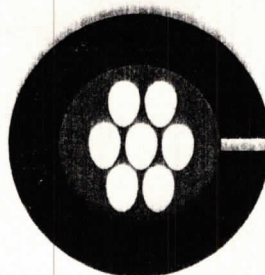


## **CRYSTAL EGG COMPANY**

Authorised Agent  
Victorian Egg  
Marketing Board



Garsed Street Bendigo  
Victoria 3550  
Post Office Box 4  
Phone (054) 431911

FAX: (054) 41 2615

WJB:gp:CEG

September 5, 1990

Dear Producer,

Since late April 1990, when the revised system for egg payments was introduced, Crystal Egg Co. has paid producers using the shell to product ratio of 95:5. This was an increase from the previous year when we used 90:10. The 95:5 ratio has worked well until now, as only a small percentage of our A quality eggs have been diverted to pulp.

The Licensing Committee has not yet introduced its seasonal spring quota cut, and our best advice is that the cut will not be introduced, certainly in the short term. We are now experiencing a glut of 49 gram eggs from the young pullets and the supply of this grade far exceeds the market demand. Additionally, producers who would have culled their older hens in a quota cut have not had to do so, and we have a surplus of 67 gram eggs as a consequence.

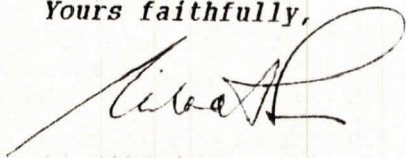
Accordingly, as from Monday September 10, 1990, we are reverting the shell to egg pulp ratio to 90:10. This ratio still exceeds that operating at the Keysborough floor where last week we were advised that ratio had fallen to 88:12.

If the Licensing Committee continues with their current policy of no spring quota cut, we could see further adjustment in this ratio being necessary.

Also, our company is giving consideration to a new payment structure which reflects the grades demanded by the market place rather than the volume. Already Crystal is locked into a Supply Agreement with the Board based on grade percentages rather than total dozens. We see the whole industry moving towards this concept and we will have close consultation with the CEPA in the further development of this policy.

The current Persian Gulf conflict has influenced local fuel prices dramatically, with more increases to follow. Crystal filled its holding tanks just prior to the rise, and this saving will continue until the fuel is used in approx. four to five weeks. With State taxes added, the best estimates available to date indicate an increase of around 9¢ a litre. Each 1¢ a litre rise in fuel prices represents approx. a half of one percent increase in our total cartage costs. We cannot absorb this level of increase in our normal operations, and accordingly all cartage rates will have to be increased to reflect this price rise. If the crisis in the Gulf is resolved and oil prices return to their previous levels, no change will need to be made.

Yours faithfully,

  
RICHARD A. GUY  
Managing Director