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**Penn State
FARM AND DAIRY
Business Seminar of the Week**

**Egg Marketing Vote Set
To Begin May 25**

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The Egg Marketing Order producer referendum has been approved, with voting to take place between May 25 and June 19. The marketing order has generated much discussion. The Arkansas Poultry Federation is against it. The Pennsylvania Poultry Federation, Georgia Egg Com-



mission, Pacific Egg and Poultry Association, Missouri Egg Council, and Illinois Egg Market Development Council favor it. The editor of the Poultry Times is in favor of it.

There is not a consensus on whether this marketing order is what the industry really wants.

With the new marketing order proposal, many producers are concerned as to what they will be getting for their money. The marketing order that is being voted on contains no surplus removal or supply control

provisions. It is a national marketing order for eggs and covers new product research, consumer education, and egg promotion.

The initial mandatory non-refundable assessment which is collected at the first handler level is 1/2 cent per dozen. Provisions are made within the order to increase the assessment amount by 1/4 cent per dozen per year until it reaches 1 cent per dozen. Recommendations for assessment increases would come from the Egg Marketing Board and would have to be approved by the Secretary of Agriculture, after justification for the increase had been presented.

The Egg Marketing Board, which would administer all aspects of the marketing order, would be made up of 22-members from across the nation. One of the members of the board would be a public administrator while the other 21 would be egg producers and handlers. Three of the 21 producer-handler members would be at large members and the other 18 would represent six geographic areas. Each area would receive representation based on its proportion of total egg production. Potential members for the board would be nominated by "eligible organizations" representing egg producers in each region, with the Secretary of Agriculture appointing the board members.

All funds collected under the marketing order would be under the control of the Egg Marketing Board, but subject to the restrictions on how the money can be allocated that are included in the Egg Marketing Order.

A maximum of 75 percent of the

funds generated by the marketing order could be used for national level promotional efforts. At least 5 percent of the funds must be used for consumer education purposes, at least 5 percent for new product research, and 15 percent would be returned to state or regional organizations for use in local egg promotion, research, or consumer education programs.

The level of requested refunds under the current American Egg Board assessment program was 43 percent in 1985 and nearly 45 percent in 1986, on a dollar basis. This indicates that some producers are unwilling to pay for generic promotional campaigns.

Individual producers may feel that the efforts are beneficial but will go on without their contribution. Thus, they are hoping to benefit from the programs without contributing to them. This free rider problem is always a concern in any endeavor where benefits can not be restricted to those who financed the efforts.

It is interesting to note that only about 20 percent of the producers request refunds. Since these 20 percent receive about 45 percent of the funds it appears it is mainly the large producers that are requesting refunds while the American Egg Board programs are being funded by many small and medium sized producers.

Some food companies are objecting to the marketing order product development efforts. They feel that egg products should be developed in the food industry, by individual companies. Producer funded development efforts would provide unfair competition and perhaps duplicate the private companies product development research, in their opinion. However, some egg producers feel egg products have been introduced at much too slow a pace.

Product surveys show new egg

product introductions trail other food categories such as dairy products, cereals, snacks and poultry meat by a significant margin.

The questions a producer must answer to decide how to vote in the upcoming referendum are:

(1) Whether the 15 cent per case assessment can provide a generic promotion campaign that will benefit egg sales? (The beef and pork industries are certainly praising the results of their new generic promotion programs, as has the dairy industry for months now.)

(2) If egg sales do increase will that mean much for industry profits? (Production expansion has typically made any positive profit periods short lived, but it is much easier to not grow too fast when demand is stable or growing.)

(3) Whether they like the direction the egg industry is going at present? (With per capita demand decreasing and population growth slowing, industry consolidation leaves numerous production facilities vacant, and producers in very weak bargaining positions.)

To be eligible to vote in the referendum a producer of table eggs must have owned at least 10,000 hens between Dec. 1, 1986 and Feb. 28, 1987. Contract producers that do not obtain title to their birds under their production arrangements are not eligible to vote, since they are not considered owners. Producers of primarily hatching eggs are also not eligible to vote.

USDA planned to mail ballots to producers during the week of May 18, however, they do not have a complete list of eligible producers. If you feel you are eligible to vote and do not receive a ballot contact your Cooperative Extension county office. If your ballot is not postmarked by June 19, it will not count in the referendum vote.

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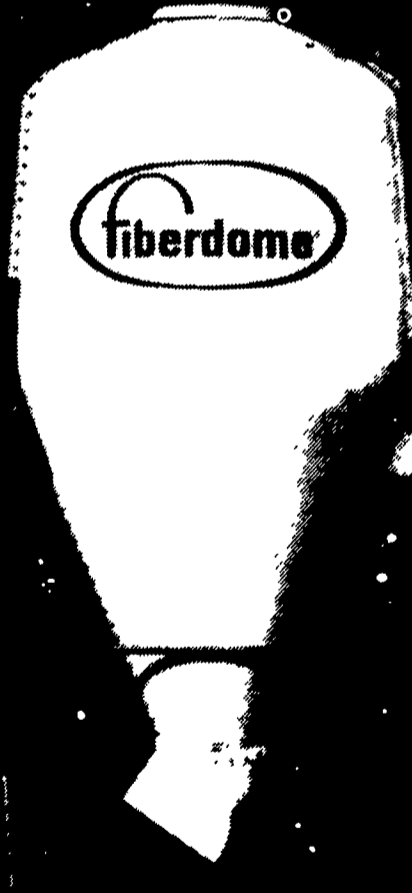
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