



Our Journey Toward 100% Cage-Free Eggs Supply Chain: Progress & Challenges

Addressing societal issues in ways that create value for our business and stakeholders lies at the heart of Walmart's enterprise strategy and our approach to ESG issues, including how we source and deliver quality, affordable products for our customers. In April 2016, Walmart U.S. and Sam's Club U.S. [announced](#) a goal to transition to a 100 percent cage-free egg supply chain by 2025, based on available supply, affordability and customer demand.

Progress to date

We've made progress since setting the goal five years ago, including:

- 100% of all shell eggs at Walmart U.S. (since 2019) and Sam's Club U.S. (starting in 2021) meet UEP [animal welfare requirements](#) or equivalent based on supplier reports.
- Walmart U.S. and Sam's Club U.S. have taken steps to increase customer demand for cage-free eggs, including:
 - Best placement on the third shelf, at eye level and center, across Walmart U.S. stores.
 - Promotion in circulars across Walmart U.S.
 - Increased assortment and shelf space at Walmart U.S. and Sam's Club U.S.
 - Market tests to understand customer response when cage-free egg shelf space is expanded and when cage-free egg prices are reduced.
- Walmart U.S. and Sam's Club U.S. merchants regularly interact with egg suppliers about predicted demand and supply needs, consistent supply and increased need due to state mandates effective 2022-2026. As a result:
 - Walmart U.S. is transitioning to a 100% cage-free shell eggs supply in California and Massachusetts.
 - Sam's Club U.S. has transitioned to a 100% cage-free supply in California, Colorado and Nevada.
- Nationwide, as of FY2021, 18% of Walmart U.S. and 30% of Sam's Club U.S. eggs were cage-free shell eggs, as a percentage of total shell egg net sales, based on supplier reports.

Despite these gains, demand for cage-free eggs has not increased fast enough for us to be confident about achieving our goal of 100% cage-free eggs by 2025 without further interventions.

Third party assessment

Acknowledging the challenge, Walmart commissioned the Center for Food Integrity (CFI) in early 2021 to conduct an independent assessment of the hen housing landscape and approaches Walmart U.S. and Sam's Club U.S. might consider in support of the cage-free egg goal. CFI's remit included reviewing drivers of consumer demand for eggs, supply and demand trends for cage-free and conventional (non-cage-free) eggs, the evolving regulatory landscape, and implications of transitioning to cage-free housing systems for animal health and well-being, egg supply and production costs and customer affordability as well as the environment impact of hen housing



versus conventional eggs. As part of their review, CFI engaged a broad range of stakeholders including suppliers, producers, animal scientists, animal welfare NGOs, environmental NGOs, and Walmart associates. They completed the assessment in December 2021.

CFI found that market conditions and trends present significant challenges to transitioning to 100% cage-free eggs in terms of supply, affordability and customer demand.

- **Supply.** CFI found that while supply of cage-free eggs currently outpaces demand, producers would need to invest at least \$7 billion to expand capacity of cage-free housing systems to supply 100% of the food system commitments for shell eggs by 2026.
- **Affordability.** CFI analysis also discovered that cage-free eggs cost 25%-40% more than conventional eggs to produce, challenging affordability. CFI notes that Iowa, for instance, has mandated that retailers that participate in certain federal food subsidy programs continue to make conventional eggs available to provide a more affordable option for consumers. At least 17 states do not allow cage-free eggs to be purchased through nutrition assistance programs for Women, Infants and Children.
- **Customer demand.** CFI highlighted research from Purdue University that indicates that customer purchasing decisions are based primarily on price, taste, safety and nutrition except for a small minority of egg purchasers motivated by animal welfare issues. CFI analysis suggests that converting to cage-free eggs with the associated price increases would likely result in many customers choosing not to purchase eggs.

Please find additional insights and a summary of CFI's findings and recommendations in the [Appendix](#).

CFI's recommendations

Acknowledging these realities, CFI provided Walmart with four potential scenarios to consider:

1. **Push through:** Convert the assortment to 100% cage-free eggs by 2025 (where legally permissible) despite the negative impact on customer affordability and/or business results (e.g., lost customer traffic and sales as they shop elsewhere for more affordable protein);
2. **Encourage:** Take additional steps to encourage and accelerate customer switching to cage-free eggs while still providing a conventional option for customer affordability (where legally permissible) and continuing to elevate the environmental and other sustainability impacts;
3. **Maintain status quo:** Continue to sell conventional and cage-free eggs without further intervention; or
4. **Delay:** Delay the target date to beyond the original date of 2025.



Our way forward

Acknowledging the current landscape, the four scenarios proposed by CFI, and our commitment to lead on cage-free eggs, we will implement the following adjustments to help encourage an increase in cage-free eggs as a percentage of total shell eggs sold:

- **Increase demand through price investments at Walmart U.S.:** Work to increase cage-free demand through continued price investments of up to \$30 million over the next three years (FY23 – FY25) by Walmart U.S.
- **Convert to cage-free eggs in all but larger pack sizes at Sam's Club U.S.:** In our Sam's Club U.S. format, we are transitioning to cage free eggs in all shell egg items that are intended for household consumption. The exceptions are pack sizes of five dozen or larger, which are intended to meet the needs of small business members.
- **Promote through shelf space, placement, and advertising:**
 - Over-index on shelf capacity on a sales-to-inventory ratio as compared to conventionally grown eggs;
 - Preferred shelf space in Walmart U.S. Stores; and
 - Preferred circular and on-line advertising of cage-free eggs.
- **Maintain affordability:** Continue commitment to Walmart's mission of providing affordable options for a variety of high quality, affordable eggs as a key source of protein.

Our mission to provide quality and affordable products sustainably sourced remains our north star. While the supply chain and customer demand have not kept pace with our aspiration, Walmart U.S. and Sam's Club U.S. remain committed to leading on cage-free eggs while acknowledging the significant hurdles that remain. In line with the recommendations from CFI, Walmart will further engage suppliers and industry stakeholders to advance sustainable hen housing systems while continuing to encourage cage-free egg sales across our stores and clubs. We invite all stakeholders in the cage-free eggs supply chain to continue innovating production approaches and technologies to provide customers with affordable and sustainably sourced eggs.
