

Farm Pride Foods Limited Enters into Joint Venture Agreement with Novo Foods Limited, acquires an interest in a large Victorian Poultry Farm and aligns itself with a substantial group of Victorian egg farmers.

In June of this year, the new Board of Farm Pride Foods Limited (the Company) announced that it had commenced a review of the future strategic direction of its business while at the same time confirming its commitment to the egg and Golden Days businesses.

The Company has always “believed that the only way to materially improve profitability of its egg business is to merge with, or acquire other egg industry players, thereby increasing scale of operation, resulting in a reduced cost structure and greater leverage with its customer base”.

As part of this review process, the Board has now resolved to move from what has historically been a regional or Victorian focused business platform to a national business platform. This has been undertaken without significant capital injection in three ways. Firstly the Company has agreed to enter into a Joint Venture Agreement with Novo Foods Limited (Novo), secondly the Company has aligned itself with a significant group of Victorian egg farmers and thirdly acquired an interest in a large poultry farm in central Victoria.

Novo is a major national marketing joint venture company established in 1999 for the purpose of marketing shell eggs to national retail customers and supermarket chains. Its members currently include the Western Australian Egg Marketing Board, NSW Egg Producers Co-operative Ltd, Sunray Foods Ltd (South Australia) and Pure Foods Eggs Pty Ltd (Tasmania). It is estimated that the combined turnover of the new Farm Pride Marketing Group will be \$65 million. The existing turnover of the Company's retail egg business is \$22 million.

Features of this agreement include:

- the joint entity will adopt the trading name of “Farm Pride Marketing”;
- the joint entity will benefit from the greater economies of scale offered by this significantly bigger egg business;
- the Company will receive benefits through the increased buying power of the group such as the purchase, manufacture and delivery of packaging and other materials;
- it provides the benefit of being able to access egg supply from the existing joint venture partners;
- the Company will continue to manufacture and market its processed egg products under the Farm Pride Foods brand; and
- the Company will continue to operate the Golden Days Natural Products “healthy snacks” business.

In addition to this Joint Venture the Company has acquired an interest in a large egg farm located in central Victoria and entered into a Heads of Agreement with a group of Victorian egg farmers representing a substantial percentage of the Victorian egg supply base. This group of farmers will be closely aligned with the Company and operate under the name Farm Pride Direct.

The purpose of the farm acquisition was twofold. Firstly it provides the Company with greater security of supply and secondly it provides an opportunity to jointly construct and operate a new state of the art egg production facility.

Zelko Lendich

Chairman

22 September 2003