

ON THE DRY SIDE

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NSW EGG CORPORATION

Reading W.K.Hancock's delightful history, Australia, published in 1930, I could not but be struck by the extent to which the growth of Australia's great land industries took place only because the governments were unable to police legislation which defied the economic forces of their times. These industries, with gold, made the fledgling Australia of eighty years ago the wealthiest nation on earth.

We are no longer anything like the wealthiest people and one must wonder whether the relative decline of our economy is not causally related to the relative success of our governments. Whereas the colonial governments, try as they might, could not stop the squatters illegally taking sheep into the hinterland to make fortunes for themselves and the colony, the NSW Egg Corporation was able to call the might of the NSW Police Force to its aid to destroy a small portion of the egg industry which was operating outside the law.

It is perhaps consistent that a nation which makes a hero of ^{the} triple murderer, Ned Kelly, should make a crime of egg production and use its over-extended police force accordingly. Actually I have some sympathy with the NSW Egg Corporation; it is far from being the worst such organisation in Australia; it is not itself responsible for the obscene law which it must administer.

Labor Governments, as much as Liberal, have an interest in the commercial efficiency of the society for (or against) which they legislate. They, no less than the Liberals, are faced by demanding consumers and reluctant taxpayers.

Although most socialist marketing arrangements were in fact put in place and maintained by Liberal and Country Party governments, Labor has an additional reason which Liberals do not have for wanting these arrangements to succeed. Labor's philosophy is predicated on the belief that centralised collective decision making will enhance community welfare, particularly the welfare of the least wealthy.

Some members of the Labor Party (John Kerin is one) are distressed that collective decision making has so often led to palpable inefficiency which has reduced the living standards of the whole community, and palpable inequity which has transfarred wealth from consumers to a few relatively well to do suppliers of capital and labour. Kerin, more interested in Australians' welfare than the niceties of socialism, has pulled the Commonwealth out of socialised egg marketing leaving the field to the States. May he be long and honourably remembered !

Another approach is to try to make the so called 'orderly marketing' arrangements mirror the inputs and outputs of the efficient atomistic market of the textbooks. Since no government could possibly regulate the behaviour of thousands of producers and millions of consumers so as to suit all their varying needs and preferences for both quantity and quality, in practice this means regulate the prices to mirror market prices. As this defeats the prime purpose of 'orderly marketing', which is to maintain prices above free market prices, one might ask - why not allow a free market ?

The Wran Government, arguably the least socialist of the State Governments, has gone down this latter road. It has given its Egg Corporation, under the management of Ken Baxter, a former member of Ken Wreidt's staff when Wreidt was Federal Minister for Agriculture, a fairly free hand and told it to make itself efficient. Although the Corporation is only just over twelve months old, and although so long as the Corporation's monopoly is preserved the goal of efficiency is likely to be elusive, the progress so far is quite impressive.

NSW wholesale egg prices are now the cheapest, bar one of five grades in W.A., of any in the Commonwealth. The Corporation meeting the same deadlines imposed by the companies code, submitted an annual report of commendable clarity and frankness to its proxy shareholders (parliament) - behaviour almost unheard of by statutory marketing authorities which often run years late.

The export market returned the whole industry \$8.9 million but the Corporation spent \$7.4 million handling the exported eggs. That left only 13 cents per dozen to cover growers' costs. Clearly the industry as a whole lost, but as growers were paid prices around \$1.40 for eggs worth 13 cents they kept on encouraging their hens to churn them out. Each grower acted rationally but the whole system was (and is) irrational except in one respect : to the extent that it is obeyed, it prevents the housewife from discovering what the free market price of eggs really is because nobody, not even the Corporation, knows that. Although the NSW Egg Corporation may, with effort, lift its game above that of other monopolies in other States, and although by reducing prices it might eliminate some Australian production and increase Australian consumption until export losses are eliminated, it can never know when it is itself efficient. As the Corporation's costs are 41% of gross sales the Corporation's efficiency is no small matter.

So long as the Corporation must collect levies to finance losses, or so long as the Corporation is not the most efficient egg handler in every circumstance, it will pay growers to go outside the system, wooing consumers with cheaper or better eggs. Orderly marketing can then only be preserved by threat of prosecution. The best test of its efficiency would be lack of any law to preserve it.

At the moment the Corporation suits the 540 licensed NSW egg producers because a monopoly can charge housewives higher prices than competing growers can. But if the Corporation were accurately to reflect market conditions, the value of hen quotas would fall to nothing and so would grower support for the Corporation.

The NSW egg industry still has big problems.

These figures speak volumes :

Sales.....	\$80.1 mil.	
Purchases from growers.....	\$71.5 mil.	
Trading Expenses.....	\$28.3 mil.	
Administration.....	\$ 4.6 mil.	(4.7% of sales)
Loss.....	\$24.2 mil.	(30.2% of sales)

The industry's performance in export markets is particularly lamentable. The Managing Director's Report states, "The total value of export shell egg and manufactured product sales in 1983/84 was \$8.8 million. The losses on the sales totalled \$12.5 million and these had to be financed by levies on producers and higher than necessary shell egg prices." In short, by taxing both the producers and the housewives.

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