**STATUTES REPEAL (EGG INDUSTRY) BILL 1992**

**Legislative Assembly, 12 February1992, pages 2681-2**

Second reading

**The Hon. LYNN ARNOLD (Minister of Agriculture)** obtained leave and introduced a Bill for an Act to repeal the Marketing of Eggs Act 1941 and the Egg Industry Stabilization Act 1973. Read a first time.

The Hon. LYNN ARNOLD: I move: That this Bill be now read a second time.

I seek leave to have the second reading explanation inserted in Hansard without my reading it. Leave granted.

Explanation of Bill

This Bill provides for the repeal of the Marketing of Eggs Act 1941 and the Egg Industry Stabilization Act 1973.

In September 1991, I made a statement to Parliament stressing the need for change to the current marketing arrangements for eggs. This need arose following the deregulation of the egg industry in New South Wales and which has resulted in eggs from New South Wales being sold in South Australia.

I also stated I had initiated negotiations with the egg industry regarding the transfer of the South Australian Egg Board’s grading and pulping facilities to the industry and that it would be desirable if the transfer could be completed before the industry was deregulated.

Since that statement, the egg marketing situation has developed much as I predicted. The Board is convinced that interstate eggs are entering the South Australian market on a regular basis and this is disrupting the Board’s production planning and rendering the quota legislation ineffective as a means of controlling egg supplies. These developments place the Board and South Australian egg producers in an invidious position. The Board is required by the legislation to maintain hen quotas which are ineffective for controlling egg supplies and also limit the commercial opportunities for producers in South Australia. The Government considers that it is no longer possible to sustain the existing legislation if South Australia is to continue to have a competitive egg industry.

The Egg Board is also facing financial difficulties because its ability to operate in an increasingly competitive market is constrained by the legislation. Under the provisions of the Marketing of Eggs Act 1941 all eggs from commercial farms are vested in the Board which has to accept the eggs whether it has a market for them or not.

The Board currently supplies about 40 per cent of the egg market in South Australia and is the major supplier to the larger retailers. The Government recognises the importance of the central grading and packing facilities run by the Board, particularly for small producers who do not market their eggs direct to retailers. The major supermarkets require large numbers of eggs of uniform quality. This demand is currently being met by the facilities run by the Board with producer agents catering for smaller retail outlets and their local markets. This is an effective marketing arrangement which reduces the interval between the farm and consumers.

Disruption to production controls coupled with the competition from interstate eggs has had two major effects, firstly it has resulted in the Board having to accept surplus eggs which have to be pulped, cold stored and sold at a loss and secondly egg prices have been forced down reducing the Board’s income on sales to retail outlets.

Faced with the situation where its costs are rising and its income falling the Board has had to resort to either raising levies or reducing farm gate prices in order to remain viable. Both of these measures increase the financial burden on egg producers. Farmgate prices have already been reduced by 20 cents a dozen since July 1991 and producers are paying higher levies which are now equivalent to 24 cents a dozen compared to about 15 cents a dozen in July of last year.

A number of producers are already in financial difficulties and are not paying their levies. Further moves by the Board to reduce prices or raise levies will simply add to the difficulties faced by these producers. In fact some producers are now questioning whether the continuation of the legislation offers them any advantages at all. nHen quotas place restrictions on the numbers of hens they can keep and production costs are higher as a result, because overheads must be offset against a declining production base. Current quota utilisation rates mean that all producers are now operating their farms at about two-thirds of their productive capacity over the whole year which, by any standards, is an inefficient use of resources.

The Board predicts that the competition from interstate eggs will further erode markets for S.A. eggs and force prices down further.

The Government has made every effort to support the Board and hence the industry through the current difficulties. $2.9 million has been loaned to the Board to support the egg grading, pulping activities but the Board is currently running at a loss and will continue to do so in the future. The only options are for the Government to provide more money or for the Board to increase the burden on producers by raising levies or reducing prices. In view of the fact that the market situation is unlikely to improve, the Government finds both of these options to be unacceptable and has decided that the only course is to deregulate the industry as soon as possible.

Government cannot allow the SAEB and its activities to be a drain on tax payers. The repeal of both Acts will mean that egg marketing and production will be deregulated and egg packers and producers will be free to market their eggs where they wish and to negotiate prices.

Producers will face no restrictions on the numbers of hens they can keep. Producers facing financial difficulties will be able to apply for assistance measures under Part C of the Rural Adjustment Scheme. Producers will no longer have to pay levies to the Board which means that a farmer with 2 500 hens will benefit from a saving of $500 and a farmer with 30 000 hens $6 000 each fortnight.

The negotiations with industry have resulted in an agreement for the sale of Board assets to the industry’s South Australian Egg Co-operative Limited. This will ensure that producers continue to have access to egg grading and pulping facilities and the Cooperative will have the flexibility to operate in a commercial environment unfettered by current egg production and marketing controls. The directors of the South Australian Egg Co-operative Limited have indicated that they wish to take over the Board assets on 27 March 1992 provided the industry is deregulated and Cooperative is not restricted by current regulations. Proclamation of the Act on 27 March 1992 will enable this to occur. Any Board assets not transferred to the industry co-operative at that time will be vested in the Minister and disposed of appropriately.

Egg quality controls are already substantially carried out by industry. This will continue after deregulation but consumer interests will be safeguarded by regulations administered by the South Australian Health Commission which, among other things, prohibit the sale of dirty, contaminated or cracked eggs. In July 1990 a formal agreement was signed at the Special Premiers Conference committing the States to the adoption of national food standards. The National Food Authority, at the request of Australian Agricultural Council, is currently investigating other aspects of egg quality which may need to be covered by regulation. The National Food Authority will make recommendations on these matters and if these recommendations are adopted by the National Food Standards Council the national food standards will be amended and will apply in South Australia.

Egg packaging regulations will be administered by the Department of Public and Consumer Affairs under the Packages Act 1967 and eventually under nationally uniform Trade Measurement legislation.

It is probable that most of the current Board employees will find employment with the new industry co-operative but failing that arrangements have been made to offer all employees either redeployment in the public service or retrenchment packages. This arrangement has been negotiated with the staff and the unions concerned. The staff currently employed by the Board are all anxious that the grading activities continue as a support to the industry and are naturally also concerned about their future employment The transition from regulated to deregulated market as soon as possible is the best course to ensure the concerns arc addressed.

The Bill embodies the approach I foreshadowed in September 1991 and is the culmination of a process set in train by the Government in 1986 when, recognising the inevitability of deregulation and the need to provide the industry with the opportunity to move towards deregulation gradually, the Government introduced legislation to partially deregulate the industry. Unfortunately that legislation was defeated in the Parliament.

Given however, the current situation in the industry it is vitally important that this Bill be passed otherwise the initiative in egg marketing will be lost to producers in other States while South Australian producers continue to be restricted by out dated legislation. If this legislation is not passed South Australia could lose its egg industry.

The provisions of the Bill are as follows:

Clause 1 and 2 are formal.

Clause 3 repeals both Acts and provides that the property, rights and liabilities of the Board and SAEG Limited vest in the Minister of Agriculture.

Mr S.J. BAKER secured the adjournment of the debate.