

The way I have developed a response is to 2 questions,

The first question relates to the capital reduction of the \$50 per bird investment, and I will respond with the following 6 points

- * prior to any debt reduction, just to service \$5.0 million the interest payable @ 7.0% is approximately \$350,000/yr which equates to approximately 13 cents per dozen,
 - *debt reduction can only occur after 2 important costs, ie interest and taxation, have been paid first
 - *feed costs have doubled since August 2018. Egg farmers generally are not fully recovering even the variable cost of production still at this time
 - *budgeted payback periods for this type of investment is generally 30 plus years
 - *it is essential to have a significant residual value of the asset. Just as a home owner would
 - *security documents held by banks (cage infrastructure) or any asset needs to maintain full value, not a diminished value because regulations may have changed since the decision to invest in that type of infrastructure has been made.
- So the notion that “a fraction of a cent per egg is the capital cost/cage” is in my opinion fundamentally flawed.

The second question relates to the factors that make up, the cost of production, ie of a dozen eggs

The following items are variable costs

- * Feed
- * replacement Pullets
- * grading and packing
- *electricity / gas
- *labour
- *water
- *packing materials
- *freight
- *insurance
- * repairs and maintenance
- *waste disposal
- *medications/ vaccinations
- *manure removal
- *pallet hire
- *administration
- *security
- * forklifts
- *quality assurance/ licensing / compliance/
- * marketing
- *ullage (waste)
- * development approvals
- * the other non cash variable cost is depreciation

These are most of the variable cash costs of production and vary greatly between the production systems of Cage, Barn and Free Range, and also depending on efficiencies of scale, suffice to say it is important that birds are kept disease free and produce eggs in a highly predictable way.

I am happy to be asked to further explain these answers if required

Warm regards

Bede Burke