

EGG FARMERS OF VICTORIA

The Victorian Egg Marketing Board trading as Egg Farmers of Victoria

JV:SR
Ref: 27.271

16th March, 1988



The Secretary,
Commercial Egg Producers Association,
Strathfieldsaye Road,
STRATHFIELDSAYE, Vic. 3551.

Dear Sir

The Victorian Egg Marketing Board has prepared an Impact Statement for changes to the Victorian Egg Marketing Board Regulations amending the egg weight categories for First Quality eggs.

The Impact Statement together with the proposed new Regulation is attached.

Any comments or submissions should be lodged in writing with:

Mrs. J. Vipadi,
Secretary,
The Victorian Egg Marketing Board,
P.O. Box 141,
NOBLE PARK, 3174.

by Tuesday, 12th April, 1988, so that they can be taken into account when the Regulation is submitted to the Governor-in-Council.

Yours faithfully,
THE VICTORIAN EGG MARKETING BOARD

JEAN VIPADI
Secretary

VICTORIAN EGG MARKETING (EGG WEIGHT CATEGORIES)

REGULATIONS 1988

IMPACT STATEMENT

3rd March, 1988

1. OBJECTIVES

The weight range for each grade of egg is currently prescribed in The Victorian Egg Marketing Board (Amendment) Regulations 1987. (S.R. No. 48).

The objective of this proposed amendment is to set new weight categories for grades. Five weight categories are to be maintained, but each reduced from a 7 gram range to 6 gram range.

The change is designed to -

- (a) Allow a greater number of eggs to be available in the larger grades - that is 61 grams and above. This year the larger grades have been in short supply through the total Spring period - the time when they are traditionally in surplus.
- (b) Reduce the number of eggs available in the smaller grades - which have been in surplus during the Spring period - the time when traditionally they are in lesser supply. They are always surplus to market requirements in the Autumn.
- (c) Standardize the Victorian egg weight categories with New South Wales and make it simpler to purchase packing materials jointly when this reduces costs. Individually Victoria purchases 44 million cartons and New South Wales 58 million cartons. By jointly purchasing 102 million cartons, quantity discounts can be obtained.

2. OUTLINE

2.1 Victorian egg weight categories were last changed on 17th March, 1987, from seven grades to five grades to

conform to similar changes to egg weight categories in all the other Australian States and to further improve the grade supply to the market in all seasons.

A 7 gram range for each grade was originally selected, because the 6 gram range selected by New South Wales would have put more than 50% of the eggs into the 61 gram grade and above. It is now clear that the 7 gram grade range has resulted in too many eggs in the 56 gram grade, while the consumer wants the larger grade.

2.3 Regulation 27 - establishes five First Quality weight categories in steps of 7 grams as follows:

First Quality 70 grams - consisting of eggs of a minimum individual weight of 70 grams

First Quality 63 grams - consisting of eggs of a minimum weight of 63 grams,
but less than 70 grams

First Quality 56 grams - consisting of eggs of a minimum weight 56 grams,
but less than 63 grams

First Quality 49 grams - consisting of eggs of a minimum weight of 49 grams,
but less than 56 grams

First Quality 42 grams - consisting of eggs of a minimum weight of 42 grams,
but less than 49 grams.

Only the middle three grades are regularly sold through supermarkets as small, medium or large grades.

2.4 The new Regulation proposed provides that First Quality eggs shall be divided into five weight categories as follows:

First Quality 67 grams - consisting of eggs of a minimum individual weight of 67 grams

First Quality 61 grams - consisting of eggs of a minimum weight of 61 gram,
but less than 67 grams

First Quality 55 grams - consisting of eggs of a minimum weight of 55 grams,
but less than 61 grams

First Quality 49 grams - consisting of eggs of a minimum weight of 49 grams,
but less than 55 grams

First Quality 43 grams - consisting of eggs of a minimum weight of 43 grams,
but less than 49 grams.

Only the middle three grades will be regularly sold through Supermarkets as small, medium and large grades.

It is anticipated that the 55 gram grade and 61 and 67 gram grades will represent 85% of the market and the smaller grades will service the balance of market requirements.

The Board also expects that the new 67 gram grade will grow to become an important grade.

In 1986/87 the 65 gram grade represented 22% of all sales and demand for the 67 gram grade is expected to grow to 15%-20% of total sales.

2.5 The other quality requirement for all eggs will continue to be prescribed by Regulation as they are now.

2.6 The reduction in weight categories from a range of 7 grams to a range of 6 grams will -

(a) Allow the Industry to more reliably provide all three major grades to supermarkets in all seasons with a larger number of eggs in the large category. At present, the largest pack regularly available in the supermarket is the 63-69.9 gram grade. After the change, consumers will be able to purchase a 61-66.9 gram grade or a 67 gram grade and above.

The current 70 gram grade is only seasonally available and is too large for the regular packing material. The result is that the 49 gram grade is substantially cheaper in cents/Kg.

(b) Increase slightly (from 42 to 43 grams) the minimum weight First Quality eggs. This will only marginally affect Producers' returns as the 42 gram category presently only accounts for 1.8% of total sales.

The three Producer Organisations: The Commercial Egg Producers Association, The Victorian Egg Producers Association and the Victorian Farmers Federation have unanimously requested the Board to make the changes outlined in this Statement.

The most efficient breeds of laying hens are laying most of their eggs in the 61-62 gram range and most producers are therefore disadvantaged by the current grade split.

3. IMPACT

- 3.1 The intention of these Regulations is to adjust weight categories for First Quality eggs to allow a larger number of eggs in the large category. The Victorian market demand is for larger eggs.
- 3.2 Current Regulations defining Second Quality and "useless" eggs - which are not fit for human consumption will not change. The increase in the minimum weight for First Quality eggs will mean that eggs in the range of 40 to 42 grams will be graded as Second Quality.
- 3.3 The key factors that determine the quality of an egg for the consumer are:
- (a) that all First Quality eggs must be at least the declared minimum weight. (The decision regarding the minimum weight for each category does not of itself determine the quality of the egg).
 - (b) that all First Quality eggs shall have a sound, clean shell.
 - (c) that all eggs packed for sale shall be free of internal faults and meet the freshness standards indicated by the size of the air cell.
- All these factors are covered by Regulation 26 and apart from the minimum weight requirement, it is not proposed to make any change to this Regulation.

3.4 Egg Pricing

The Board intends to adjust prices so that for each new grade category, the price in cents/Kg is the same as it was for the comparable former category. For example, the wholesale price for 63 gram grade is currently 200.5 cents/dozen or 251.25 cents/Kg, and based on the same cents per Kg., the wholesale price of the new 61 gram grade will be 192.96 cents per dozen or 251.25 cents/Kg. The Board is currently empowered to set wholesale egg prices in relation to production costs and market requirements (and in accordance with any other criteria determined by the Governor-in-Council) without requiring a change in the Regulations and this will not change.

To more effectively manage demand and supply, the Board has progressively reduced the price of small eggs and increased the price of large eggs. Nevertheless, sales of small eggs have not increased and the Board is currently rationing the larger grades.

Egg prices are now being reviewed by the Prices Commissioner with reference to the following criteria:-

- (a) There are to be reasonable returns to efficient producers as defined by the Prices Commissioner.
- (b) Productivity gains are to be accounted for.
- (c) Significant movements in feed costs are to be accommodated.

- (d) Victorian producer prices are not to be significantly more than sustained producer levels in competing States, averaged across grades and seasons.
- (e) Prices to producers are to be set so that production which is surplus to Victorian needs is not more than 2% of the total production.
- (f) Prices to Producers are to take account of quota prices to the extent that quota prices reflect profitability as determined by the Prices Commissioner. This review will provide a further safeguard in relation to egg prices and will be repeated at regular intervals in the future.

4. COST TO GOVERNMENT

There will be no cost to Government.

5. COST AND BENEFIT TO THE INDUSTRY

A. COST

- 5.1 (a) The weight settings on the Board's grading machine at Keysborough can be changed through a computer controlled system without cost.
- The cost of adjusting other smaller grading machines on farms is not known but the experience of the previous change in grades in July 1987 indicates that this cost is very small. In addition, all producers are anxious to see the change to the new grades implemented as soon as possible.

(b) The cost of packaging material used to market shell eggs in Victorian in 1986/87 was \$6.9 million after the change in egg grades in July 1987. The Board had to write off \$33,000 worth of packaging material which could not be used. With the experience gained from the last weight change, the Board expects that this cost will be reduced when egg weights are again changed in 1988.

B. BENEFITS

5.2 The reduction in the grade weight category range from 7 grams to 6 grams will allow a greater number of eggs to be available in the larger grades to meet the increasing consumer demand for larger grade eggs.

6. ALTERNATIVES TO REGULATIONS

6.1 As an alternative to making the Regulations proposed, two options have been identified. These options are as follows:-

- (a) No change. Adoption of this option would mean Victorian consumers would have a restricted supply of larger eggs. Demand for larger grade eggs is increasing, whereas demand for smaller grades is declining. The Board is currently rationing the supply of the large grades.
- (b) Self-regulation by the Industry - that is no legal weight grades. Under this option, it would be left to the Industry to apply its own voluntary standards. The disadvantage is that this would almost certainly lead to considerable confusion and lack of protection for the consumer. It is possible

that there could be attempts to sell eggs by gross mass. However, this would be impracticable in light of current Weights and Measures legislation which would require each egg to be weighted separately and priced at the point of sale.

7. REASON WHY ALTERNATIVES TO REGULATIONS ARE NOT APPROPRIATE

7.1 Options 6.1 (a) and 6.1 (b) are not considered to be appropriate because they are contrary to the interests of consumers.

8. CONSULTATION

Copies of the proposed Regulations and this Statement will be forwarded to

- Department of Management and Budget
- Chief Parliamentary Council
- Legal & Constitutional Committee
- Prices Commissioner
- Commercial Egg Producers Association
- Victorian Farmers Federation (Egg Producer Group)
- Egg Producers Association
- Federated Storemen & Packers Union
- Egg Wholesalers Association of Victoria Ltd.
- Crystal Egg Co.
- Mildura Co-operative Producers Egg Floor Pty. Ltd.
- Murrayville Egg Grading Co. Pty. Ltd.
- Consumer Affairs
- Weights & Measures
- Department of Health

3rd March, 1988

Marketing of Primary Produce Act 1958

The Governor in Council makes the following Regulations:

Dated:

Responsible Minister:

EVAN WALKER

Minister for Agriculture and Rural Affairs

Clerk of the Executive Council

**The Victorian Egg Marketing Board (Amendment)
Regulations 1988**

Citation

1. These Regulations may be cited as The Victorian Egg Marketing Board (Amendment) Regulations 1988.

Principal Regulations

2. In these Regulations *The Victorian Egg Marketing Board Regulations 1979 are called the Principal Regulations.

Authorizing Provision

3. These Regulations are made under sections 41A and 58 of the *Marketing of Primary Products Act 1958*.

Minimum Weight

4. In Regulation 26 of the Principal Regulations for '42 grams' (wherever occurring) substitute '43 grams'.

Weight Categories

5. In Regulation 27 of the Principal Regulations—

(a) for sub-regulation (1) substitute—

'(1) First Quality eggs shall be divided into five weight categories which shall be—

(a) "First Quality 67 grams"—consisting of eggs of a minimum individual weight of 67 grams;

(b) "First Quality 61 grams"—consisting of eggs of a minimum individual weight of 61 grams but less than 67 grams;

(c) "First Quality 55 grams"—consisting of eggs of a minimum individual weight of 55 grams but less than 61 grams;

(d) "First Quality 49 grams"—consisting of eggs of a minimum individual weight of 49 grams but less than 55 grams;

(e) "First Quality 43 grams"—consisting of eggs of a minimum individual weight of 43 grams but less than 49 grams'; and

(b) in sub-regulation (2) for '42 grams' substitute '43 grams'.