

MEETING of CENTRAL INVOICE FRANCHISEES
of the VICTORIAN EGG INDUSTRY held at
VFF HOUSE, 4.30 p.m., TUESDAY APRIL 30, 1991

IN ATTENDANCE: Laurie McArthur, John Apperley, Don Foster, Alan Harrison,
Jean Vipadi, Ivan McKinney, Rick Thomas and 11 Producers

PRICE CHANGE:

The Chairman announced a price change effective May 20 which will result in no net change to producers, based on the average grades over the past one month. Normally the Prices Commissioner requires that such calculations be carried out over a three month average. Had this been done, and a three month average used, this would have resulted in a net loss of 1¢ per dozen to producers. The Chairman was hopeful that the one month average would be accepted by the Prices Commissioner. The price changes are:

CRYSTALG
↓
depending
on 90% 10%

| | | | |
|---------|------------|-----------------|------|
| 67 gram | 100% shell | - 22¢ per dozen | - 11 |
| 61 gram | | - 13¢ per dozen | |
| 55 gram | | + 16¢ per dozen | |
| 49 gram | | + 14¢ per dozen | |

NEW SOUTH WALES MARKET:

- Rick Thomas reported on a recent visit there and provided details of the supply of eggs into each of the supermarket chains by the various groups.
- Trading terms were 30 days, and below the line discounts of 12% were given uniformly across the market. In some cases, a further 2% was deducted.
- House brands were packed and the split between the premium brand and the house brand was thought to be around 70% to 30%, with the premium brand predominant.
- The price differentials between New South Wales and Victoria were enormous in the large eggs, for example -

| | <u>Victoria</u> | <u>N.S.Wales</u> | <u>Difference</u> |
|---------|-----------------|------------------------------|-------------------|
| 67 gram | \$2.24½ doz | \$1.80 doz less discounts | |
| | | \$1.53 doz | 71¢ per doz |
| 61 gram | \$1.91½ doz | \$1.70 doz less 25¢ | |
| | | \$1.45 doz | 46¢ per doz |
| 55 gram | \$1.54½ doz | \$1.60 doz less discounts | |
| | | \$1.36½ doz | 18¢ per doz |

HANS WAGNER:

He had taken three stores from the Board, namely Bayswater, Croydon and Fern-tree Gully. He lost the first two through bad service, but has managed to get back into Croydon again.

SALVATORE:

Salvatore had indicated to the Board on April 30 that he wished to leave the Farm Pride franchise. They were then observed having discussions with Franklins in the hope they could supply directly some Franklins supermarkets.

It was rumoured that Coles Victoria had been to New South Wales to seek an alternate supply of eggs. It was thought that a consortium of Bartters plus others might be involved.

SUMMARY:

With these threats to the franchise system, the Board was proposing a new system to supermarket chains. Safeway had been interviewed, as had Franklins, and both expressed interest, although with different emphases. Bilo was to be interviewed on May 1, and Coles on May 2. The system proposed is as follows:

ave
1.37 *cm*
200

(1) A universal price would apply to every store in Victoria. This means that supermarkets in Orbost and Mildura and Wodonga and metropolitan Melbourne all pay the same price for their eggs delivered into store, irrespective of the distance travelled. This had been a major complaint from Jewells.

14
22
28
14-26

(2) A rebate system of 6% would be offered, based on the following:
(a) Settlement discount seven days (2½%)
(b) Promotional discounts about 3%
(c) Ullage - ¼%

This would be available on Farm Pride. This would be equivalent to about 11¢ per dozen discount which would flow all the way back to producers. It was felt that this discount was essential to bring Victorian prices closer to New South Wales prices, which was essential if Victorian producers were to retain the Victorian market. However it was pointed out there was still a large gap for the big eggs.

Safeway: Safeway tended to prefer the market leading premium brand, namely Farm Pride, and were not all that enthusiastic about a house brand which would be cheaper. However they expressed interest in the possibility of having a cheap house brand in their stores which are close to Jewell Stores.

Franklins were interested in house brands, but basically wanted to stick with the market leading brand.

ADVANTAGES OF CENTRALISED INVOICING SYSTEM:

Safeway expressed enormous advantages on receiving one invoice and having one supplier, as they could easily negotiate specials right across the chain with one supplier. This was not achievable for, say, bread, where they had lots of suppliers. Furthermore, they were interested in Googgs, Barn Eggs and Free Range eggs all coming from the one supplier. They valued highly the statistics provided by the Board on the sales volumes at each store as this enabled them to monitor store performances.

YOLK COLOUR:

Yolk colour is to increase as from May 1, 1991, to 10 on the scale used, to 11 by November 1, and to 12 by 1992. Producers should be aware of this.

HALF DOZEN CARTONS:

The quality of these was claimed to be dreadful, and impossible to handle. The Board is to look into this.

ADVERTISING LEVY:

The Chairman advised that the Board had a statutory role to advertise generically eggs and to fund this a levy was charged over all producers. He floated the idea that the generic levy be lowered and a Farm Pride levy be introduced to push the Farm Pride brand more heavily.

LOSS OF MARKET:

- The Chairman expressed the concern that the Board did not want to lose greater than 10% of the Victorian market. Don Foster said the VFF had a policy on hen quotas if Victorian producers lost 10% of the market.

Apperley said that Dudley now was supplying 3-4% of the State's eggs and that the Board had lost about 20% of its product market, which was equivalent to another 4% of egg supply. Therefore at 8% loss, we were very close to 10%.

- The relevance of the Prices Commissioner was discussed. It was thought that the cost of the Licensing Committee and the Prices Committee was a cost the industry could not afford to bear. Both should be eliminated and the responsibilities carried by the VEMB as before.

LOSS OF HEN QUOTAS:

It was generally agreed that hen quotas would disappear one day, and the Act defines the timing. However, the value of hen quotas is recognised by banks as collateral, and care should be taken if the industry was to move towards total deregulation.

BARN EGGS:

Ivan McKinney advised that barn eggs would be introduced in May and should reach about 8,000 dozen a week by the end of May, and 15,000 dozen a week by September. When adequate supplies were available, these would be promoted.

COMBAT JEWELLS:

The VFF had suggested a campaign in local suburban papers against New South Wales eggs in Jewells stores. Such a campaign would mention artificial yolk colouring, a use-by date of six weeks, non-Victorian eggs etc. RG expressed concern that such a campaign could be counterproductive and cited a 60 Minutes program on Bali.

MUTUAL RECOGNITION OF GRADING:

The coming Premiers' Conference for May 1991 is thought to have as an Agenda item the mutual recognition of egg grading. This means that eggs graded in one State would be able to be sold directly in another state without the need for further grading. Currently eggs graded in Victoria can be sold directly into New South Wales where there are no regulations. However, eggs produced in New South Wales and sold in Victoria must be graded in Victoria (usually again). If the Premiers agree that the mutual recognition be agreed, and ALL States agree, then it would be introduced. This would remove one of the barriers Victoria has at its disposal to combat interstate eggs. Laurie McArthur felt this would be agreed to by the Premiers as it cost the governments nothing and it could be seen as a positive step in microeconomic reform. Don Foster expressed the opinion that as it requires all States to agree, it was unlikely to go through.

RG pointed out that Crystal had downgraded some of Dudley's eggs because of large air cells. These were eggs which Dudley had bought in from other producers, but obviously he had been sold old eggs, and therefore there was a case for regrading.

The meeting closed at 7 p.m.