

Read 5/5/85

**CRYSTAL EGG COMPANY**

Authorised Agent  
Victorian Egg  
Marketing Board



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July 22, 1988

Mrs. Joan Heard,  
Secretary,  
Combined Bendigo and South Bendigo Branches,  
Commercial Egg Producers' Association,  
Wicks Road,  
MAIDEN GULLY, Vic. 3551

Dear Mrs. Heard,

I am in receipt of your letter dated July 20, 1988. Your statement that a large number of producers felt that our meeting was not as beneficial as I claimed in my summary is surprising to me. I faithfully recorded the comments expressed both during and after the meeting to me. I find the vague terms used in your opening paragraph difficult to interpret and can only assume that some producers had preconceived ideas about some aspects of operations within the egg industry that were either not discussed or not met.

The meeting was intended to be a frank and open discussion of all aspects of mutual interest in the egg industry today. On our part we tabled everything of relevance and explained many things, including the costs of operation of our grading floor. It is true that not everything was (or could be) detailed in the minutes.

The meeting did discuss the grading charges and costs of operation of Crystal Egg Co. It would appear that some members of CEPA who were not at the meeting are unaware of these figures. For their benefit and yours, I detail the following facts.

(1) The grading fee at Crystal Egg Co. was last altered on December 1, 1984. It has remained constant for more than three and a half years, and your suggestion that Crystal Egg Co. absorb more costs shows a lack of understanding of the situation.

(2) The half cent rise applicable from July 1, 1988, was covered by increased remuneration to producers by the Egg Board in the recent price adjustment. This was fully spelled out at the meeting for the benefit of those present and was explained in the minutes sent to all producers.

(3) The Award for Storemen and Packers at December 1, 1984, was \$259.30, and currently is \$310.45 per week, a rise of 19.7%. To this must be added 3% superannuation payment, a 4% productivity increase (for which there is no corresponding increase in productivity), and the current national wage case being negotiated (possibly 3% + 3%). The sum total of these wage increases will absorb more than the extra half cent per dozen received by this company in the recent price rise.

(4) If other cost increases have moved in line with CPI since December 1984, these would calculate out at increases in excess of 30% over the three and a half year period.

(5) No increase in grading volume has been received by this grading floor over that period to help off-set these increases in costs. Indeed our intake has fallen slightly from 5.7 million dozen to 5.2 million dozen per annum. As explained carefully at the meeting, the cost of grading is very much proportional to the number of dozens received per annum. The Keysborough floor of the VEMB receives around 12 million dozen eggs to grade per year, after the successful merger of the Neylon floor and the Board's floor. It utilises a grading machine that cost over \$750,000 and operates at a speed twice that of ours.

As emphasised at the meeting, the CEPA could do more by encouraging all of its members to utilise better the facilities at Crystal Egg. I explained that with our current grading machine which was acquired second hand from Scandinavia, we would need in excess of 7 million dozen eggs per annum before our charges could be reduced to near those of the Board. I would be very surprised if the VEMB floor operate at a surplus despite its large intake during 1987/88. We shall have to await publication of their figures.

If eggs from the Fantasy Farm at Bridgewater are directed to Crystal Egg for grading, and we are most hopeful that they will be by the new owner, then this would assist us to achieve economies of scale which could be shared by all producers. However, I do point out that these economies of scale would be in the region of one cent per dozen, and do depend very much on volumes.

The converse is also true that should the intake at the floor decrease by the same volume, charges would need to increase to keep the grading floor viable.

A further relevant point which needs to be acknowledged relates to the selling of eggs in the new deregulated Melbourne market. We have secured a large portion of this market on a franchise basis with the Board which is the new structure emanating from the PBRC recommendations. To do this has cost us half a cent a dozen in increased charges with no corresponding increase in remuneration from the Board. Our selling subsidises our grading. We considered it vital for the Bendigo industry to secure that independent market share now before it is opened up to Metropolitan producers. This has been successfully done.

Furthermore, the new washing machine which should arrive in a couple of weeks has cost us \$30,000 to provide water heaters and the necessary equipment to operate the washer. This also involves structural alterations, new gas lines, new sewer connections etc. to make it operate. This washing service was done at the instigation of producers who requested it, and the cost is to be shared between the Board, the producers and the floor. The cost to producers would be .2c. a dozen and should assist producers by reducing the number of B quality eggs in their grade, and reduce the time needed on the farms in washing and egg separation. This will allow producers to concentrate on other areas to maximise their returns. Some quick sums on the cost of this exercise to Crystal Egg will show that it is being heavily subsidised at .2c. per dozen.

(6) I repeat that the VEMB floor has lost money in each of the two years prior to its merger with Neylons. These figures were only revealed by the PBRC Report as the figure published combined its operation with that of the Selling Department (which sold 2.2 times the number of eggs handled by the grading floor). The economies of scale enjoyed by the VEMB floor are not enjoyed by the Bendigo floor and comparisons are therefore inappropriate.

Solutions

We are very mindful of the low returns currently being paid to producers brought about by the adoption of the Recommendations of the Prices Commissioner. It would seem to me that the CEPA and other producer groups ought to be lobbying for the removal of his influence from the industry and that some sanity return to price setting within the egg industry. This company has been attempting that over a long period, but unsuccessfully to date. As also explained at the meeting, we consider that not enough co-operation in joint submissions is achieved by the "Bendigo industry". The CEPA and Crystal Egg traditionally have "done their own thing", and quite independently; with may I suggest not the optimum success rate.

Another area that could be attacked is the dockage area. Our independent efforts to have this removed resulted in the phase out period being increased from three years to four. This helped minimise the problem in the short term, but was not a long term solution. It would seem to me that a case should still be mounted and put to the Government for assistance whereby the dockage is met by the whole industry or by a decentralisation department within the Government.

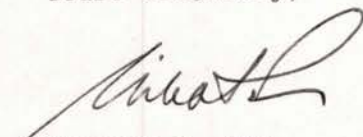
In conclusion, I question your suggestion that the recent producers' meeting was not helpful to those who attended. We believe it was most successful and we intend to proceed with the September meeting as requested by those attending (unless of course we hear to the contrary).

Secondly, this company cannot absorb more increases in grading costs and it has no profit to further reduce. As detailed above, all costs have been reduced to the bone without reducing the level of service standard and the only way further decreases can be achieved is by handling more eggs.

Thirdly, this company is most mindful of the impact of the dockage charges, but at the current grading volume is unable to do anything about it. A combined effort in other directions could produce better results.

If the many points raised in this letter are unclear or need further elaboration, I would prefer to meet personally with members of the CEPA Executive (plus other interested producers) and discuss these with them face to face, rather than writing letters to each other. I shall be absent until August 3, after which time I would be more than happy to meet with your group. May I suggest that you contact me or my secretary, Mrs. Pedler on 43.1911 to arrange a mutually suitable time.

Yours sincerely,



RICHARD A. GUY  
Managing Director

COMMERCIAL EGG PRODUCERS ASSOCIATION. COMBINED BENDIGO AND SOUTH  
BENDIGO BRANCHES.

20/7/88

Mr. R. Guy.  
Crystal Egg.  
Garset St.,  
Bendigo.

Dear Mr. Guy,

At our recent monthly combined C.E.P.A. meeting, a large number of producers unanimously decided that the meeting held with you was not as beneficial as you claimed in your summary.

The actual crux of the meeting, that should have been spelt out, is that if Crystal doesn't absorb more costs and reduce its profit margin, as producers have had to do, then there won't be any eggs to grade.

The meeting decided that Bendigo producers should be at least on the same level as those that use Keysborough, as it is becoming more attractive with each dockage increase.

On behalf of the C.E.P.A. members  
Yours faithfully

Mrs. Joan Heard Sec.  
Wicks Rd.,  
Maiden Gully 3551

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