

• **EGG INDUSTRY BILL (1989)**

SECOND READING SPEECH

I MOVE THAT THE BILL NOW BE READ A SECOND TIME.

THE VICTORIAN EGG INDUSTRY

THE EGG INDUSTRY IS AN IMPORTANT RURAL INDUSTRY. IN 1987-88 OVER 50 MILLION DOZEN EGGS WERE PRODUCED IN VICTORIA WITH A GROSS VALUE OF PRODUCTION OF OVER \$70 MILLION.

THE VICTORIAN EGG MARKETING BOARD WAS ESTABLISHED IN 1937 AND RECENTLY CELEBRATED ITS GOLDEN JUBILEE. IN 1937 THINGS WERE DIFFERENT. TRANSPORT WAS DIFFICULT, REFRIGERATION WAS LIMITED, PRODUCTION WAS HIGHLY SEASONAL WITH GLUTS IN THE SPRING AND SHORTAGES IN WINTER. THOUSANDS OF SMALL EGG PRODUCERS HAD SUFFERED DURING THE DEPRESSION AND FELT THAT THEIR INDUSTRY WAS IN THE HANDS OF MIDDLEMEN. IT WAS IN THIS ENVIRONMENT THAT THE VICTORIAN EGG MARKETING BOARD CAME INTO EXISTENCE.

IN THE PAST FIFTY YEARS THERE HAVE BEEN ENORMOUS CHANGES. THERE HAVE BEEN IMPROVEMENTS IN POULTRY HUSBANDRY, NUTRITION, HOUSING AND BREEDING. ARTIFICIAL LIGHTING AND MORE CONTROL OF THE BIRDS' ENVIRONMENT HAVE REDUCED THE SEASONALITY IN PRODUCTION. AVERAGE ANNUAL EGG PRODUCTION HAS INCREASED STEADILY FROM 12 DOZEN IN 1954 TO 21 DOZEN PER HEN IN 1988. EGG HANDLING AND PACKING IS NOW ALMOST ENTIRELY AUTOMATED. THE NUMBER OF FARMS HAS FALLEN STEADILY, AND THERE ARE NOW ABOUT 370 LICENSED EGG PRODUCERS IN VICTORIA. OF THESE, 132 LARGE FARMS PRODUCE OVER 90 PERCENT OF VICTORIA'S EGGS. THESE ARE SOPHISTICATED MODERN BUSINESSES.

THE EGG INDUSTRY IS PROBABLY THE MOST HIGHLY REGULATED OF ALL VICTORIA'S AGRICULTURAL INDUSTRIES. ALL EGGS ARE VESTED IN THE VICTORIAN EGG MARKETING BOARD. THAT IS TO SAY, THEY ARE COMPULSORILY ACQUIRED AND MARKETED UNDER THE CONTROL OF THE EGG BOARD. IT IS ILLEGAL FOR A PRODUCER TO SELL HIS EGGS EXCEPT THROUGH THE BOARD. PRODUCERS RECEIVE AN AVERAGE OR "POOL" PRICE FOR THEIR EGGS, IRRESPECTIVE OF WHETHER THEY GO TO THE PREMIUM FRESH EGG MARKET OR WHETHER THEY ARE EXPORTED AT A LOSS. THIS MAY HAVE BEEN APPROPRIATE IN 1937, BUT IT STRIKES ME AS A VERY PATERNALISTIC APPROACH TO MARKETING AS WE MOVE INTO THE 1990'S.

EGG PRODUCTION IS ALSO CONSTRAINED BY QUOTAS. EXCEPT FOR BACK YARD PRODUCERS WHO OWN LESS THAN 20 HENS, ALL EGG PRODUCERS ARE SUBJECT TO QUOTA RESTRICTIONS. QUOTA CURRENTLY TRADES FOR ABOUT \$11.50 PER HEN, BUT QUOTA TRANSFER IS SUBJECT TO VERY RESTRICTIVE REGULATIONS AND MUST GO THROUGH THE QUOTA TENDER POOL.

FARM SIZE IS ALSO RESTRICTED. THE MAXIMUM FARM SIZE IS 10,000 BIRDS PER PERSON, OR 40,000 FOR A FAMILY FARM. THERE IS GOOD EVIDENCE THAT THIS IS LESS THAN THE MINIMUM EFFICIENT SCALE FOR MODERN, FULLY INTEGRATED EGG PRODUCTION. THE MAXIMUM QUOTA LIMIT IN NEW SOUTH WALES IS 100,000.

SO WHAT!

THE EFFECT OF THIS EXCESSIVE REGULATION IS TO REDUCE THE EFFICIENCY OF THE INDUSTRY. PRODUCTION COSTS ARE INCREASED BY THE RESTRICTIONS ON FARM SIZE. INVESTMENT AND INDUSTRY ADJUSTMENT ARE MADE MORE DIFFICULT BY THE RESTRICTIONS ON QUOTA TRANSFER. VESTING AND REVENUE POOLING PREVENT ACCURATE PRICE SIGNALS REACHING PRODUCERS, AND THIS HAS LEAD TO PERSISTENT PROBLEMS WITH SURPLUS PRODUCTION IN THE INDUSTRY.

The board charge are higher, ~~not~~ and we have a lot less farms than ever.

THESE PROBLEMS ARE ILLUSTRATED BY THE CURRENT SITUATION IN NEW SOUTH WALES, WHERE SURPLUS PRODUCTION HAS GOT OUT OF HAND. DISPOSAL OF THE

- SURPLUS IS SUBSIDISED BY A LEVY WHICH IS CURRENTLY AROUND 27 CENTS PER DOZEN IN NEW SOUTH WALES. AS A RESULT, THE CONSUMER PRICE OF EGGS HAS RISEN IN THAT STATE WHILE PRODUCER RETURNS HAVE FALLEN. IN ADDITION, THE NEW SOUTH WALES EGG CORPORATION HAS ACCUMULATED DEBTS OF \$30 MILLION, AND HAS ENCOUNTERED A GREAT DEAL OF DIFFICULTY AND CONTROVERSY IN ENFORCING THE LAW. NEW SOUTH WALES IS CURRENTLY CONTEMPLATING TOTAL DEREGULATION OF ITS EGG INDUSTRY.

THE GOVERNMENT IS DETERMINED THAT THE VICTORIAN EGG INDUSTRY WILL NOT RUN INTO THE SAME PROBLEMS, AND THAT IT WILL BE IN THE BEST POSSIBLE CONDITION TO MEET COMPETITION FROM NEW SOUTH WALES IF THE EGG MARKETING SYSTEM IN THAT STATE IS DEREGULATED OR COLLAPSES UNDER ITS OWN WEIGHT.

PREVIOUS INQUIRIES INTO THE EGG INDUSTRY

THERE HAVE BEEN NUMEROUS OFFICIAL INQUIRIES INTO EGG MARKETING ARRANGEMENTS BOTH NATIONALLY AND IN THIS STATE. THE MOST RECENT HAVE BEEN THE TWO REPORTS OF THE PRICES COMMISSIONER ON EGG PRICES, AND THE REPORTS OF THE PUBLIC BODIES REVIEW COMMITTEE.

THE PRICES COMMISSIONER FOUND IN BOTH HIS REPORTS THAT THE CURRENT EGG INDUSTRY REGULATIONS CAUSED INEFFICIENCY AND ARTIFICIALLY INCREASED THE PRICE OF EGGS. HE ESTIMATED THAT EGG PRICES WERE TOO HIGH BY AT LEAST 20 CENTS PER DOZEN IN 1986 AND BY 12 CENTS PER DOZEN IN 1988. THIS CONFIRMED THE FINDINGS OF A NUMBER OF EARLIER REPORTS THAT EGG PRICES WERE UNJUSTIFIABLY HIGH.

THE PUBLIC BODIES REVIEW COMMITTEE WAS HIGHLY CRITICAL OF VICTORIA'S EGG MARKETING ARRANGEMENTS AND OF THE VICTORIAN EGG MARKETING BOARD. IT

FOUND THAT THE LEGISLATION GRANTED MONOPOLY POWERS TO A VESTED INTEREST GROUP WHICH HAS ACTED WITH SCANT CONSIDERATION OF THE PUBLIC INTEREST. IT FOUND THAT THE MARKETING ARRANGEMENTS HAVE RAISED PRICES, REDUCED EFFICIENCY, INHIBITED INVESTMENT, AND PLACED THE VICTORIAN INDUSTRY AT A COMPETITIVE DISADVANTAGE TO NEW SOUTH WALES. THESE REGULATIONS HAD ALSO RESULTED IN AN INCOME TRANSFER FROM CONSUMERS TO PRODUCERS OF AT LEAST \$6 MILLION PER YEAR.

Taken from Prof Fed's assumption

*Shad 2909
12^c DC*

FURTHERMORE, THE PUBLIC BODIES REVIEW COMMITTEE CRITICISED THE ADMINISTRATION, ACCOUNTABILITY AND REPORTING OF BOTH THE EGG MARKETING BOARD AND THE LICENSING COMMITTEE. IT FOUND THAT THE NARROW AND SELECTIVE INTERPRETATION OF SURPLUSES BY THE LICENSING COMMITTEE GAVE A TOTALLY FALSE IMPRESSION OF THE LEVEL OF UNPROFITABLE EXCESS PRODUCTION TO BOTH EGG PRODUCERS AND THE VICTORIAN PUBLIC. THESE LOSSES WERE CONCEALED IN AN ELABORATE PRICE EQUALISATION ARRANGEMENT, AN ACCOUNTING PRACTICE DEVISED AND ADMINISTERED BY THE VICTORIAN EGG MARKETING BOARD. THE COMMITTEE ALSO FOUND SERIOUS INACCURACIES IN THE QUOTA TRANSFER RECORDING SYSTEM. THE RECORDS COULD NOT ACCOUNT FOR OVER SIX PERCENT OF THE CURRENT ISSUED QUOTA.

THE GOVERNMENT IS VERY CONCERNED ABOUT THE FINDINGS OF THE PUBLIC BODIES REVIEW COMMITTEE AND ABOUT THE CONTINUING DISSATISFACTION WHICH HAS BEEN EXPRESSED BY THE INDUSTRY ABOUT THE PERFORMANCE OF THE EGG BOARD. THE INDUSTRY IS ENTITLED TO BETTER ADMINISTRATION OF ITS MARKETING BODIES. THE GOVERNMENT AGREES WITH MANY OF THE RECOMMENDATIONS OF THE PUBLIC BODIES REVIEW COMMITTEE, BUT AT THIS STAGE THERE IS NOT THE NEED FOR WHOLESALE DEREGULATION OF THE INDUSTRY. THERE IS, HOWEVER, A NEED TO FREE UP THE INDUSTRY AND REMOVE EXCESSIVE AND UNNECESSARY REGULATION.

In against Assoc policy is reluctantly agreeable

IMPACT AT THE FARM LEVEL

THE MAXIMUM FARM QUOTA WILL BE INCREASED TO 80,000 HENS. SAFEGUARDS WILL BE INCLUDED TO ENSURE THAT THE FARM SIZE LIMIT CAN NOT BE EVADED BY MULTIPLE OWNERSHIP OR ARTIFICIAL BUSINESS STRUCTURES. AT PRESENT PRODUCERS KEEPING LESS THAN 20 HENS ARE EXEMPT FROM LICENSING AND QUOTA REQUIREMENTS. AFTER CONSIDERATION OF INDUSTRY REPRESENTATIONS IT HAS BEEN DECIDED TO SET THE EXEMPTION LEVEL AT 50 LAYING HENS.

against - we will have quota cuts

THE HEN QUOTA TENDER POOL WAS SEEN BY THE PUBLIC BODIES REVIEW COMMITTEE AS UNNECESSARY AND IRRELEVANT. IT HAS ALSO BEEN STRONGLY CRITICISED BY PRODUCERS. THE TENDER POOL WILL BE ABOLISHED AND FREE TRADING IN QUOTA WILL BE ALLOWED. LEASING OF QUOTA WILL ALSO BE PERMITTED. THE PUBLIC BODIES REVIEW COMMITTEE WAS OF THE BELIEF THAT PRIVATE SALES AGREEMENTS PROVIDE A MORE EFFICIENT SYSTEM FOR TRANSFERRING QUOTA THAN THE TENDER SYSTEM.

OK

RESTRUCTURING THE VICTORIAN EGG MARKETING BOARD

THE SIZE OF THE EGG BOARD WILL BE ENLARGED FROM SIX TO EIGHT. IN ADDITION TO THE CHAIRMAN (WHO WILL HAVE A CASTING VOTE), THERE WILL BE THREE PRODUCER REPRESENTATIVES, ONE EMPLOYEE REPRESENTATIVE, ONE REPRESENTATIVE OF THE DEPARTMENT OF AGRICULTURE AND RURAL AFFAIRS, ONE PERSON WITH EXPERTISE IN FINANCE AND ONE WITH EXPERTISE IN MARKETING. ACCOUNTABILITY TO BOTH INDUSTRY AND GOVERNMENT WILL BE IMPROVED. THE BOARD WILL BE SUBJECT TO STRICT REPORTING REQUIREMENTS UNDER THE ANNUAL REPORTING ACT 1983.

X

THE BOARD WILL CONTINUE TO HAVE A ROLE IN QUALITY CONTROL. EGG QUALITY STANDARDS WILL BE SET BY REGULATION, AND WILL BE ENFORCED BY THE BOARD,

it will be hard to get the large volumes into court.

THROUGH THE COURTS. THE BOARD WILL FINANCE ITS OPERATIONS FROM CHARGES FOR SERVICES PROVIDED TO PRODUCERS WHOSE EGGS IT HANDLES. THIS MEANS THAT THE OPERATIONS OF THE BOARD WILL NOT BE CROSS SUBSIDISED BY GENERAL INDUSTRY LEVIES ON PRODUCERS WHO DO NOT USE ITS SERVICES. IN PARTICULAR, THE BOARD WILL NO LONGER CROSS SUBSIDISE THE DISPOSAL OF UNPROFITABLE SURPLUS EGGS BY AN INDUSTRY WIDE EQUALISATION LEVY. TO ASSIST THE BOARD IN ITS MANAGEMENT OF SURPLUS PRODUCTION, AND TO IMPROVE PRICE SIGNALS TO PRODUCERS, THE BOARD WILL BE ABLE TO PAY PRODUCERS DIFFERENT PRICES ACCORDING TO THE END USE OF THEIR EGGS.

currently produces . discontinued

SEPARATE PROVISION WILL BE MADE, USING THE VESTING POWERS OF THE BOARD, TO FINANCE INDUSTRY WIDE SERVICES SUCH AS QUALITY CONTROL, RESEARCH AND DEVELOPMENT, GENERIC ADVERTISING, QUOTA AND LICENSING ADMINISTRATION AND GENERAL ADMINISTRATION COSTS OF THE BOARD. MEASURES WILL BE TAKEN TO ENSURE A HIGH LEVEL OF ACCOUNTABILITY AND CONSULTATION WITH THE INDUSTRY REGARDING THE USE OF THESE FUNDS.

Gov appointed board

CHANGES TO THE LICENSING COMMITTEE

THE POULTRY FARMER LICENSING COMMITTEE WILL BE RENAMED THE EGG INDUSTRY LICENSING COMMITTEE. THE NEW LICENSING COMMITTEE WILL CONTINUE TO ADMINISTER QUOTA AND LICENSE PRODUCERS AND WILL COMPRISE FOUR PERSONS APPOINTED BY THE MINISTER FOR AGRICULTURE AND RURAL AFFAIRS. THE CHAIRPERSON WILL BE APPOINTED BY THE MINISTER. THE LICENSING COMMITTEE WILL NORMALLY HAVE SOME OVERLAP WITH THE MEMBERSHIP OF THE EGG BOARD. HOWEVER THERE WILL BE AT MOST ONE EGG PRODUCER ON THE LICENSING COMMITTEE AND IT WILL BE CHAIRED BY SOMEONE OTHER THAN THE CHAIRPERSON OF THE EGG BOARD.

What will they do?

more costs!

Big P.D^c. just use the board to sell. That's 2nd quality eggs they can't sell. Other producers keep board

THERE HAS BEEN FOR SOME TIME NOW A GROWING PUBLIC AWARENESS OF THE ANIMAL WELFARE ASPECTS OF POULTRY HUSBANDRY. COMPLIANCE WITH THE RELEVANT CODE OF PRACTICE UNDER THE PREVENTION OF CRUELTY TO ANIMALS WILL NOW BE A CONDITION OF LICENCE.

N.O. very dangerous

THE POULTRY FARMER LICENSING REVIEW COMMITTEE WILL BE DISBANDED, AS RECOMMENDED BY THE PUBLIC BODIES REVIEW COMMITTEE, AND THE RESPONSIBILITIES TRANSFERRED TO THE ADMINISTRATIVE APPEALS TRIBUNAL.

THE EGG PRICES REVIEW PANEL

EGG PRICES WILL NO LONGER BE SET SOLELY BY THE BOARD AS IN THE PAST. THE PRICE REVIEW PROCESS WHICH HAS WORKED SUCCESSFULLY IN THE MILK INDUSTRY WILL BE ADAPTED SO THAT PRICES ARE SET FAIRLY FOR BOTH EFFICIENT PRODUCERS AND CONSUMERS.

The milk price is up, but the dairy farmer has not gained much

THE LEGISLATION WILL ESTABLISH AN EGG PRICES REVIEW PANEL, COMPRISED OF THE PRICES COMMISSIONER (WHO WILL BE CHAIRMAN) AND TWO PEOPLE WITH COMMERCIAL EXPERTISE. THE EGG BOARD HAVE THE RIGHT TO DETERMINE THE WHOLESALE PRICE OF EGGS, BUT THIS DETERMINATION WILL ONLY BE EFFECTIVE ONCE IT IS RATIFIED BY THE PRICES REVIEW PANEL. THE REVIEW PANEL WILL ALSO HAVE THE INDEPENDENT RIGHT TO REVIEW EGG PRICES AND MAKE A DETERMINATION IF IT CONSIDERS IT NECESSARY.

The way we regard class of being on price review panel

Cost of production process, to give us a fair price.

MORE COMPETITION IN EGG MARKETING

THE GOVERNMENT SEES THE INTRODUCTION OF MORE COMPETITION IN EGG MARKETING AS AN IMPORTANT STEP IN THE FREEING UP OF THE EGG INDUSTRY. THIS WILL BE DONE BY EXPANDING THE ROLE OF PRODUCER AGENTS.

Other people from private sector not government sector



A PRODUCER AGENT LICENCE WILL BE ISSUED BY THE BOARD AND BE AVAILABLE TO ANY APPLICANT ON SIMILAR CONDITIONS TO THOSE WHICH OPERATE SUCCESSFULLY IN THE DAIRY INDUSTRY. THE ONLY GROUNDS FOR REFUSING A LICENCE WILL BE THAT THE APPLICANT IS NOT A FIT AND PROPER PERSON TO HOLD A LICENCE. IF A LICENCE IS REFUSED THEN REASONS WILL HAVE TO BE GIVEN IN WRITING. PROVISION WILL BE MADE FOR APPEALS TO THE ADMINISTRATIVE APPEALS TRIBUNAL. EGGS DELIVERED TO PRODUCER AGENTS FOR SALE WILL BE DEEMED TO HAVE BEEN DELIVERED TO THE EGG BOARD FOR THE PURPOSES OF THE VESTING RULE.

Are believe that PAs should only entitled to grade his own eggs.

WITHIN THE TERMS OF THEIR LICENCE PRODUCER AGENTS WILL BE FREE TO GRADE, PACK AND MARKET THEIR OWN AND OTHER PRODUCERS' EGGS. THEY WILL BE FREE TO UNDERTAKE COMMERCIAL INITIATIVES AND TO DEVELOP THEIR OWN BRANDS, PACKAGING, MARKETING STRATEGIES AND ADVERTISING METHODS. THEY WILL BE ABLE TO SELL THEIR EGGS TO WHOMEVER THEY CHOOSE, INCLUDING SUPERMARKETS AND MANUFACTURERS OF EGG PRODUCTS. THEY WILL ALSO BE ABLE TO MANUFACTURE ON THEIR OWN BEHALF.

BEM0166 GOVERN EGGS + needs some organisation.

PRODUCER AGENTS MUST OPERATE WITHIN ANY PRICING GUIDELINES SET FOR THE INDUSTRY. PRODUCERS WILL BE ABLE TO MARKET THEIR OWN EGGS IF THEY HOLD A PRODUCER AGENT LICENCE. PRODUCERS WHO DO NOT WISH TO DO SO CAN ALWAYS CONSIGN THEIR EGGS TO THE EGG BOARD AS AT PRESENT.

REVIEW OF THE INDUSTRY IN 1994

I SEE THE CURRENT LEGISLATION AS A STEP IN THE DIRECTION OF A MORE FLEXIBLE, EFFICIENT AND MARKET ORIENTED INDUSTRY. IT CREATES THE ENVIRONMENT IN WHICH THE INDUSTRY CAN MODERNISE, INVEST AND RESTRUCTURE AND I LOOK FORWARD TO SEEING THE INDUSTRY TAKE UP THIS OPPORTUNITY.

HOWEVER THERE REMAINS A CONSIDERABLE DEGREE OF REGULATION WHICH I DO NOT CONSIDER TO BE IN THE INDUSTRY'S LONG TERM INTEREST. IN PARTICULAR, I WOULD LIKE TO SEE PROGRESS TOWARDS THE EVENTUAL ABOLITION OF QUOTAS. I BELIEVE THAT IF WE DO NOT MOVE IN THIS DIRECTION IT WILL BE FORCED ON US BY OUR COMPETITORS.

ACCORDINGLY, THE LEGISLATION PROVIDES THAT THERE WILL BE A REVIEW OF VICTORIAN EGG MARKETING ARRANGEMENTS AND OF THE PROGRESS TOWARDS LIBERALISATION IN 1994. UNLESS THIS INQUIRY RECOMMENDS OTHERWISE, ALL QUOTA PROVISIONS WILL SUNSET IN 1996.

oppose any further enquiries

THE FUTURE OF THE INDUSTRY

I SEE A POSITIVE OUTCOME FOR THE INDUSTRY FROM THESE CHANGES. VICTORIAN PRODUCERS ARE EAGER TO INVEST AND MODERNISE, BUT HAVE BEEN DISCOURAGED BY FARM SIZE LIMITATIONS, BY RESTRICTIONS ON QUOTA TRANSFER, AND BY UNCERTAINTY ABOUT THE FUTURE OF THE INDUSTRY. OVER THE YEARS THERE HAVE BEEN REPEATED INQUIRIES AND PUBLIC CONTROVERSY WHICH HAVE MADE ANY BUSINESS PLANNING OR LARGE SCALE INVESTMENT VERY DIFFICULT. THE INDUSTRY SHOULD NOW HAVE THE OPPORTUNITY TO UNDERTAKE THE MODERNISATION WHICH IT DESIRES. THE RESULT SHOULD BE AN EFFICIENT, LOW COST INDUSTRY WHICH CAN COMPETE FAVOURABLY WITH THOSE OF OTHER STATES. HOWEVER, THE THREAT OF POTENTIAL COMPETITION SHOULD ASSIST THE BOARD TO MAINTAIN AND INCREASE ITS EFFICIENCY AND TO REDUCE COSTS.

*can
low
return*

I COMMEND THE BILL TO THE HOUSE.

*Why grow a product that we cannot sell
without quotas we will grow too many eggs.
Give the new board a go*