



Chairman's Message

Egg Pricing

The Prices Commissioner attended the July meeting of the Board for discussions on his second report into egg pricing. The Commissioner is calling for a further 5¢ reduction.

The Board has concerns in several areas of the report resulting in the need for further consultation before the Board can arrive at its position in relation to the report.

Producers should be aware of the areas in which the Board has major concerns. Within the criteria the Prices Commissioner must define an efficient farmer and set the price having regard to the profitability of that efficient farmer. The problem for the Board with the Prices Commissioner's definition of a 20,000 controlled environment farm as an efficient operation is that approximately 10% of the State production comes from controlled environment sheds leaving 90% of the industry at a disadvantage.

The Prices Commissioner must also take account of the extent to which quota value reflects the profitability in the industry.

Quota values have declined substantially since December 1985 when the Minister expressed concern of the approx.

then \$20 quota, in real terms they are now approximately 50% lower. The Board's dilemma is how far would quota value have to fall before it reflects the need for a price increase rather than a further decrease.

The criteria relating to interstate prices used by the Commissioner to substantiate the case for lower prices must now receive equal and opposite treatment as prices currently in N.S.W. are substantially above Victoria. Cost of production is higher in Victoria because of climatic conditions and the consumer demand for larger eggs.

Turning to the recommendation and conclusions of the Prices Commissioner's second report, the Board raised with the Prices Commissioner a number of areas where the Board has concerns. These are:

- 1 The cost of production model which equates feed consumption to be the same on a standard farm as the "efficient farm" with controlled environment sheds.
- 2 The question of cartage of eggs from farm to the Board for grading cannot be answered by a \$7,000 utility on a 20,000 bird farm.

Given the quality requirement of refrigerated transport and size of farm (20,000) a truck would cost between \$30,000-\$40,000 or eggs collected by transport operators would equate to a minimum of 2 cents per dozen.

- 3 Confusion over the allowance for clean out time must be clarified; has clean out time been allowed or not? No clear answer was available to the Board at the July meeting.

It is not satisfactory to the Board for the Prices Commissioner to say these matters will be looked at in the next report or that there is 'fat' in other areas of the report.

Whilst these matters are being sorted out the Board has again adjusted prices to take account of recent feed, pullet and Board cost increases. The Board has also adjusted average producer returns to the bench mark of the nett return applicable before the grade change on the 2nd May.

All producers can be sure that the Board is actively and constantly addressing the producers problems and concerns in the appropriate areas such as the Prices Commissioner and the Government.

Don Foster.

Good Food Products Australia Pty Ltd.

At the meeting for producers held on 26th July in the Board's auditorium, Mr Alan Harrison gave a progress report on Good Food Products Australia Pty. Ltd. In the interest of those producers who were unable to attend the meeting, the report is reprinted below.

Good Food Products Australia commenced trading on 1st February 1988. From that date, all egg products previously sold by the Victorian Egg Marketing Board and The New South Wales Egg Corporation on the local market were sold through Good Food Products Australia. The Company employs a small sales staff—Peter Schutz, the Marketing Director has six staff in New South Wales including two in research and development. Peter Jackman, is the Southern Regional Manager with Brian Volk on Technical Sales and Yvonne Blackman in New Product Development.

Rationalisation of Egg Product manufacture also commenced early in 1988 with Lidcombe producing Scramblers and household frozen whites and Keysborough producing peeled hard boiled eggs.

From 1st July 1988, all packaging requirements for the New South Wales and Victorian Authorities will be purchased through the Company and also from this date, the laboratory, egg drying and warehousing at Lidcombe and Keysborough will be operated by Good Food Products Australia, under Glen Abbott as Operations Director.

Now Let's Look At Results To Date, Compared to our Objectives

The major reason for forming Good Food Products Australia was to stabilize the local market for value-added egg products. The secondary benefit perceived was rationalisation manufacture and marketing costs. Competition in the local dried egg products

market had cost both authorities in excess of \$1 million/year in the early 1980's and against this background, amalgamation was the only solution.

Before joining Good Food Products Australia, Victoria's egg product selling costs, including promotion, serving accounts etc., represented 7.5% of revenue. On this basis, Good Food Products Australia took over all the ongoing product selling costs and received 7.5% of gross sales as revenue to cover these costs, plus a further margin to cover establishment costs.

For the first six months of operation to 30th June 1988, our sales through Good Food Products increased, but Good Food Products traded at a loss of around \$170,000 because of slightly higher than expected start up costs—particularly in setting up improved distribution arrangements in the other states, in launching some of the new bakery pre-mixes and in establishing information services between Lidcombe and Keysborough.

Sales from Victoria's point of view can be illustrated below. Action is being taken to reduce marketing expenses in 1988/89 to ensure that we trade profitably in each area of operation, Egg

product marketing, dried product manufacture and in the purchasing of packing materials.

The profit on packing material is guaranteed because the volume discounts obtained through the joint tender on packing materials (a total contract over \$10 million in this year) has allowed Victoria to buy one-dozen cartons, outer boxes and other containers at cheaper than expected prices and Good Food Products Australia will keep some of this saving by way of commission.

In relation to the second objective of the exercise—to achieve savings on manufacturing and marketing expenses through rationalisation at Lidcombe and Keysborough, it is too early yet to measure performance. 1988/89 will be the year when progress will have to be achieved in this area

Dryer clean down time between whites and coloured products is a 3-day operation, so that some immediate cost reduction will occur with one plant on coloured product and the other on whites. In addition, we have excess drying capacity overall and we are negotiating specialised food drying for outside customers

Alan Harrison
Managing Director

	VICTORIAN DIVISION		
	1986/87	1987/88	1988/89 (Budget)
Egg Product sales in actual kg	3,023,546	3,030,737	3,038,373
Sales value	\$9,500,953	\$10,006,302	\$10,510,144

This is nett sales revenue after allowing for a range of discounts on frozen and liquid pulp because of Bartters activity in Victoria.

An agreement with Bartters that special discounts would be eliminated became effective in May and is continuing so far.

From The Point Of View of Good Food Products Australia:

	1987/88	1988/89 (Budget)
Egg product sales in actual kg's	7,506,164	7,438,498
Sales value	\$24,090,334	\$25,030,144

Notes from the July Board Meeting

Prices Commissioner

The Board at its July meeting held discussions with the Prices Commissioner centred around its continuing concern about some aspects of his March report. Areas of concern were discussed and as the Commissioner was not in a position to provide the Board with complete answers the Board has decided to advise the Minister and the Commissioner that a final decision cannot be made until more detailed answers are received to the areas of concern expressed to the Commissioner. The Board has, in the meantime, decided to adjust prices to take account of the recent increases in feed and pullet costs and the increase in administration and packaging costs (pricing is discussed elsewhere in this newsletter).

Quota Charge

The Board reluctantly took the decision after an exhaustive review of the budget figures submitted by management to increase the Quota Contract Charge by 1¢ from 11.5¢ to 12.5¢ per quota hen. This matter had been held over from the June

meeting to enable further investigation of the budget situation to ensure that all avenues of savings had been taken into account but the continuing production surplus to local market requirements left the Board with no alternative.

Producer Debts

The Board received reports from the accounts department on the current situation on producer indebtedness and determined that while the Board was in every way sympathetic to current producer problems, in fairness to all producers, accounts would not be allowed to extend beyond normal trading terms.

Egg Products

As a method of cost saving, the Board instructed that trials be conducted in transferring ungraded eggs to the factory on a per kilogram basis thus having the potential to eliminate extra grading costs. Management are to report back to the Board on this matter in due course.

Marketing

Management have been

instructed by the Board to reassess the production potential for both Free Range and Whole Meal eggs and to assist the producers of these products to co-ordinate flock replacement programs in line with marketing requirements.

Any producers therefore, interested in entering into the Whole Meal or Free Range egg scheme, both of which return attractive margins are requested to contact Ivan McKinney at the Board.

In line with the above, the Whole Meal promotions at store level are to be increased using demonstrations and point of sale with possible other avenues being considered such as truck and outdoor advertising.

Surplus

The Board viewed with concern the current surplus situation. Due to a 1% increase in production and a 2% decrease in shell egg sales returns are virtually nil and the Poultry Farmer Licensing Committee will be advised of the situation so that a constant review may be kept on the need for quota adjustments in the future.

Reorganisation of Shell Egg Distribution on retail trolleys to supermarkets

Progress Report

The Board recently announced its intention to reorganise shell egg distribution on retail trolleys to metropolitan supermarkets to provide for direct farm servicing of these accounts where such would be an efficient alternative to the existing system. This programme is in line with the Board's policy to reduce overall costs and to get fresh eggs direct to consumers as quickly as possible.

The initial areas considered for this programme were:-

- Geelong Area
- Western Suburbs
- Mornington Peninsula
- Northern Suburbs

The steps already taken to implement this policy in these areas are summarised below.

1 Geelong Area

The Geelong area has already been

reorganised and the new scheme commenced on 25th July. The 18 supermarkets in this area are now being serviced direct by G & O Drew's farm at Marshalltown. G & O Drew is providing depot facilities to receive both 'pack-to order' and ungraded eggs and is also acting as a selling depot for the supply of packing material. There has also been a reorganisation of box customers in the area with these customers being redistributed to several farms not participating in the trolley scheme.

2 Western Suburbs

This area has already been reorganised and the new scheme commenced on the 25th July. The 19 supermarkets in this area are now being serviced direct by Happy Hens farm at Meredith and by G. Casaccio & Sons, Werribee.

3 Mornington Peninsula

Discussions with all producers on the Peninsula area have now concluded and from 5th September it is proposed to have the 8 supermarkets in this area serviced direct by four local producers.

4 Northern Suburbs

Some 63 supermarkets are being considered as suitable for this reorganisation. Already 37 supermarkets are now being serviced by Crystal Egg Co. Bendigo with eggs direct from farms in the Bendigo area. This started on the 25th July.

It is proposed that the remaining 26 supermarkets will be serviced direct by Producer Agents in the area. All producers in this area have been written to asking for expressions of interest. Discussions with interested producers will follow

continued from page 3.

and it is anticipated that this segment will be operative from early October 1988.

Summary

The changes already implemented or planned involve some 108 supermarkets with an average uptake of around 420 trolleys/week.

Producers who service supermarkets direct from their farms will be required to enter into a franchise agreement with the Board to provide all services required, including:

- twice weekly deliveries
- provision of all grades and types of pack required, and

- where necessary, 'free range' and 'whole meal' brands.

The overall objective is for greater efficiency, reduced costs and a better service to consumers with the freshest possible product.

Ivan F. Mc Kinney
Field Services Manager

Victorian Egg Production and Disposals as at 30/6/1988

	000 Dozen		
	1987/88	1986/87	%
Production			
Ungraded Receivals at Grading Floors	17,531	18,204	-3.70
Pack-to-Order Receivals at Grading Floor	13,063	11,465	+13.96
Packed directly by Producer Agents	19,868	19,701	+0.85
Total Recorded Production	50,464	49,370	+2.22
Sales			
Grading Floor Sales to Distributors	2,003	2,888	-30.64
Producer Agents Sales To Distributors	8,339	8,338	+00.01
Distributors Sales to Retailers	10,342	11,226	-7.87
Grading Floor Sales to Retailers	20,248	20,088	+0.80
Producer Agents Sales to Retailers	11,406	11,363	+0.38
Total Sales In Shell	41,996	42,677	-1.60
Local Products Sales (equivalent dozens)	6,201	6,580	-5.76
Total Sales including Products	48,197	49,257	-2.15
Net Variation from Local Requirements (including farm pulp and interstate purchases and sales but excluding useless).	2,267	113	

Flock Analysis Report

As at 1/7/1988

Quota Breakdown	Producers	Quota	% of Total
1-20	8	140	.01
21-40	11	3251	.01
41-75	14	877	.03
76-250	52	8,367	.32
251-500	46	17,294	.66
501-1,000	30	22,494	.86
1001-2,000	35	52,169	1.99
2001-5,000	43	136,496	5.21
5001-10,000	50	380,838	14.53
10,001-20,000	45	622,440	23.74
20,001-30,000	18	430,574	16.42
30,001-40,000	8	285,065	10.87
40,001-50,000	4	174,215	6.65
50,001 and over	7	490,373	18.70
Total	371	2,621,667	100

Seasonal Quota Cuts

As announced to the industry by various circulars, seasonal quota cuts take effect from the 1st July and inspectors have already commenced counting to ensure that compliance with the quota levies are adhered to. Inspectors have been instructed to report breaches of quota conditions to the Committee for further consideration. It is therefore essential that all producers are at their advised quota level by the due date, or where special arrangements have been made to variable quota cuts, i.e. a greater cut for a shorter time, that the producers are in receipt of acceptance from the Committee of their request for variation of quota. Due to the current surplus situation any breaches of quota numbers will be considered very seriously. It is in all producers' interests to comply with the quota levels.

For Sale

Accessories for Staalkat Egg Grader

4 de nesters, 4 packing cabinets, conveyors, electric gear and egg loading conveyor

\$3,000 the lot or will separate

Grants Poultry Farm, Cobram
(058) 722 197
(058) 721 512 A.H.