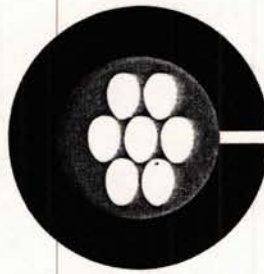


CRYSTAL EGG COMPANY

Authorised Agent
Victorian Egg
Marketing Board



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Victoria 3550
Post Office Box 4
Phone (054) 431911

Fax: (054) 41.2615
RAG:gp:CEG
July 31, 1989

Dear Producer,

re: Quotas

Nothing ever stands still in the egg industry! No doubt you have heard that the New South Wales Government deregulated the egg industry on July 26. The New South Wales Egg Corporation ceased to exist from that date. Hen quotas are being compensated for at \$15 a bird by the Government.

The ramifications for Victoria need to be studied. These are a few of my thoughts which may assist you to assess the situation:

Firstly, the NSW egg industry is selling every egg it can produce, as is Victoria. It will take at least six months before any surplus could be generated which could affect Victoria.

Secondly, the base wholesale price in Victoria was 15c. a dozen less than in NSW. With the abolition of the NSW Egg Board and the wholesale drop of 30c. a dozen, they are now 15c. a dozen below Victoria. Preliminary thoughts indicate that Victoria will need to lower its base wholesale price by eliminating as many Egg Board charges as possible to bring the prices closer together. The Victorian industry has six months in which to do this. It is believed this can be achieved so that from a very early stage there is insufficient price differential, thus discouraging the interstate transfer of eggs.

Thirdly, to reduce administrative costs, the Victorian Egg Board will need to look at such things as advertising and all administration overheads.

Fourthly, with a new Board still to be announced and the Bill still to be proclaimed as this is written, many challenges lie ahead. The optimists are predicting no deregulation in Victoria until the sunset clause provisions of the new Act take effect, and the pessimists are saying that deregulation for the Victorian industry will occur in about two years' time.

Access to market will be the key. The Bendigo industry has about 10% of the Melbourne retail market. This is a very large and significant proportion, and because of our volume we will be in an excellent position to offer a guaranteed supply to the supermarket chains. Our volume makes us strong and our existing network works efficiently. We have a proven track record. These are all reasons to be optimistic.

The consumer wants a good quality egg .. we produce it. The supermarket chains want a guaranteed, efficient supply network .. we have got it. We have to be cost efficient and we have to maintain this efficiency and be cost competitive, and the future will be assured.

As the next few weeks come and go, a clearer picture will develop. We will keep you informed as time progresses.

Photocopied below is an article which appeared in the "Financial Review" at the end of July.

Yours sincerely,

RICHARD A. GUY
Managing Director

NSW removes yoke from egg farmers

By LIBBY MOFFET

The NSW egg industry will be fully deregulated in a \$61 million deal which signals the end of State-based restrictions on egg marketing around Australia.

The NSW Government announced yesterday it would end current hen quota restrictions on the industry and pay out the State's 251 producers — who own more than 4 million birds — at the rate of \$15 a bird.

The Government hopes the producers will reinvest some of their multi-million dollar windfall to buy the Egg Corporation's facilities from the Government and establish a co-operative movement to trade against other competitors in the market.

While it was well known that the coalition Government was considering liberalising the industry, the sweeping nature of yesterday's snap announcement took producers and other

State governments by surprise.

The NSW move will lead to a shake-out in Australia's State-based egg markets, where monopoly egg marketing authorities effectively preserve their own State markets for their own licensed producers.

With deregulation in NSW, surplus eggs will be free to flow across State borders and undercut the regulated prices set by other egg corporations.

The move will give NSW's large egg farms a headstart in

the likely rationalisation of the east coast egg market.

Within NSW, it will also provide the ultimate test to determine whether free market operations can resist the dominance of major producers over smaller farmers.

The Premier of NSW, Mr Greiner, had opposed the generous compensation to egg producers, which represents a massive pay-out of about \$61.2 million — \$49 million of which

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NSW removes yoke from egg farmers

From page 1

will come from the State's consolidated revenue funds, with the remaining \$12 million representing the Government's net profit after the sale of Egg Corporation assets.

However, National Party members of the Government persuaded Mr Greiner to allow the payment, arguing that the amount was the only way to compensate egg farmers and prevent a rural backlash against the Government.

At present, the Egg Corporation attempts to limit egg production in NSW by levelling uniform wholesale prices and setting quotas on hen numbers which are then traded between farmers, with the current value being about \$18 per quota.

The corporation's commitment to purchase a set number of eggs has resulted in high prices for consumers and a continual loss for the corporation, as it has accumulated a mountain of surplus eggs which

it has been forced to dump on export markets at a loss after paying full domestic prices.

Losses aside, policing egg over-production has also been a major headache for governments which have fought numerous expensive public battles with so-called rebel egg farmers attempting to trade outside the quota system.

While the Government predicted yesterday the move would see egg prices drop immediately by 30¢ a dozen, through the abolition of current hen levies on farmers, the State Opposition said prices would be quickly forced up again as several market leaders shored up supply.

The man behind the move, the National Party Minister for Agriculture, Mr Ian Armstrong, said yesterday the Government had "taken away the shackles of regulation that the public were paying for."

"I am sure this is historical legislation and I know very well that not only are other States watching what we are doing in NSW but other countries too,

such as Canada, Ireland and New Zealand."

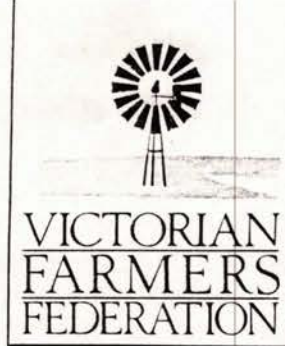
The NSW Farmers Association did not argue yesterday with the quota pay-out price but said full deregulation would force 50 per cent of producers out of business, as they would not have the marketing expertise to ensure a good price from a buyer.

The chairman of the egg producers' section of the NSW Farmers Association, Mr Nevin Holland, said there were about five major retail buyers who would work producers against each other to achieve low prices.

Mr Holland said the association, which favoured partial deregulation, had been totally surprised by the announcement.

While a government-commissioned report by consultants ACIL Australia Pty Ltd recommended total deregulation after a two-year transition period, Mr Armstrong said the Government believed it should move quickly to prevent a drop in quota values.

31st July, 1989.



Dear Producer,

RE: URGENT POULTRY DISEASE NOTICE

There have been four I.L.T. (Infectious Laryngotracheitis) outbreaks over the past two weeks north east of Melbourne (Epping, Yarrambat) in commercial layer stock.

- . Infectious Laryngotracheitis (I.L.T.) is caused by a herpes virus that grows on the lining of the eyelids and the windpipe (trachea) and other parts of the respiratory tract.
- . It may cause a range of symptoms from slight swelling of facial tissues with mild coughing to severe coughing, gasping, conjunctivitis, nasal discharge, depression and death.
- . It only takes a few days from time of exposure to the virulent virus to when the first signs of the disease are evident. In an unprotected broiler flock almost all birds will show signs and mortalities in excess of 50% have been recorded.
- . In Victoria I.L.T. is a scheduled disease under the Stock Diseases Act and by law, persons suspecting its presence are obliged to quickly notify the Department of Agriculture & Rural Affairs.
- . To guard against the spread of I.L.T. producers should undertake the following procedures:

1. Abnormal mortality is reported

Any abnormal patterns in health and mortality are to be reported to the Department of Agriculture and Rural Affairs (DARA) special veterinary officer (poultry) (currently Dr. Jim Gould Phone: 03 651 7180 (BH) 878 6579 (AH)) immediately.

2. A visitors' record is kept

A record of all visitors to the farm is kept in a visitors book. Record date, name, address, phone number and reason for visit.

.../2

All producers

31st July, 1989.

3. Disinfection

- (i) Any essential visitors undergo personal disinfection on entry to and departure from the property, i.e. no dirty footwear or clothing.
- (ii) Any equipment exchanged is thoroughly cleaned and disinfected before and after it is used.

4. Farm entry

Entry is only allowed to those people who provide services for the health and welfare of the birds, e.g. feed trucks, gas delivery, service staff etc.

5. Visits to other farms

All visits to other poultry farms stop for the time being.

6. Dead bird disposal

Disposal of all dead birds is either by burning or deep burial with immediate cover (do not use local tip). Any concern regarding disposal procedure please contact DARA.

7. Farm lock up

Farm gates and sheds are locked and sheds are closed up after pick-up. Any spillage of litter/manure/feathers outside the shed are cleaned up.

8. Litter replacement

Litter replacement procedures are reassessed with the company representatives.

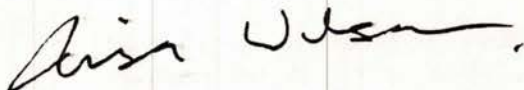
9. Foot baths

Foot baths should be used to gain entry to sheds.

10. Quarantine

A good common sense approach to quarantine should be adopted and if in doubt contact DARA.

Yours sincerely,



Lisa Wilson,
Executive Officer,
EGG PRODUCERS GROUP