

CRYSTAL INDUSTRIES



Garsed Street, Bendigo,
Victoria, 3550.
Post Office Box 4,
Phone: (054) 43 1911.
Fax: (054) 41 2615.

With Compliments

KEVIN -

**Thought you might be interested in the
Minutes of the meeting held on May 30.**

RICHARD

CENTRAL INVOICE PRODUCERS MEETING MINUTES

Held on 30th May 1991

Commencing at 3 pm.

Present: L.McArthur, A.Harrison, J.Vipadi, I.McKinney,
R.Thomas, P.Oudin, L.Chappell, M.Nottage, Central
Invoice Producers



The Chairman, Mr McArthur, welcomed all the Central Invoice Producers and Board staff to the Meeting. He advised this Meeting had been called by the Central Invoice Producers and the Board was happy to provide a forum for open discussion.

1. Victorian Prices

I.McKinney provided pricing information comparing Victorian prices to retail prices in New South Wales. He also advised central invoicing had lost 41 stores (15 Jewel Stores to Dudley and some SSW, Jool-ex, Tuckerbag and Payless). A total of 105 trolleys per week equal to 38,000 dozen per week or 10% of the total central invoice market. Since then, some stores have been recovered but not through the central invoice system.

The reason New South Wales Producers have entered the Victorian market is more attractive prices in Victoria, not because of surpluses.

Management proposed two options with regard to prices:

Option 1 A 10 cent overall price drop

Option 2 A price reduction relative to the nett price disparity with New South Wales in each grade.

Producers could:

- (a) Do nothing to retain market share (10% has been lost to date) or,
- (b) make an effort to retain market share and remain competitive.

Competition is coming not only from Interstate but also from local producers who are attempting to move into the more profitable retail trolley market.

It was suggested that:

- (a) The price bench mark be changed and the recommendation was to move it 10 cents so that it is not predictable.
- (b) Publicity for the price reduction across the board was an essential part of the whole Management proposal. It forces retailers and others to reduce their retail price.
- (c) The offers on trading terms etc. to remain. The creditability of the Board depends on maintaining the commitment.
- (d) Rules are needed so that those franchisees who lose business have some guidelines as to how they can get that business back outside the Central Invoice System.

Some producers did not agree with the recommendation to drop the price but rather suggested a quota cut and selective targeting. If a store can be regained with the special pack, it was not thought necessary to discount the rest of the market.

Proposed Guidelines

- (a) If the producer decides to attempt to regain the lost business he must not use Farm Pride but the discount pack. Producers must also remain within their zone. Central Invoice Producers must be united and fight competition and not undercut other members in the Central Invoice System. As it becomes known in the Industry that franchisees will fight, attempts to gain entry may lessen.
- (b) If the stores the producer wants to regain are not all in his zone and the owner wishes all 5 stores to be supplied by the one source, it was proposed the Chairman could act as arbiter in relation to that one store outside the Central Invoice producer's zone.

From the Egg Industry Licensing Committee point of view, the point had been strongly put by most producers that the Committee should err on the high side of production i.e. there should be enough Victorian eggs to satisfy the Victorian market. Producers were asked to comment.

The view was expressed that if quota was cut and sales increased, there also needed to be a mechanism to increase quota very quickly. To under supply the market was dangerous. Supermarkets could get their eggs from Interstate. If there were another severe shortage, the Chains will not react favourably. A decision was needed as to whether producers wanted to continue with Regulation or let it lapse.

Mr R. Keedle advised that Board staff were collecting information on how much production producers had in their coolrooms at the present time.

With regard to the size of the cut, 10% was suggested - perhaps smaller cuts adjusted more often would be necessary in the future if producers wanted quotas to continue.

In relation to the surplus, the question that was raised was to whether it was due to Victorian over production or to Interstate eggs.

There was generally agreement that a quota cut should have taken place straight after Easter.

The question was again asked, "If New South Wales' eggs were not coming into Victoria would a surplus exist?" Mr McArthur replied that there would still be a slight surplus.

One producer suggested the quota cut should be lower rather than higher so that eggs would be available. If there was still a surplus, they should be sold outside Victoria. There was no support for this proposal.

RECOMMENDATIONS TO THE BOARD

1. The Board to reduce Central Invoice prices to within 15-20¢ of New South Wales' prices.
2. Producers have made a commitment to stay within their own zone and deal with their own stores. If one of the stores is outside the central invoice producer's zone an umpire is to be appointed to assist in resolving the matter. The producer has the first option to try and get back his own store. If the producer does not want to fight on price, then it comes back to the Board and other producers can try to get the store back on price, but it must be in the discount pack.
3. Guidelines are to be prepared on when and how to use the discount pack.

Changed Infrastructure

The question was asked whether an infrastructure within the producer group should be created to provide central invoicing to the stores.

Mr Drew commented that if what Mr McKinney was saying that New South Wales was dictating the price was true, were producers at the point of saying, is an infrastructure needed at all? Producers have legislation that can protect and is worth holding onto.

Another producer asked if a Co-Operative should be considered.

The Chairman congratulated the Central Invoice Producers for a very productive Meeting.

Meeting closed.

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19th June 1991