

# SunRice Pre-Season Grower Meetings

July 2014



## Today's Agenda

---

- Rice market update  
Rob Gordon, SunRice CEO
- Independent economic assessment of cropping options  
Michael Ryan, Booth Associates
- Technology and rice farming: How it is assisting growers  
Russell Ford, RRAPL  
Mike Hedditch, SunRice GM Grower Services

# **SunRice Pre-Season Grower Meetings**

**Rice Market Update  
SunRice CEO**

**July 2014**



## Today's Topics

---

- SunRice four years after drought
- SunRice growth trends
- Global market outlook

## Where we are now

---

- The business is in a strong position:
  - We continue to grow our presence in domestic and international markets with a focus on sales of value-added, branded product
  - We are re-investing further capital in our milling and manufacturing infrastructure to drive improved productivity and efficiency and reduce costs
  - We are undertaking product innovation and brand investment to attract new customers
  - We are focusing on high growth markets to deliver increased returns for growers
- A positive outlook:
  - On track for a C14 harvest of around 825,000 tonnes
  - Growers responded to market demand signals, producing more short grain and fragrant long grain varieties
  - Excellent on farm yields and good quality grain, with initial milling yields indicating a return to more normal levels
  - SunRice's marketing and sales of C14 crop are progressing well
  - Stronger global rice prices are expected to continue into C14, driven by supply shortages, largely due to the Californian drought

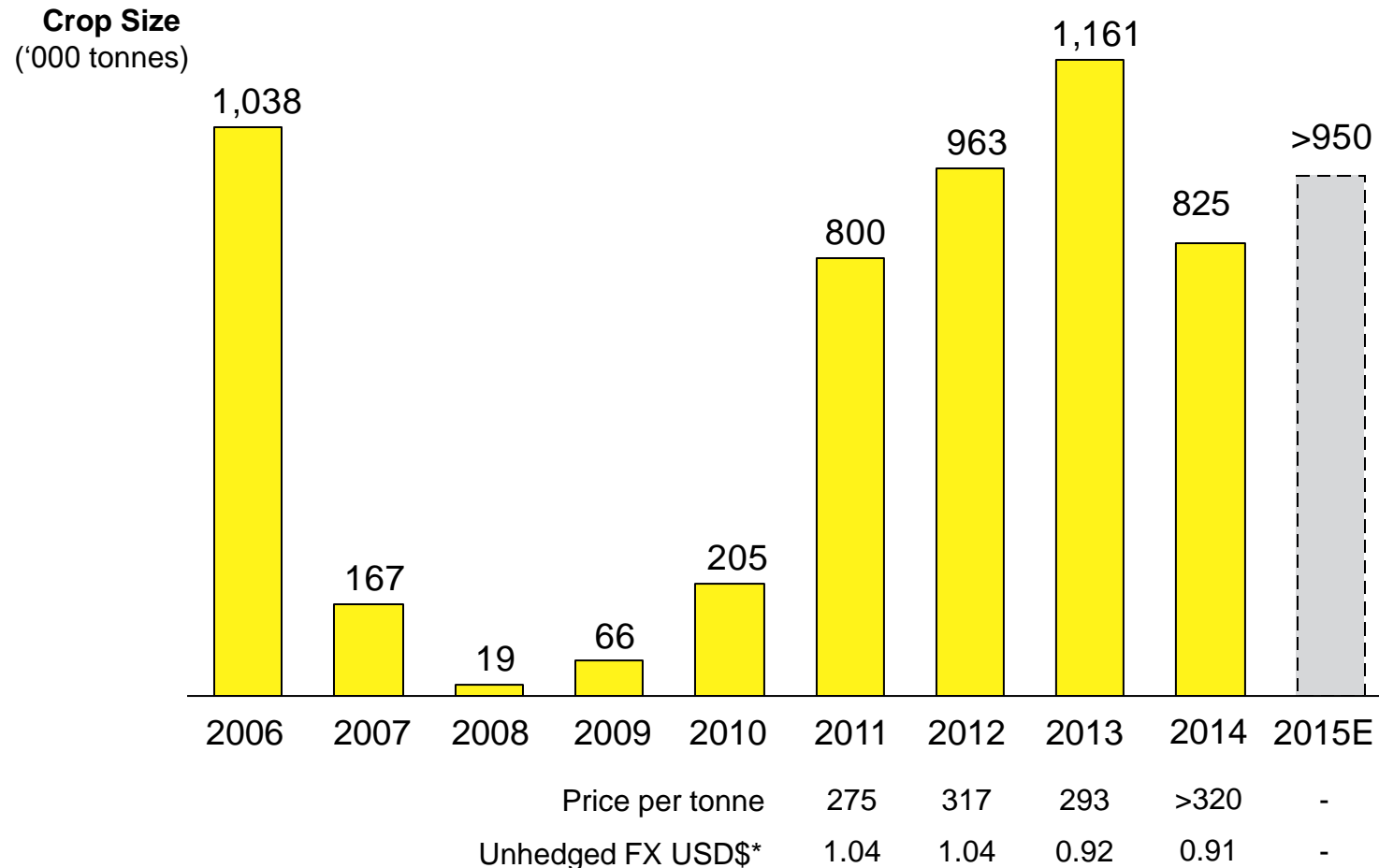
## Where we are now (cont'd)

- As announced earlier this month, we anticipate a C14 paddy return of more than \$320/t for Medium Grain (Reiziq)
- This translates to higher pricing for specialty varieties, including \$440/t for Kyeema and more than \$450/t for Koshihikari
- We hope to better these estimates subject to local and global market conditions



# Australia's rice industry – from drought recovery to a position of strength

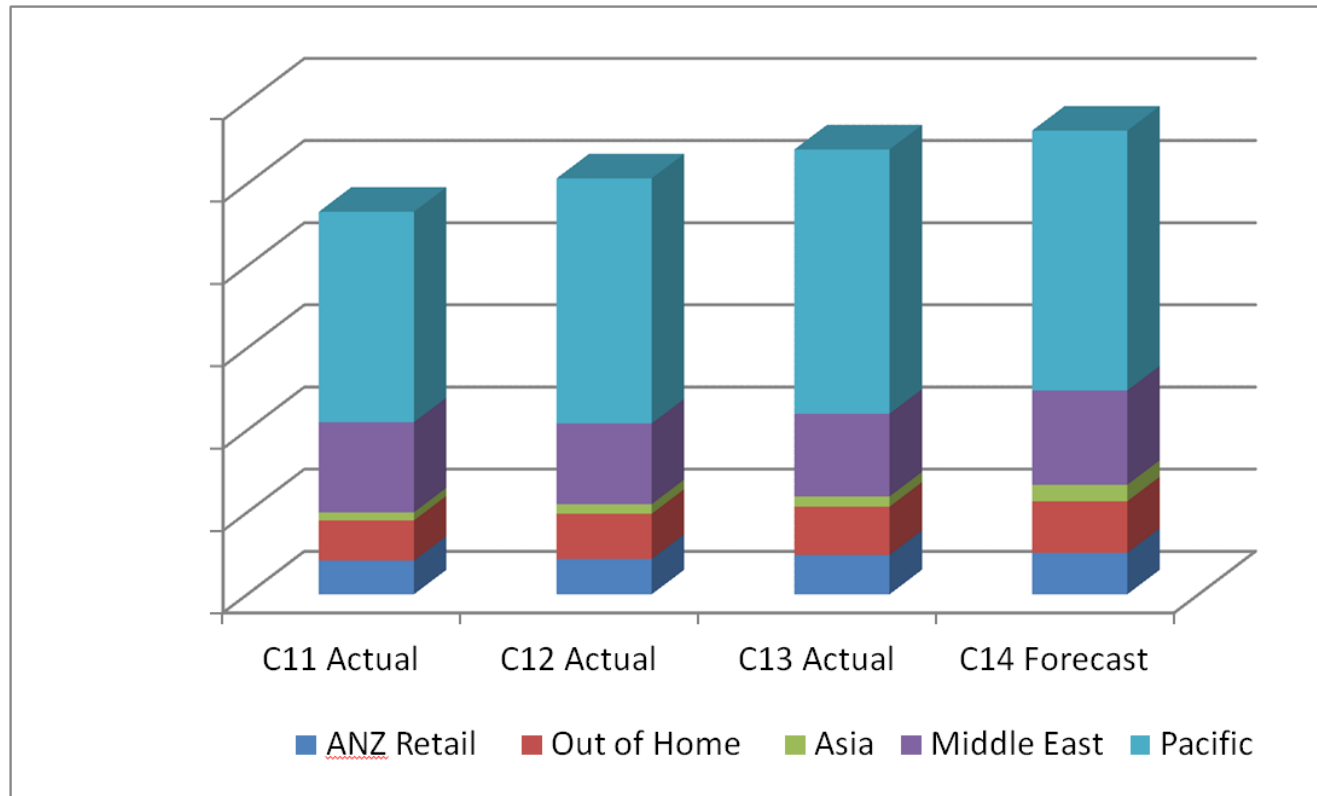
**Australian Rice Crop Size** – recovered remarkably well post drought  
(2006-2015E, '000 tonnes)



\* RBA average by crop year

# Core Rice sales growth of 7% p.a

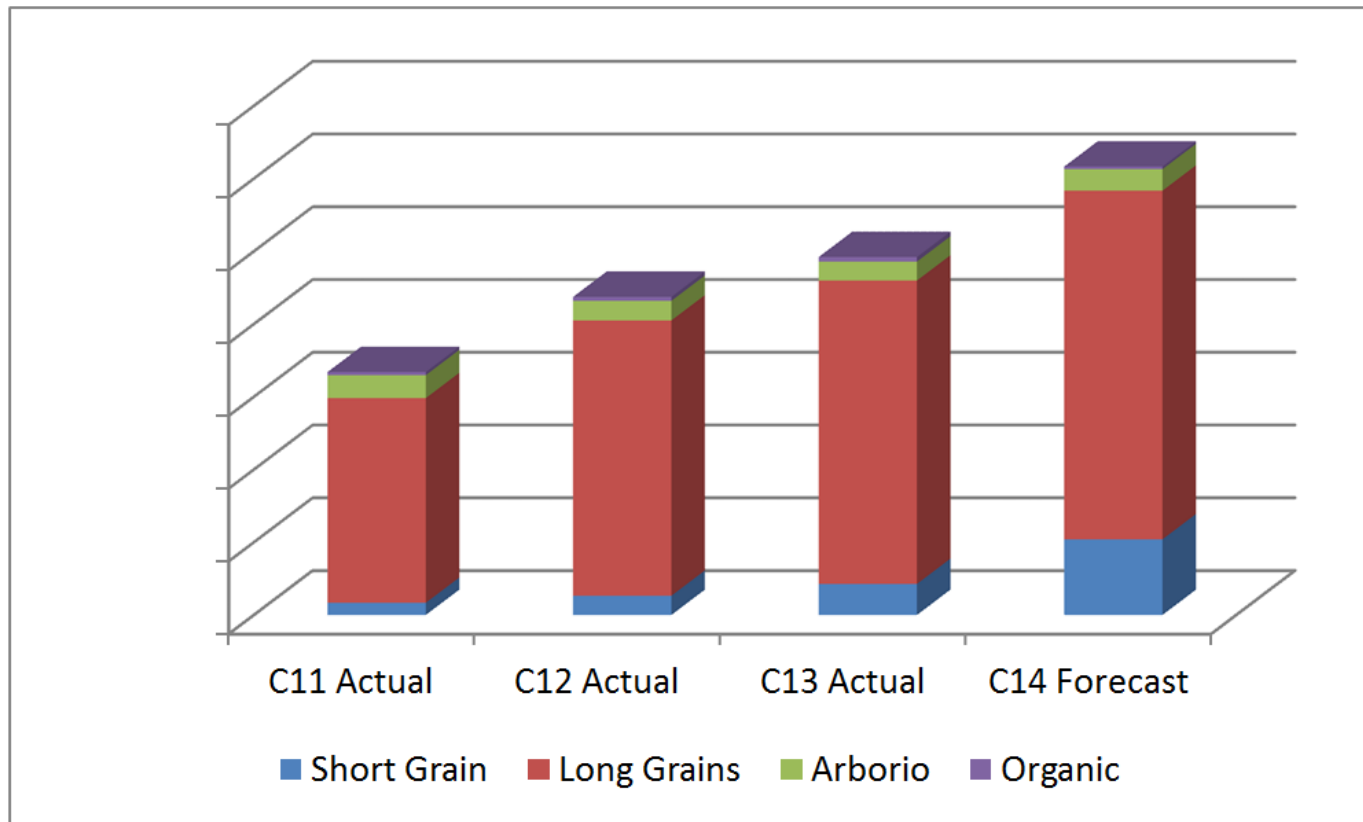
Consumer Markets (C11 – C14) FP Tonnes





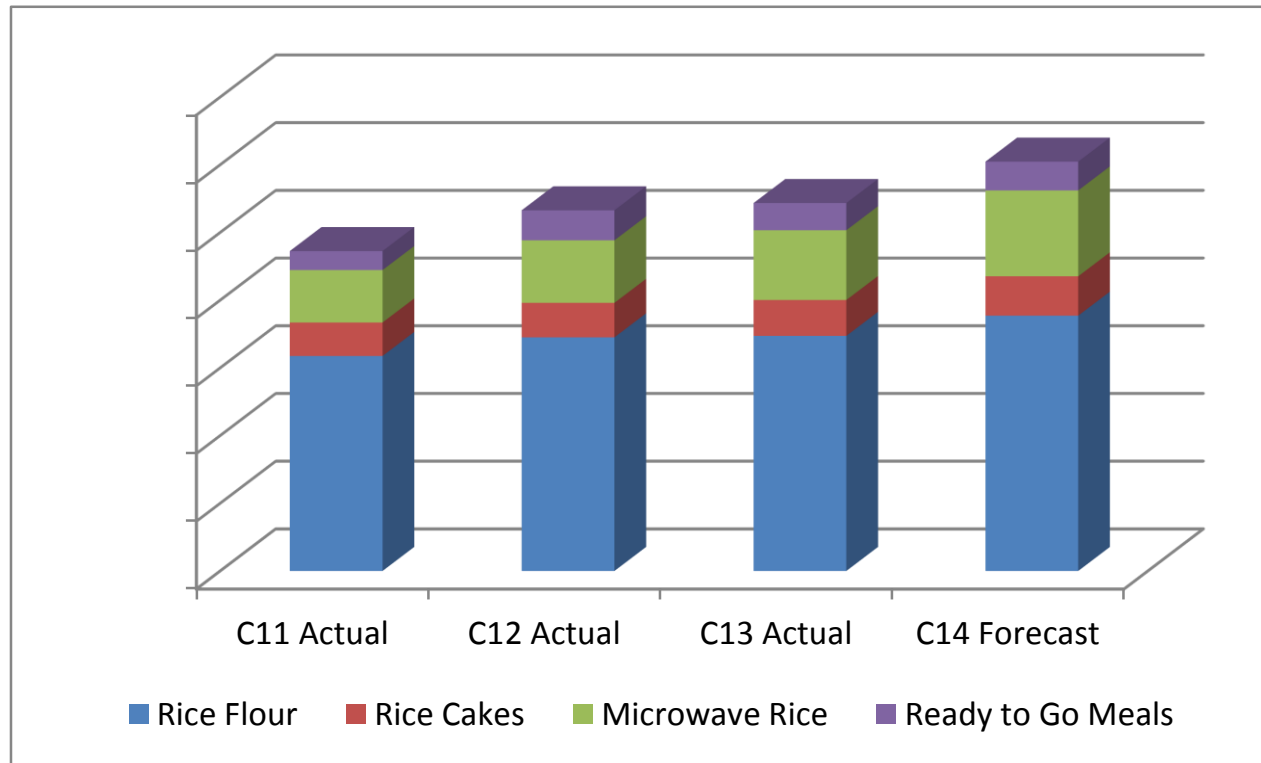
# Specialty Varietals growth of 16% p.a

Consumer Markets (C11 – C14) FP Tonnes

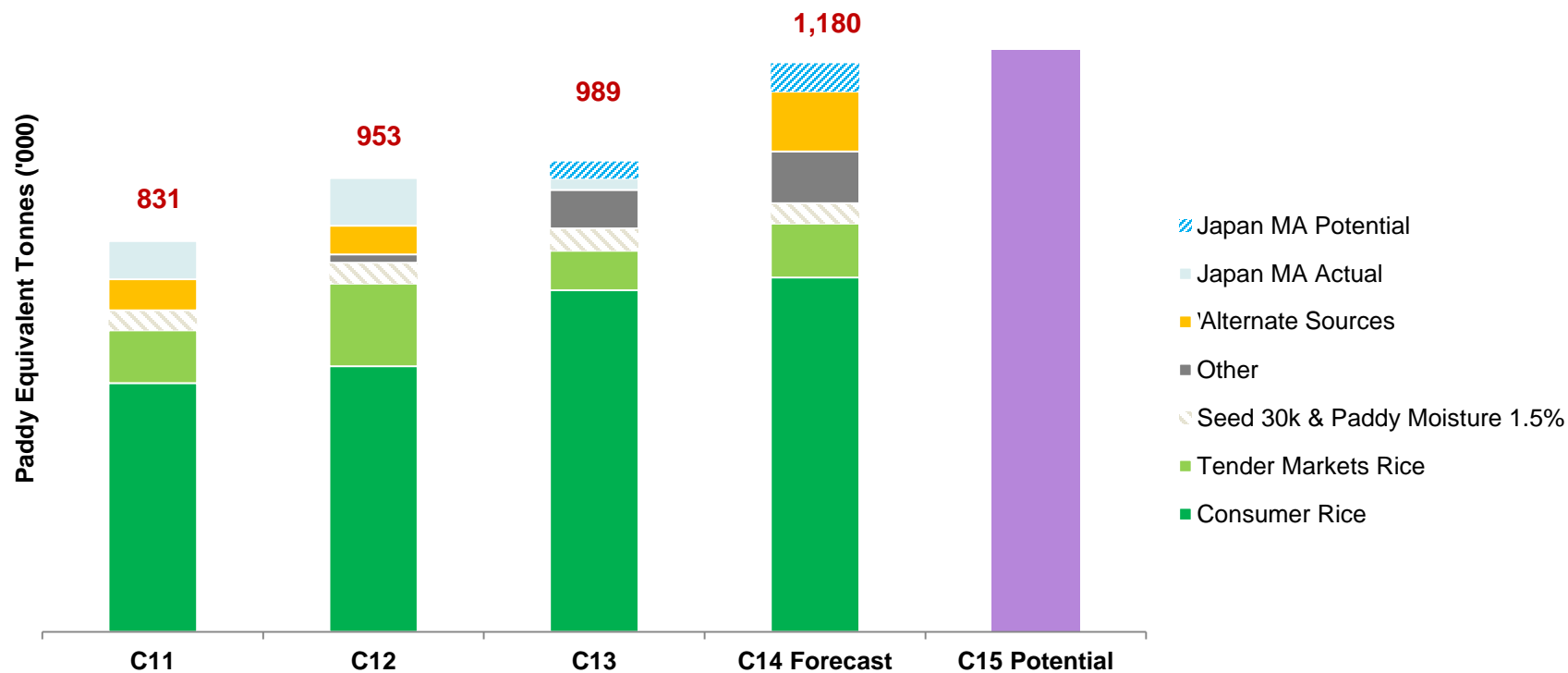


# Rice Food Group sales growth of 9% p.a

Consumer Markets (C11 to C14) FP Tonnes



## Growth in demand outstripping supply of Australian grown rice



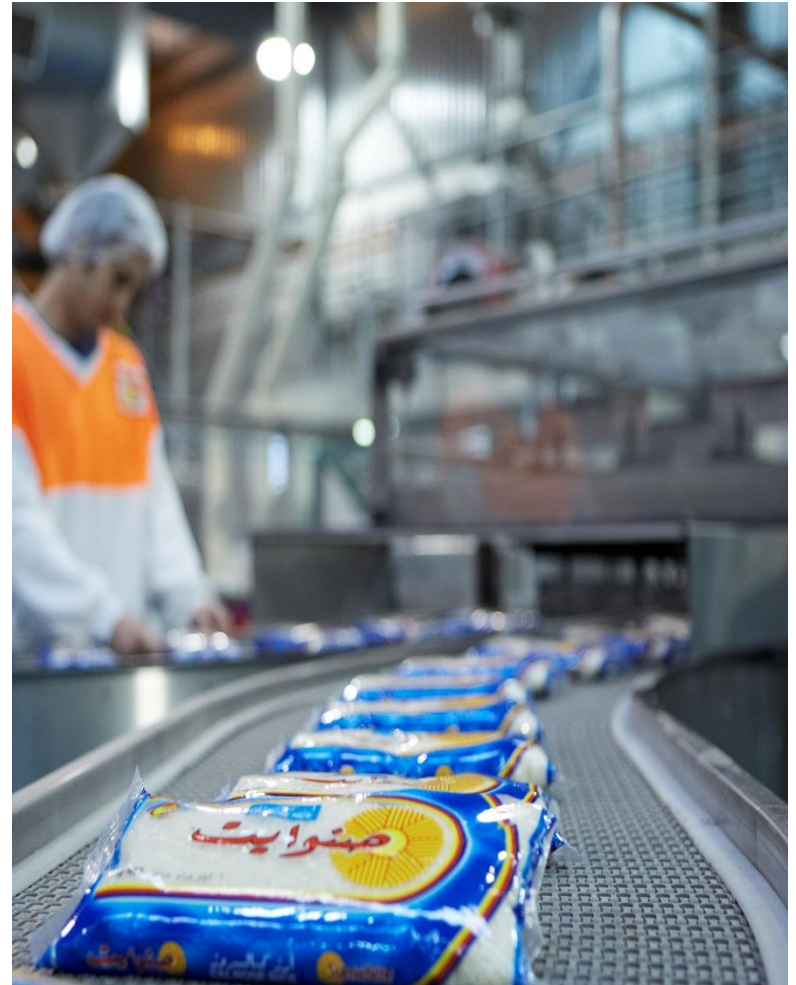
**WE NEED MORE RICE!**



## Factors affecting price for C15

---

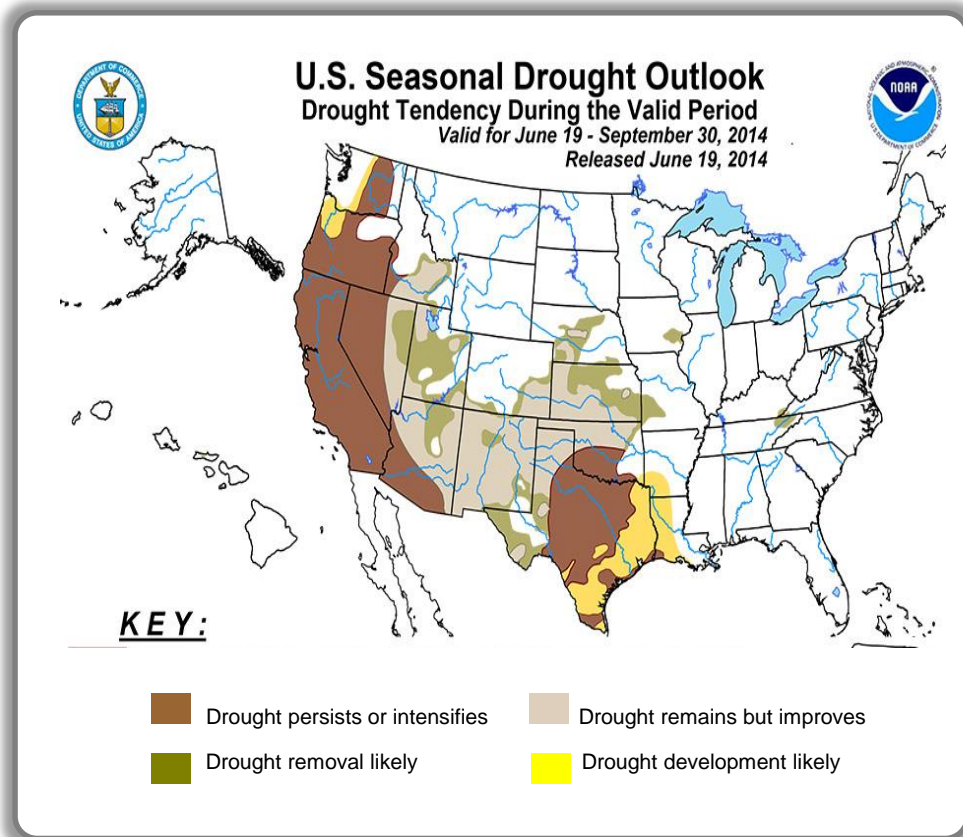
- Mix of businesses
- International supply and demand
- Foreign exchange
- Our cost controls





## The California drought – USDA key stats

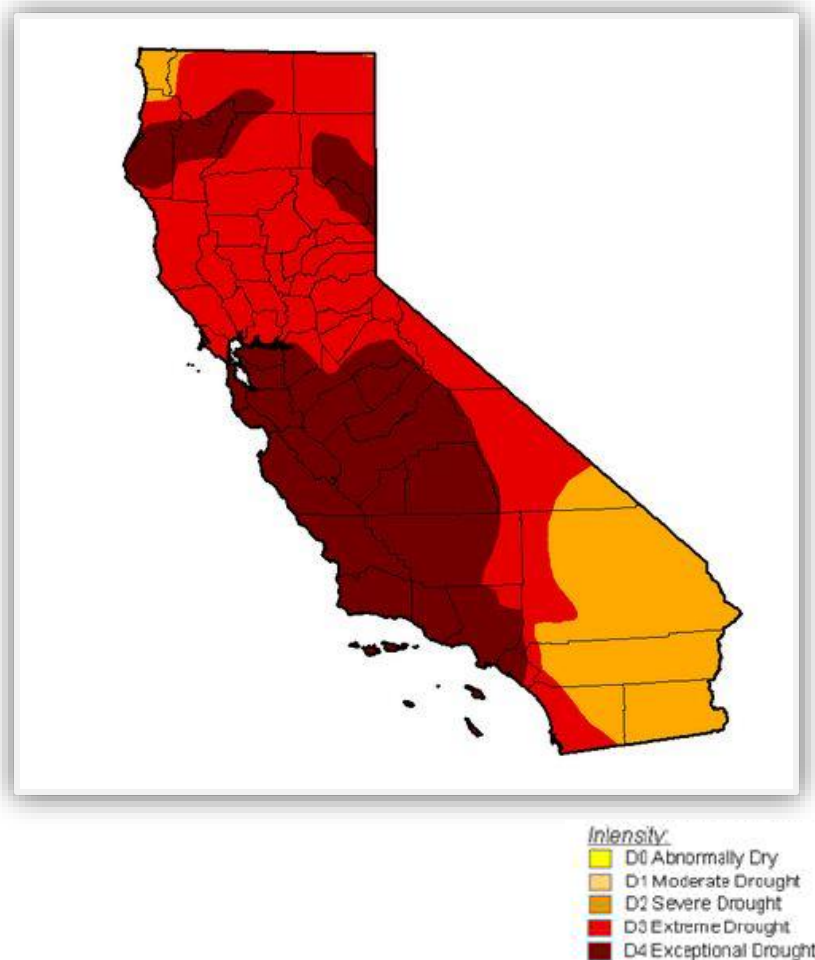
- YTD rainfall totals are running around 50% of normal
- The final readings conducted this year measured water levels in the state's northern Sierra snowpack at 7% of the average level
- California crop acres estimated at 495,000 in 2014/15, down nearly 13%



## The California drought – another point of view

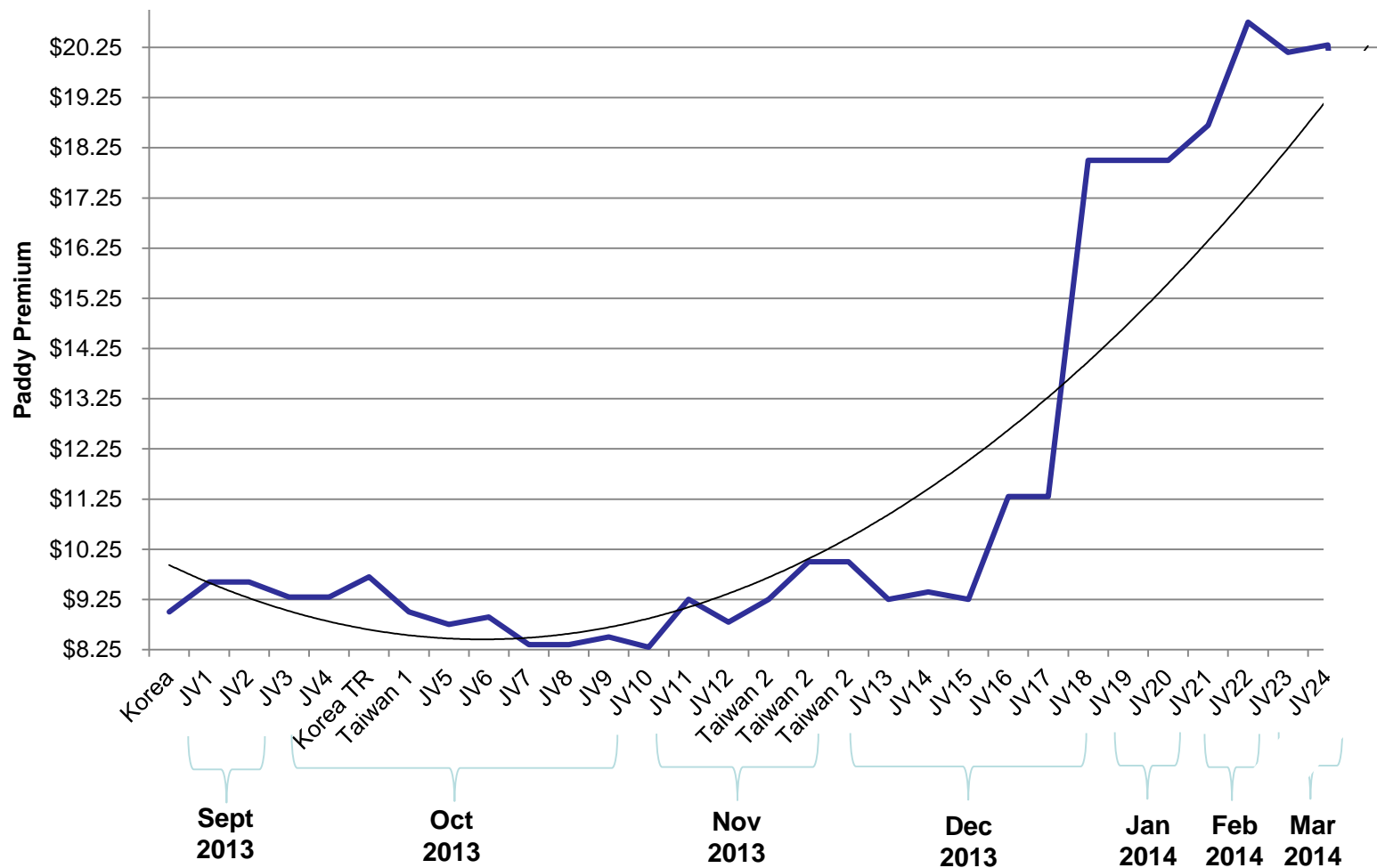
Jul 10 2014  
*U.S Drought Monitor*  
**California**

- According to the latest Drought Monitor Report, 79% of California is in extreme or exceptional drought
- Drought and water concerns continue to mount
- U.S Federal forecasters predict downgrade in expected El Nino event, particularly for northern half of the state
- Other U.S estimates that California crop acres will be as low as 415,000, down 25%



## Influences on global prices

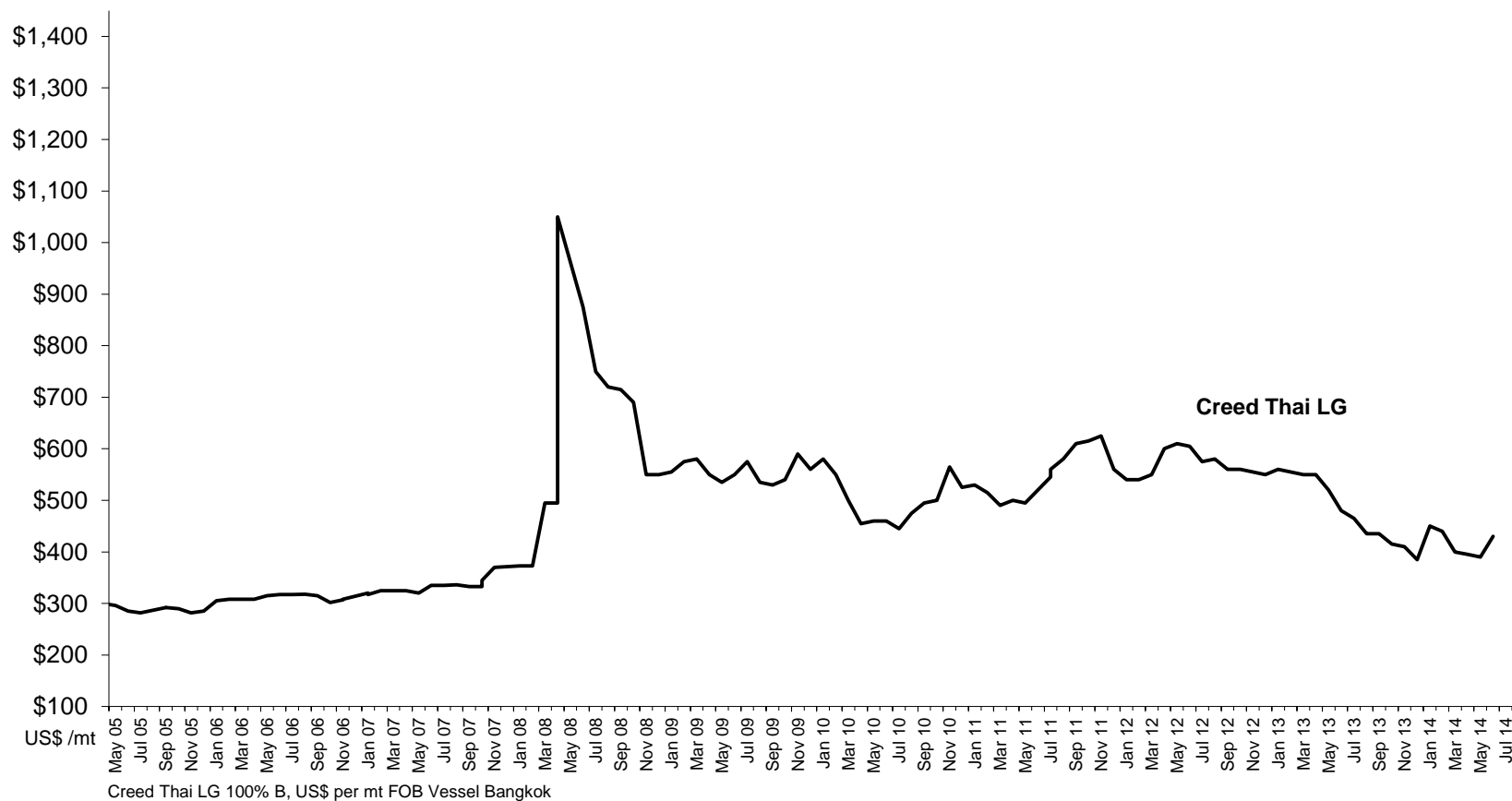
2013/14 Minimum Access





# Long Grain prices are softening

**Creed – Thai LG Prices**  
2005 – 2014 US\$/t (FOB)



# Foreign exchange historical movement



Crop Year	C11	C12	C13	C14	C15
Price per tonne	275	317	293	>320	-
Unhedged FX USD\$*	1.04	1.04	0.92	0.91 (est)	-

\* RBA average by crop year

Sources: Yahoo7

## Foreign exchange outlook

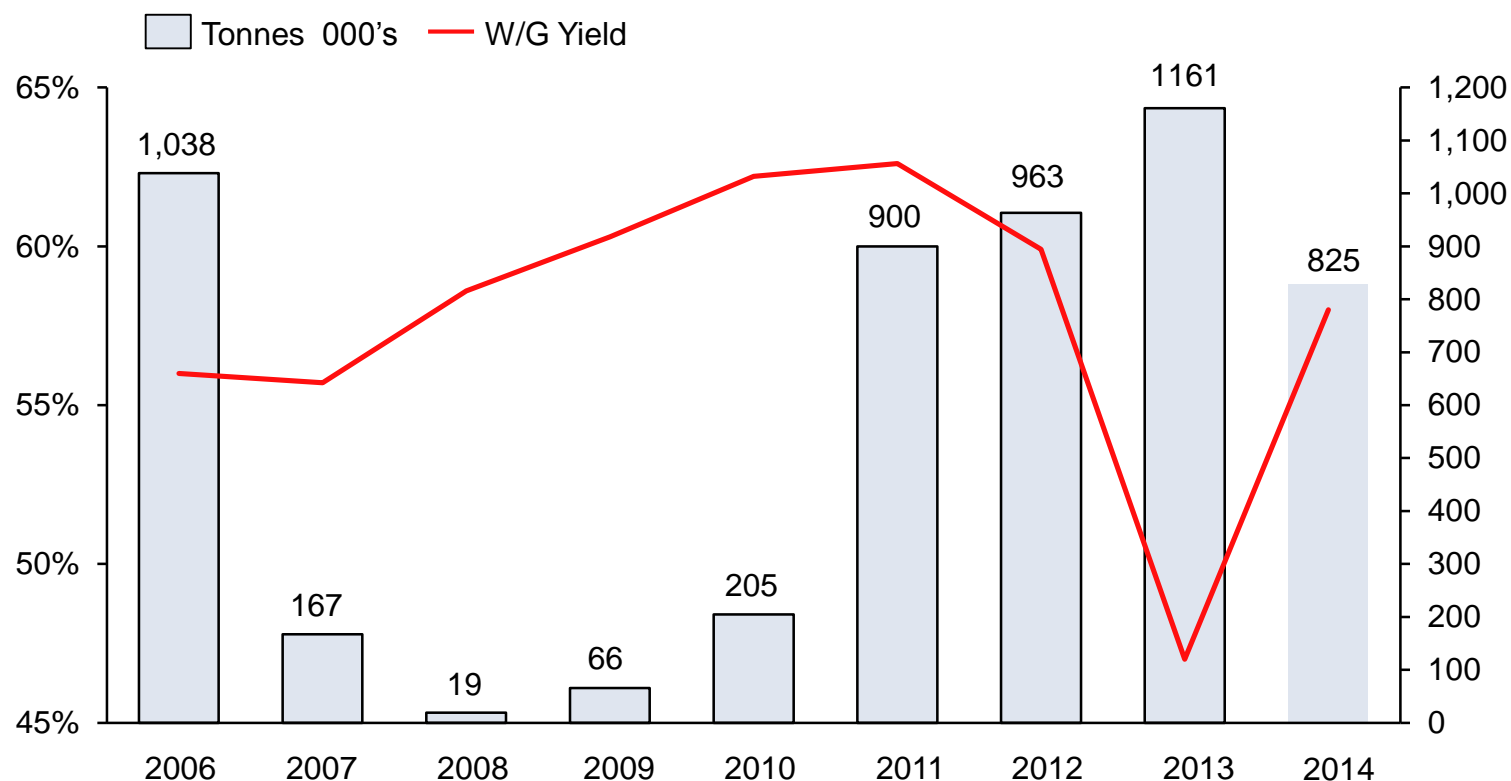
---

USD to AUD	2014 (Sep)	2015 (Sep)
Westpac	0.91	0.93
CBA	0.94	0.92
ANZ	0.90	0.84
NAB	0.90	0.82
Avg	0.91	0.88

## Cost control - C14 milling yields return to more normal levels

### Whole Grain Milling Yield

2005-2014E, %



## Cost control - Investing in plant and equipment

---

- We continue to invest for future growth in both our Rice Milling and Marketing and Specialty businesses
- In 2013/14 we committed significant capital investment across the Group, including:
  - Upgrades to core rice milling equipment
  - A new rice cakes line and steaming and retort facility in Leeton
  - New extrusion equipment for CopRice
- These projects will deliver:
  - Efficiency improvements
  - Greater ability to process and add value to our Australian crop
  - Employment and flow on benefits for our regional communities
- We continue to rigorously ensure that we are cost competitive; challenging and making changes to our manufacturing facilities to increase efficiency and drive costs down

# Rice is an attractive prospect for C15

---

- Price prospects are positive for C15
- As Michael Ryan will show, profit and returns on capital are superior
- We are now targeting 950,000 tonnes of rice annually as our production base
- There is strong growth in demand across premium markets with premium pricing
- Compared to other summer crops, rice:
  - Is resilient to our variable climate, as demonstrated in C14
  - Is less costly to grow and requires less capital investment
  - Is a great fit in a sustainable farming system
  - Allows flexibility to pay for crop inputs via Grower Deduction Authorities
  - Provides predictable, reliable and safe cash flow. We are also able to utilise our competitive borrowing costs and time our payments to benefit growers
- We want to make it easier and more attractive for you to grow rice. Options being considered include:
  - Different payment structures and varying the timing of announcing rice prices and making payments
  - Following feedback on intake rates, reviewing the cost of improvements to relevant infrastructure and assessing opportunities to further improve the levels of grower services.

# Questions

**SunRice Pre-Season Grower Meetings**

**Rice Market Update**

**SunRice CEO**

**July 2014**



## Key points to take away and consider

---

- 1 Rice is a contemporary industry with a very bright future.
- 2 There is strong demand across premium markets for high quality rice grown in the Riverina.
- 3 For the majority of you, rice yields better on-farm returns than other options.
- 4 We want rice to be the “**first choice**” summer crop and want to make it easier and even more attractive for you to grow rice.