

Dear Customer,

Unfortunately Lamb is going through a significant increase and rather than just increase the price, we have attached some information that will help you understand the current situation. Freestone is our major supplier of Lamb products and they have worked very closely with us to ensure the quality of Lamb is consistent and competitively priced.

Many of the factors outlined in this communication are out of our control and consequently, we have no alternative but to increase the prices accordingly. We hope you understand this difficult decision as we have absorbed much of the cost so far. We will continue to work with our suppliers and if we envisage further price movements in either direction, we will attempt to give you some warning.

As different customers are on different pricing schedules based on volume, I have asked your salesperson to make contact over the next week and discuss the necessary price increases.

Thanks again for your ongoing business and support.

As always, I am available to discuss this matter and anything else you require via

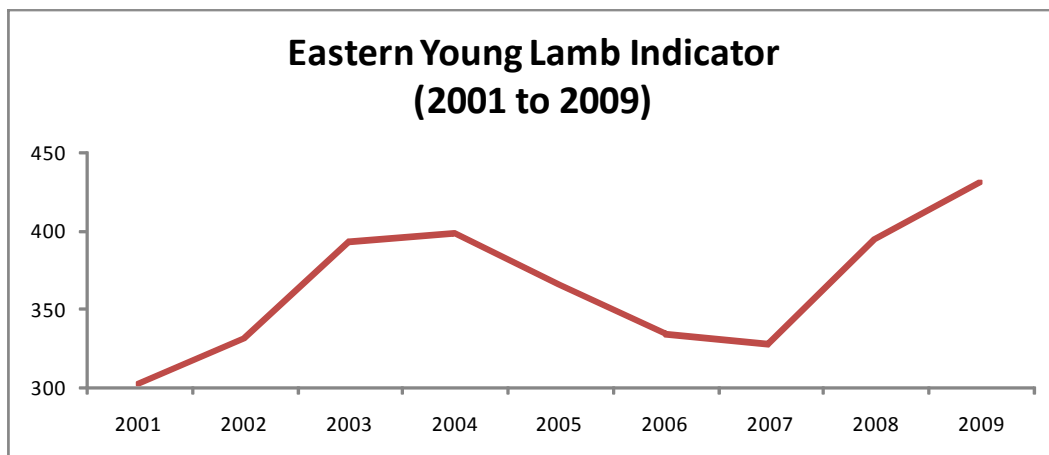
Mobile: 0412 299 486.

Matthew Masterson

Operations Director

Bedrock ~ The Gourmet Meat Company.

### ***The Story of Lamb ... Why so high and for so long??***



The Australian lamb and mutton industry is undergoing a phenomenal “sea change” which will affect the industry and consumers not only now but for the foreseeable future. The prices of lambs are at record levels and have never reached or maintained these levels for such a sustained period of time. The Australian farm gate price (as shown above) is currently sitting at 431 cents per kilogram, this equates to the price of premium lambs being in excess of \$6.00 per kilogram for whole lambs. This is before any processing or further value adding.

***But Why?***

The influences on the current market situation are both supply and demand driven. On the supply side the Australian sheep and mutton herd has been in long term decline since the peak in the early 1990’s when the reserve price scheme for wool was removed by the former labour government. This led to a massive kill off of breeding sheep and consequently a decline in prime lamb production overall and increasing shortage of appropriate stock, hence cause one of the increase in prices.

Secondly, and in conjunction with the above, land use patterns have been changing across both Eastern Australia and Western Australia. In Eastern Australia, the higher returns of cereal cropping and beef production have seen lambs decline in numbers. This with increasing problems of wild dogs and dingo attacks are making lamb production ever more challenging. Hence cause two of the increase in prices.

Cause three is related to continuing pressures on the local processing sector caused by increasing demand from live exports to the Middle East. Demand from the Middle East continues to be strong despite the global recession.

On the supply side the sheep herd is now under 80 million and the available stocks are very tight. The supply side situation is similar around the world with the New Zealand flock at relatively low levels and suitable stock in short supply.

The demand side is all about growth and the premium Australian product gaining a worldwide reputation and as a consequence more and more product is being shipped to an ever increasing number of foreign markets. Including continuing growth albeit from a low base from non-traditional markets like Japan. This increases the pressure on the small supplies and increases competition in the saleyards.

Australians are amongst the highest per capita consumers of lamb munching our way through over 11 kilograms of lamb products per year. Against the global trends for meat generally we continue to maintain or marginally increase our lamb consumption, partly

influenced by successful marketing campaigns by the MLA which have in recent years featured Sam Kekovich.

So 2009 started with high prices for lamb, and these have only continued to increase in the last two months. This is likely to continue over the coming months as we head in to the period when lambs are in short supply, in the period between the end of “old lambs” (last years lambs) and the new season lambs from Victoria, Queensland and New South Wales. This will likely persist until at least late August when we may see some relief. This relief maybe temporary or maybe later than expected depending on developments in Southern New South Wales and Victoria which continue to be ravaged by drought conditions which may affect the lambing rates and timing of the new season lambs.

***All of these factors indicate continuing high lamb prices and increasingly variable quality from the general market, however due to Freestone Fresh and Bedrock's exclusive supply arrangements we are well positioned to be able to continue to supply premium quality products which you can rely on over the coming months. Using our dedicated supply chain relationships which have extended over a number of years and utilising our world class feedlot facilities we will have strong supplies of good quality lamb you can rely on. To continue to produce quality stocks will be challenging and relatively expensive given the market conditions and costs of feeding and producing suitable stock. For more information or to visit our feedlot and livestock management hub please contact your local representative.***