIS to enable the export of Australian organic products to overseas markets. The other standard is the Standards Australia AS-6000 2009 Organic and Biodynamic Products Standard, which was negotiated by a multistakeholder group composed of all seven organic certification organisations as well as government, consumers, primary industry and retailers between 2007 and 2009 (Hall 2011). This standard remains rather underutilised, but is regarded as a potential resource to inform the ACCC with regard to misleading claims regarding the 'organic-ness' of labelled products. The standard is performance-based with an emphasis at minimising the use of synthetic chemicals through all stages of the production process.

ACOS is a formal standard divided into nine sections covering general organic certification requirements as well as specific requirements for primary producers, livestock operations, processors and non-land-based production systems, wholesalers and marketers (BFA 2010). The central intent of the standard is to set out the requirements for organic production with a focus on eliminating as far as possible chemical inputs into, and contamination of, food production. The standard focuses on such things as soil fertility, water and pest management, but also has shorter sections on food safety, environmental management and social policy.

The standard is laid out in a hierarchical fashion and is prescriptive. For example, section 4.1.3 specifies that 'The fertility, biological activity and organic matter of the soil must be maintained or increased by any combination of the following methods' and goes on to

enumerate seven alternative approaches. Likewise, Section 4.1.6 specifies that 'The following are prohibited for use in organic systems: Chilean nitrate, and all synthetic nitrogenous fertilisers including urea.' Section 4.2.11 specifies that 'GMO products and GE processes are prohibited in all aspects of organic production systems and products'. The standard also treats the environmental and social aspects of production. With regard to environmental management, 4.7.2 provides that 'Management shall aim to provide for regionally appropriate tree, bush and/or native grassland areas so as to enhance on-farm flora and fauna protection and biodiversity'. Section 4.7.9 provides that 'The clearing of primary forests and destruction of primary ecosystems on certified lands is not permitted', although this may be less restrictive than imagined since 'primary ecosystem' is defined as 'Environments that are pristine and have not been disturbed by human activities' (BFA 2010).

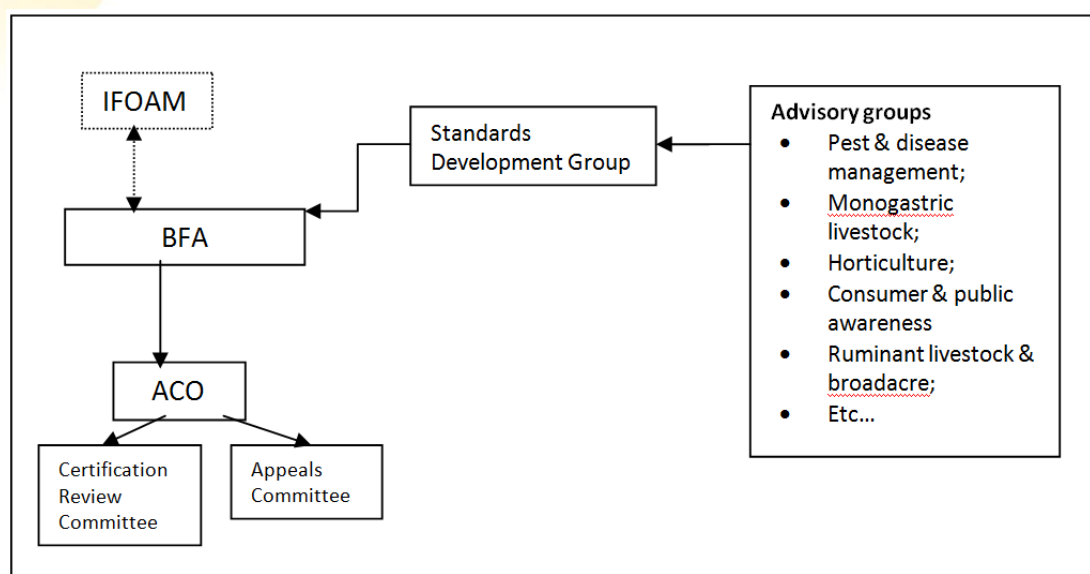


Figure 6-1 - ACO's Institutional Arrangements

While the ACO Standard is a generic organic standard, it does deal with poultry and egg production in Section 5.2. With regard to stocking density, the standard provides that 'maximum outdoor stocking rates should not exceed 1,000 birds per hectare for egg production...' With regard to husbandry practices, section 5.2.27 provides that 'practices such as systematic de-beaking and the use of poly peeper are prohibited', a requirement that also includes beak trimming (CHOICE 2008).

ACO's regulatory structure is set out in Figure 4-2 below. Responsibility for the content of the ACOS lies with the Standards Advisory Group of the BFA. As noted above, this twelve member group represents a wide variety of organic food sectors as well as representatives from auditing, certification and environmental management organisations and social and consumer research groups. The Standards Advisory Group is advised in turn by sectoral advisory groups (e.g. the Monogastric Livestock group), with proposals being finally signed off by the BFA Board. While deep deliberation occurs within this group, the group itself is self-selected from the organic farming community, making it quite monocentric in structure.

An applicant wishing to be ACO certified submits the required documentation and fee to ACO and ACO conducts the audit. There is a close relationship between ACO and BFA, however, since those being certified by ACO are often BFA members and since ACO is a wholly owned subsidiary of BFA. This close relationship between the standards development organisation (BFA) and the certification organisation (ACO) may classify the ACO scheme as more of a second-party, industry association scheme than a fully fledged



third-party scheme. This is not to say there are no checks and balances in the ACO regulatory system, however. Notably, BFA is a membership organisation with quite a high degree of transparency; a track changes version of its proposed new 2013 standard, for example, has been posted on its website.

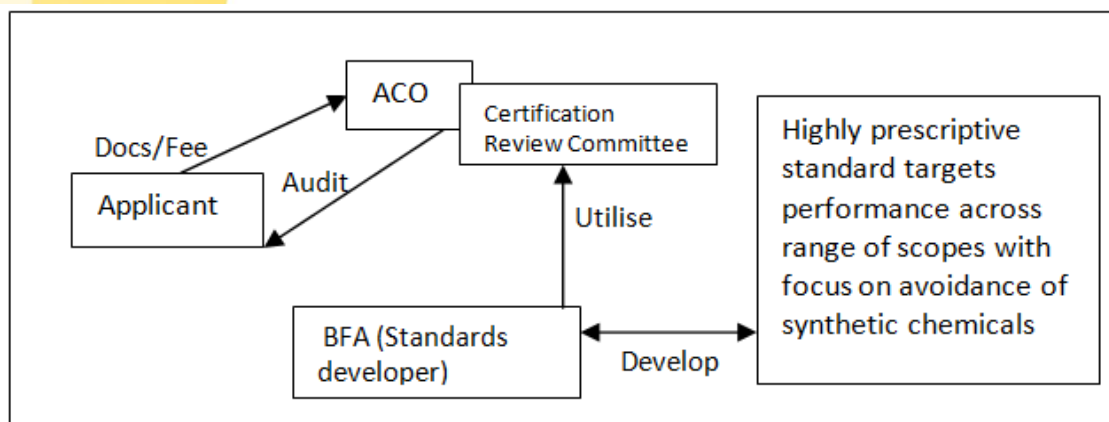


Figure 6-2 - ACO's Regulatory Arrangements

Key issues in the certification and labelling of egg production in the organic industry are the use of food supplements (notably methionine) and husbandry practices (notably beak trimming and outdoor stocking density). According to Andrew Monk, the methionine issue has caused considerable dissent amongst the organic industry:

*Whereas the US and Japan allowed methionine in their standard, point blank, no problem. The US kept sunseting it, and they've only in the past few weeks extended it for another five years... So we were saying this to the government: 'We just don't want us to be uncompetitive with the rest of the world. What is the problem with this? You could walk into a health food store and get this product. If it's a collated amino acid with vitamins and minerals, there are humans that feed it directly into their body and we're going to put it in the feed of animals and it's going to balance out'.... Look, the manufacturing process is synthetic, and the process of producing it is a pretty nasty industrial process, I'm not going to deny that, but so are many other things. But over and over I've seen quite competently trained people businesswise and scientifically but it seems to be sometimes lost on them..., or people have just got carried away with the methionine thing in an extreme way. And I think it was fuelled by some commercial private interests who literally lied about what was going on in their own backyard and it was their way to get back commercially at others who were being more transparent because we forced others to. (Monk 2012)*

With regard to beak trimming, Monk noted the following:

*Other animal management techniques would be another issue—beak tipping—again it has its plusses and minuses. On the one hand, it enables cannibalism to be managed, but on the other people say, 'It's just not right'. The good old traditional 1970s images of birds with their beaks cut off, which is literally 'de-beaking' is expressly prohibited in our industry, but otherwise it's a bit of grey area where it says you can bring in up to 2-day-old chicks and of course before that time they can easily be laser tipped or ultrasonic tipped and as I understand it the beak grows back again but it's not with the pointy bit. But most people don't realise that and to be honest we're regularly railing against people in the industry and consumers who picture a few birds wandering under an orchard and those eggs would be \$120 a dozen. To be fair to some producers, some are against and don't believe that tipping is good full stop anyway and is a poor practice and it promotes intensification and I think up to a point they're possibly right. Although you talk to other*

*ornithologists in the industry, who say that it is the red birds that are the problem, they're really aggressive. But then again, that becomes an economic issue as much as anything else. (Monk 2012)*

Finally, with regard to outdoor stocking density, Monk noted:

*So in the last six to twelve months we've put the stocking rate issue to the industry; in fact it was triggered by the AECL standard, because three years ago as part of the AS6000 we had got some clarity around stocking rates around the shed. And we said, 'You know what, the national standard has been ludicrous in this regard because the national standard talks about 2,500 but we know people just put a plastic strip down at the end and that becomes a new shed and we don't want that, that's stupid, so let's get rid of that and talk about it realistically and align it with the US and the EU'... So we proposed those things and then when the AECL issue about the 20,000 hens per hectare emerged we reconvened a meeting and put some language around it and we took it to the national forums and we've done that now with the AS6000 and it's on the next work phase. It's glacial how long it takes so now it'll be another two years until we see that language come in but at least it's going through the motions. And it's interesting what's happened. Because Queensland has this provision for 1,500 birds per hectare,... But we said we have to accommodate that fact but what else do people think and we had the meat guys there too—there's not many meat guys in our industry—but they said, 'We really do think we need a heavier stocking rate than that, 1,500 is too few, our birds don't move much anyway, they're dead by the 55th day'. So we got to 2,500 for them and funnily enough there was a few other guys in the audience and one of them was a dairy farmer but had started a side chicken operation and he said, 'I'm just doing the numbers (he was a small operation) and my problem is I reckon I'm just over 2,000 birds per hectare (he had mobile shed systems, too)'. So the short of it was we ended up with a proposed wording that recommended a range. It should be 1,500 unless there is rotation practised and up to 2,500 max, no more. So, hopefully if we get that language through—we're conscious that that is slightly more than some of the other free range associations do proffer, but then my sense too is that almost none of them get product like that to come into their stores and we've got so many other cost-factors and other things, so we think that's a careful and well-struck balance. (Monk 2012)*

## 6.4 Egg Corp Assured Scheme

Egg Corp Assured (ECA) is managed by the Australian Egg Corporation Limited (AECL). The AECL is one of 15 Rural Research and Development Corporations (RDCs). Its fundamental purpose is to engage in research, development and promotion services that 'advance the interests of the Australian Egg Industry' (AECL 2007a, Para 2 (a)). A producer-owned company, it is funded by levies on members under the provisions of the Egg Industry Service Provision Act 2002. Commercial producers of eggs must pay a levy under the Act and can register for free as members of AECL by completing a Registration Form. The total number of votes a member has is determined by the 'number of Laying Hens over the age of 18 weeks owned by that Member, at the end of the previous Financial Year' (AECL 2007a, Para 7.1 (b), i (a)). A recent review of AECL identified an external industry perception that the organisation was a 'big boys club' and recommended that an independent external review be conducted to, inter alia, 'address "perception" issues associated with the representation of SMEs [Small and Medium Sized Enterprises] in decision making' (Clarke 2011).

AECL established the ECA scheme in 2004 (AECL 2007b) with three scopes focused on food safety, biosecurity, and animal health and welfare (AECL 2005). It subsequently

added the scopes of environmental management and product labelling. The overall aim of the ECA program is to provide a minimum quality assurance standard for egg production to improve management practices related to pullet rearing, egg production and grading/packing. The scheme commenced as an AECL R&D project, which the organisation subsequently took over and commercialised (Palmer 2012). The institutional structure of the ECA scheme is set out in Figure 4-3. The scheme is managed by an officer within AECL. Applicants seeking to be licensed under the ECA scheme must develop a Quality Assurance program that meets ECA's guidelines. They can then apply to have an ECA-accredited auditor audit their egg business to ensure that it conforms to ECA's guidelines. To qualify for a licence, the auditor must submit the audit to AECL and the producer must submit an application form and pay the licence fee. An audit that contains no Corrective Action Requests (CARs) qualifies the applicant to receive an 'A' ECA licence. If the audit identifies minor CARs (up to 20%), then the applicant qualifies for a 'B' ECA licence and these must be closed out prior to the next audit. Major CARs must be rectified as soon as possible and an applicant does not qualify for an ECA licence until they are closed out. Critical CARs, which indicate a breach of legislation, may be referred to appropriate authorities for action. Qualifying producers are entitled to place the ECA logo on their website and products as set out under the provisions of ECA's Certification Trade Mark scheme. Licencees are listed in the publicly available ECA register.

The ECA Quality Assurance (QA) guidelines have been updated since it was initiated in 2005. Initially, it focused on the three scopes of food safety, quarantine and biosecurity, and hen health and welfare (AECL 2005). It subsequently added the scopes of labelling and environmental management. The scheme is based on the Hazard Analysis and Critical Control Points (HACCP) approach and adopts a management system's approach to standard setting. The scheme's operation is monitored by one of AECL's Industry Consultative Committees (ICCs). ICCs exist in a number of fields including Supply Chain Enhancement, Public Affairs, Animal Health and Animal Welfare. There is an ICC for Egg Corp Assured, which in 2011 consisted of seven members including representatives from Pace Farms, Farm Pride and NCSI (a major Australian provider of third-party assurance, auditing and certification services). The ECA-ICC receives advice from AECL's Expert Groups (EGs), which in 2011 included the Animal Health Technical Working Group, the Hen Welfare Advisory Group, the Egg Nutrition Council, the Food Safety Task Force, and the ESA Technical Advisory Committee (TAC). The latter group was established in 2010 to develop a new standard, provisionally termed Egg Standards Australia (ESA). The decision to significantly revise the ECA program followed an evaluation in 2009-10, which identified shortfalls against international benchmarks. In 2011, the TAC consisted of an independent chair, four representatives from government departments and research agencies, three poultry industry consultants, and three industry representatives.

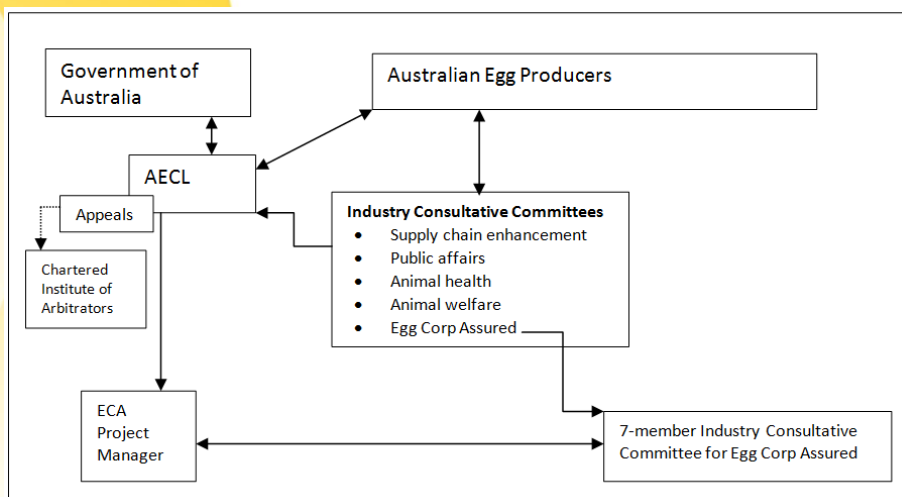


Figure 6-3 - ECA's Institutional Arrangements

The ECA on-farm quality assurance program currently consists of five sectoral scopes covering food safety, animal health & welfare, biosecurity, labelling and environmental management requirements. The focus is on ensuring that producers have appropriate processes in place to minimise risks to consumers especially with regard to food safety, biosecurity and animal health. The standard is divided into 17 sections consisting of a General section (0.1-0.12) and 16 specific sections that cover such topics as equipment and vehicles, feed, water, shed set-up, bird placement, transport of birds and eggs, and environment. The standard mostly focuses on process requirements—on record keeping, for example—in the expectation that good inputs will produce good outputs. This is consistent with the HACCP approach to risk management. There is an emphasis on the provision of evidence that birds arrive in good condition (9.1), egg collection equipment is kept clean (11.1), and grading equipment is regularly checked for accuracy (13.6) amongst other criteria.

ECA's regulatory arrangements are set out in Figure 4-4. An applicant seeking certification under the ECA scheme develops a QA plan and applies to an ECA accredited, RABQSA-qualified auditor to have it audited. As of 2013, three certifying bodies were accredited to ECA: BSI (incorporating NCSI), SGS and QCONZ Australia. Once the audit is successfully completed, a copy is forwarded to ECA along with an application fee and the operation can be certified and a licence issued. The regulatory arrangement is a third-party one for the most part—although NCSI does sit on the Egg Corp Assured Industry Consultative Committee, which is involved in standards development. The ECA Standard is designed as a process-based standard focusing on inputs into the management system rather than performance of outputs. An audit to the standard focuses therefore on the actions managers are taking rather than on the outputs of that management although a connection between the two is expected.

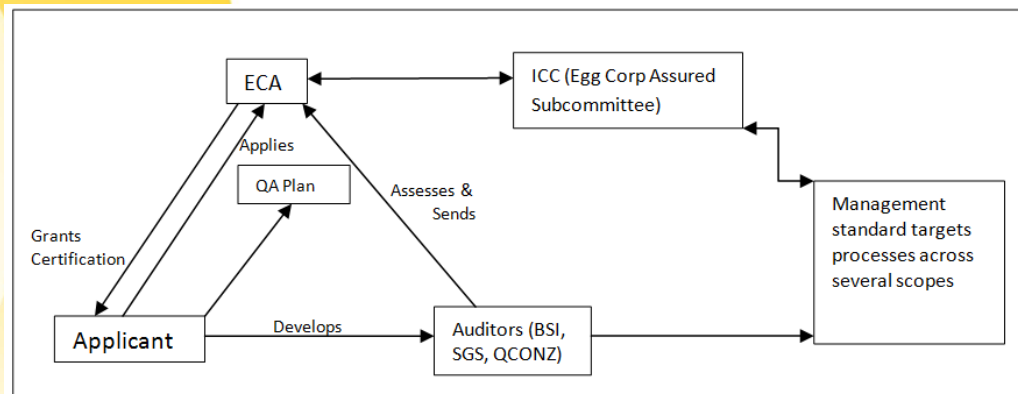


Figure 6-4 - ECA's Regulatory Arrangements

Key issues in certification and labelling for AECL are costs, compliance and stocking densities. According to Heather Palmer at AECL:

*The biggest feedback that AECL receives with regards to the industry QA is the impost of time and resources on the industry and the expense of participation. These are core topics that raise their heads. Cost varies based on the size of the operation. Participation involves a third-party audit. AECL has three auditing companies that are aligned to the program each with exclusive rights to audit the QA program. The companies are SGS, NCS International [recently taken over by BSI] and QCONZ Australia, giving egg producers choice and each company market competitiveness when it comes to sourcing and providing the services for an audit. The fee is based on hourly audit rate: a small operation would average 3 to 4 hours and that would include an hour of report writing time. A larger operation could take up to 7 or 8 hours, if it includes a grading floor audit. (Palmer 2012)*

With regard to issues of compliance and disputes, Palmer noted the following:

*AECL has had more disputes issues with the spot audit program. AECL initiated spot audits as a random check on QA farms and accredited auditors as a means of monitoring the rigour of the QA program; and also in response to any qualified complaint that necessitated further investigation. In the first year AECL initiated the spot audit program, they managed to cover approximately 75 to 80% of current licencees for a spot audit. Each was carried out by a different auditor to the regular auditor as a check measure on thoroughness and competency. Around four years ago now, AECL opted to align the national QA program with global auditing companies who employed auditors with RABQSA qualifications in food safety and the egg codes to audit the national egg quality assurance program. (Palmer 2012)*

Finally, with regard to stocking densities, she noted:

*The AECL proposed outdoor stocking density for free range egg production included into the new QA Standard is 'up to' the suggested figure and that's where some confusion lingers. AECL is not saying that's what you stock at. AECL looked at the government-endorsed Model Code of Practice for the Welfare of Animals—Domestic Poultry 4th Edition (MCoP), that the industry have operated to over many years and there is a caveat in there that a higher stocking density is permissible upon rotation and regular feed and vegetation. The industry operates under this MCoP, which does not state a cap on any higher stocking density. Hence, currently with no cap it highlighted to AECL when we developed the new QA standard that each point must be clearly auditable hence the suggested capped figure being included. When asked about ambiguity in the Egg Corp Assured – such an example is that with no cap in place for free range outdoor stocking density, any producer could*



*have any outdoor stocking density that they need to meet their market demands. And the word 'rotation' causes different perceptions as well. Some people think rotation is over the same piece of ground and they might bring vegetation in and rotate this on a regular basis to ensure a fresh supply of vegetation. Some people have planted pallets with flowers so they can move them in and out, and they've been quite creative; however, the wording in the MCoP is rotation of birds onto fresh range area occurs. This is one example where you get different perception of what people think and where the ambiguity comes. What AECL has endeavoured to do in the development of the new QA program, noting every point of the QA must be defined to be auditable, is incorporate the requirements making most questions have yes or no answers and then there is no doubt about what is required. AECL has put a capped figure in for free range outdoor stocking density to make this an auditable point as part of the new QA program noting it's 'up to a maximum', so anyone stocking up to 750 hens per hectare, or 2,500 if it's RSPCA or to any other standard, that's their marketing point and edge, and it's not inhibiting other larger operations from existing to supply a much needed high protein food. (Palmer 2012)*

## **6.5 Free Range Egg & Poultry Australia Limited (FREPA) Range Care Scheme**

FREPA Range Care is a program operated by Free Range Egg & Poultry Australia Limited (FREPA), an organisation that emerged following the deregulation of the Victorian egg industry in 1993. Initially it was called the Free Range Egg and Poultry Association of Victoria and became incorporated in 2002 and subsequently changed its name to FREPA.

The organisation is an association of members who set standards for free range production and market this standard to consumers. It is managed by a nine-member board of directors composed mostly of free range farmers (ASIC 2013). The organisation lists 10 members on its website who collectively accredit 100 chicken-meat farms and four free range egg farms. Although it commenced in Victoria, it now has accredited operations in all Australian states.

A schema of FREPA's institutional structure is presented in Figure 4-5. FREPA's RangeCare's Code of Practice for Accreditation and FREPA Range Care—Egg Standards and other standards related to candling, grading, storage and transport, and breeders and hatcheries, feed, and transport and processing, are vested in a FREPA Code Management Committee consisting of the FREPA President, Secretary and four farmer nominees. The mandate of the FREPA Code Management Committee is to review the standards to assess any needed changes, to mediate alleged nonconformities and make a determination, and to conduct an annual review of complaints and their status. In the event of a dispute that cannot be resolved in-house, the FREPA Management Committee can decide whether to refer it to an arbitrator acceptable to both parties.

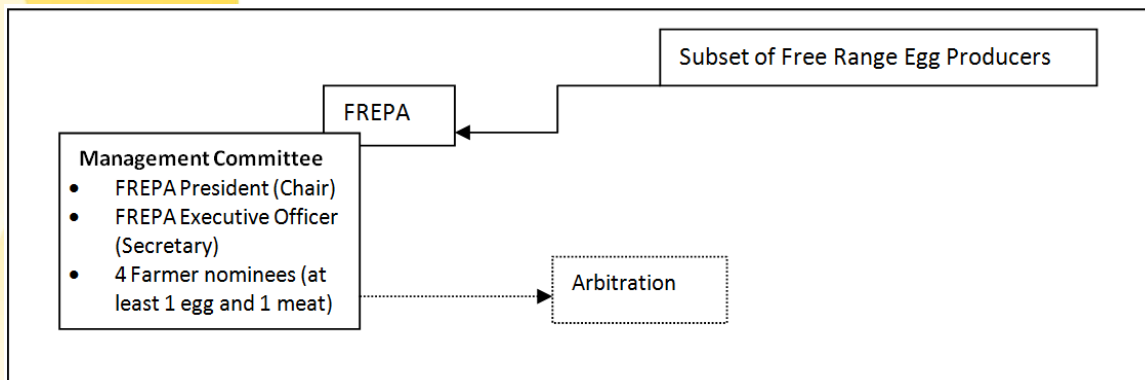


Figure 6-5 - FREPA's Institutional Arrangements

According to FREPA, its system has been designed to 'demonstrate to the public and government that FREPA's methods of poultry husbandry represent best practice poultry care and biosecurity, safe food quality and sustainable extensive farming practices' (FREPA 2011).

Practices must be consistent with existing government codes and legislation. FREPA's free range standard, FREPA Free Range Egg Standards, aims to create a 'non-stressful environment for the birds' and is written as a performance-based standard. It consists of 21 standards specifying free range requirements, which include quantitative requirements related to indoor and outdoor stocking densities and the banning of toe trimming, de-snooding and poly peepers.

Beak trimming is permitted provided it is done 'in accordance with the Egg Industry Accreditation Program'. It defaults to the *Code of Practice for Animal Welfare—Domestic Poultry* with regard to outdoor stocking densities, which provides for 1,500 hens per hectare unless rotation is practiced.

To obtain accreditation under the FREPA system and be licensed to use its logo, an applicant must apply for FREPA membership. The applicant can then apply for accreditation by submitting an application form, documentation concerning the size and structure of egg operation, a copy of public/private liability insurance policy and so forth. FREPA then organises, at the applicant's expense, an ISO-accredited auditor to conduct an on-farm audit against the FREPA Free Range Egg Standards and issues an Accreditation Certification for the property if it passes the audit by having no critical non-compliances. FREPA's regulatory arrangements are set out in Figure 4-6 below.

According to FREPA's Meg Parkinson, the key issues in the industry vary depending on the audience. There are also questions around outdoor stocking densities and labelling. With regard to the major issues, she noted:

*I mean that's [question about key issues in the industry] extremely broad isn't it. I mean the industry would say the key issue is food safety and the consumer I think would also think the key issue is food safety, but they just assume it's going to happen. And then you get a divergence. Probably the consumers think that animal welfare comes after food safety, whereas the industry thinks that disease control comes after food safety and then animal welfare and then everything else. And from an industry point of view, that is how it happens because if we get an emergency disease outbreak, animal welfare goes out the window anyway. And I think the consumer probably puts disease control for zoonotic diseases after animal welfare. (Parkinson 2012)*

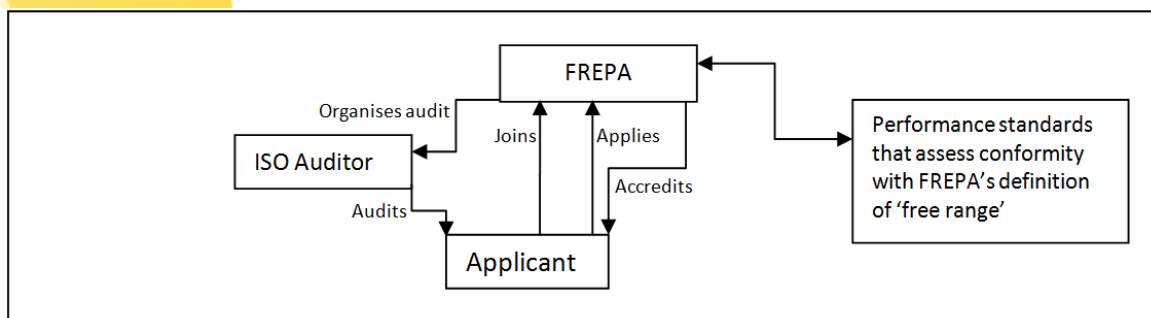


Figure 6-6 - FREPA's Regulatory Arrangements

With regard to outdoor stocking densities, Parkinson noted:

*There is a definition [of outdoor stocking densities] and that's the definition in the Animal Welfare Code. People say that there's not a legal definition but that's not true. It is in the Animal Welfare Code, which is in the legislation in each state and territory. And therefore it is covered, whether it's called the prevention of cruelty to animals act or animal welfare act. So that's the first thing that's not true, because it's there. Now, it's not a very good definition, there's no question about that, but when that Code was done back in 2000-2002, it was the best one we could get because if you try and define it too much the Parliamentary Council will tell you that it won't be able to happen, it won't be able to be enforced. So what happens is, the definition of caged, barn laid and free range is in that Code. The Code says that there are regulations—this is the first time regulations were done for a code—the regulations are in the acts in all the states and territories. The interpretation of the regulations comes back to the Code of Practice and people often don't understand this. So if you want to know what something means in the regulations, you should look at the Code and that's your interpretation. And that's how the regulators think. So the Code says Free Range, the birds should be able to go out and all that, but then when they go out, how they go out, the conditions under which they do it is all in the Code. And there are parts of the Code for ranging, and there are parts of the Code for stocking densities, and so on. The reason why the outside stocking density is in the Code, which is effectively—it's not a regulated part, it's an advisory part—is because the outside stocking density is not an animal welfare issue. It's an environmental issue. (Parkinson 2012)*

Finally, with regard to the labelling issues, Parkinson noted:

*Labelling is an issue by itself. Whether you should put the production system on the carton. A lot of people have a real problem with that because of the competition law. The industry needs a way of dealing with excess of eggs. You can pulp them so nobody gives a stuff what they are. But if you can't pulp them for some reason—for example, because the people doing the pulping aren't taking any eggs—then what happens is that free range and barn tend to get put in caged cartons. And this may actually be an issue. The ACCC may decide that that's not appropriate because it's misleading the consumer. And this is going to get quite a bit bigger. I don't think they will, my view is they won't, but I might be wrong. But the labelling is probably due for quite a bit of debate. There are quite a few people who've got strong views about this one and certainly strong views about AECL and what it does and how it does it. (Parkinson 2012)*



## 6.6 Free Range Farmers Association Scheme

The Free Range Farmers Association (FRFA) is a not-for-profit association based in Victoria and is closely associated with the Free Range Egg and Poultry Association of Australia Inc (FREPAA), the latter frequently being confused in the media with FREPA because the names and acronyms are so similar. Phil Westwood, FRFA's egg production spokesperson, is also President of FREPAA (FRFA 2013). FRFA is one of several small free range associations in Eastern Australia. The others are the Free Range Poultry Association of Queensland Inc (which is being wound up) and the Free Range Egg Producers Association of New South Wales. FRFA is a small organisation with about six farms certified to its standard. While FREPAA does not have an independent website, Phil Westwood has developed Freeranger.com.au where there is considerable commentary on free range egg production (Freeranger 2013). Curiously, the Westwood farm appears to be certified to the Humane Society International standard (Humane Choice, see below), not the FRFA standard. Westwood endorses the Humane Society International standard on his website: 'The best idea is to look for farms which are accredited by Humane Choice—you can have confidence in that label wherever you are in Australia' (Westwood 2013).

FRFA's standard is written as a performance-based code of conduct that defaults to the *Model Code of Practice for Animal Welfare—Domestic Poultry* for practices beyond its scope, which is narrowly focused on free range production. The standard consists of five parts (A to E) that cover practices related to housing, feeding, free range run, husbandry and general requirements. There is also discursive guidance on feed mixes and maintaining egg quality. Notably, FRFA, FREPAA and Freeranger have specific views on what constitutes 'free range', restricting indoor stocking density to 1,000 hens per house and outdoor stocking density to 750 hens per hectare, and banning all animal mutilation practices and manufactured colouring additives. The Standard does not define its terms, however, leaving it to the certifier to determine what constitutes a 'house', 'normal roosting', and so forth.

Given a lack of differentiation, the combined institutional and regulatory structure of the FRFA scheme is set out in Figure 4-7. The organisation is minimally differentiated. To implement its standard, applicants who believe they meet the FRFA standard join the Association on application and payment of a membership fee. They can then apply to have their operation inspected and, if they pass, are entitled to put the FRFA logo on their eggs. Phil Westwood, a former AECL auditor, appears to carry out the inspections.

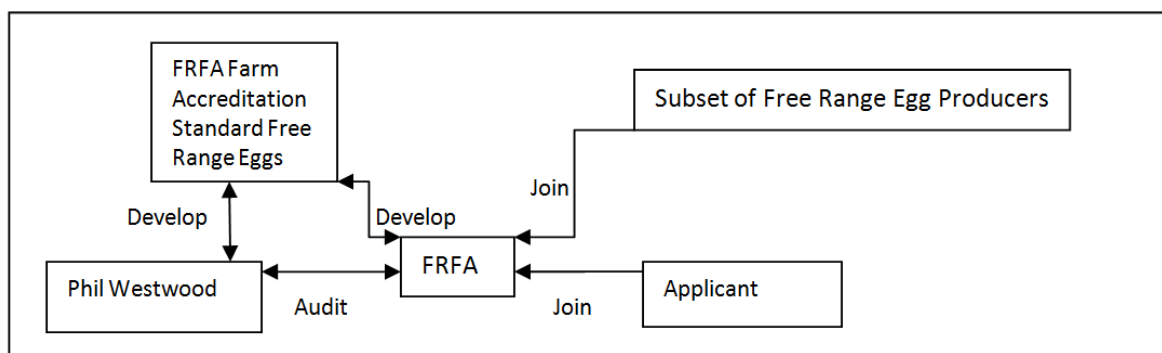


Figure 6-7 - FRFA's Institutional and Regulatory Arrangements

An interview with FRFA was sought, but no reply received. However, there is already a large volume of commentary available on its position on several websites (especially FRFA and Freeranger websites). The key issues of concern to FRFA, listed in an article by Westwood are stocking densities, mutilation practices, AECL consultative processes, and labelling that is misleading. Concerns with regard to stocking density and mutilation practices are reflected in the FRFA standard and on its website. The two are interrelated:

*Probably more than 90% of the eggs sold in Australia as 'free range' do not meet the standards expected by consumers. Research has shown that buyers believe the hens are not de-beaked or beak trimmed and the hens roam on pasture all day. But unfortunately that is not the reality on most egg farms. Nearly all chicks are beak trimmed at hatcheries and many farms have stocking densities well above the limit of 1500 hens per hectare set by the Model Code of Practice for the Welfare of Animals—Domestic Poultry. The Egg Corporation admits that a third of eggs labelled as free range are from intensive farms, some with 40,000 and even up to 100,000 hens per hectare (FRFA 2013b).*

With regard to AECL consultation, Westwood argues that free range egg farmers were misled with regard to AECL's plan to introduce a new egg quality assurance standard. He noted:

*Few egg farmers and no consumers, were aware of the implications of draft proposals which were first revealed in a series of industry workshops which started to trundle around the country in May [2010]. The notification to AECL members simply referred to production systems and labelling workshops...There was no mention in any of the notices sent out by AECL that new draft standards had been prepared and would be presented at those meetings. The standards for cage and barn egg production showed little change and caused no comment. But the draft standards drawn up for 'free range' production galvanised the industry into action and sparked a request to the Federal Agricultural Minister Senator Joe Ludwig to establish a clear national definition for 'free range' egg production. (Westwood 2010)*

With regard to truth-in-labelling, Westwood commented in an interview on ABC Radio on what he perceives as a major problem in the industry, the substitution of caged eggs for free range eggs. In response to a question about whether the claims of another free range farmer, Ivy Inwood, President of the Free Range Poultry Association of Queensland Inc, that 'half the eggs sold in Australia come from other systems and not the genuine free range systems', Westwood agreed and replied:

*The worst ones are the sort of operations that really are simply barn-laid, and market themselves as free-range, or the ones that actually are cage eggs. And there are some farms that we understand that go around some of the Farmers' Markets in particular, that have virtually no chooks. They might have 20 chooks or so, but they're selling hundreds of dozens of eggs each week, and they're just buying them from the local cage farm, packaging them, and going along to Farmers' Markets and passing them off as free-range eggs and selling them for \$6 or \$8 a dozen. (ABC 2005)*

## 6.7 Humane Choice True Free Range Scheme

The Humane Choice True Free Range scheme is run by the Australian branch of Humane Society International (HSI), an independent affiliate of the Humane Society of the United States. HSI is managed by a six-person board of directors and advised by a small, eight-person, Leadership Council. Based in the US, HSI has branches in Australia, Belgium, Canada, Costa Rica, India and the UK and its board is largely composed of senior officers of national organisations. Verna Simpson, for example, is HSI-Australia's Finance and Marketing Director, and Australia's appointee on HSI's six-member board. HSI, together with a range of partner associations, is part of the 'global program arm of The Humane Society of the United States (HSUS) the world's largest non-government animal protection organisation, with over 12 million members'. It advocates for 'change for the benefit of all animals' and for a vision of the world 'in which people change their interaction with other animals and their environments, evolving from exploitation and harm to respect and compassion' (HSI 2013).

In Australia, HSI works on national and international biodiversity policies, promotes action on climate change and whaling, and implements its Humane Choice True Free Range label to improve animal welfare and lobby against intensive farming. The institutional arrangement for Humane Choice's system is set out in Figure 4-8.

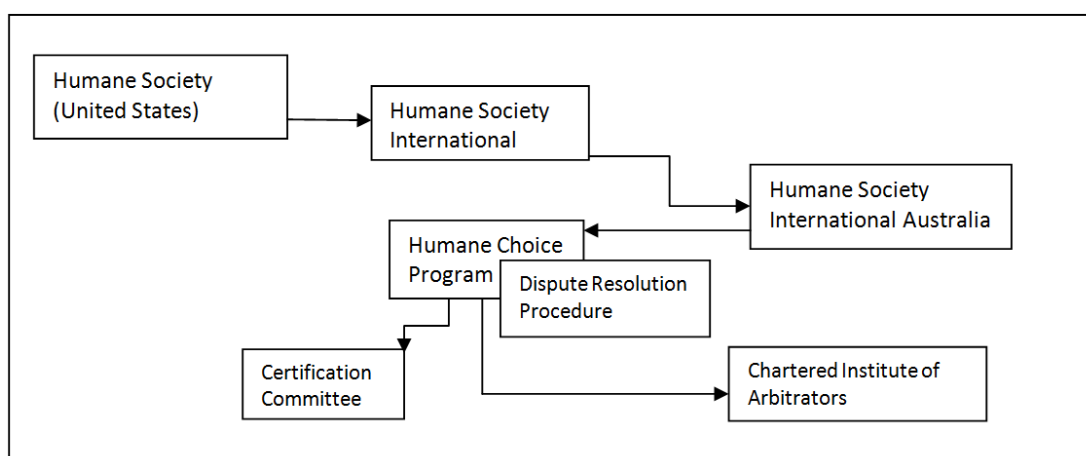


Figure 6-8 - Humane Choice's Institutional Arrangements

The Humane Choice scheme was originally developed by the National Association of Sustainable Agriculture Australia, which also managed it for Humane Choice until 2010, when HSI Australia took it over (McCosker 2012). Although Humane Choice has a general standard governing free range production (*Humane Choice True Free Range General Standards (version 1.1, 2011)* (HSI 2011a), it is the one specifically dedicated to poultry meat and egg production that is relevant to this study. The *Humane Choice True Free Range Standards—Poultry (version 2.1, 2011)* (HSI 2011b) encompasses and expands on the General Standard with regard to poultry meat and egg production. It is written as a formal, performance-based standard. For some practices, it defaults to other Australian codes of practice. HSI's Poultry Standards is divided into six parts (objectives) covering an Introduction, Feed and Water, Farm Environment, Management, Flock Health, and Transportation and 15 standards, which are themselves subdivided into subsections. For example, with regard to the Management part, the accompanying objectives paragraph reads:

*Farm housing and paddock management should ensure that the environment provided for the animals will permit humane, safe, wholesome food production. Care of the environment is a part of responsible farm management. Parallel production systems will*

*not be accepted as meeting the requirements of this standard. No other type of system of egg, poultry, beef or lamb production shall be established, maintained, used or managed on any property under the producer's control. All animals must be managed under the requirements of the Humane Choice Standard. (HSI 2011a)*

The HSI Poultry Standard provides considerable detail on various aspects of egg production. With regard to hen housing, for example, Section 1.4 sets out several performance-based requirements. For example, when housed on 'a temporary basis or at night', managers must ensure that they comply with 'the minimum on-ground density', which for poultry is 'not less than 1 square metre for every five birds including the roosting area' (HSI 2011b). Elsewhere, sub-standard 12.2c specifically rules out a range of surgical treatments including 'beak cutting and trimming', 'de-beaking', 'wing cutting', 'toe trimming' and 'de-snooding'.

HSI developed the standard in consultation with selected free range farmers and consumers including, possibly FRFA and FREPAA spokesperson Phil Westwood, whose operation Freeranger Eggs is listed as certified under the HSI scheme. A total of nine farms are listed as certified under the HSI scheme including Kangaroo Island Free Range Eggs, Mayfield Farm Produce, Organigrow, and Real Free Range Eggs. According to Humane Choice's Chief Operating Officer, Lee McCosker:

*We involve producers. And we also involve scientific research. We of course have at our disposal the Humane Society US, and we have access to all their data and all the studies that they do and we have used those as well. And we're very, very involved with our producers and over the years have spent a lot of time looking into issues in farms in Australia and the standards have changed very little apart from the format since they were developed by the organic association, NASAA. And of course, the consumer; we look into what the consumer expects free range to mean. (McCosker 2012)*

The scheme requires that applicants apply to the Humane Choice Certification Committee and pay an application fee. Figure 4-9 sets out the basic schema for applying for certification under the scheme. The Certification Committee obtains the services of a RABQSA-qualified auditor accredited with the Joint Accreditation System of Australian and New Zealand (JAS-ANZ) to undertake an audit. The auditor forwards the report to the Certification Committee, which assesses it and determines whether to grant certification or not. It can give applicants 30 days to address minor corrective action requests and three months for major corrective actions. Random checks are permitted under the scheme and there is dispute resolution arrangements set out in the Humane Choice True Free Range Rules of Certification. If certification is withdrawn, the licensee can appeal to the Certification Committee in the first instance and, if that does not produce a satisfactory outcome, can seek arbitration through the offices of the Chartered Institute of Arbitrators. Disputes over whether goods and services meet the HC standard are handled in-house by the HC Chief Operating Officer.

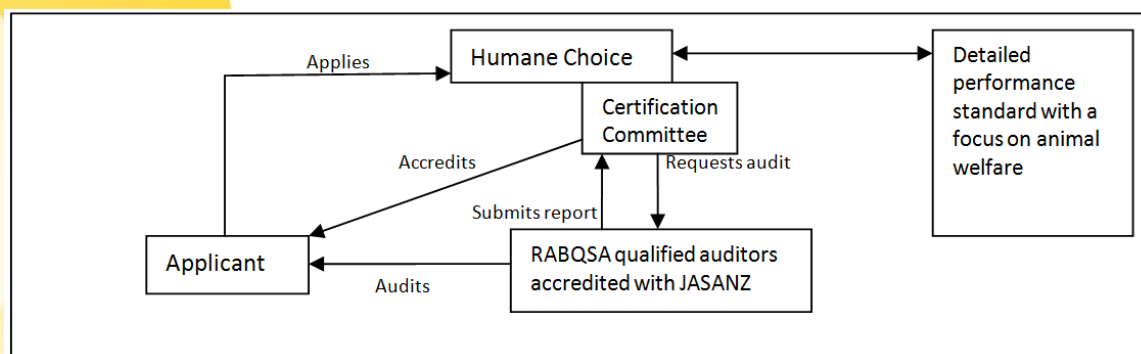


Figure 6-9 - Humane Choice's Regulatory Arrangements

The key issues identified by HSI and HC relate to the meaning of free range and implementation of certification and labelling systems. According to Lee McCosker:

*The big one is consumer expectations and what the consumer believes free range to mean. Any certification must meet the requirements for consumers as well as any relevant codes or regulations. That's a big issue at the moment, over the description of free range, because we don't have any regulations over what defines free range and what is being put on labels is very misleading in our book and does not meet consumer expectations. It meets the supermarkets' criteria for a cheap product on the shelf for a label that they know is in high demand by their customers. And our producers have a very, very different farming system to the free range eggs that are mass produced and sold in supermarkets. (McCosker 2012)*

With regard to scheme implementation, HSI and HC are concerned about a failure to implement existing schemes.

*Here's a perfect example of this [implementation failure]... The largest free range egg producer in Western Australia, he is on 5 acres, he has 150,000 birds on his farm, and he has a licence for 24,000. He's built poultry sheds without permission from council, it's been in court for years, he's now been ordered by the Western Australian government to remove 50,000 birds from his property, and to remove the illegal sheds. And we notified Coles and Woolworths both about the situation on this farm and the potential that it had to cause embarrassment to them and that he was in breach of his contract with them because he did not have the required permissions and licences in place. (McCosker 2012)*

## 6.8 RSPCA Approved Farming Scheme

The RSPCA is one of the premier animal welfare organisations in Australia. RSPCA Australia is a federation of eight autonomous state and territory RSPCA groups. It runs the RSPCA Approved Farming Scheme in addition to lobbying the federal government on animal welfare issues. RSPCA's Approved Farming Scheme commenced in the late 1990s and is based on the 'five freedoms': freedom from hunger and thirst; discomfort; pain, injury or disease; and fear and distress; and freedom to express natural behaviour. The scheme covers a range of livestock industries including poultry (meat and eggs), turkeys and pigs, and there are guidelines for beef cattle. The RSPCA scheme for eggs includes barn and free range egg production but excludes caged production. While producers are not listed on its website, retailers are, and include Coles Barn Laid Egg, MMM Barn Laid Eggs, Rohde Free Range Eggs, Silver Dale Free Range Eggs, and Sunny Queen Barn Laid Eggs.

RSPCA's institutional structure is set out in Figure 4-10 below. It is modestly differentiated, with heads of state organisations constituting the national RSPCA Australia Board, which



employs staff to run its various programs including its Approved Farming Scheme. RSPCA Australia, however, manages all aspects of the Scheme, meaning there is little institutional separation between standards development, implementation and promotion functions. The two main institutional features of the RSPCA scheme are the Compliance Manager and the Approved Farming Scheme Assessment Panel. Both work together and with RSPCA contracted auditors to develop standards, audit operations, and license producers. RSPCA keeps the auditing function in-house which is somewhat unusual and renders it a second-rather than a third-party scheme. Like other organisations, including the ECA, it has provisions to resolve disputes by referring them to external parties. In the RSPCA's case, this is to the Australian Commercial Disputes Centre Limited.

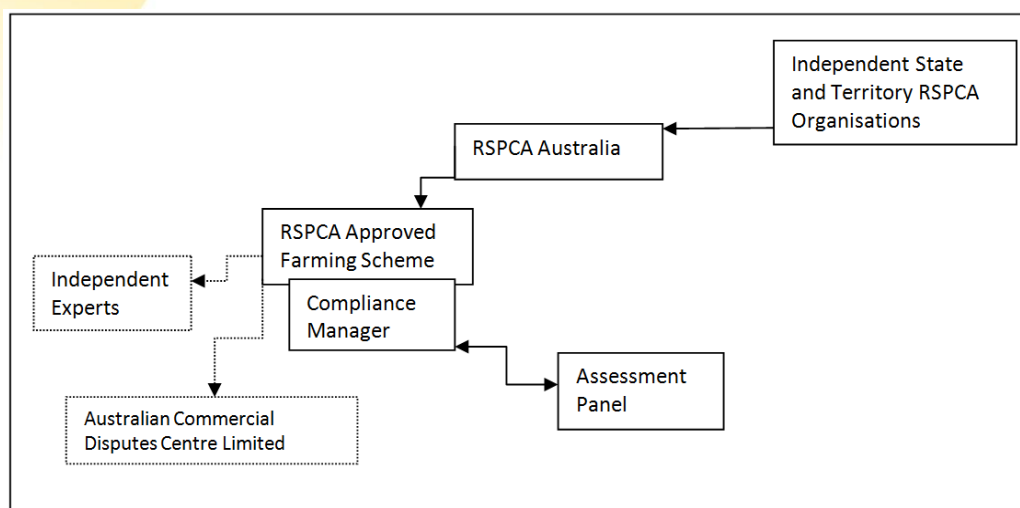


Figure 6-10 - RSPCA's Institutional Arrangements

RSPCA's scheme for egg production is set out in its *RSPCA Approved Farming Scheme Standards: Layer Hens, August 2011* (RSPCA 2011b). The scheme was developed via consultations with scientists, veterinarians, and select members of the egg farming industry. Comments on any proposed revisions are solicited from 'Approved Producers, Licensees, Assessors, relevant industry groups, experts, and other interested parties' (RSPCA 2011b). The Standards emphasise animal welfare issues over 'free range' and 'organic' production issues. Following an Overview section, the Standards are set out in 11 sections covering the entire supply chain from sourcing and management of chicks to slaughter. The Overview section sets out the five freedoms, outlines the process for obtaining certification to the Standards, and explains the requirement for egg farmers to also conform to other national and state standards.

The Layer Hen Standards are written as formal, performance-based standards with explanatory notes inserted at key points through the standard to elaborate on expectations. With regard to feather pecking and cannibalism, for example, the note that precedes Standard 5.8 states: 'RSPCA Australia is concerned about the reliance of beak trimming as a routine method of managing feather pecking and cannibalism and is monitoring the potential for other management strategies to replace beak trimming'. The Standard goes on to enumerate ways in which the incidence of feather pecking and cannibalism can be reduced including by selecting for less aggressive strains, optimising diet and ensuring adequate nutrient intake, offering a diet in mash rather than pelleted form, stimulating activity (e.g. through environmental enrichment), properly managing lighting and litter, and reducing stocking density (RSPCA 2011b). The Standard is performance based, but the wording is written at a relatively high level and there are provisions for derogations. The operations manual notes:



malfunctioned and the interview did not record. The comments below are based on other interviews and presentations by Melina Tensen on behalf of RSPCA. With regard to stocking density issues, Tensen has observed with regard to AECL's proposed Egg Standards Australia standard:

*Once again it appears that commercial, rather than animal welfare interests are behind the industry push to dramatically alter the boundaries of what consumers understand as free range...The RSPCA Approved Farming Scheme allows up to 2,500 birds per hectare if the range can be rotated. This is commercially viable, meets consumer expectations and most importantly meets the needs of hens. Moreover, on RSPCA Approved farms, space allowance and providing for the hens' behavioural needs inside the shed is just as important as the quality of the range...Providing birds with a range area allows them to express natural behaviours such as dust-bathing, scratching and foraging. However, free range means nothing if hens are not going outside. The Australian egg industry should not be dictating the standards for free-range egg production. Any change in the stocking density of free-range systems should be discussed in the context of a review of the Model Code, something that is well overdue.... Until we know more about how increasing stocking density affects hen welfare, consumers purchasing higher welfare eggs need to look for independent certification by a reputable organisation with a focus on welfare to be sure they're getting what they pay for (Tensen, quoted in RSPCA, nd).*

With regard to truth-in-labelling, Tensen noted:

*As I mentioned earlier, there is no legal definition for the term free range so how can the consumer be confident he's getting what he's asking for? We believe that retailers and producers alike need to take some responsibility to help clear the labelling confusion and ensure that all free range and other animal labelling is underpinned by minimum standards that at least explains what each term really means at the production level. The RSPCA is doing its bit by calling for clear, unambiguous definitions that underpin production method descriptors. We first approached the ACCC on this issue in 2006. We then progressed to the Productivity Commission in 2007. We responded to a Senate meat marketing inquiry in 2008. And we addressed a Senate labelling inquiry in 2009. We also provided a submission to an inquiry into food labelling law and policy earlier this year. And finally last month, we organised our own labelling roundtable and invited industry, retail and government to express their views on the issue. And the consistent message is that consumers need to be able to make an informed choice about the products they purchase, but that producers would also benefit from clear guidance as to minimum standards that have to be met under a certain production method. The RSPCA is seeking to make it easier for consumers to identify products that come from more humane farming systems. (Tensen 2010)*

## **6.9 Forest Stewardship Council Scheme**

For comparative purposes, this study provides a brief account of the Forest Stewardship Council (FSC) scheme across the three dimensions. The Forest Stewardship Council is an international scheme that was initiated in October 1993 at a founding assembly held in Toronto, Canada. It aims to certify for individual forest management operations as 'environmentally appropriate, socially beneficial and economically viable'. Unique in international organisation arrangements, the FSC is an international membership organisation that is open to organisations and groups interested in responsible forest management. Members join one of three FSC 'chambers' depending on whether they represent economic, environmental or social interests. Each chamber holds one-third of the total votes and is further divided into Northern and Southern members to recognise the



interests of developing countries. This chamber-based organisational system is replicated within FSC-International's board of directors—which is currently expanding from 9 to 12 members, four from each chamber—and in working groups established by FSC to develop its standards and policies.

FSC's institutional structure has evolved over the course of the past two decades and today the international office presides over a complex network of regional and national offices at various stages of development. FSC Australia was formally established in 2006 after a long gestation period and is now established with offices in Melbourne and members across the country. The current board of FSC is set out in Table 4-3 below. It includes a range of high-level actors with a stake in forestry from the industry, environmental and social sectors.

The key role of national FSC offices is to liaise with domestic stakeholders to promote and market the FSC and to develop an FSC national standard. FSC Australia has begun the process of developing a national standard, which involves establishing a Standards Development Group composed of economic, environmental, social and indigenous participation. This group must work within an international template established by FSC International based on a set of Principles, Criteria and International Generic Indicators (IGIs). The standard that emerges must be an acceptable compromise to all three chambers at the national level and must also meet FSC International's requirements, which has ultimate authority with regard to approving the standard.

Table 6-3 - Composition of FSC Australia's Board

<b>Economic Chamber</b>	<b>Environmental Chamber</b>	<b>Social Chamber</b>
Jacqueline Fegent-McGeachie (Kimberly-Clark Australia)	Warrick Jordan (The Wilderness Society)	Jim Adams (Timber Communities Australia)
Tony Price (Australian Blue Gum Plantations)	Jonathan La Nauze (Friends of the Earth)	Chris Taylor (Individual)
James Felton-Taylor (Australian Sustainable Timbers)	Susie Russell (North East Forest Alliance)	Linda Fienberg (Individual)

The FSC system is dedicated to forest management standard setting and certification and labelling. A schematic depiction of its institutional arrangement is provided in Figure 4-12. The national organisation operates under a licence from FSC International and must conform to its policies and practices. Australian members are represented on an FSC Australia board, which has established a Standards Development Group to develop a national standard for Australia. Certifications are carried out by independent Certifying Bodies accredited to Accreditation Services International (ASI). ASI is an independent global body that has been established for the purpose of accrediting organisations to global sustainability standards (such as FSC, MSC, the Aquaculture Stewardship Council and the Roundtable on Sustainable Palm Oil). In Australia, the three major certification bodies currently in operation are the Rainforest Alliance's Smartwood program, the Soil Association's Woodmark program, and Scientific Certification Systems.

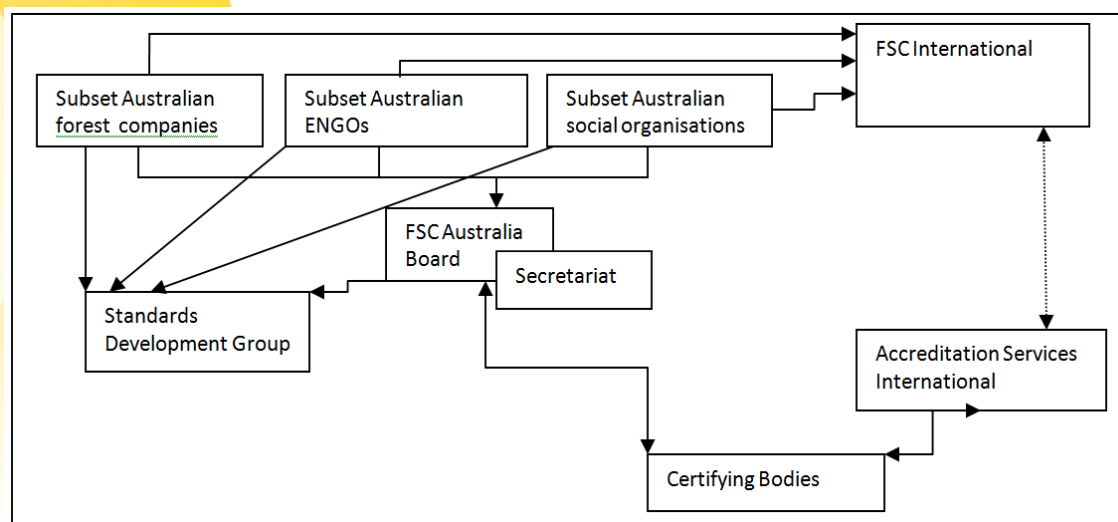


Figure 6-12 - FSC Australia's Institutional Arrangements

As noted, FSC's forest management standard consists of a set of high level, performance-based, Principles and Criteria (P&Cs). These are negotiated and agreed internationally by all three FSC chambers. Building on these international P&Cs, a critical role for national offices is to develop 'indicators' for each criterion. A good set of indicators is one that is clear, precise and measurable. Using such a set of indicators two auditors working independently of each other should arrive at identical conclusions as to whether an operation is certifiable.

Australia is currently working towards developing a national standard. In the intervening period, FSC permits certification bodies to develop their own 'generic' or 'interim' standards based on their past experiences. The three certification bodies noted above have each developed their own interim standards for Australia and it is these standards that have been used to certify all of FSC Australia's currently certified forested area. Assuming a national standard is developed for Australia, the process of applying for certification under the FSC system will be as set out in Figure 4-13 below. This is the standard arrangement that applies within the FSC system and is in operation in countries with an FSC national standard (e.g. Canada, Sweden, and UK).

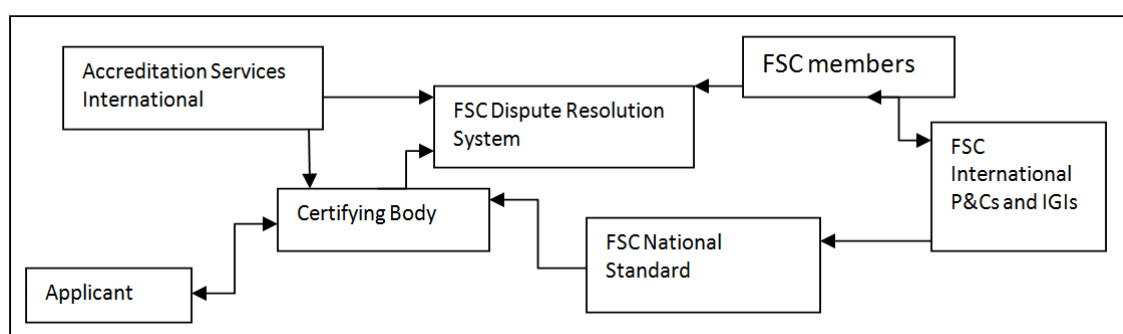
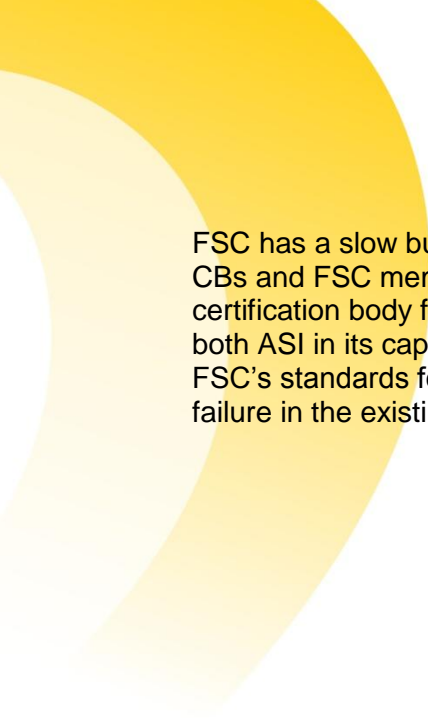


Figure 6-13 - FSC's Regulatory Arrangements

In the FSC system, an applicant interested in becoming certified initially deals exclusively with an accredited Certifying Body (CB). For a fee, the CB conducts a 'gap analysis' to advise the applicant on certification readiness and identify areas where changes in management practices may be required. If an applicant decides to proceed to obtain certification, they commission the CB to conduct a full audit. The audit may contain a number of minor and/or major correction action requests, the latter needing to be closed out before certification can be granted.



FSC has a slow but moderately effective system for settling disputes between applicants, CBs and FSC members. If a member objects to a certification, they can initially apply to the certification body for rectification. If the CB fails to take action, objections can be lodged to both ASI in its capacity as the accreditor of CBs (if the CB has failed to properly interpret FSC's standards for example) or to FSC (both national and international) if it relates to a failure in the existing standard.

# 7 Results

## 7.1 Comparison of Schemes

This section maps the seven schemes described above across the three dimensions of governance. A summary of the structure of each of the standards across the three dimensions is set out in Table 5-1. A detailed explanation of the plotting of each scheme is provided below in the text.

Table 7-1 - Summary of Scheme Information across Three Dimensions of Governance

Scheme	Political Dimension	Institutional Dimension	Regulatory Dimension
Australian Certified Organic	Highly monocentric/ state actors have some power	Somewhat monocentric/ non-specialised, differentiated institution	Moderately monocentric/ large number of precise, inflexible, <i>performance</i> standards
Egg Corp Assured	Highly monocentric/ state actors have some power	Somewhat monocentric/ specialised, differentiated institution	Somewhat monocentric/ large number of precise, flexible, <i>process</i> standards
Free Range Egg & Poultry Australia Ltd	Highly monocentric/ power favours non-state actors	Highly monocentric/ highly specialised, somewhat differentiated institution	Highly monocentric/ small number of general, flexible, <i>performance</i> standards
Free Range Farmers Association	Highly monocentric/ power favours non-state actors	Highly monocentric/ highly specialised, non-differentiated institution	Highly monocentric/ small number of precise, inflexible, <i>performance</i> standards
Humane Choice True Free Range	Highly monocentric/ power favours non-state actors	Moderately monocentric/ moderately specialised, differentiated institution	Somewhat monocentric/ large number of precise, inflexible, <i>performance</i> standards
RSPCA Approved Farming Scheme.	Highly monocentric/ power favours non-state actors	Somewhat monocentric/ moderately specialised, differentiated institution	Somewhat monocentric/ large number of precise, flexible, <i>performance</i> standards
Forest Stewardship Council	Moderately polycentric/ power favours non-state actors	Moderately polycentric/ highly specialised, differentiated institution	Moderately polycentric/ large number of precise, flexible, <i>performance</i> standards

## 7.2 Egg Certification Schemes and the Political Dimension

Figure 5-1 sets out a plotting of the six egg labelling and FSC schemes across the political dimension of governance. To reiterate, the political dimension aims to capture the degree to which influence is concentrated or dispersed amongst actor constituencies and whether it favours state or non-state actors. This concept is operationalised by focusing on the size and structure of organisational boards (horizontal dimension) and their reporting relationships to government. Four of the six egg schemes (FREPA, HC, RSPCA and FRFA) are clustered in the bottom left-hand quadrant reflecting the fact that they are monocentric schemes where power favours non-state actors. All four are managed by small boards of directors encompassing a single stakeholder interest operating at arms' length from government. The meaning of 'free range' for HC and FRFA is identical in most respects, although FRFA adopts the tougher maximum outdoor stocking density of 750 birds per ha over HC's maximum of 1,500 birds per ha. Both are distinguished from FREPA, which endorses the more flexible Model Code provisions. HC and RSPCA have been established to protect animal welfare but they disagree over what this means and the best strategy to achieve it. HC's board is composed of a small number of animal welfare activists, while RSPCA's board is composed of the directors of Australia's eight state and territory operations.

The other two egg certification schemes are located in the top left-hand quadrant closer to the horizontal axis. ECA's scheme is highly monocentric because it gives formal influence only to a small number of large operators in the egg industry. AECL's board of directors is dominated by three large egg producers—Sunny Queen, Pace Farms, and Farm Pride—providing them with greater opportunities to influence the development and content of the ECA scheme than smaller and medium-sized operators. ECA's location above the horizontal axis is due to its formal relationship with government. The organisation has been established under the provisions of the Egg Industry Service Provision Act 2002 as a producer-owned company. AECL receives money from a levy on egg hatcheries managed by the Levies Revenue Service. The money channelled to AECL from the levy is matched by government under the provisions of a Statutory Agreement. AECL must account for its activities to government and the Act provides for the Minister to issue directions to the company if these are believed to be in the national interest.

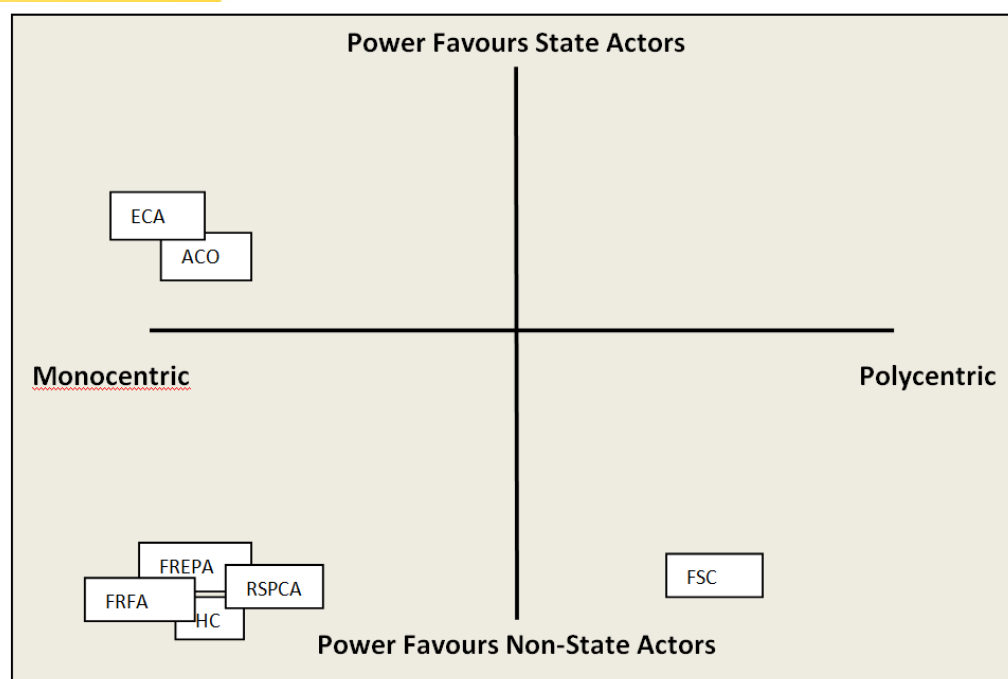


Figure 7-1 - The Political Dimension

ACO is also a monocentric organisation with ties to government. ACO is a solely owned affiliate of BFA, which is run by a small, elected board of directors drawn from the organic farming community. While ACO and BFA do not formally report to government (beyond the general requirement of the company act), the government has influence over ACO and BFA through AQIS' role as a gatekeeper for the export of organic produce. Under the Export Control (Organic Produce Certification) Orders, exporters of organic products must obtain a government-issued certificate certifying that the product meets Australia's organic standard. Given that Australia has historically had several organic standards, AQIS established its own 'national standard' in the 1990s as a basis for making determination on when to issue certificates or not. This has given AQIS and the Department of Agriculture, Fisheries and Forestry some influence over the organic industry.

In contrast to all of the Australian egg producing schemes, FSC lies in the bottom right-hand quadrant reflecting the multistakeholder nature of its board of directors and its arms' length operation from government. FSC Australia's board is composed of members from three constituencies representing industry, environment and social actors. Its nine member board is representative of some of the key associations in the forestry sector including Kimberly-Clark Australia and Australian Bluegum Plantations for industry, Friends of the Earth and The Wilderness Society for the environment and Timber Communities Australia for social and community interests. This diversity qualifies FSC as a polycentric organisation although the absence of indigenous peoples' representation in Australia prevents it from being located at the polycentric pole. FSC Australia is also a non-governmental organisation with no governmental representation on its board, a feature of the organisation's international commitment to non-governmental action.

### 7.3 Egg Certification Schemes and the Institutional Dimension

Figure 5-2 sets out a plotting of the seven schemes on the institutional dimension of governance. To assess the location of actors on the horizontal axis, the involvement of members and stakeholders in the institution is assessed. Organisations that involve a diversity of actors lie towards the polycentric pole, while those that involve only their own members lie towards the monocentric pole. To assess organisations across the vertical



dimension on the formality or informality of their institutional arrangements, the schemes' organisational structures are assessed paying attention to how specialised and differentiated the organisation is. A highly specialised and well differentiated organisation would be located towards the formal institutional pole, while a very general and undifferentiated organisation would be located towards the informal institutional pole.

In this plotting, five of the six egg labelling schemes are located in the upper left-hand quadrant reflecting varying degrees of formality and monocentrism. Three of these—ECA, ACO and RSPCA—are judged to be somewhat monocentric and are located close to the vertical axis. These organisations regularly involve a range of actors outside those listed on their boards, including the scientific community and consumers. AECL, on behalf of the ECA scheme, consults diverse groups through its Industry Consultative Committees. Likewise, the RSPCA regularly consults experts and the public via state-based bodies, and the ACO consults a diversity of organic and non-organic farmers and consumers. HC is judged as moderately monocentric as, although it has well developed consultative mechanisms, these are narrower in scope than ECA and RSPCA. FREPA and FRFA are placed towards the monocentric end of the institutional dimension primarily because they lack explicit, formal mechanisms for external consultation beyond their membership. FSC constitutes a strong contrast to all the egg labelling schemes. It is assessed as being moderately polycentric, reflecting its structural approach to involving a wide diversity of stakeholders that includes members and non-members from a large number of diverse sectors.

In terms of assessing the relative formality of the different systems, judgements are based on organisational specialisation and differentiation. Since FRFA is a clear outlier, lying in the bottom left-hand quadrant, it is convenient to commence with it. FRFA is an organisation that is dedicated to defending a specific conception of 'free range' egg production, making it highly specialised. However, it lacks organisational differentiation: a board composed of members make all decisions related to membership, audits, certification, and appeals. Thus, despite its specialised nature, it is ranked as moderately informal and located halfway between the horizontal axis and the informal institutional pole. FRFA can be contrasted with ECA, which is rated as highly formal. ECA is specialised in the field of egg production; and it has a highly differentiated internal organisational structure with a formalised board, internal division of labour, and a large number of Industry Consultative Committees. The ACO is rated as a moderately formal organisation. It is dedicated to general organic production, making it rather less specialised than ECA with regard to egg production, but it has a well-differentiated organisational structure consisting of ACO and BFA, each with well-developed internal divisions of labour to manage applications and handle disputes. The RSPCA is rated as a somewhat formal organisation, placing it close the centre of the diagram. As with ACO, the RSPCA is specialised with regard to animal welfare, not egg production. And while there is certainly a well-developed set of arrangements to manage its Approved Farming Scheme, there is no institutional separation between promotion and operational functions as there is with the ACO scheme (between ACO and BFA). The RSPCA scheme tends to place considerable weight on the position of Compliance Manager, who manages the scheme in conjunction with the Accredited Farming Scheme Assessment Panel.

Again, the FSC scheme is an outlier as a consequence of its polycentrism. The FSC is also a highly formalised scheme, with an extensive organisational and internal division of labour between FSC International and national organisations, between standard development and accreditation functions (FSC and ASI). It also has slow but sophisticated arrangements for resolving disputes.

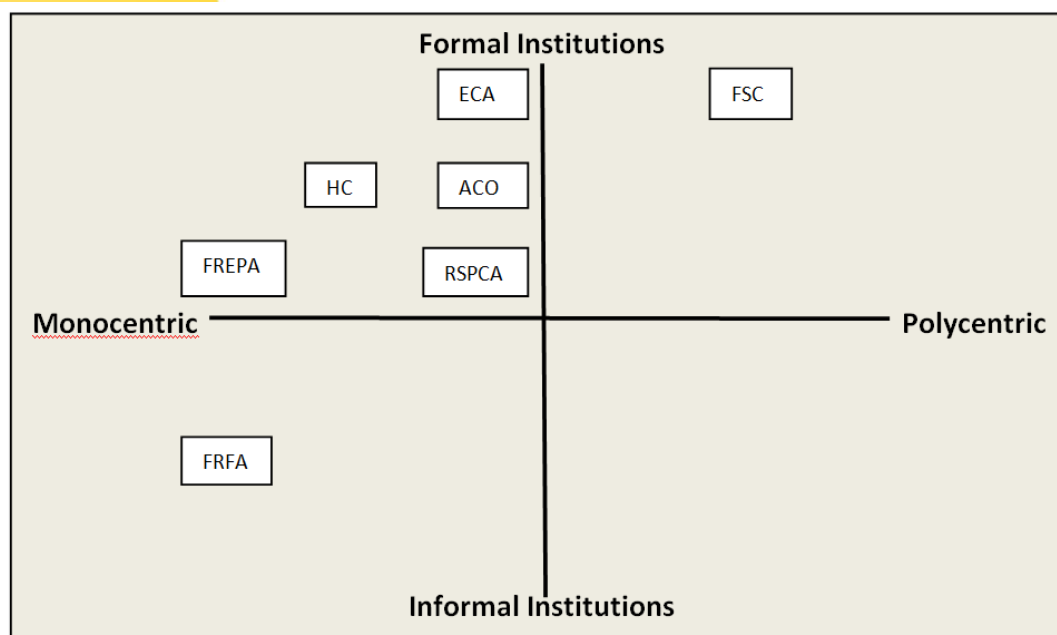


Figure 7-2 - The Institutional Dimension

## 7.4 Egg Certification Schemes and the Regulatory Dimension

Figure 5-3 sets out the plottings of the egg certification schemes on the regulatory dimension. Four of the six egg labelling schemes are clearly located in the top left-hand quadrant reflecting a degree of monocentricity and performance-based, hard-law regulation. Three of these four schemes are located quite close together—FRFA, ACO and HC—as they all mandate relatively inflexible performance-based requirements with regard to key practices in egg production. FRFA's code is the most prescriptive, but it targets a limited number of specific practices. ACO's code is quite prescriptive regarding some aspects of egg production—notably relating to feed and soil condition—but it also contains a range of clearly worded requirements with respect to animal welfare. HC's is something of the mirror image: it contains quite prescriptive conditions regarding animal welfare, but is somewhat more permissive concerning feed and soil conditions. The other performance-based standard in the top left-hand quadrant is RSPCA's. It is considered to be somewhat monocentric, reflecting the wider scope of consultation that occurs within the organisation with regard to standards development, which involves industry, consumers and a broader array of animal welfare science. It is also assessed as being somewhat hard-law like, as the RSPCA standard is written at quite a high level, which leaves interpretation up to the auditor; and it explicitly provides for derogation from stated practices if a producer can make an appropriate case.

Of the other two egg labelling schemes, the most different is the ECA scheme. The ECA scheme is assessed as somewhat monocentric, reflecting the manner in which its standard is developed. While the ECA has engaged in more consultation on its scheme than possibly any other, this consultation has occurred mainly within the egg industry sector. Moreover, unlike the other standards discussed above, the ECA scheme is clearly written as a highly detailed, process standard. The standard is written to guide egg producers in the management of their operations and is input focused. This differentiates it from the other labelling systems, with the possible exception of FREPA's. FREPA's standard is quite monocentric, having been developed by and for free range egg producers. Wider consultation with experts, consumers, animal rights and environmental groups has not occurred. Also, while FREPA's standard is written as a performance standard, this occurs

at a highly level, rendering the standard quite flexible in interpretation. Notably, key terms are not defined. Unlike FRFA's standard, for example, which limits outdoor stocking density to 750 birds per hectare, FREPA's defaults to the *Model Code of Practice for Domestic Poultry*. This, however, provides a guideline of 1,500 birds per hectare rather than an absolute because it permits a higher stocking density if rotation is practised. FREPA's standard does not elaborate on what 'rotation' means. It is for these reasons that the FREPA standard is located on the horizontal axis, indicating the relatively non-prescriptiveness of its performance-based approach.

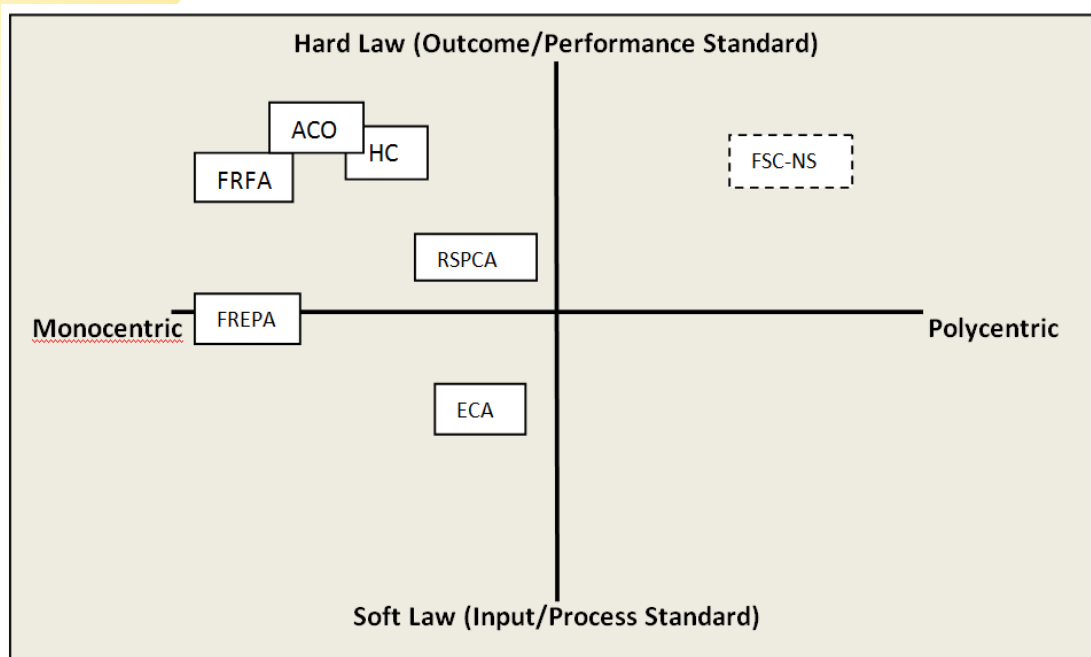


Figure 7-3 - The Regulatory Dimension

There is no FSC National Standard for Australia currently, so the placement of FSC in this dimension is based on experiences from elsewhere and must be regarded as provisional (and thus the box has a dotted outline). FSC is once again the outlier. It is viewed as moderately polycentric, since the negotiation and development of an FSC national standard must involve deliberation across a large number of industry, environmental and social stakeholders. While this process is just getting underway in Australia, lessons from Canada, Sweden, the UK and elsewhere indicate that such negotiations can be quite protracted. In British Columbia, for example, it took more than seven years (1998 to 2005) to negotiate an FSC standard for the region (Tollefson, Gale and Haley 2008). The FSC scheme is located towards the 'hard-law' pole in the regulatory dimension. This is because the FSC's approach to standard development is output rather than input focused. It also reflects the concerns of environmental and social groups to mandate specific practices within a standard.

## 8 Discussion and Recommendations

### 8.1 Overview

A summary of the location of each of the schemes by quadrant is provided in Table 6-1. The quadrants are numbered from 1 to 4 moving clockwise from the top left-hand quadrant. Quadrant 1 thus represents monocentric schemes where power favours state actors, and there are formal institutions and performance-based standards. Quadrant 2 represents schemes that are polycentric systems with the same features. Quadrant 3 represents polycentric systems where power favours non-state actors, and there are informal institutions and soft-law, process-based standards. Quadrant 4 represents monocentric schemes with the same features as Quadrant 3 on the vertical dimensions.

Table 8-1 - Comparison of Australian Egg Labelling Schemes

	Political				Institutional				Regulatory			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ACO	X				X				X			
ECA	X				X							X
FREPA				X	X				X/50			X/50
FRFA				X				X	X			
HC				X	X				X			
RSPCA				X	X				X			
FSC			X			X				X		

A number of findings emerge from this study are evident from Table 6-1. Firstly, the most notable feature of all schemes taken across all dimensions is their hybridity. Apart from two schemes, the remainder differ on a least one-dimension from all other schemes. The only schemes that are identical in terms of their quadrant location across all three dimensions are the HC and RSPCA schemes. Both are judged to be monocentric/power favours non-state actors, monocentric/formal, and monocentric/hard law systems. The difference between these two schemes is more a matter of degree than of kind. The objective of both schemes is to give practical expression to the 'five freedoms' of animal welfare. The schemes differ not so much in structure or operation as in differing views as to what is required in practice to achieve this objective and, perhaps, over the strategy to achieve it. Humane Choice argues that only free-range systems can practically achieve the five freedoms because it is unnatural for birds not to go outside. They also argue that any animal mutilation practices, including beak trimming, cannot be reconciled with the five freedoms. Its scheme thus does not certify barn systems or permit animal mutilation practices except in very unusual circumstances. RSPCA's views differ. It argues that barn systems can meet the requirements of the five freedoms because animals are able to express their natural behaviour indoors; and that there are merits to animal mutilation practices such as beak trimming as it minimises feather pecking and cannibalism and thus protects birds from a more significant threat. RSPCA also aims, strategically, to enlist mainstream egg producers within its scheme to grow it and eliminate what it regards as the worst form of welfare violations related to keeping birds in cages. The differences between the two schemes, therefore, is not only about what is required to achieve the five freedoms; it is also about what strategy—niche-and-grow versus mainstream—that is likely to secure the best welfare for the most animals.

The FREPA scheme shares some similarities with the HC and RSPCA schemes at the institutional level but can be distinguished from them in terms of its regulatory arrangements. Whereas HC and RSPCA disagree on what strategy best achieves

animal welfare and on the standards required to achieve it, FREPA's overarching goal is to give its members a competitive advantage in the market for free range eggs over eggs produced by other systems. FREPA's approach to conceptualising free range egg production is pragmatic—they desire a system that can differentiate them from other egg producers, but not one that is overly costly to implement. They have consequently developed a standard that, while written as performance-based, permits a range of practices not permitted by HC and RSPCA and is more flexible.

The other schemes all stand out with regard to their dimensional locations. The ECA scheme is differentiated from other schemes by the fact that its standard is process-based, focusing on inputs rather than outputs. This feature distinguishes it from all other schemes examined here with the partial exception of FREPA's, which is located at the mid-point between hard- and soft-law standards. FRFA too stands out from other schemes due to its lack of institutional differentiation and is the only scheme to lack a well-developed institutional structure. ACO's scheme stands out too because it is located in Quadrant 1 across all dimensions, not only because it is generally monocentric but also because it involves state actors, has a formal institutional structure, and exemplifies hard-law, performance-based regulation.

The FSC scheme can be clearly differentiated from all of the egg labelling schemes. The FSC scheme is the only one that is polycentric across any dimension. It is also polycentric across all three dimensions. This reflects the structural features of the FSC scheme, which has been designed to integrate a wide diversity of different stakeholders at every level of the organisation from political input to institutional design to standard development. The FSC scheme is located in the third, second and second quadrants of the political, institutional and regulatory dimensions respectively. This reflects the fact that state actors lack influence, it has a well-developed institutional structure, and its standard is a performance-based, hard-law like instrument.

## 8.2 Recommendations

The clear implication of this research is that there is a significant difference between current egg labelling systems in Australia and the FSC, the latter often taken as an exemplar of 'best practice' in new governance arrangements. At the heart of the difference is the fact that FSC is a polycentric organisation that is structured to bring together a wide diversity of stakeholders in the management, development and implementation of a labelling scheme. In contrast, the egg labelling schemes investigated here are all designed to meet the needs of specific industry sectors.

Two major splits within the Australian egg industry appear to contribute to the proliferation of schemes. One split is across production systems, with producers engaged in caged, barn and free range production seeking to either blur the difference between systems or establish a stark contrast between them. The other has to do with differing conceptions of animal welfare, with FRFA, HC and RSPCA taking slightly different but principled stands with regard to animal welfare based on the five freedoms while ACO, FREPA and ECA adopt more pragmatic perspectives.

A second implication is that apart from FRFA, the remaining five schemes are well established and institutionalised. This reflects the fact that these organisations have invested considerable time and resources in the development of their respective schemes, which now clearly compete in the marketplace for stakeholder and consumer loyalty.

Having invested such resources in scheme development and established a market niche in specific areas, it is unlikely that individual scheme managers will easily abandon their



scheme. They may also not express much interest in cooperation to develop another scheme that is more polycentric in nature. Indeed, it could be argued that the last thing the sector needs is yet another scheme as there are already a large number potentially contributing to consumer confusion.

Notwithstanding the fact that there may be considerable reluctance amongst existing scheme managers to consider the development of an alternative scheme, there are also some opportunities to do so. Recent scandals in the UK meat industry, where horse meat has been used in the production of processed foods, raises yet again the issue of truth-in-labelling. The issue was raised in the numerous submissions to the ACCC that objected that the 20,000 outdoor stocking density maximum in the proposed AECL's Egg Standards Australia standard would mislead consumers. There are also concerns in the industry that caged- and barn-laid eggs are being passed off by unscrupulous operators as free-range eggs on quite a large scale. There may thus be scope for the development of an 'egg stewardship' label to mediate between egg-production systems on the one hand and animal welfare, environmental, fair trade and other consumer concerns on the other. None of the existing schemes appears particularly well placed to make a general claim that egg production is sustainable across a broad range of consumer and stakeholder concerns. There is also a notable absence of effective chain-of-custody arrangements within schemes although the move to introduce on-farm egg stamping requirements could mitigate this concern if sufficient information is provided on the egg.

If an egg stewardship scheme were to be established, are there any organisations that are especially well placed or poorly placed to undertake it? Two organisations—ACO and AECL—appear poorly placed to undertake the role. ACO is too invested in organic production to have the capacity to develop a more broadly appealing egg stewardship council scheme. AECL, too, is structurally committed to supporting the entire egg industry, including caged-egg production, which is unlikely to feature in any egg stewardship council scheme. Only if caged egg production were to be phased out in Australia could AECL begin to take a leadership role in the development of an egg stewardship scheme. It is therefore to the free-range and barn-raised schemes that one might look for leadership. It may be possible for an egg stewardship scheme to emerge from a deep conversation across selected members from these groups although it certainly would not be easy.

There appears to be considerable personal animosity between FREPA and FRFA members, who share a common history but disagree on many fundamental ideas concerning free range production. Likewise, both HC and RSPCA are devoted to protecting animal welfare, but disagree strongly on the strategy and standards that achieve that objective and regularly criticise each others' systems. Despite the splits, however, it could be in the interests of all four groups and consumers to consider working together to explore the possibilities of implementing an egg stewardship scheme.



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## 10 Plain English Summary

<b>Project Title:</b>	<b>Certification and Labelling in the Australian Egg Industry</b>
AECL Project No	1UT111
Researchers Involved	Assoc Prof Fred Gale
Organisations Involved	University of Tasmania
Phone	03 6324 3376
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<b>Objectives</b>	To compare certification and labelling schemes in Australia's egg industry and assess the feasibility of an Egg Stewardship Council
<b>Background</b>	To promote sustainable production in commodity markets, certification and labelling schemes like the Forest Stewardship Council and Marine Stewardship Council have emerged to govern forest and fisheries practices. Given the complex economic, social, ethical and environmental issues raised in egg production, the feasibility of an Egg Stewardship Council was investigated.
<b>Research</b>	The research utilised a recently developed framework to compare six Australian egg certification and labelling schemes to each other and to the Forest Stewardship Council scheme across three dimensions of governance: politics, institutional, regulatory.
<b>Outcomes</b>	Egg certification and labelling schemes differ from each other and from the FSC. The most notable difference is that all six Australian schemes are monocentric across all governance dimensions. In contrast, the FSC scheme is polycentric across all dimensions.
<b>Implications</b>	While opportunities exist for some free-range schemes to merge to form an Egg Stewardship Council, significant barriers exist in the form of different visions of animal welfare and in the commitments and investments already made in setting up the different schemes. If an Egg Stewardship Council were thought desirable, a new, independent, broad-based group would likely be needed to establish it.
<b>Key Words</b>	Certification Labelling Eggs Australia
<b>Publications</b>	<p>Tollefson, C., Zito, A. and <b>Gale, F.</b> (2012) Symposium overview: conceptualising new governance arrangements. <i>Public Administration</i>, 90, 3.</p> <p><b>Gale, F.</b> and Haward, M. (2011) <i>Global Commodity Governance: State Responses to Sustainable Forest and Fisheries Certification</i>. Basingstoke, Palgrave Macmillan.</p> <p>Tollefson, C., <b>Gale, F.</b> and Haley, D. (2008) <i>Setting the Standard: Governance, Certification and the Forest Stewardship Council</i>. Vancouver, UBC Press.</p>