

NEMA Directors weigh outlook at Philadelphia

PHILADELPHIA — At their quarterly meeting held here last Friday, directors of Northeast Egg Marketing Association handled a broad agenda.

The program, ranged over the troubled egg market outlook, plans for new egg promotion efforts in the Northeast, moves for a quick solution to the need for another fowl processing plant in the region, and a call that UEP explore with tax authorities how the egg industry can effectively make transition, if it chooses, from cash to accrual accounting.

In the absence of NEMA president, Al Wenger, John Ricca, vice president of the organization chaired the session.

Since the outlook com-

mittee of United Egg Producers had met in Chicago three days previously, the meeting gave particularly close attention to a report on that session by Harry Muller, UEP president.

Muller said he sees the outlook as laden with serious problems unless producers make decisions to trim flock numbers. A recent canvass of production costs countrywide indicates an average target cost of 45 cents a dozen for ungraded eggs. That would require a 65 cents to 68 cents Urner-Barry price to break even.

Correction could come through rapid sell off of fowl at a total monthly level of 20 million birds, coupled with a crop of about 100,000 cases of

eggs a month for six months by UEP.

Muller pointed out that there is a great deal of promotion money already budgeted over the next 12 months. If that were distributed to be effective over six months it could serve to stimulate demand.

As he sees it, we could be well into October or November 1980 before the industry makes its way back to a profit level.

Muller put the case quite bluntly "extraneous events may and can influence the picture. The facts are that the birds are out there, replacements are out there — it is a time bomb ticking away if nothing is done."

In his report to the NEMA Board, general manager Bill Rent stated that the co-op

closed 1979 in a fiscally strong position. Membership stands at the best level in history.

He reported that NEMA members have a large share in property protection now being written under the UEP insurance programs. Total value of property insured under the fire program nationwide exceeds 580 million dollars, with a likelihood that we will see an equal amount of coverage written in the new UNEPRO liability and casualty programs each year end.

Rent alerted the directors to the need to rally support for House Bill 6285, a measure which will provide a referendum on continuance of the legislation under which the American Egg Board is structured.

He also drew attention to UEP's annual meeting which will be held in Washington, D.C. on February 27 and 28. Directors and members will be specially briefed at that time by UEP staffers for visits and discussions with their congressman.

Special emphasis will be put on how government, diet and health pronouncements seriously effect the egg.

On the same score, Norman Hecht speaking for NCEN, warned that the egg is beginning to win the battle of science but could lose the battle to get out word of these victories.

A panel of scientists known as the American Council of Science and Health has produced an educational brochure called "Diet

Modification — Can It Reduce The Risk of Heart Disease?" The facts it presents show there is no reason to think there is linkage between eggs and heart disease. NCEN has underwritten the purchase of 35,000 copies of the brochure. They will be made available to the industry.

Mike Arcidy, chairman of the special committee seeking to activate an additional fowl processing plant in New England, reportedly had the benefit of professional guidance on the score with more to come.

Although the final solution may be in another direction, there is strong sentiment to try to get service started with least possible delay. This might dictate the take over of an established plant in northern New England to gain experience and track time. Feeling of the committee now is "let's get our feet wet and go forward."

Arcidy outlined efforts to use and increase the mandatory poultry meat content of chicken soup. The meeting unanimously took a position that a three percent level is the target to be pursued.

On the price discovery front, the meeting heard with much interest that within a fairly short time, another UEP region plans to broach a price discovery plan that will be different from any it has done before.

Considerable time was taken to try to hammer out a position on cash vs. accrual accounting to be used as a guide to industry thinking. Sentiment appears to favor accrual as the ultimate tool to achieve egg industry stability.

Discussion culminated in a recommendation to UEP to quickly set up further studies on this issue and explore with proper tax authorities the possibility for working out means of achieving equitable conversion from cash to accrual.

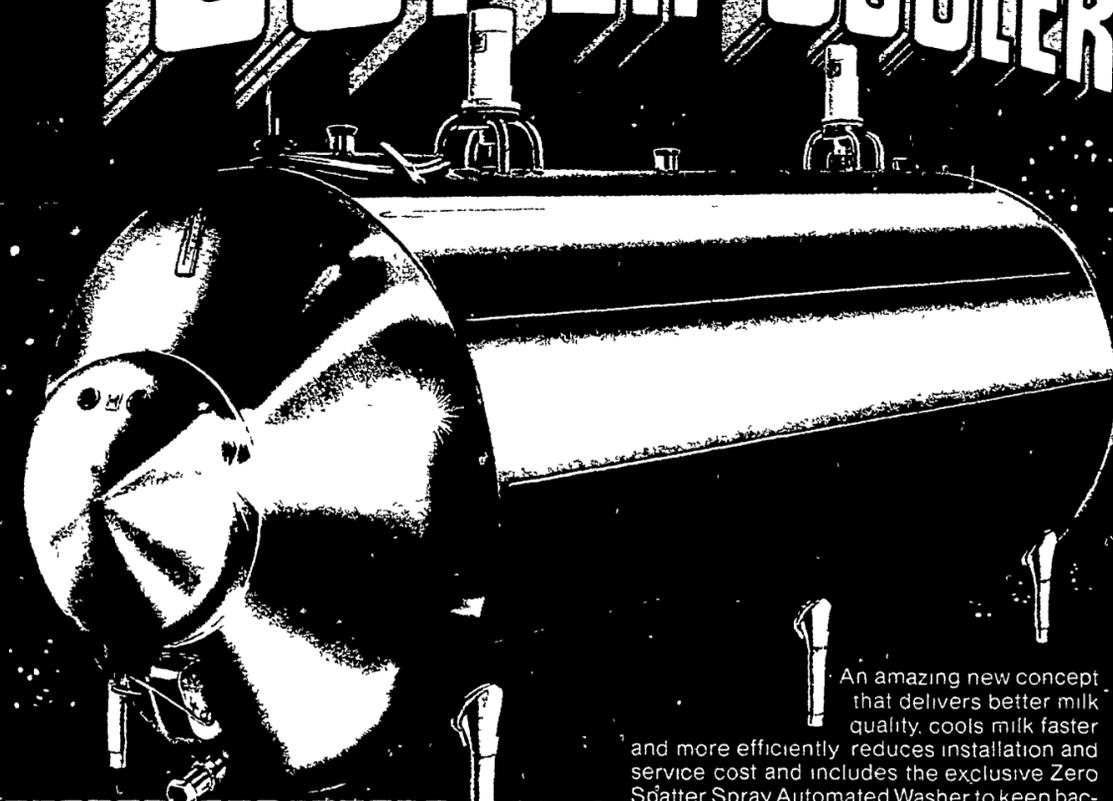
On the score of promotion, a quality activity report by Valerie Heine, regional AEB coordinator, stationed with NEMA, proved a real highlight.

She reported that time has been put into building good communication lines with the individual states. This will include a workshop in the late spring to afford guidance in shaping grant requests for cooperative AEB activities.

Heine reported grassroots

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