



Regulation of primary industries is a controversial subject these days and it is with great interest that the Australian egg industry watches events unfold within the recently deregulated New Zealand egg industry. GEOFF STEWART, poultry consultant to Queensland Egg Producers Organisation and delegate to the Australian Council of Egg Producers, recently visited New Zealand and compiled the following report on the situation there immediately after deregulation.

Confusion over NZ industry's future

There is a fair amount of confusion in the minds of producers about where the industry is heading. Many see it shrinking into a few hands as market share is lost and won in the market-place.

It is still too early to see the real affects of the deregulation in terms of production and retail price which even the minister now acknowledges has not fallen as expected. At this stage individual producers can withstand short term losses if necessary, by not reinvesting or providing for long term maintenance, depreciation, and replacement of facilities.

In Christchurch, the major area of price war so far, producers have generally lost in returns and are said to be receiving two to three cents less than before deregulation.

The retail sector is starting to realise they can manipulate one seller against the other and, with no upper limit of retail price, margins are expanding at the expense of producer returns.

There is growing animosity between groups of growers supplying different grading floors as eggs are dumped into marketing areas which, under the regulated system, were secure. There is particularly strong feeling in the North Island about eggs continuing to flow in from the Christchurch area of the South Island. At this stage no eggs are moving from the North Island to the South Island.

After 30 years of research, the Massey University poultry research unit has closed, as there is no longer any means of collecting funds from the industry.

The first major crisis is expected in January, traditionally the time of maximum production for both commercial and backyard flocks. Severe discounting/dumping is expected as there will be no more formal seasonal cuts in production, as has occurred at this time of the year

New Zealand Egg Industry at a glance.

Population	3.2million
Hens	2.7 million — largest producer 135,000
Producers	310
Laying stock	predominantly Shaver; some Ross
Retail power	approx 60 percent of NZ eggs sold by major retailers
Packing	mainly done through co-operative packing stations
Packaging	predominantly pulp carton
Producer bodies	none nationally — loose shareholder associations associated with packing floors
Egg supply situation	all regions moving towards self sufficiency Christchurch area traditionally over-produced by up to 20 percent — surplus to Wellington
Egg Pricing	variable pricing within regions all regions have seen major producers leave traditional grading floor co-op and set up in competition
Price wars	the major price war so far has been in Christchurch where producers with 40 percent of the total region's production left the co-op to compete against it Price wars are just starting in the two major areas of Wellington and Auckland as producers/floors fight for market share

since production controls were brought in in 1972.

It is expected that areas producing a surplus in January will trade off their surplus into adjoining marketing areas, with the consequent retaliation and price wars resulting. Although retail prices are not expected to fall, producer returns could be severely downgraded.

The quality of some ungraded eggs presented to consumers is significantly worse (eg blood spots, cracks, manure stains) than that set by the NZ Poultry Board when it was responsible for the standards of grading and packing throughout New Zealand.

As a result of the repealing of all regulations governing the sale and marketing of eggs in New Zealand, the Government has lost any say in the production, marketing, and standards of a staple consumer food item and, at this stage, this has been done without any perceivable benefit in price to the consumer.

All regulations covering grading have been repealed. There are no formal sizes of eggs set by minimum weights. The old standard size seven was set at a minimum of 744g, now one major producer in the Auckland area sells size seven at 700g minimum weight (ie approx six percent less weight).

It is now legal for ungraded (unsized, uncandled) eggs to be sold direct to the public. Approximately 40 percent of the Christchurch market is sold in ungraded packs.

Inspection of some brands of ungraded eggs would not meet Australian and former NZ hygiene standards.

"Use by" dates are no longer required. In one shop visited in Wellington all eggs were stamped with a "use by" date of 10/10/88. They were the only eggs available on 14/10/88.

The NZ Government has a 10 percent General Sales Tax (GST) which is included in the selling price of eggs.

This could happen in Victoria if we deregulate.

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