

The parties' contracted supply base

Introduction

1. This appendix assesses the mobility of the parties' contracted supply base. Stonegate and Deans currently contract with external producers for approximately [X] per cent and [X] per cent of their egg requirements, respectively.¹ In-house production is not discussed in this appendix.
2. To assess mobility, we looked at the length of contracts with suppliers, the frequency of contract breakage, the level of churn in supply contracts, the length of relationships with suppliers, and the proportion of suppliers which were exclusive.
3. In summary, the evidence appears to suggest that the parties' contracted supply base is not mobile. This may restrict the ability of rivals to obtain sufficient egg supplies for expansion purposes.

Length of contracts with suppliers

4. According to the parties, contract periods between egg suppliers and egg producers were generally in the region of [X].
5. Stonegate lists [X] shell egg suppliers in its database. [X]

TABLE 1 Length of Stonegate contracts with suppliers

Contract	Organic	Free	Barn	per cent
				Cage

Source: [X].

6. Deans lists [X].
7. Of the [X].

¹Initial submission, paragraph 4.3.

TABLE 2 Length of Deans contracts with suppliers

Length of contract	per cent			
	Organic	Free	Barn	Cage

Source: [redacted].

[redacted]

Supplier contract breakage

8. [redacted]²

9. [redacted]

Level of churn in egg supply contracts and length of relationships with suppliers

10. The parties have provided data showing the level of churn of shell egg supply for both Deans and Stonegate.

11. [redacted]

12. [redacted]

13. [redacted]

14. [redacted]³

TABLE 3 Churn in supply contracts to Stonegate

Egg type	Loss/gain in volume (%)	2003	2004	2005	Average
		Organic	Gained		
	Lost				
Free range	Gained				
	Lost				
Barn	Gained				
	Lost				
Cage	Gained				
	Lost				

Source: Parties' estimates.

²Annex 11 of response to market questionnaire.

³[redacted]

TABLE 4 Length of the relationship between Stonegate and its suppliers

Length of relationship	per cent			
	Organic	Free	Barn	Cage
0–5 years				
6–10 years				
Over 10 years				
Total volume (cases)				

Source: Parties' estimates.

15. [REDACTED]

16. [REDACTED]

TABLE 5 Churn in supply contracts to Deans

Egg type	Loss/gain in volume %						Average
		2001	2002	2003	2004	2005	
Organic	Gained						
	Lost						
Free range	Gained						
	Lost						
Barn	Gained						
	Lost						
Cage	Gained						
	Lost						

Source: Parties' estimates.

TABLE 6 Length of the relationship between Deans and its suppliers

Length of relationship	per cent			
	Organic	Free	Barn	Cage
0–5 years				
6–10 years				
Over 10 years				
Not specified				
Total volume (number of eggs)				

Source: Parties' estimates.

17. [REDACTED]

Supplier exclusivity

- The parties submit that egg suppliers can source supply from producers not under exclusive contract (an estimated [REDACTED] cpw in respect of free range eggs, representing about [REDACTED] per cent of the total).
- [REDACTED] For example, John Bowler (Agriculture) Ltd (Bowler) told us that its producers had a contract to supply it with substantially all of their production, but were allowed a percentage of farm gate sales, and a small number of producers also sold a small volume of eggs via farmers markets; Bowler itself had a contract with Stonegate for

substantially all of its production but with an ability to move to other packers at certain pre-agreed volumes.⁴

TABLE 7 Proportion of Deans' contracted suppliers which are exclusive

Exclusive supplier?	per cent			
	Organic	Free	Barn	Cage
No	(
Yes				
Not specified			✂	
Total volume (number of eggs)				
)			

Source: Parties' estimates.

TABLE 8 Proportion of Stonegate's contracted suppliers which are exclusive

Exclusive supplier?	per cent			
	Organic	Free	Barn	Cage
No	(
Yes				
Not specified			✂	
Total volume (cases)				
)			

Source: Parties' estimates.

Summary

20. The level of churn in supply contracts indicates that, across egg types, switching between contracted egg producers is not common. [✂]
21. In summary, the evidence appears to suggest that the parties' contracted supply base is not mobile. This may restrict the ability of rivals to obtain sufficient egg supplies for expansion purposes.

⁴Letter to CC of 03 October 2006, on CC website.