



The Rise and Fall of the Egg Board

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"The Board has unashamedly placed the interests of the producers first."

THE EGG MARKETING BOARD has since its inception been the target of criticism from economists and others who believe that the welfare of the many should take precedence over the interests of the few. Indeed at the Public Inquiry which preceded the inception of the Board, all the economists who gave evidence condemned the proposal to set up an Egg Marketing Board. The validity of these criticisms has been fully confirmed by the results of the Board's policies. The Reorganisation Commission which reported in the Spring of 1968 roundly condemned the Board and recommended its demise.

Although the Government has agreed that the Board should cease to exist in 1972, there are two good reasons for continuing to emphasise the unfortunate consequences of its policies.

The first is that the Egg Board's policies are similar to those of the other marketing boards. Whilst it does not *automatically* follow that the other boards are to be condemned, there are reasons for assuming that the effects of their policies will be similar to the effects of the policies of the Egg Board. This fact should therefore lead to a critical examination of the future of the other boards such as the Hops Board, the Milk Board and the Potato Board.

Secondly it would seem that certain agricultural protectionists have not accepted as final the Minister's decision to abolish the Egg Board. Vested interests will continue their campaign for its retention. It is therefore vital that supporters of economic liberalism should continue to emphasise the unfortunate consequences of the Board's policies. "The price of liberty is eternal vigilance."

There are several reasons for welcoming the belated decision to wind up the Egg Board.

The first is that its policies encouraged inefficiency. The pricing policies of the Board failed to discriminate between producers. Thus they are paid the same whether they produce near the market or at some distance from it. This means that remote producers are paid more than would otherwise be the case and that those producers who produce near the market suffer by receiving less than they would otherwise receive. The consequences of such a policy are predictable. It encourages production in the remoter areas and discourages production near the market. The Reorganisation Commission was able to confirm that in certain of the

remoter areas such as parts of the north of Scotland, Northern Ireland, central Wales and the south west of England egg production was particularly important. This uneconomic location of production will raise the costs of distribution although one of the objectives of the founders of the Board was to reduce such costs!

The Board has reduced the industry's efficiency in other ways. Under its contracts scheme a producer is given an entitlement. This is determined by his previous level of production. If he exceeds his entitlement then he is paid less. This in effect means that producers who expand the level of their production are penalised for doing so. The effect of the scheme has been to moderate the rate of growth of expansionist producers and provide a means of short-term protection to the inefficient high cost producer.

The Board's policy of seeking to reduce seasonal price fluctuations serves to exaggerate seasonal fluctuations in the level of production. If the price mechanism were to be applied with its full rigour then it would eliminate the periods of extreme over-production.

But one of the chief faults of the Egg Board has been its complete indifference to the interests of consumers. Whenever there has been a conflict between the interests of consumers and those of producers the Board has unashamedly placed the interests of producers first. When the Board introduced its Seconds Scheme⁽¹⁾ one of the justifications for it was that it would result in higher prices. Another example of the Board's indifference to the interests of the consumer is its policy of restricting the value of eggs coming on to the market. Those eggs which are not sold are then processed and sold as egg products. Such a procedure is undesirable for several reasons. The first is that it means that the consumer of fresh eggs has to pay more for his eggs. The second is that this policy involves the Board in a substantial financial loss. In 1967-68 the loss was over £5 million out of total sales of about £8 million. The folly of this policy is underlined by the fact that there is an international surplus of processed eggs. Thus our need for processed eggs could be met

⁽¹⁾ Seconds were eggs which whilst wholesome suffered from certain defects. They had previously been particularly popular with pensioners and others with small incomes as they cost less than standard eggs. The Board's Scheme was condemned by the Consumers' Committee but received the accolade of acceptance by the Government.

by imports. As part of the value of home produced eggs is accounted for by imported feeding stuffs such a policy would have little impact on the balance of payments but would prevent a misallocation of economic resources within Britain.

Throughout its existence the Board has justified its



policy of interfering in the market by claiming that it was bringing supply and demand into balance. But this is not what the Board is really trying to do. It is trying to become a "price-maker" instead of being a "price-taker." It fixes a price which fails to take account of the prevailing conditions of supply and demand. It could have often sold additional eggs. Thus in January, 1966, eggs were taken off the market although total production then was less than sales of shell eggs in January, 1965. Every month during the period July, 1963, to December, 1963, eggs were taken off the market although production in each of these months was less than sales in the corresponding month of 1964 or, in four cases, the corresponding month of 1962. These facts underline the fact that the Board could have sold more eggs if it had been willing to accept a lower price for them.

Whilst supporters of the Board would admit that its policies resulted in the consumer paying higher prices in the short-run, they would argue that the higher prices were in the consumers long-term interests. They would argue that the lower prices would jeopardise the supply in the long run. But this argument conceals the fact that the Board's prices are so attractive that the Contracts Scheme was introduced to retard the rate of growth of production. In addition the fact that the Board's policy of taking eggs off the market was regarded as a permanent policy would suggest that the Board itself realised that its prices were more attractive than was necessary to ensure long-run supply. Finally the producer has to make a substantial contribution towards the cost of the Board's operations. These are now equal to about 20 per cent of the price of shell eggs. Whilst certain of the operations of the Board will be continued after its demise, there should be a substantial reduction in costs. The elimination of the loss on egg products would be a substantial gain to producers. If producers had not had to bear this burden, then prices could have fallen to lower levels without endangering the level of eggs supplies.

The second justification which might be used for the Board's policies is that they have permitted a reduction in the cost of the egg subsidy. Although it is obvious that any policy, which raises producers' returns, will

reduce the cost of the subsidy it does not follow that this is desirable.

It means first of all that the true costs of our policy of protection are hidden. But it is only if the costs of a policy are known that rational decisions can be made about the wisdom or folly of that policy.

Secondly such a policy is socially undesirable. Higher food costs bear particularly harshly on the poorer members of society. But because of the progressive nature of our taxation system, any reduction in taxation caused by the small subsidy bill will tend to benefit the rich rather than the poor.

Finally, it is extremely dubious whether at a time when some people are still undernourished a policy of raising food prices should be allowed.

The failures of the Board were correctly forecast by economists in 1956. They have been underlined by the Report of the Reorganisation Commission. The Minister has accepted that the Board should be wound up. But the failure of the Board should have a further result. It should cause a complete review of the work of all the Boards. The policies of the Egg Board are similar in their consequence to the policies of the other Boards. Whilst the demise of the Egg Board is to be welcomed, it would be even more welcome if it were to be accompanied by the abolition of the other producer-controlled marketing boards.