

Contractual relationships in the UK egg industry

Consultation

31 October 2023



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# 1. Background

1.1 The UK government is committed to tackling contractual unfairness where it exists in the agri-food supply chain. At the UK Farm to Fork Summit held at Downing Street on 16 May 2023 we announced a new review into fairness in the egg supply chain. This builds on the reviews we already have underway using powers under s.29 Agriculture Act 2020 to improve transparency and fair contractual dealing in the dairy and pig sectors.

1.2 The chicken egg sector has faced numerous significant challenges over the last several years that have impacted egg supplies. Global impacts have resulted in input costs for feed and energy rising significantly at the same time as the sector has dealt with the impacts of the unprecedented Avian Influenza outbreak. Industry has reported that the population of laying hens in the UK, which was 43 million in 2021, fell to 38 million in 2022.

1.3 UK consumers have driven demand for free-range eggs. As a result, in 2022, over 60% of the eggs produced in the UK were free range (see [quarterly UK statistics about eggs to June 2023](https://www.gov.uk/government/statistics/egg-statistics/quarterly-uk-statistics-about-eggs-statistics-notice-data-to-june-2023)). Further changes are likely to come to the sector in coming years, with major UK retailers committing to phase out eggs produced by caged hens by 2025.

1.4 This consultation will focus on eggs produced by chickens for human consumption and any reference to ‘eggs’ is intended to refer to chicken eggs. This consultation follows similar consultations that have already taken place looking at the dairy and pig sectors and is UK government’s next step in delivering on our commitment to consult on the need for supply chain fairness regulations on a sector-by-sector basis.

1.5 For wider context the summary of responses for each of these consultations can be found online:

* [dairy industry contractual relationships](https://www.gov.uk/government/consultations/dairy-industry-contractual-relationships) consultation
* [contractual practice in the UK pig sector](https://www.gov.uk/government/consultations/contractual-practice-in-the-uk-pig-sector) consultation

1.6 This is a UK wide consultation, undertaken by DEFRA with the agreement of the Scottish Government, Welsh Government and pending the return of Northern Ireland ministers, DAERA officials. We recognise that there are differences between the egg supply chains across Great Britain and Northern Ireland. Any further action in response to the findings of this consultation will be discussed and agreed with the devolved governments.

# 2. Purpose of the consultation

2.1 The purpose of this consultation is to gather evidence about how supply arrangements in the chicken egg sector currently function and to explore the nature of the relationships between the various parties in the supply chain. It is also seeking views on whether the functioning of the supply chain can be improved.

2.2 This consultation is in response to concerns raised that primary producers tend to occupy positions of relative market weakness in the eggs supply chain. Consensus among agricultural producers in the UK is that unequal bargaining power can expose producers to unfair treatment, with the potential to undermine equitable price transmission along the chain.

2.3 Egg producers in the UK range from very small family run farms to large scale producers with on-site packing facilities. The UK egg industry operates in an open market and the value of egg commodities, including the farm gate egg price, is established by all parties in the supply chain including farmers, packers, processors, wholesalers, retailers, and consumers. Power disparities between businesses and a lack of transparency in the supply chain could make some egg producers vulnerable to unfair trading practices.

2.4 The Agriculture Act 2020 introduced the ‘Fair Dealings Powers’ which are designed to address any unfair practices, enabling the government to introduce regulations to oversee the relationship between producers and buyers where necessary. The Act also contains powers related to the collection and sharing of data within the agri-food supply chain that can be used where it supports transparency and fairness. This consultation will help determined whether and how these powers will be used to create regulations that improve fairness in the sector.

2.5 Any interventions in the egg sector following this consultation will be designed to ensure businesses can engage in smart business planning and risk management, supporting a competitive and resilient sector.

# 3. The consultation process

## Who will be affected by this proposal?

3.1 This consultation will be of particular interest to you if you are involved in:

* producing eggs for onward sale to a packer or processor
* purchasing eggs for packing or processing
* activities associated with the production, sale or processing of eggs, including within the wholesale, hospitality or retail sectors
* activities for the benefit of the egg industry

## Timing and duration of this consultation

3.2 The consultation period will commence on 31 October 2023 and will be open to responses for a period of eight weeks.

3.3 **The consultation period will end at midnight on Friday 22 December 2023**.

## Responding to this consultation

3.4 Please respond to this consultation using the citizen space consultation hub at Defra: <https://consult.defra.gov.uk/supply-chain-fairness/contractual-relationships-in-the-uk-egg-industry>

By email to: eggcontractconsultation@defra.gov.uk

or

Department for Environment, Food and Rural Affairs

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2 Marsham Street

London SW1P 4DF

3.5 Please provide relevant views, evidence and explanation for your views including any cases where you have reason to comment upon or challenge anything in this consultation.

3.6 We recognise that respondents may choose to use some standard text to inform their response. Campaigns are when organisations (or individuals) coordinate responses across their membership or support base, often by suggesting a set of wording for respondents to use. Campaign responses are usually very similar or identical to each other. For this consultation, campaign responses may be analysed separately to other responses to ensure the breadth of views received can be summarised effectively and efficiently. All campaign responses will be taken into account in the final analysis of public views and campaigns help provide an indication of the strength of feeling on an issue. The preferred route for all respondents to provide their views (including where a response is based on a campaign) is through the Citizen Space platform.

# 4. After the consultation

4.1 Responses received by Friday 22 December 2023 will be analysed and taken into account by all UK administrations in considering the measures necessary to improve fair contractual practice in the egg sector. Responses will be made available to the relevant teams of policy officials in the devolved governments, who may share analysis and conclusions with senior and ministerial colleagues.

4.2 A summary of responses to this consultation will be published on the UK government website at: [www.gov.uk/defra](http://www.gov.uk/defra). An annex to the consultation summary will list all organisations that responded and what part of the UK they represent but will not include personal names, addresses or other contact details.

4.3 Defra may publish the content of your response to this consultation to make it available to the public without your personal name and private contact details (such as home address, email address).

4.4 If you click on ‘Yes’ in response to the question asking if you would like anything in your response to be kept confidential, you are asked to state clearly what information you would like to be kept as confidential and explain your reasons for confidentiality. The reason for this is that information in response to this consultation may be subject to release to the public or other parties in accordance with the access to information law (these are primarily the Environmental Information Regulations 2004 (EIRs), the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018 (DPA)). We have obligations, mainly under the EIRs, FOIA and DPA, to disclose information to particular recipients or to the public in certain circumstances. In view of this, your explanation of your reasons for requesting confidentiality for all or part of your response would help us balance these obligations for disclosure against any obligation of confidentiality. If we receive a request for the information that you have provided in your response to this consultation, we will take full account of your reasons for requesting confidentiality of your response, but we cannot guarantee that confidentiality can be maintained in all circumstances.

4.5 If you click on ‘No’ in response to the question asking if you would like anything in your response to be kept confidential, we will be able to release the content of your response to the public, but we will not make your personal name and private contact details publicly available.

4.6 This consultation is being conducted in line with the “Consultation Principles” as set out in the Cabinet Office’s guidance which can be found at <https://www.gov.uk/government/publications/consultation-principles-guidance>.

4.7 If you have any comments or complaints about the consultation process, please address them to:

By email: consultation.coordinator@defra.gov.uk,

or in writing to:

Consultation Co-ordinator
Defra: Seacole Block
2nd Floor
2 Marsham Street
London
SW1P 4DF

## Confidentiality

1. **Would you like your response to be confidential? If yes, please give your reason.**
* Yes
* No
* Reason: \_\_\_\_\_

# 5. Consultation questions

## About you

5.1 This consultation is primarily directed at those that operate in the egg supply chain, such as egg producers, egg packers and egg processors. However, we know that other businesses, organisations and individuals are involved with, or take an interest in, the egg sector. The questions below are intended to take account of this diversity and put your responses in perspective with those of other respondents.

1. **What type of business do you operate as? Please select all that apply.**
* A producer
* A packer
* A processor
* A wholesaler
* A retailer
* A representative organisation or trade association
* Other (please specify)
* Prefer not to say
1. **If you are a representative organisation, which part of the supply chain do you represent? Please select all that apply.**
* Producers
* Packers
* Processors
* Retailers
* Consumers
* Other (please specify)
* Not applicable
* Prefer not to say
1. **Where is your business based? Please select all that apply.**
* England
* Northern Ireland
* Scotland
* Wales
* Other (please specify)
* Prefer not to say
1. **If you produce your own eggs, please specify the flock size you have for producing eggs.**
* Under 8,000 hens
* 8,001 to 16,000 hens
* 16,001 to 32,000 hens
* 32,001 to 64,000 hens
* 64,000 to 250,000 hens
* 250,001 to 500,000 hens
* Over 500,001 hens
* Not applicable
* Prefer not to say
1. **If you produce your own eggs, which types of egg production does your company produce**. **Please select all that apply.**
* Enriched cage
* Barn
* Free Range
* Organic
* Other (please specify)
* Not applicable
* Prefer not to say
1. **If you produce but don’t pack your own eggs, how many different businesses do you sell to?**
* 0
* 1
* 2
* More than 3
* Not applicable
* Prefer not to say
1. **If you purchase eggs from producers, how many different producers do you buy from?**
* 1 to 10
* 11 to 25
* 26 to 75
* 76 to 150
* More than 151
* Not applicable
* Prefer not to say
1. **If you purchase eggs from producers, please specify the quantity of eggs you buy annually (where 1 case contains 360 eggs).**
* Under 33,000 cases of eggs
* 33,001 to 67,000 cases of eggs
* 67,001 to 100,000 cases of eggs
* Over 100,001 cases of eggs
* Not applicable
* Prefer not to say
1. **Do the eggs you produce or purchase belong to an assurance scheme?**
* Yes, the Lion code
* Yes, Laid in Britain
* Yes, other (please specify)
* No
* Not applicable
* Prefer not to say
1. **Are you currently a member of a cooperative business?**
* Yes
* No
* Don’t know
* Prefer not to say

## Type of contract

5.2 Discussions with industry stakeholders in the build up to this consultation have helped build an understanding of the sector that we’d like to test through this consultation. Our initial engagement suggests that written contracts are commonplace in the egg industry, although less favoured in some parts of the country. The latest version of the Lion code, accounting for more than 90% of UK egg production, now requires written contracts between a purchaser and producer.

5.3 Stakeholders have said that whether written or verbal, contracts are generally short term, rolling agreements, covering a single flock of laying hens and the eggs they produce, though in recent years we have seen an increase in demand for longer term contracts. Contracts are often exclusive arrangements between a producer and a single purchaser.

5.4 Several questions within this consultation seek the views of either a “seller of eggs”, or “purchaser of eggs”. If you purchase eggs from a business and sell them to another business then both may apply. In this instance, please answer each question from the perspective of your role as either a seller or purchaser of eggs and the contracts you have for these purposes.

1. **As a seller of eggs, with whom do you make your contract? Please select all that apply.**
* Packer
* Processor
* Marketing group
* Retail
* Other (please explain)
* Don’t know
* Not applicable
1. **As a seller of eggs, what type of contract do you have? Please select all that apply.**
* Written (and signed)
* Written (but not signed)
* Verbal
* None
* Don’t know
* Not applicable
1. **As a purchaser of eggs, with whom do you make your contract? Please select all that apply.**
* Producer
* Packer
* Processor
* Marketing group
* Other (please explain)
* Don’t know
* Not applicable
1. **As a purchaser of eggs, what type of contract do you have? Please select all that apply.**
* Written (and signed)
* Written (but not signed)
* Verbal
* None
* Don’t know
* Not applicable
1. **“To ensure a legal baseline across the whole sector, all contracts between producers and purchasers should be a written contract”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
1. **We are keen to understand whether alterations to contracts between producers and purchasers take place and how they are made. Please provide details related to the frequency of changes, the negotiations involved and who typically initiates and coordinates this process.**
* Changes to contracts do not occur or are very uncommon
* Changes to contracts sometimes occur (please provide details as above)
* Changes to contracts occur frequently (please provide details as above)
* Don’t know
* Not applicable
1. **As a seller of eggs, where changes to contracts do take place, are these changes discussed prior to being made?**
* Changes are always discussed prior to being made
* Changes are sometimes discussed prior to being made
* Changes are never discussed prior to being made
* Don’t know
* Not applicable
1. **As a seller of eggs, where changes to contracts do take place how are these changes made?**
* In writing (and signed)
* In writing (but not signed)
* Verbally
* Don’t know
* Not applicable
1. **As a purchaser of eggs, where changes to contracts do take place, are these changes discussed prior to being made?**
* Changes are always discussed prior to being made
* Changes are sometimes discussed prior to being made
* Changes are never discussed prior to being made
* Don’t know
* Not applicable
1. **As a purchaser of eggs, where changes to contracts do take place how are these changes made?**
* In writing (and signed)
* In writing (but not signed)
* Verbally
* Don’t know
* Not applicable

5.5 We understand that contract duration in the egg industry is typically aligned to flock cycles and are often fixed terms. We are keen to understand the prevalence of rolling contracts compared to fixed term contracts, and whether terms and conditions are renegotiated at any stage during the contract term.

1. **As a seller of eggs, what contract durations have you agreed to in the past 5 years? Please select all that apply.**
* Fixed term – 1 flock cycle
* Fixed term – more than 2 flock cycles
* Rolling with end date, renegotiation at specified intervals
* Rolling without end date, renegotiation at specified intervals
* Rolling without end date, no renegotiation.
* Other (please specify)
* Not applicable
1. **As a purchaser of eggs, what contract durations have you agreed to in the past 5 years? Please select all that apply.**
* Fixed term – 1 flock cycle
* Fixed term – more than 2 flock cycles
* Rolling with end date, renegotiation at specified intervals
* Rolling without end date, renegotiation at specified intervals
* Rolling without end date, no renegotiation.
* Other (please specify)
* Not applicable

5.6 In previous sector reviews we have heard that contractual terms and conditions are not always adhered to, particularly in times of significant market pressure and where force majeure conditions exist. This creates challenges in forward planning for both producers and processors.

1. **“As a seller of eggs, my contract is always honoured”. To what extent to do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable
1. **“As a purchaser of eggs, my contract is always honoured”. To what extent to do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable

## Contents of contract

5.7 There are currently no obligations to include specific terms or conditions within a contract, on a voluntary or mandatory basis. A contract outline could ensure that all contracts between producers and purchasers include certain provisions, such as clear payment terms, supply volumes, force majeure clauses, duration of agreement, notice periods etc

1. **“The contracts I am currently entered in to or have agreed in the past 5 years, appropriately reflect my business needs as a producer or purchaser”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable
1. **“As a seller of eggs, I feel empowered to negotiate terms and conditions in contracts to best suit my business needs”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable
1. **“As a purchaser of eggs, I feel empowered to negotiate terms and conditions in contracts to best suit my business needs”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable
1. **“All contracts should follow a set structure and include reference to the same type of terms and conditions”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
1. **“Legislation, rather than a voluntary approach, is needed to ensure that contract outlines are consistent across the supply chain”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
1. **“Assurance schemes should be the main mechanism to ensure that contracts and their terms and conditions are fair for both parties”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
1. **Are there any clauses which should be mandatory within any contract? If yes, please provide details, including any specific clauses.**
* Yes
* No
* Don’t know
1. **Are there any clauses which should be prohibited within any contract? If yes, please provide details, including any specific clauses.**
* Yes
* No
* Don’t know
1. **Should changes to the contract be permissible?**
* Yes
* No
* Don’t know
1. **If yes, we are keen to hear your views as to what changes should be permissible, under what circumstances and the process by which contracts should be changed. Please provide detail in your answer.**

## Formation of price

5.8 The price paid to producers for eggs is negotiated between themselves and their purchasers. Our initial engagement has identified several approaches to pricing, including fixed prices, variable prices, and cost plus or feed tracker pricing. We are keen to hear more about how pricing is set within contracts.

1. **If you are seller of eggs, what type of pricing mechanism appears within your contract(s). Please tick all that apply.**
* Fixed Price
* Variable Price
* Feed tracker price
* A cost-plus price (or cost of production)
* Other (please explain)
* Don’t know
* Not applicable
1. **If you are purchaser of eggs, what type of pricing mechanism appears within your contract(s). Please tick all that apply.**
* Fixed Price
* Variable Price
* Feed tracker price
* A cost-plus price (or cost of production)
* Other (please explain)
* Don’t know
* Not applicable
1. **“Where contracts with variable pricing are entered into, the final price given for eggs and the reasons for that price are clear and unambiguous at the point of sale”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable

## Premiums and deductions

5.9 Grading of eggs has a significant impact on the price received. There are clear guidelines of what constitutes different grade eggs and the grading takes place at an egg packing site where the process is typically automated, although the specific equipment may vary between packers.

1. **“The premiums and deductions which can be applied to the price paid per egg based on grading are clear and unambiguous at the point of sale”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know
* Not applicable

## Price reporting and transparency

5.10 There is a mixed landscape in terms of the data available relating to the egg sector. Quarterly egg statistics are published on gov.uk, which includes average UK farm-gate egg price for enriched cage eggs and free range eggs, though data relating to barn eggs and organic eggs is confidential. Data also compares average farm gate egg prices to the number of eggs packed in UK packing stations, egg throughput by UK country and production type, and other statistics covering trade and processing.

5.11 Publications from within the sector provide data on the cost of feed and pullets. There is a greater amount of data published relating to free range egg production, covering end of lay hen price, cost of manure, labour, electricity, water and many other costs. The NFU also publish indicative data for the cost of feed and pullets.

1. **“Existing market reporting services provide a high level of transparency”. To what extent do you agree or disagree with this statement? Please give reasons for your answer.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know

5.12 While there is significant data available covering the production aspect of the supply chain, and data available on the final cost of eggs paid by consumers from retailers, there is a limited availability of data covering the stages in between.

1. **”Additional data points from the supply chain, that are not currently provided, should be made available”. To what extent do you agree or disagree with this statement? Please give reasons for your answer and details on what data would be beneficial.**
* Strongly agree
* Agree
* Neither agree nor disagree
* Disagree
* Strongly disagree
* Don’t know

## Dispute resolution

5.13 Where business disputes arise, effective resolution procedures are required, and we are interested in views on the options available. Arbitration can sometimes be a costly and time-consuming process and other forms of third-party determination may be appropriate (where both parties consent) as an alternative means of resolving disputes.

1. **Please provide your views on the most effective means of dispute resolution.**
2. **Should resolution procedures be binding or advisory?**
* Binding
* Advisory
* Don’t know

## Impact on business and consumers

1. **If new legislative requirements are introduced as a result of this consultation, are you aware of any impacts to business that could arise? Please give reasons for your answer, including any additional annual costs or savings for your business and any specific impacts in one or other parts of the UK.**
2. **Are you aware of any positive impacts on consumers which could arise from the introduction of supply chain fairness regulations in the egg sector? Please give reasons for your answer, including any expected impacts with regards to costs, choice, and transparency of production and processing standards.**
* Yes
* No
* Don’t know
1. **Are you aware of any negative impacts on consumers which could arise from the introduction of supply chain fairness regulations in the egg sector? Please give reasons for your answer, including any expected impacts with regards to costs, choice, and transparency of production and processing standards.**
* Yes
* No
* Don’t know

## Variation within the UK

5.14 The UK egg industry spans all four constituent nations operating within a UK single internal market, but the respective egg sectors have certain differences.

1. **Are there any unique circumstances within any of the constituent nations that would mean a different legislative approach would need to be taken? Please give reasons for your answer.**
* Yes
* No
* Don’t know

## Other concerns

## How much time do you estimate would be required to implement business changes necessary to comply with any new legislation? Please give reasons for your answer.

* Under 12 months
* 13 - 24 months
* 25 - 36 months
* Other (please explain)
* Don’t know
* Not applicable

## We are keen to hear your views on any other issues related to business relations in the egg supply chain. This may include, but is not limited to, views on the information and assumptions presented in this document or topics that have not been covered by this consultation. Please provide detail in your answer.

**Consultee Feedback on the Online Survey**

Dear Consultee

Thank you for taking your time to participate in this online survey. It would be appreciated, if you can provide us with an insight into how you view the tool and the area(s) you feel is in need of improvement, by completing our feedback questionnaire.

## Overall, how satisfied are you with our online consultation tool?  Please give us any comments you have on the tool, including suggestions on how we could improve it.

* Very satisfied
* Satisfied
* Neither satisfied nor dissatisfied
* Dis-satisfied
* Very dissatisfied
* Don't know

Please give us any comments you have on the tool, including suggestions on how we could improve it.