



MEDIA RELEASE

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Egg prices set to crack on the back of grain gains

Increases in Russian grain prices may drive up local egg prices. Australian egg farmers are taking another blow following a ban on wheat exports from Russia over the weekend by the Russian government, placing upward pressure on the local price of wheat. Grain shortages have immediate impact on local egg prices with feed grains being the principal cost of producing eggs across all production systems; therefore, sharp increases in production costs could trigger significant price rises at a retail level.

Russia, who is the world's 4th largest producer of wheat representing 9% of global production, has experienced a shortfall of 20% from initial crop forecasts, with the government wary of avoiding local food shortages, and sharp increases in food prices. World wheat markets, which have already been stretched due to European heat wave conditions, have reacted quickly, sending the global price of wheat skyrocketing.

"This situation could see Australian consumers slugged with an extra 40-50 cents per dozen eggs at the point of sale, with no short term resolution apparent," said James Kellaway, Managing Director for the Australian Egg Corporation Ltd (AECL).

The current suspension is expected to be rescinded in December, 2010 however there are fears that this could cause food shortages for some countries, and may even push some more fragile European economies back into recession¹.

Egg farmers are expected to feel the financial pinch, with many locked into long term contracts with the major retailers that could see them struggle to fulfill existing agreements. It is anticipated that egg farmers will look to the major retailers for exemptions on these contracts that reflect the current global circumstances, and enable them to maintain their livelihoods.

"Australian egg production is amongst the most efficient and cost effective in the world. Our farmers work hard to provide the best value nutrition in Australia. This situation in Russia is another example of the importance of food security in a global context ". Kellaway added.

This situation highlights the continued need for reliable and sustainable agricultural industries within Australia that will carry on working to ensure a safe, accessible and nutritious food source for the Australian population.

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¹ <http://rt.com/Business/2010-08-05/russia-bans-grain-exports.html>