

SunRice Update



September 2014 ~ Number 79

Early payment on \$340/t to deliver cash flow boost to growers in October

Following the \$20 per tonne uplift announced for C14 at the SunRice Annual General Meeting (AGM) in August, I am pleased to advise that the Board has determined to pay out all of this \$20 in the second paddy payment. This will take the second payment to a total of \$50/t for Reiziq and \$61/t for Koshihikari.

In addition, the Board has agreed to bring forward the second payment date from 28 October to Tuesday 14 October 2014.

While the indicative C14 full year price for medium grain (Reiziq) remains at least \$340 per tonne, this boost to the second paddy payment will deliver approximately \$42 million in cash flow for growers in mid-October. We know this comes at a critical time for many of you.

We are very pleased to be able to support our A Class shareholders and growers in this way and hope it assists you in allocating resources to rice for C15. As per our ongoing communication, we are seeking annual crops of at least 950,000 tonnes for the future.

The revised payment schedule, including amounts for all varieties, is included on page three of this

update. If you have any questions, please call Grower Services on 1800 654 557 or 02 6953 0436.

Call for more specialty varieties

We are delighted with our growers' response to our market signals around premium rice varieties. As most of you will be aware, Opus and Topaz orders have exceeded market demand, resulting in a ballot being conducted on 22 September 2014. All growers have been advised of the outcome via their seed order confirmation letters.

We are however still seeking additional production of other specialty varieties, including Langi, Koshihikari, Illabong and Doongara. If you are in a position to increase your production or switch to these varieties, we encourage you to do so. Grower Services is available to discuss your varietal mix at any time.

Please note, Eastern Murray Valley growers who order Langi will be able to collect seed at Finley and qualify for a re-direction payment to deliver to Emery.

Western Murray Valley growers who order Koshihikari for commercial paddy or pure seed production will be able to collect seed at Burraboi and qualify for a re-direction payment to deliver to Deniliquin.

Also in this SunRice Update:

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GIS training available

We wish to remind you of the enhanced support and resources available via Grower Services and the new Rice Extension team. This includes training on our Geographic Information System (GIS), which will add value to your farming business. *(Story continued overleaf)*

Gerry Lawson AM
Chairman



The benefits include:

- Printed maps of your farm and paddocks;
- A farm record keeping system for all your enterprises; and
- The provision of reports to assist farm crop management.

GIS also assists SunRice with harvest management and logistics, as well as traceability.

Revised SunRice full year profit outlook

We also wish to provide a trading update on SunRice's anticipated full year performance for the current financial year as shared with our B Class Shareholders and the NSX on Friday.

As many of you will be aware, we announced at the SunRice AGM that we were anticipating a 10% year-on-year uplift in Consolidated Net Profit After Tax for the year ended 30 April 2015. Since then, the SunRice Group has benefited from a range of factors, including improved operating performance in our profit businesses as a result of pricing and volume initiatives, together with favourable foreign exchange movements.

We are pleased to advise that we are now anticipating a 20% uplift in Consolidated Net Profit After Tax for 2014/15, as compared to the prior year. This is of course predicated on the current market conditions prevailing and we will continue to provide updates as appropriate.

It is important for our growers to understand that this profit outlook is completely separate from the calculation of the pool return. Rather it relates to the other business

activities of SunRice including our subsidiaries and offshore ventures, which underpin dividends to B Class shareholders.

In light of recent dialogue at the AGM on how the pool return and dividends are determined, we wanted to take this opportunity to briefly recap how the SunRice business is structured below.

Separation between profit performance and paddy pool

In broad terms SunRice is split into two business groups:

- Our paddy pool business: Australian Rice Milling and Marketing, including domestic and international sales.
- Our other business activities: including SunFoods, Trukai, CopRice, Riviana and our specialty rice foods division.

Our paddy pool business includes:-

- Revenue generated from the sale of processed rice and rice by-products from Australian paddy, including (in relation to export sales) the pricing benefits provided by the single export desk under the Sole and Exclusive Export Licence.
- Less operating costs, which include overheads, funding and other indirect costs.
- The net proceeds are distributed in the form of paddy returns.

In this way the paddy pool business does not make a profit as, other than in exceptional circumstances, the net proceeds of the pool are paid out to

growers, who are almost all A Class shareholders. This means pool activities and the paddy price are financially separated from the other business activities of SunRice.

SunRice's other business activities include our subsidiaries and offshore ventures. B Class Shareholders provide funding for these businesses, as well as for the fixed assets used by the paddy pool. Accordingly, consolidated profit represents related asset financing income, along with the profits that flow from the other business activities. A proportion of this is paid to B Class shareholders as dividends. These activities represent a diversified portfolio that reduces risk for B Class shareholders.

Both business groups, our growers and both classes of shareholders are critical to a strong and sustainable SunRice for the future. There is of course a significant ownership overlap between our A and B Class shareholders, however we think it's important for everyone to understand how our company is structured, and in particular to be clear that increases in consolidated profit are not linked to increases in the paddy price pool.

If you have any questions, I encourage you to approach me and my fellow Directors or our Company Secretary.

Here's to continued rainfall across our growing regions and a strong outlook for C15.



Gerry Lawson AM
Chairman

C2014 Payment Schedule (Traditional Pool \$/Tonne)									
	Reiziq	Other Medium	Langi	Doongara	Opus	Kyeema	Koshi	Organic	Bio- Dynamic
1st payment (Paid)	200.00	188.00	231.00	222.00	231.00	270.00	276.00	70.00	70.00
2nd payment (14 October 2014)	50.00	48.00	55.00	53.00	55.00	61.00	61.00	30.00	30.00
3rd payment (24 February 2015)	23.00	22.00	27.00	26.00	27.00	32.00	32.00	30.00	30.00
4th payment (28 April 2015)	18.00	17.00	22.00	22.00	22.00	28.00	29.00	20.00	20.00
Appraisal (28 April 2015)	8.00	8.00	8.00	8.00	8.00	8.00	8.00		
5th payment (26 May 2015)	16.00	15.00	19.00	18.00	19.00	22.00	23.00	30.00	30.00
Final payment (28 July 2015)	25.00	22.00	33.00	31.00	33.00	39.00	41.00		
Total	340.00	320.00	395.00	380.00	395.00	460.00	470.00	180.00	180.00

These estimates have been prepared using the information available at the time of publishing. Please be aware that the estimates could be affected by a number of factors, including prevailing market conditions, foreign exchange rates, crop quality and unforeseen events. Therefore the forecast payment schedule should be regarded as an estimate only and the final crop return will depend on the actual conditions that have prevailed throughout the entire crop year.

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