New Zealand Shell-Egg Market - Structure & Value-Chain Map

STRICTLY CONFIDENTIAL - PRE-LOI / INDICATIVE-BID PREP
Project Albatross - Week 1 - Market Structure Map

Preliminary outside-in commercial due diligence - Halberd Capital Partners - target: Aurora Eggs Ltd (privately held; invisible in public analyst coverage)

Market: NZD 455M retail (top-down) / NZD 540M all-production (bottom-up); gap = non-retail channels. Flock 3.75M hens (official 3.4-3.5M stale; bottom-up 3.7-3.8M). Pop. 5.22M; per-capita 229 eggs/yr. Fragmented: top-5 62% (excl. Aurora); Aurora 18% = no.2 by volume.

CAGE-BAN TRANSITION (two-phase) - the structural driver

Conventional (battery) cage
BANNED 31 Dec 2022
Phase 1 - regulatory
Animal Welfare (Layer Hens)
Code of Welfare 2012 (MPI/NAWAC)

→ Phase 1 complete →

Colony cage (enriched)
LEGAL under the Code - but
retailer-delisted end-2027
Phase 2 - private-sector (not regulation)
Foodstuffs + Woolworths NZ pledge
= de facto hard deadline for retail access

→ Phase 2 retailer-driven →

Barn + Free-range
cage-free end-state
barn = indoor, no cages, no outdoor
free-range = barn + outdoor (pop-holes)
max 2,500 hens/ha outdoors

Conversion economics (colony to barn/free-range). Per-bird capex NZD 45-65 (all-in) ⇒ Aurora 244k colony birds × NZD 55 mid = **NZD 11-16M** vs seller IM claim NZD 8-10M. Timeline: 12-18 mo build (post-consent) + 6-9 mo DOC lead + 9-14 mo equipment (Big Dutchman, signed late 2025 ⇒ commissioning Q3'26-Q1'27). Consent 24-36 mo for non-permitted uses. Tight vs end-2027 - no slack. Mix: 2022 census 33/33/34 stale; current 40 FR / 40 colony / 20 barn (expert estimate, contested).

System colours: cage (banned) · colony (to convert) · barn · free-range · pasture-raised

1. INPUTS, SUPPLIERS & SIZING

Feed 55-65% var cost (NZD 1.85-2.10/doz); NZ imports 60% feed grain; 4-6 mo pass-through (10% spike ≈ -80-110 bps). MainFeeds (Mainland captive) vs PGW/Farmlands/Ridley/NRM.
DOC / pullets NZD 8-10/bird (18-20 wks); 6-9 mo lead. EW Group (Hy-Line/Lohmann) 75-80% global; NZ Northern Hylines, Henergy; Mainland captive.
Electricity 17.8c/kWh; +18-20% CY24-26; Aurora tariff expires late-2027 = 2027-28 step-up.
Vet / biosecurity vacc. NZD 0.18-0.22/bird; cleanout NZD 0.40-0.55/bird; H7N6 cleanout NZD 2.8-3.4M.
Packaging Huhtamaki Otahuhu - sole NZ moulded-fibre plant (60+ yrs; common-mode).
By-products manure → Ravensdown/Ballance (NZD 300-500k/yr); spent hens → pet-food/render (cost).
Equipment Big Dutchman / Vencomatic / Salmet (9-14 mo).

MARKET SIZING & RECONCILIATION
Top-down retail NZD 455M (pop 5.22M x 229 eggs/yr x avg retail price, less 30% wholesale-to-retail uplift).
Bottom-up all-production NZD 540M (3.75M flock x 300 eggs/layer x blended gate).
Gap 19% = non-retail: foodservice 12-15%, industrial 8-10%, own-use/institutional 4-6%. *Bottom-up for volume share; top-down for retail share.*
Aurora 18% volume / 22-23% retail share (more retail-concentrated).
Flock MPI 3.4-3.5M (stale) vs bottom-up 3.7-3.8M; per-bird 290-305 eggs/yr; mix 40 FR / 40 colony / 20 barn (est.).
Demand: population +0.9%/yr; dietary shift +0.4-0.5pp/yr tailwind; per-capita 229 (EPFNZ).

2. PRODUCTION SYSTEMS & PRODUCER ROSTER (volume share)

bar = national volume share; segments = system mix (est.; Aurora 40/30/30 per expert)

Fragmented: top-5 62% (excl. Aurora); long-tail rationalisation = roll-up window (per-bird capex uneconomic at <50k birds; 6-10 exits by FY28).

Mainland Poultry — 27%
PE
Scale leader; 7-stage stack + captain; PEP-owned

Aurora Eggs — 18%
TARGET FAM
McKenna family, private; 40% colony = largest block

Heyden Farms — 13%
FAM
South Is anchor; 50% cage-free (behind); review 2025

Better Eggs — 9%
FAM
Anderson family; consolidator (Smith tuck-in 2023)

Zeagold Foods — 7%
SUB
Mainland/PEP subsidiary; vision-graded line (2025)

Henergy Cage Free — 6%
FAM
Wilson family; pure-play free-range; long-hold

Long-tail / specialty — 20%
>30 producers; colony-heavy + specialty/pasture niche

Aurora positioning across the chain: 40/30/30 mix; 610k birds, 13.1M doz, NZD 84.6M rev, NZD 10.8M EBITDA (12.8%; adj NZD 12.6M/14.9% - flag addbacks). In-house grading 2 plants. Channel mix 70 retail / 25 foodservice / 5 industrial; Foodstuffs-tilted 55-60%; 48-50% retail = private label. Minimal debt (self-funds capex); constraint is time.

grade →

3. GRADING & PACKING

In-house at scale (Aurora: 2 plants) - grading margin inside producer EBITDA.
Small producers pay a third-party grader 8-12% of gate.
Zeagold vision-graded line (Jun 2025, first in NZ).
Yield Grade A 65-75% (retail); Grade B + cracked 25-30% → liquid-egg breaker; waste 1-5%.
Automation full upgrade both plants NZD 8-12M, payback 5-7 yr, -30-40% grading labour.
OEE 65-70% mid-pack vs 80%+ top-quartile on grading lines.

sell →

4. CHANNELS & INTERMEDIARIES

Retail 70-75% of volume - producer → retailer DC **direct, no wholesaler**. Foodstuffs 54% / Woolworths NZ 46% of retail vol. Gate NZD 5.40 FR / 4.50 barn / 3.40 colony. Private label (Pams, Macro, Woolworths house) 50% of Aurora retail. Retailer net NZD 2.00/doz = **2-2.5x producer EBITDA**.
Foodstuffs = co-op (Pak'nSave + New World); 2-layer buying (FSOB Pams tenders + FSNI/FSSI national + owner-operator 30-60 store discretion). Woolworths NZ = Countdown, centralised single-buyer (one decision delists nationally; +3-5pp margin compression).
Foodservice 15% - producer → **wholesalers** (Bidfood 24 branches; Gilmours, Foodstuffs related-party) → operators. +12-18% on gate; gate NZD 3.80-4.20 (barn). Spec-driven; producer brand opaque. Fine-dining FR/premium; QSR price-only.
Industrial 10% - producer → **breaker/processor** (Frenz / Independent Egg Producers central NI; AU liquid import; Versovo AU) → bakeries/mayo/food processors (Goodman Fielder, George Weston). +10-15%; gate NZD 3.20-3.60 (thinnest). Residual disposal for seconds (4-6%).
Direct 2-3% - farmgate/markets/DTC; premium-priced.
Working capital: Foodstuffs 60d, Woolworths NZ 60-90d; NZD 5M receivables tied up at Aurora scale.

reach →

5. END DEMAND

Households (retail) - pop. 5.22M; per-capita 229 eggs/yr; dietary shift a net tailwind (flexitarian 21.4%, +0.4-0.5pp/yr).
Hospitality (foodservice) - cafes, hotels, QSR; demand stable, tracks GDP +1-2pp; tourism recovery lever.
Food processors (industrial) - bakeries, mayo, ready-meals; price-driven spot + annual contracts.
DTC consumers (direct).
Profit pool: producer 30-40%, grader/packer 10-15%, distributor 8-12%, retailer 35-50% (largest). Retail = highest-margin, asset-light; producer = asset-heavy, low per-dozen, carries consent + biosecurity risk.
Imports: modest AU product at value end (barn/colony when short); FR/pasture essentially all domestic. Plant-based <1% of retail value.
Two-sided scenario: conversion-capacity-gap could lift prices; barn oversupply compresses premiums/margins. Base case between. Colony beyond 2027 unworkable (FS/industrial cannot absorb displaced volume).
Per-capita by segment (eggs/adult/yr): traditional 224, flexitarian 242, vegetarian 263, vegan 0.

UNIT ECONOMICS PER DOZEN (NZD, FY26) - margin by stage & tier
Free-range (shelf 8.50): producer gate 5.20-5.60; EBITDA/doz 0.65-0.85 branded, 0.30-0.45 private-label; retailer net 2.00 (22-28% of shelf) = **2-2.5x producer EBITDA**.
Barn (shelf 7.00): gate 4.40-4.60; EBITDA 0.50-0.65 (branded) / 0.20-0.35 (PL). Colony (shelf 5.60): gate 3.30-3.50; EBITDA 0.35-0.50 (thinnest tier).
Foodservice wholesaler +12-18% on gate (barn 3.80-4.20). Industrial breaker +10-15% on gate (3.20-3.60). Small-producer third-party grader 8-12% of gate. Trade-spend 4-7% of retail revenue.
Producer cost (% net sales): feed 60% of var cost; labour 8-12%; packaging 4-6%; distribution 6-8%; depreciation 6-8%; overhead 8-10%. EBITDA margin 8-15% (cluster 10-12%); Aurora 12.8% reported / 14.9% adj.
Retail = highest-margin, asset-light step; producer = asset-heavy, low per-dozen, carries consent + biosecurity risk.

CROSS-STAGE COMMERCIAL DYNAMICS THAT MATTER FOR A PRODUCER IN AURORA'S POSITION

1. Conversion: capex + timing gap (central tension). Expert NZD 11-16M (NZD 45-65/bird x 244k) vs seller IM NZD 8-10M. 12-18 mo build + 6-9 mo DOC + 9-14 mo equipment; consent 24-36 mo; Big Dutchman commissioning Q3'26-Q1'27 - tight, no slack. Colony = double jeopardy: 2027 access risk **and** thinnest margin (NZD 0.35-0.50/doz). FS/industrial cannot absorb displaced colony volume.

2. Free-range premium compression (two-sided pressure). Seller: 30%+ "holds". Expert + EPF: wholesale-gate premium 18 → 14 → 12% across FY26-28 (Pak'nSave 15-17%; New World/Countdown 20-22%). Drivers: barn supply growth + cost-of-living elasticity. Pasture-raised = distinct tier (preserved). Premium-bearing volume = Aurora's 30% FR.

3. Retailer buying-power asymmetry. Foodstuffs co-op = 2-layer (FSOB Pams tenders + FSNI/FSSI national + owner-operator discretion over 30-60 stores). Woolworths NZ = centralised single-buyer: one decision delists nationally; extracts 3-5pp more producer margin compression. Aurora Foodstuffs-tilted (55-60%) = better position, but confirm split (tender wins/losses move it).

4. Private-label margin sink + tender cliff. 50% of Aurora retail = PL (Pams/Macro/Woolworths house); PL EBITDA half branded (FR NZD 0.30-0.45 vs 0.65-0.85). 12.8% margin consistent with PL blend (pure-branded 15-17%). FSOB 3-yr tenders; 2 Aurora PL lines retender <24 mo; single Pams FR loss ≈ NZD 8-12M revenue cliff. Trade-spend 4-7% of retail.

5. Category captaincy, integration depth, pricing power. Mainland = category captain at both retailers (1-2pp share-of-shelf) + full 7-stage stack; Aurora no.2 by volume but no.4-5 on integration depth ⇒ structural multiple **discount**, not uplift. no.2 (18%) vs no.1 (27%): Mainland sets price, Aurora follows. Half retail is PL (no pricing power). Price-taker on the volume that matters.

6. Input-cost concentration + asymmetry. Feed 55-65% var cost, 4-6 mo pass-through lag; Aurora 4-6 wk inventory vs Mainland 8-10 wk + MainFeeds physical hedge (no NZ grain futures). DOC genetics EW Group 75-80% global; NZ Northern Hylines/Henergy - recurring 2-qtr pullet-delay risk. Packaging Huhtamaki single-supplier (common-mode). Electricity 2027-28 step-up.

7. HPAI overlay (contested). WOAH ground truth: H7N6 Otago late-2024, single property, stamped out, NZ HPAI-free mid-2025 - **not** a national supply shock (contrast US/EU HPAI price spike). 3-5% one-off FY25 biosecurity cost overlay (cleaning/repopulation/movement control). Contested: one retired commentator flags recurrence (gut-level, unnamed) - WOAH/MPI/EPF discount "NZ next".

8. Valuation gap. Seller ask NZD 130-170M / 12-14x FY24 adj. EBITDA (14.9% adj vs 12.8% reported - flag addbacks). NZ precedent Mainland 6.5x (Navis 2017) / 7.0-7.5x (PEP 2025, full stack). Cross-trade: Cal-Maine 9-11x (HPAI-inflated), Inghams 8-9x (scale haircuts). Expert fair value 8-10x / NZD 88-115M. Spread = negotiation gap.

Open questions for confirmatory DD: (1) audited branded vs private-label revenue split by retailer x production system (FY24); (2) audited top-10 customer concentration + current Foodstuffs/Woolworths split; (3) resource-consent lodgement status + Big Dutchman order tranches/commissioning dates; (4) colony-to-barn capex detail (per-bird, scope, funding) vs NZD 8-10M seller claim; (5) DOC/pullet supply contracts + lead-time guarantees; (6) trade-spend roll-up + Foodstuffs Own Brands tender calendar and at-risk PL lines; (7) feed contracts/inventory/hedging + electricity tariff expiry + ETS exposure; (8) adjusted-EBITDA addback bridge (12.8% to 14.9%).

Sources: Hartley Pearce agri desk note (hp-agri-nz-027); independent NZ-eggs sector briefing Q3 2025; Pacific Agri Advisory sector briefing 2024; RetailQ NZ Q1 2026 scan; EPFNZ + Calthorpe expert interviews (Parts 1-8); foodservice-broker, ex-egg-farmer, retired-consultant transcripts; Aurora IM draft v0.4; Halberd value-chain + supplier-exposure annexes. Figures in native NZD per source convention; USD conversion per central financial-assumptions workbook for the market model. Preliminary assessment - no invest/pass verdict; findings, risks and open questions carry equal weight.