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10 DOWNING STREET

From the Private Secretary

17 December 1980

The Prime Minister has seen the Minister of Agriculture's minute of 15 December about the Eggs Authority.

She still has some lingering doubts about the enthusiasm of small producers for the Authority, but she accepts that the available evidence supports a different reading. She has therefore agreed that your Minister should make an early announcement along the lines he suggests.

Subject to any points which the Chief Whip or Sir Ian Bancroft may wish to bring to her attention, the Prime Minister is content that Mr. K. J. Webb should be appointed Deputy Chairman.

I am sending copies of this letter to Jim Buckley (Lord President's Office), Godfrey Robson (Scottish Office), John Craig (Welsh Office) and Mike Hopkins (Northern Ireland Office), and also to Murdo Maclean (Chief Whip's Office) and Jeremy Colman (CSD).

M. A. PATTISON

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

ec.

PRIME MINISTER

EGGS AUTHORITY

I have looked back at all the papers we have, dating from Leo Pliatzky's work. Pliatzky and his staff, as well as MAFF, have been clear throughout that the small producers liked the Authority because they feared that they would be squeezed out by the large producers if it ceased to exist. It was the large producers who wanted to see it wound up, because they have to pay most of the cost.

The authority's budget is settled annually. The amount which has to be raised from the producers is then calculated, and this is divided by the forecast number of chick placings for that year. For the current year, the levy works out at £6.60 per hundred chicks. It is actually collected from the hatcheries, who then pass on the charge in their billing to the customer.

Whilst there is a long-running argument about the need for the Authority, I can find no evidence to support your suspicion that many small producers are opposed to the body.

The attached note (Flag A) was prepared for Sir Leo Pliatzky, and explains the function of the Authority and the varying views in the industry about its future.

/I re-submit

I re-submit Mr. Walker's minute at Flag B. Are you prepared to agree to retain the Authority, and to allow this to be announced?

Yes

Agree that Mr. K. J. Webb, formerly Chairman of Birds Eye Foods, should be made Deputy Chairman?

ms

MA

16 December 1980

PRIME MINISTER

Sir Leo Pliatzky came to the conclusion that the Eggs Authority should be wound up. The Ministry of Agriculture felt that the time was not ripe, because the small producers would be unhappy. The matter was therefore left in abeyance when Sir Leo reported to you.

Here is a minute from Peter Walker, reporting his further consideration. You will see that he still wishes to retain the Authority. He believes that some producers' organisation is necessary, and that the small producers would feel hard done by if that role were to be left to a voluntary body in which the major producers would be dominant.

Mr. Walker therefore wishes to retain the Eggs Authority, and to announce this conclusion shortly. He also proposes to appoint Mr. K.J. Webb, a former Chairman of Birds Eye, to the Deputy Chairman post.

Content that Mr. Walker should now announce his decision to retain the Authority?

Subject to any comments from the Chief Whip and Sir Ian Bancroft, content that Mr. Webb should be Deputy Chairman, and that this should be announced at the same time?

15 December 1980

MA

I still don't understand what the Board does or how it loses its revenues. I thought that many small producers are against it.



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1

PRIME MINISTER

15 December 1980

EGGS AUTHORITY

The Secretaries of State for Scotland, Northern Ireland, Wales and I have now completed our review of the Eggs Authority in consultation with all the interests concerned.

The CAP provides for a free market in eggs throughout the Community. In these circumstances, reliable market intelligence and effective sales promotion are essential to the success of our industry (and particularly of the smaller independent producers). We have explored the feasibility of the industry itself carrying out this work, but have been forced to conclude that it could not maintain an effective organisation on the basis of voluntary contributions from many thousands of producers, most of them small men.

The few large firms which together account for about half of total production would prefer the industry to do its own market promotion with particular emphasis on brand advertising. This view is not however shared by the large number of small producers who make up the other half of the industry. The latter feel that only a statutory body - with the power to levy all producers - can effectively carry out market promotion for the whole industry and, as the larger producers' ideas have received no support outside their own ranks, we conclude that there is no practicable alternative to the Authority's continuance.

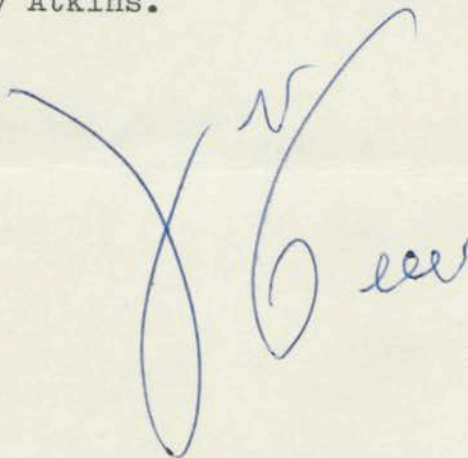
The smaller producers also attach importance to the Authority's role in providing the focal point for discussion of matters of concern to all sides of the industry - a role which is about to assume major significance. The EC Commission - faced with Community-wide complaints about the poor economic state of the egg industry, and anxious to avoid expensive support proposals - has come up with proposals for an "inter-professional" body (ie one representing all sides of the industry), based on similar bodies in each of the Member States. It is quite clear that given the present state of the UK egg industry, it would be quite

incapable of agreeing to form a national body for this purpose: yet the UK would stand to lose out significantly if we were not able to participate in a Community-wide initiative. It seems to us, therefore, that we shall of necessity need to develop the UK inter-professional body within the framework of the existing consultative machinery of the Eggs Authority - which does of course provide another strong reason for its retention.

In all the circumstances, we have concluded that it would not be possible to justify a decision to wind up the Authority at the present time. It would be regarded in Parliament and outside as playing into the hands of the large firms at the expense of the smaller businesses; and would also be criticised as inconsistent with our emphasis on the need to improve marketing in the agricultural sector. We do, however, consider that some changes could, with advantage, be made to the Authority's approach to its responsibilities so as to make it more effective, and we shall be putting those in hand. With this in mind, we would propose to appoint Mr K J Webb as the Authority's Deputy Chairman, to replace Mr J F Phillips whose term of office expired on 30 September. Mr Webb, a former chairman of Birds Eye Foods, is a marketing specialist and would bring much needed expertise to this important area of the Authority's responsibilities. I am seeking the agreement of the Chief Whip and the Head of the Civil Service to this appointment and, subject to their views, would be glad to have your agreement too so that his appointment could be announced as part of my statement about the Authority's future. The Authority's present Chairman is Sir Guy Lawrence DFC DSO; his present term of office runs until March of next year and we shall be considering his position meanwhile.

We hope you will agree that I should make an early announcement about the Authority along the lines I have suggested. In doing so, I should of course make it clear that the Authority would continue to be subject to review at regular intervals, in accordance with the Government's general policy.

I am sending copies of this minute to Christopher Soames, George Younger, Nicholas Edwards and Humphrey Atkins.

A large, stylized handwritten signature in blue ink, appearing to be 'P. Walker', with a small 'eev' written below it.

PETER WALKER

15 DEC 1980



FROM SIR LEO PLIATZKY

CONFIDENTIAL

MR PATTISON

PRIME MINISTER

Further progress report
from Sir Leo.

See para 2, on the
Eggs authority.

You have already dealt
with the Ports Council,
para 3. MAFF 26/xi.

1. By way of a latest progress report, I hope - provided that there are no last-minute snags - to let you have the completed report on non-Departmental public bodies in the week beginning 3 December. If possible, I will let you have it in printed proof, as this will make it easier to take in. I now think that publication should be in White Paper form, but judgment on that can be suspended until the Prime Minister has seen what it looks like.
2. There is still a great deal of editing, adding up etc to be done, but there are only two outstanding matters of substance which it may be possible to resolve one way or the other within this timetable. One concerns the Eggs Authority, on which my conclusion is that the Prime Minister's doubts about this levy-financed body were justified, even though there would be no public expenditure gain in abolishing it. I enclose a note by Mr David Morris, an Assistant Secretary who has been made available to help me; though it is rather too long to put to the Prime Minister it confirms that, while the small egg producers are attached to the Eggs Authority, the bigger producers are opposed to it, and the case for imposing the scheme on them, purely in order to finance collective advertising, seems weak. MAFF officials do not accept this view, but I have had two talks with Mr Peter Walker and he is now exploring whether some more acceptable voluntary arrangement can be negotiated. Meanwhile he has asked that it should not get out that I am advocating the end of the Eggs Authority anyway, as that would weaken his negotiating position.
3. A rather similar and more important case involves the levy-financed National Ports Council, which is opposed by the big port authorities (a couple of their chairmen whom I know quite well assure me that it is an unnecessary body) but appears to have some value for the smaller ports. There are some complications in this case (which I need not go into here) and abolition of the Council would entail some increase in the Department's own staff, though probably not as many as they say. This would be unwelcome, but I do not think it a strong enough reason for keeping the Council in existence in order to perform residual functions which would be more properly carried out by the Department

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itself. The Department are resisting the proposal and Mr Fowler has appeared to want to put off a decision, but I will be discussing the matter with him tomorrow.

4. I suggest that the Prime Minister should not intervene in either of these cases at present but I may suggest that course in either or both cases a little later.

5. I am sending a copy of this to Sir Ian Bancroft.

L.P.
LEO PLIATZKY

19 November 1979

CONFIDENTIAL

THE EGGS AUTHORITY

1. The Eggs Authority was founded in 1970 as a consequence of the abolition of the old Egg Marketing Board. Its main function is to provide sales promotion of and market intelligence on the Egg Industry. It also carries out a small amount of research and development work. It is financed by a statutory levy on all egg producers plus a small MAFF contribution.

2. The Egg Industry in the UK is essentially composed of a very small number of very big producers; and, conversely, a large number of very small producers. The biggest is the Ross Food Group, part of Imperial Tobacco, which controls about 22/23 per cent of the Market. At the other end of the scale, there are about 50,000 very small one man producers, who account for perhaps 25 per cent of the Market; the rest is left to concerns of varying intermediate size. Over the years there has been an increasing acquisition of smaller producers by the larger and this will probably continue. But, given the relative ease and efficiency with which the small man can produce and sell eggs at the farmgate, plus the increasing consumer preference for "farm fresh" products, there will clearly always be a place for the one-man firm.

3. There is no single Trade Association for the Industry. Instead there are a number of individual Associations. The bigger producers are represented by the British Egg Association, part of the British Poultry Federation, and to a lesser extent by the National Egg Packers Association. Members of the British Eggs Association control about 45-50 per cent of Market. The smaller egg producers are usually members of

either the National Egg Producers and Retailers Association or the UK Egg Producers Association; and also one of the three UK Farmers Unions; many are members of both. The British Eggs Association and National Egg Packers Association also have members at the small end of the Market. All attempts to create a unified Trade Association in recent years have failed because of the difficulty of reconciling the interests of the bigger and smaller producers: both feel they have irreconcilable objectives which makes each suspicious of the other.

4. The Eggs Authority to a limited extent fulfills the role of a Trade Association. Its main expenditure is on generic advertising: "Go to Work on an Egg" and all that. One of its most useful functions is to provide market research and statistics on the Industry which is a vital service for MAFF, and for big and small producers alike.

5. Of the above functions, no one argues with the role of the Authority acting as a focal point for the general interests of the Industry as would any normal Trade Association. Equally the market research and statistics function is clearly essential and would have to be performed by MAFF or by some other body, if not by the Authority. The main controversy centres round the Authority's promotion of generic advertising, ^{for which it} on which it spent ~~some (£1.5million)~~ ^{provided £2.4 million in} of its total budget of ~~£2.5million~~ ^{£3.1 million} in 1978/79. All the interests involved agree that the case for the retention of the Authority hangs on whether or not generic advertising is justified.

6. Assessing the effectiveness of the present advertising efforts of the Authority is not a good subject for a lay judgement;

this would require a detailed and expert investigation. But it can be said that the beliefs on this point among producers differ markedly. The big producers, led by the British Eggs Association, have been extremely dissatisfied with generic advertising, to which they attribute the decline of egg sales against competition from breakfast cereals, which are of course lavishly promoted on a brand basis. The Authority have already recognised the force of their views by launching a new advertising scheme whereby costs are shared for a campaign on a one:two basis between the Authority and a producer; here a generic campaign is combined with a brand campaign at the "point of sale" such as the local supermarket. But the Authority's critics still think that only brand advertising done by the producers themselves, promoting XY or Z brand of eggs, can sustain a profitable long-term market.

7. On the other hand, the smaller producers regard generic advertising, conducted by the Authority, as the only way in which the general sale of eggs can be effectively marketed in modern conditions, as opposed to branded goods. They fear that abandonment of generic advertising will inevitably result in markets being dominated by the latter, with the consequential contraction of the number of smaller producers which has been proceeding apace in recent years. They also point to the increase in sales in the Scotland Border TV Region during a generic advertising campaign in 1978.

8. On the above controversy little more can usefully be said. But some wider considerations do arise. First, it is odd that the Eggs Industry is still constrained by the operation of a compulsory levy system, unlike most other industrial

activities. Furthermore it seems inequitable that a substantial part of levy should come from those who disagree most with the Authority's use of its proceeds. Secondly, there can be little doubt that creation of a unified Trade Association can make little progress whilst the Authority is already performing that general function. Finally, the Eggs Industry has undergone great upheavals in recent years, coupled with regular booms and slumps in demand, with consequent over production and further rationalisation of producers. All agree that the Eggs Authority offers no defence for those producers who are worse placed to survive in such circumstances. It is also ^{that} dubious/the loss of generic advertising would have such a slogan deleterious effect on the small man, since what better brand / is there than "sold fresh at the farm".

9. To sum up, opinions on the retention of the Eggs Authority are radically divided. Its defenders - the smaller producers - feel that it fulfils an important role: they would clearly raise a political storm if it were abolished. Equally the Authority's critics will continue to make their opposition very plain if it did continue. Although the Authority is at present having some limited success in building a bridge between the two parties, by promoting the idea of a unified Trade Association and a combination of generic and brand advertising, progress clearly will be slow. My own personal assessment is that the overall interests of the Industry would be best served by the abolition of the Authority over a suitable transition period. In that context, MAFF and the Industry would wish to discuss how to establish a single Trade Association; and the future of generic advertising generally once the Authority were abolished.