

SunRice Update



June 2015 - Number 82

Current and future outlook is positive

Our 2014/15 financial year closed 30 April and it is pleasing to report that the second half saw a continuation of strong performance across the business, including the Rice Milling and Marketing business that generates the paddy return.

Subject to completion of the full year accounts, we expect the net profit after tax to be in line with previous guidance which would be around a 40% increase compared to the previous year.

We announced a \$20/t lift in the C2014 paddy return across all varieties last week when the 5th pool payment was made. This increased the indicative total pool return to at least \$380/t (medium grain Reiziq) with significantly higher returns for specialty varieties.

We anticipate a further increase in the total return subject to completion of the full year accounts.

Milling C2015 underway as harvest draws to a close

The new 2015/16 financial year will see the business building on the success of the previous year. Milling of the 2015 crop is underway as the harvest draws to a close. We expect total deliveries of around 700,000 tonnes which is a strong result considering the challenges of low

water availability, very high prices for temporary water and competition. Ideally we need a minimum of 950,000 tonnes produced annually and have markets available offering good prices for up to 1,150,000 tonnes.

We have already indicated a C2015 indicative paddy return in the range \$350 - \$370/t for medium grain (Reiziq). We will be doing our best to deliver above this range and in line with grower feedback, will be providing quarterly updates on how the price range is tracking - in late August, November, February and March.

Rice provides a great opportunity for C2016

We all hope the water outlook for the season ahead improves markedly because of the positive outlook for rice. Price outlook is strong and should deliver very competitive returns per hectare and per megalitre. Keep in mind the advantages offered by the rice farming system, including:

- Resilience to our variable climate as demonstrated in both C2014 and C2015
- Less costly to grow than most other summer crops
- Provides predictable, reliable and safe cash flow

Flexibility to pay for crop inputs. We expect to have a new advance payment facility in place for C2016 as well as GDA's and the post-harvest early payment program.

Rice maintains its competitive advantage over other summer crops

Last season SunRice engaged Booth Associates to analyse the competitiveness of rice compared to other summer crops including cotton, for typical irrigation farm businesses. That analysis was based on a rice price of \$300/t (MG Reiziq) and a cotton price of \$475/bale and showed the rice farming system generated superior profit and return on capital for most farm businesses.

Combined with the cashflow and balance sheet advantages of the rice farming system, rice was clearly the first choice summer crop in our region.

Crop prices for rice and cotton have improved significantly since last season's analysis was carried out. SunRice therefore commissioned Booth Associates to carry out additional analysis on the same typical irrigation farm businesses in the

Laurie Arthur
Chairman





Murrumbidgee and Murray Valleys using current production costs and improved prices for rice and cotton (maize and soybean prices have remained reasonably stable).

A medium grain rice price (Reiziq) of \$360 per tonne and a cotton price of \$520 per bale were used. The analysis was based on the farm characteristics in Table 1 and the results are set out in Table 2.

The analysis again demonstrates that the rice farming system continues to be not only competitive with cotton and other summer crop based systems, but it generates superior profit, return on capital and cash flow and balance sheet advantage for most farm businesses.

The conclusion drawn from the analysis over two years is that the rice farming system is clearly the first choice summer crop for our region. We recently advised the C2014 return will be better than \$380/t. When you take into account that the rice price used in the 2015 analysis has already

Table 1: Typical Irrigation Farm Business Characteristics

	Area Cropped (ha)	General Security Entitlements (ML)	Average Allocation	Average Annual Allocation (ML)
Murrumbidgee	750	4,500	60%	2,700
Murray	500	1,200	70%	840

been exceeded, the conclusion is even stronger. **Rice clearly remains the first choice summer crop in our region.** The complete analysis is enclosed with this Update. While most farm businesses share many similarities with the farming systems analysed, your business may have differences.

If you would like to explore how the report findings apply to your business, or how to optimise your rice

production through application of best management practice, the Grower Services/RRAPL/Rice Extension technical team is ready to assist you.

If we can assist you in any way a member of the team will visit your farm at a mutually agreed time. Please contact Grower Services on phone 1800 654 557 or email growerservices@sunrice.com.au if we can assist in any way.

Table 2: Profit and Return on capital based on 2015 Analysis

Farm System	Murrumbidgee		Murray	
	Profit \$K	Return on Capital	Profit \$K	Return on Capital
Rice/winter crop	\$385	5.9%	\$119	4.5%
Cotton/winter crop	\$331	4.5%	\$74	2.4%
Maize/winter crop	\$130	1.8%	\$55	1.9%

C2015 Harvest Update

As reported, the 2015 harvest is drawing to a close with total deliveries expected to end up around 700,000 tonnes. Overall, yields have been strong with some variability due no doubt to the period of cold night temperatures in the second half of January.

Table 3 show provisional yield data across the rice growing regions.

Based on receival bin quality tests, whole grain yield looks to be exceptionally good. However, one quality aspect that is disappointing is significant levels of wheat contamination have been detected.

Rice is a gluten free product and every wheat grain has to be removed - this reduces mill throughput and causes significant additional cost that reduces

the paddy return. The cause is inadequate cleaning of headers and/or bins and trucks that have harvested wheat prior to the rice harvest. Growers are asked to pay particular attention to ensuring harvest equipment has been thoroughly cleaned prior to rice harvest.

If contractors are used, the grower must ensure their equipment has been thoroughly cleaned.

Table 3: C15 Provision Rice Yield Data

Variety	Region				
	MIA	CIA	EMV	WMV	All Regions
Reiziq	11.6	9.9	9.8	10.3	10.8
Sherpa	10.8	11.4	10.8	10.2	10.7
Koshihikari	n/a	n/a	8.5	7.3	8.2
Opus	n/a	n/a	9.6	9.1	9.3
Illabong	n/a	n/a	10.7	n/a	10.7
Langi	9.4	9.5	9.1	n/a	9.4
Doongara	9.9	9.1	n/a	n/a	9.3
Kyeema	8.3	8.9	8.7	n/a	8.7
Topaz	9.1	8.1	8.4	n/a	8.7
All Varieties	10.9	9.7	10.2	9.6	10.2



C2015 Payment Schedule (Traditional Pool \$/Tonne)

	Reiziq	Sherpa Illabong	Langi	Doongara	Opus	Topaz	Kyeema	Koshi	Organic Premium	Bio-Dynamic Premium
1st payment Harvest (paid)	210.00	198.00	243.00	234.00	240.00	276.00	282.00	288.00	90.00	90.00
2nd payment (27 October 2015)	42.00	39.00	48.00	46.00	48.00	55.00	56.00	57.00	40.00	40.00
3rd payment (23 February 2016)	25.00	24.00	29.00	28.00	29.00	33.00	34.00	35.00	40.00	40.00
4th payment (26 April 2016)	28.00	27.00	33.00	32.00	33.00	37.00	38.00	39.00	30.00	30.00
5th payment (24 May 2016)	18.00	17.00	20.00	20.00	20.00	23.00	24.00	24.00	40.00	40.00
Final payment (26 July 2016)	27.00	25.00	32.00	30.00	30.00	36.00	36.00	37.00		
Total	350.00	330.00	405.00	390.00	400.00	460.00	470.00	480.00	240.00	240.00

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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