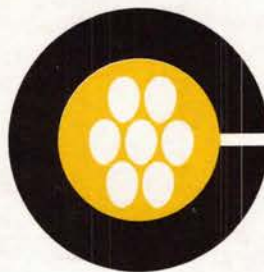


## **CRYSTAL EGG COMPANY**

Authorised Agent  
Victorian Egg  
Marketing Board

*Mr. Kevin Fitzgibbon,  
Secretary, CEPA,  
Post Office,  
STRATHFIELDSAYE, Vic. 3551*



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Victoria 3550  
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May 24, 1991*

*Dear Kevin,*

*I have your letter of May 21. You have asked me to look at some matters which are constantly under review, and I can advise as follows.*

*(1) You will be aware of a newspaper article appearing in the "Bendigo Advertiser" a week ago which quoted me, Helen Robertson and "an unnamed producer". This article raised a number of issues which appear to have been discussed by your members at their recent meeting. I wrote a long letter to Helen Robertson about that article, and commented about several issues in general of relevance to our total Bendigo egg industry. I copied that letter to Ron Robins so that my comments are available for all your members. I enclose a copy of this letter for your interest, in case Ron Robins has not shown you his copy.*

*The delay in grading producers' eggs over the past two months has been caused by two factors. One is the additional eggs supplied by Dudley from New South Wales, and the second was the occurrence of four four-day weeks in a seven week period. Why is it that your members fail to acknowledge all these public holidays, especially when they are close together? For as long as I can remember, we have always had a problem after the Christmas/ New Year break and after Easter, catching up on the backlog caused by the four-day weeks.*

*In recent years, as our intake has reduced substantially, the impact of a holiday has lessened, and we have been able to catch up more quickly. Possibly your members have forgotten what it was like when our intake matched closely our grading capacity.*

*Our intake around Easter had lifted enormously with the autumn flush, and almost equalled our grading capacity for a full 38 hour week. Delays therefore in grading are inevitable when holidays occur.*

*The introduction of Dudley's eggs has done two things to our grading floor.*

*Firstly, it has allowed the floor to have sufficient eggs to fill up its unused capacity to keep the machine running for a full 38 hours. However, since the middle of March, the volume so supplied has exceeded our spare capacity and the floor has been required to work overtime. This we have done and are continuing to do. We have been right up with our grading for the past few weeks now that the holiday period is well behind us. You will be aware, of course, that on June 10 there is another holiday, Queen's Birthday, and we will again move behind.*

*Secondly, Mr. Dudley is charged a higher rate of grading, as defined by the Board, and this is reflected by the overtime charges which are incurred to grade his eggs.*

*It is therefore quite untrue to suggest that local producers' eggs are being pushed to one side and his eggs graded in preference. We have continued to grade the volume of Bendigo eggs each week which reflects our intake, but the*

inroads made into the backlog caused by holidays has been slower than in past years when our intake has been small.

I have said this several times, firstly at the producer meeting at Crystal, secondly in my letter to Helen Robertson, and again here. I hope the point is understood.

There are no secrets about the volume of eggs coming in from interstate, and these are closely monitored by the Board when they ask for the figures. The grading volumes have stabilised over the past month at around 40,000 dozen a week. Dudley delivers a load each Monday and Wednesday, with a smaller load every second Friday.

His eggs are not graded in preference to Bendigo producers as this would jeopardise sales. We only commence grading his eggs when we have sufficient stock of Bendigo eggs graded to meet our sales requirements. If this means holding his eggs up from previously agreed schedules, it will happen, and has happened.

Finally, we are very mindful that his eggs will not be coming to this grading floor for grading forever. As a member of the Victorian egg industry, I would prefer not to have his eggs coming in at all. But the facts of life are such that we cannot stop him coming in, and his eggs must be graded.

Our employees have enjoyed enormous overtime (I think the enjoyment is now wearing off as they are getting tired), fully paid for by Mr. Dudley. I am sure the point has not escaped your members that in order to catch up from the holiday backlog, overtime work was needed, but still no additional charge was made to perform the task. It is a point worth thinking about.

You might also recall that these very same employees were prepared, not that long ago, to work a shorter working week for a lot less money, just so the company could keep its grading rates at reasonable levels for the benefit of producers. That sacrifice should never be forgotten, as the employees here are very mindful that they are an integral part of the Bendigo egg industry, and sink or swim with its success or failure.

Their concern was genuine, and their actions were responsible, even though they didn't like the financial impact. I am pleased for their sake that now some restitution has been able to be made through the courtesy of Mr. Dudley.

(2) You mention that fuel had varied by 30¢ a litre over recent months. I have no idea where this figure came from, but our buying price for fuel since July last year only shows a variation of 20¢ per litre. Crystal Egg increased its cartage rates by 3.6% which reflected a 14.69% lift in the cost of fuel between August and September 1990 (fuel being 25% of total cost).

There has been no adjustment since, even though the price of fuel, diesel in our case, continued to increase in October and November. The price came back in December, stabilised in January, and then has slowly fallen in February, March and April to the level that it had been in August 1990. The company has absorbed all fuel increases since September 1990, and now we are back to where we started.

It is customary to review all our charges at the beginning of each financial year. This will be done. It is our hope that we can maintain rates at the levels struck for the full 12 months, but sometimes this is not possible. The above intermediate adjustment of fuel price increases necessitated an interim adjustment during the current financial year.

In a month's time, we shall be reviewing our charges, and should interstate eggs continue to come through our floor in similar volumes to that experienced at the moment, it is unlikely that an increase in grading charges will be necessary.

This will be despite the recent national wage case where unions are seeking \$12 a week increase, a big lift in SEC power charges way above CPI, huge increases in municipal rates, and a 10 fold increase in Workcare.

The full picture will be analysed in a month's time, when we sit down and study things. Fuel prices have been very volatile in recent weeks, and we are careful to have our tanks filled at the appropriate time. They may have settled down in a month and we will know the true picture. I notice on the fuel pumps around the town in recent days that the prices have gone up again, so where it will finish, I don't know.

Conclusion:

I know this is a long letter, but sometimes it's helpful to spell out all the details and lay them on the table for analysis. Crystal Egg's policy on its position and reliance on local producers has not changed one iota. It may not look that way, with the introduction of Dudley's eggs. I am certainly very mindful of the difficult times facing the egg industry at the moment, more so now than at any time in the past 20 years.

As I said in my letter to Helen Robertson, the biggest threat coming to Victorian egg producers at the moment which is impacting on their returns is the discounting by certain Victorian producers to supermarkets in the Melbourne marketplace. Their impact is many times that of Dudley. Currently the marketplace is flat, and we are not enjoying the sales volumes of a year ago. All supermarkets report depressed takings, and it is uniform across this State. It is a sign of the times.

When the 10% quota cut takes effect on June 12, this should remove some large eggs from the system which we are having difficulty selling, and enable us to improve our ratios.

One point the CEPA might like to consider is a future policy for the sale of our own eggs. Currently, of course, we are supporting the Farm Pride brand and locking in our future with the Egg Board. Should the Board disappear, then it is my belief it would be replaced by a "producer co-operative" of some form, and it would continue to operate along much the same lines as it is now.

Bendigo, as the biggest producer, could align itself with other producer groups, or stay with the Board/co-operative. This issue requires much study and thought, and maybe we should get together and further discuss it. Currently, I favour sticking with the Board.

I trust these comments clearly address your members' concern, and I am always available to discuss them further if you feel it is necessary.

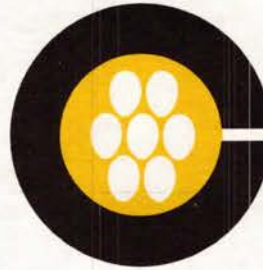
Yours sincerely,

RICHARD A. GUY  
Managing Director

# COPY

## CRYSTAL EGG COMPANY

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Victorian Egg  
Marketing Board



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May 20, 1991

Mrs. Helen J. Robertson,  
SOUTH LOCKWOOD, Vic. 3551

Dear Helen,

I refer to the article in Friday's "Advertiser" which quotes us both. I note they didn't call me a veteran egg producer, which is probably fair. However, the rest of the article could do two things, and these concern me.

Firstly, the headline was positive in that it promotes the sales of large eggs. As I indicated to you and others at the meeting at Crystal recently, we are moving to a surplus of large eggs. Last week we pulped nearly 7,000 dozen 61 gram eggs as production of large eggs has increased. Hopefully the headline will do something to increase local sales.

The second point is the one which concerns me. I don't think it is very positive to read that New South Wales eggs are selling for 99¢ and then, a few paragraphs on, gain the impression that Victorian eggs are very much more expensive. We both know they are, but we don't want that advertised.

If we get the newspapers talking about the price comparisons between New South Wales and Victoria, they will highlight the sale of New South Wales eggs in Jewels and transfer Victorian sales to those eggs and not our own. Therefore I do not think it very helpful for anybody to be discussing these sorts of issues with the press, because they get it wrong, or they highlight only parts of the total picture.

Whoever told Pascoe that Crystal producers will get \$1.66 a dozen for 67 gram eggs and so on is wrong. You and I both know that all prices are a cocktail of shell price, pulp price and spot pulp price. If we try to explain this to the papers, they would be confused and their readers would be lost. To only give them half the picture leads to false impressions.

On Friday last, Crystal wrote to all producers detailing the new shell to product ratios which will apply from today, Monday May 20. To have producers read the paper on Friday morning telling them one thing, and to get a letter from me on Monday telling them something different might be confusing.

The other point in the article which was less than helpful was the comment that the producer meeting "had been marked by claims that local eggs were being pushed to one side". You and I both know the situation, and the failure to give the full picture that we have experienced four four-day weeks out of seven again distorts reality.

I know you are upset about these eggs coming into Victoria. Believe it or not, so am I, but under the Constitution, Section 92 guarantees free trade between States. Therefore we cannot stop them coming in. The next fact is that under the Egg Act, they must be graded at either Keysborough or Crystal. We are instructed, as you well know, to grade them, like it or not. Your question to me about conscience was irrelevant. The only way

that New South Wales eggs will stop coming into Victoria is when there is no surplus in New South Wales and when the price differential between the two States is insignificant.

You and I both know that currently Victorian prices greatly exceed those in New South Wales for some grades of eggs. This is what is sucking eggs into this State, and nothing else. If people read in the paper that eggs are cheaper at Jewels simply because they come from New South Wales, they will rush in and buy them (frankly I hope it happens in Bendigo, because we supply the eggs to Jewels here).

May I suggest if you start a ball rolling on egg pricing in Victoria, you will lose control of the debate and all you will achieve is a huge demand for New South Wales eggs or, conversely, a rapid reduction in the price of Victorian eggs. Either way, Victorian egg producers lose.

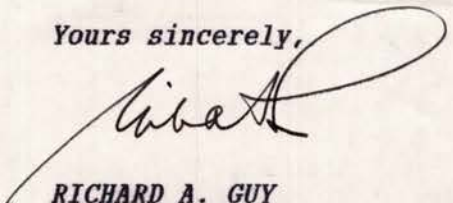
You may not have heard that currently distributors in Melbourne are buying eggs from farmers in Melbourne for as little as \$12 a box. They are not buying from the Board and therefore the Board is not buying from us. This is the major problem we have at the moment, coupled with the maintenance of the 10% quota increase prior to Easter. I have heard that the Licensing Committee may shortly remove the 10%, but in any case this will take about a month to take effect. When and if this happens, it should enable us to lift our sales percentages.

The major threat to Farm Pride is currently coming from the Victorian producers, Wagner and Salvatore. The latter opted out of Farm Pride and is offering supermarkets 20¢ per dozen off the Egg Board price. I suggest to you that these people are a bigger threat to producer returns than Dudley will ever be.

I guess a summary of all this is, try and focus on the 97% of the Victorian market supplied by Victorian producers, and keep the 3% supplied by Dudley in perspective. If this is advertised out of all proportion, it could quickly grow.

I make these comments in a constructive way, and hope they are taken that way. If you would like to further discuss my thoughts about the future of the egg industry in these very fluid times, I am always available. I see difficulties ahead, but nothing we haven't tackled before.

Yours sincerely,



RICHARD A. GUY  
Managing Director

c.c.

Mr. Ron Robins,  
HARCOURT, Vic. 3453