

**Voluntary Report** – Voluntary - Public Distribution

**Date:** January 11, 2023

**Report Number:** NZ2023-0001

**Report Name:** New Zealand Experiences Egg Supply Shortage

**Country:** New Zealand

**Post:** Wellington

**Report Category:** Poultry and Products, Agriculture in the News

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**Report Highlights:**

With the start of 2023, New Zealand has begun to experience a nation-wide egg shortage, which follows price rises for eggs during the last year. Contributing factors for the price increase and supply shortfall are labor shortages in laying operations, input costs rising such as for feed, as well as overall high national inflation. However, many industry analysts believe the largest factor is the implementation of rules associated with cages in egg laying operations. On January 1st, 2023, rules in the New Zealand Code of Welfare for layer hens came into effect and industry estimates are that the current national laying flock is almost 10 percent less than what is required to meet national consumption, and adequate supply is not expected to return until national numbers increase through replacement animals.

## **Executive Summary**

With the start of 2023, New Zealand has begun to experience a nation-wide egg shortage, which follows price rises for eggs during the last year. Contributing factors for the price increase and supply shortfall are labor shortages in laying operations, input costs rising such as for feed, as well as overall high national inflation. However, many industry analysts believe the largest factor is the implementation of rules associated with cages in egg laying operations.

On January 1<sup>st</sup> 2023, rules in the New Zealand Code of Welfare for layer hens came into effect. The rules are focused on the removal of conventional cage use in layer egg farming operations nation-wide, and the implementation of this change has been in the works for a decade. Although there was a long lead time for operations to make the necessary changes, there were still some operations continuing to use conventional cages up until the end of last year. There are estimates that the current national laying flock is almost 10 percent less than what is required to meet national consumption, and adequate supply is not expected to return until national numbers increase through replacement animals.

Since 2018, there has been a substantial increase to New Zealand's egg and egg product import volumes. Part of this has been an increase in imports of hatching eggs, but there has also been sharp growth in imports of eggs and egg products for human consumption, such as dried eggs. The United States has typically been the largest exporter of hatching eggs to New Zealand, while Italy has been the primary supplier of dried eggs.

*Note: The GAIN Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ\$ 1.00 = US\$ 0.63.*

## **Industry Regulation**

In 2012, the National Animal Welfare Advisory Committee (NAWAC) provided [independent advice](#) to the New Zealand Ministry for Primary Industries (MPI). This advice was regarding the use of cages for housing chickens in egg layer systems. At that time, the New Zealand egg industry had over 150 producers with a total of 3.3 million birds, producing 1 billion eggs per year, and approximately 88 percent of layer hens were kept in cages. In their advice, the NAWAC recommended that the use of cages should be phased out and proposed a stepwise transition period to encourage producers to move away from the use of cages by January 1st, 2022.

In 2018, MPI revised their [Animal Welfare \(Layer Hens\) Code of Welfare 2012](#) and set the timeline for minimum standards to be met for housing systems and cages to be January 1st 2023. The stated purpose of this revision was to encourage all those responsible for layer hens to adopt the highest standards of husbandry, care, and handling to equal or exceed the minimum standards.

Specific provisions of the new Code included:

- [Conventional cages](#) were to be phased out by the end of 2022.
- For [colony cage systems](#), it detailed standards on housing, including requirements for nest and scratch areas and individual perch spaces.
- For [barns](#) it detailed standards on individual perch and nesting spaces, and the provision of feed and water.
- For [free-range](#) it included additional requirements for outdoor shelter and maximum stocking densities to ensure the essence of free-range.

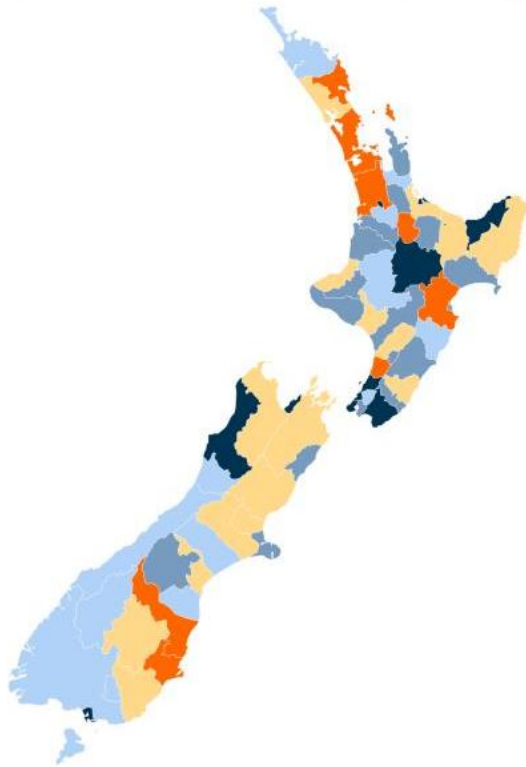
Industry analysts have estimated that as of December 2022, 10 percent of laying operations were still in conventional cages, despite the mandate of their full removal by the start of 2023. At the same time 33 percent were farmed in the new colony cage system, 26 percent in barns and 31 percent free-range. It is believed that the removal of these caged layer hen systems at the end of the year was a major factor in the egg supply shortfall.

## **Rising Egg Prices and Supply Shortfall**

New Zealand egg production is primarily centered in key grain-growing regions or within close proximity to major population centers (Figure 1). Stats NZ reported that in 2022 the national laying herd had decreased from 4.2 million hens to 3.8 million (Figure 2). This was as a result of a number of factors, such as labor shortages at laying operations, rising feed costs, as well as the deadline to eliminate conventional cages.

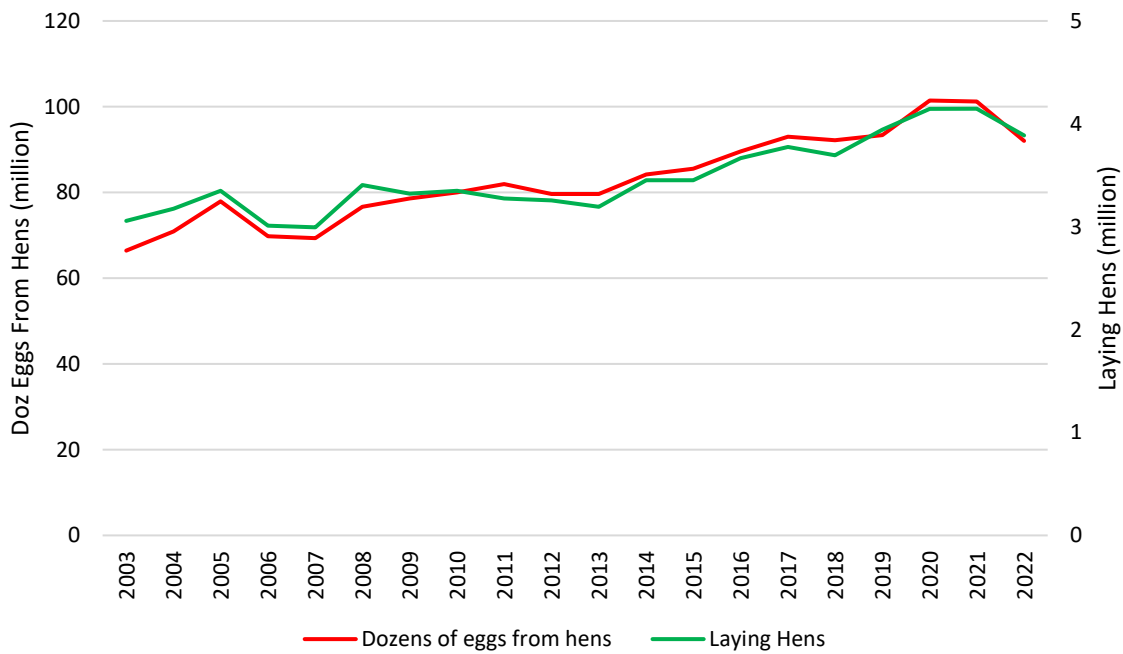
**Figure 1: 2017 Egg Production by Region, Dozens of Eggs from Hens Sold**

Zero or suppressed    Up to 10,000    Up to 100,000    Up to 5 million    Above 5 million



Source: Stats NZ

**Figure 2: New Zealand Egg Production (dozen eggs, millions)**



Source: StatsNZ

This fall in egg production, along with other inflationary factors, resulted in a strong rise of egg prices, increasing to an average price of NZ\$5.93 per dozen (US\$3.74) by the end of 2022 (Figure 3).

**Figure 3: New Zealand Egg Price Trend (\$NZ)**



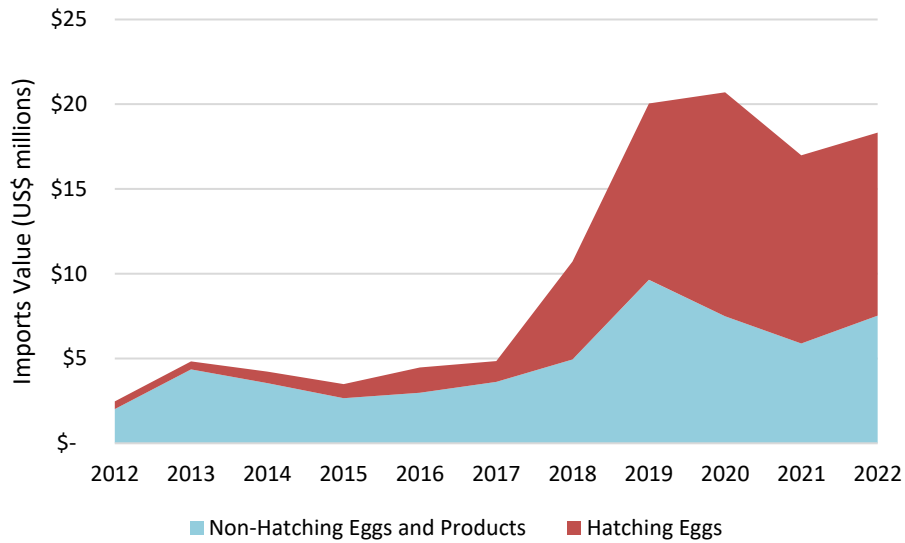
Source: Interest.co.nz

With the start of 2023, however, rising egg prices have instead turned into an egg shortage. Many supermarket shelves in the country have limited or no supply of eggs for customers, and there has been widespread media reporting on the lack of eggs. The Egg Producers Federation of New Zealand has stated that the country is short approximately 300,000 hens, almost eight percent of the required number of layers to meet national demand. With a five-month time lag on hatchlings to start laying, they also have noted that supply of eggs should take a similar time before normality nationally may be seen. In addition, with the new costs to growers to implement the new housing requirements on farm, there are expectations that consumers would see egg prices to continue to increase over the next year. Already some food manufactures, in particular bakeries, have begun to increase prices for products to cushion the impact of the increase in the price of eggs.

### **Strong Import Growth for Eggs**

Since 2018, there has been a large growth in imports of egg and egg products. The largest portion of this has been hatching eggs (Figure 4), but there has also been a rise in imports of egg and egg products for human consumption. Imports of dried eggs, for example, increased by 44 percent in volume and 71 percent in value in 2022 to around NZ\$8 million (approximately US\$5 million).

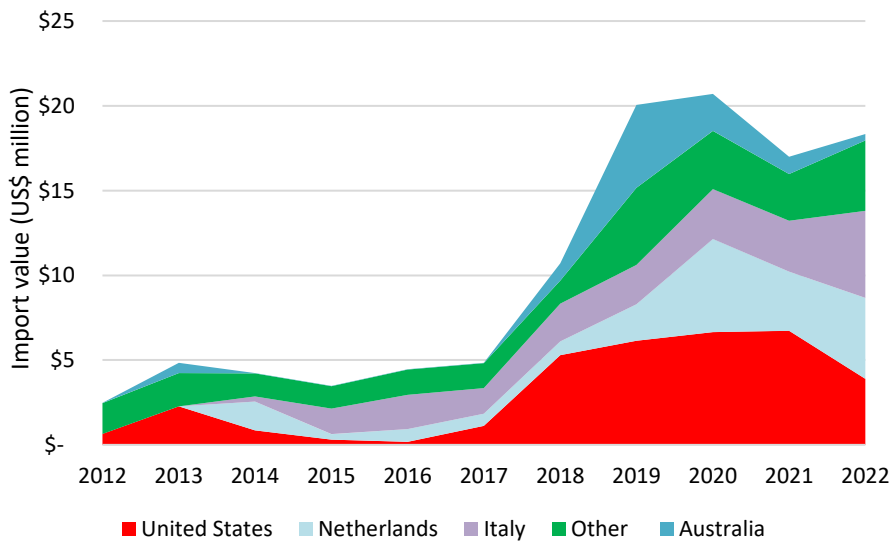
**Figure 4: New Zealand Egg Imports by Volume**



Source: Trade Data Monitor LLC

The United States is typically the largest supplier of eggs and egg products to New Zealand (primarily hatching eggs), followed by the Netherlands (which also supplies hatching eggs). Italy is the largest supplier of dried eggs.

**Figure 5: New Zealand Egg & Product Imports by Value**



Source: Trade Data Monitor LLC

**Attachments:**

No Attachments.