

NEPPCO Endorses Truckload Trading

If the newly authorized truckload trading program for eggs is successful, it will take a lot more than a 50-case transaction on the N.Y. Mercantile Exchange to affect egg prices radically in the future, says NEPPCO executive director Richard I Ammon.

NEPPCO and SEPEA management, along with Frank Urner of Urner-Barry Co., hammered out this plan several years ago, Ammon notes. It was drafted into workable form by the Exchange's egg committee and has been finally approved by the Commodity Exchange Authority.

Here's how it will operate, according to Ammon. Trailer-load quantities — 700 cases (with tolerance of 50 cases either way) will be traded by brokers on the Exchange. The trading territory will include all the states east of the Mississippi River plus Arkansas and Louisiana.

"This will be a pretty fair quality product," Ammon specifies. Eggs will be required to meet 90 percent USDA consumer Grade A standards at the point of origin, and must be inspected within 24 hours before shipping. When they get to their destination, they'll have to still be at least 85 percent Grade A. "Also, they'll be packed in new cases and filler flats," Ammon adds.

Eggs will be offered by a producer priced FOB at his zone. The buyer will pay that price plus any transportation costs into the destination zone. Zoners will be defined by the first two digits of the U.S. Post Office's Zip Code number.

All trading will be through the exchange, and a brokerage fee of 15 cents per case each will be exacted by buying and selling brokers — 10 cents per case if they are exchange numbers. The exchange will charge a flat service fee of \$5 per truckload which will be shared equally by buyer and seller.

A somewhat longer than normal trading period will be allowed on the floor of the exchange for this purpose — 9:30 a.m. to 11 a.m. every Tuesday and Thursday. Should trading day fall on a holiday, it will be reopened on the first business day following.

Both buying and selling brokers will post \$1,500 deposits with the exchange. In case of

non-delivery, the seller's deposit will be forfeited.

Eggs will be listed in three categories: 24 oz. minimum large, average 47 lbs. per case; 21 oz. minimum medium, average 41 lbs. per case; and 18 oz. minimum small, average 36 lbs. per case. In each category a 3 percent size tolerance is allowable.

Supposing a buyer is not familiar with the reputation of a proposed seller? He has the option of requesting reinspection of the load within 48 hours after arrival, at his own expense. He is also responsible to see that the eggs have not been held at temperatures in excess of 60 degrees F since their arrival. If eggs do not grade out satisfactorily, there will be no substitution, but certain penalty clauses provide the buyer with some protection. For each percentage point below 85% Grade A at destination, the seller is penalized 1/2c per dozen with a maximum penalty of 2 1/2c. Below this, eggs may be rejected and the seller penalized 3c per dozen.

Payment for the eggs goes to the exchange in escrow. On proof of satisfactory delivery, payment is forwarded to the seller.

Won't this be an encouragement for more southern eggs coming into the N.Y. market, and might not the net effect be a depressant on price?

"No, I don't think so. That's the beauty of this plan — these eggs will not physically go through the exchange. They will pass directly from seller to

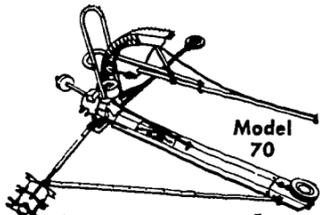
buyer. The price at which each load is traded will be noted in N.Y., and will help add stabilizing volume to that market," NEPPCO director Ammon states.

"I think this will be far pre-

ferable to the way surplus eggs now physically find their way into N.Y., depressing prices because they must be sold for whatever they'll bring. Under a truckload trading contract, eggs

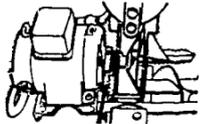
(Continued on Page 11)

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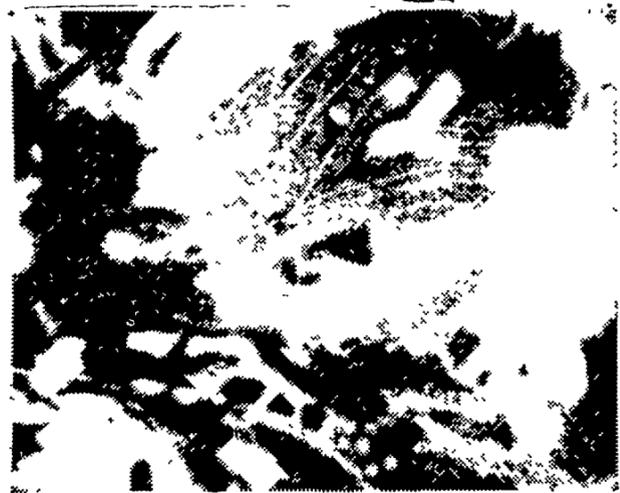


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