

SunRice AGM
Friday, 21 August 2015
Jerilderie Civic Hall
33 Jerilderie Street, Jerilderie

1. CHAIRMAN'S ADDRESS

Good morning and welcome to the 2015 SunRice Annual General Meeting.

I'd like to start by saying that it was my privilege to be appointed Chairman of SunRice during the year and I would like to acknowledge previous Chairman Gerry Lawson and his outstanding leadership.

Gerry devoted 40 years to the Australian rice industry, including serving as a SunRice Director for 29 years and as SunRice Chairman for the past 13 years. In 2011, he was appointed a Member of the Order of Australia for his services to the Australian rice industry, including for his leadership role during the drought.

His contribution has been significant and he has left a strong and lasting legacy with SunRice.

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The 2014/15 year has been a year of growth for SunRice, in which we continued to prepare the company for change in order to deliver a strong future.

The SunRice Group achieved impressive revenue and profit growth, while making a significant investment across our operations, products and people and had resounding success in driving sales across our multiple markets. This resulted in the company being able to reward our growers and shareholders accordingly.

SunRice confirmed a final paddy price to growers for Medium Grain (Reiziq) of \$394.62 for the C14 crop, which was up 34.4% on last year and up 44% since 2011/12.

Premium pricing for speciality varieties reached even higher levels with Koshihikari achieving \$524.62 per tonne, up 30% on last year and up 48.2% on the prices paid in 2011/12.

In total we made more than \$330 million in paddy payments to our A Class shareholders and growers, reflecting our commitment to Riverina-grown rice, both now and in the future. These strong returns were made possible by SunRice's Sole and Exclusive Export Licence, which allows us to maximise the prices for NSW growers in export markets. Rice vesting is of critical importance to our growers and our company, and we thank the NSW Government and the Rice Marketing Board for the State of New South Wales for their ongoing support.

We were also pleased to announce a record fully franked dividend of 31 cents per B Class share, which included a special mid-year dividend of 5 cents per share.

The total dividend payment represented a 35% uplift on last year and a 72% uplift since 2011/12.

More than \$17 million was paid out in Dividends to B Class shareholders and we are delighted that we have been able to increase value for our investor shareholders in this way.

I would like to make particular note that based on our records, approximately 68 per cent of our B Class Shares are held by A Class shareholders, meaning many of you benefit from a strong SunRice on both counts.

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As you are all aware, the C15 harvest of 690,215 paddy tonnes was significantly smaller than the annual 1.1 million tonnes of rice we now have markets secured for. This was impacted by increased competition for water in the Murrumbidgee and Murray Valleys, high temporary water prices, and low water allocations in 2014/15.

We continued to strengthen our support for Riverina growers throughout the year to maximise local production, while recognising that global rice sourcing continues to be an important component of our business.

This included independent analysis that demonstrated that the rice farming system continues to be competitive with cotton and other summer crop-based systems, while generating superior profit and return on capital for most farm businesses.

Grower Services also launched dedicated farm modelling and one-on-one planning to assist growers to reduce costs and maximise yields.

Strong global rice prices are expected to continue into C15 and I am pleased today to revise our early pricing outlook of \$350 - \$370 per tonne for medium grain (Reiziq) to \$360 - \$380 per tonne.

However we cannot deny the very dry season outlook from the NSW Office of Water. This, along with a starting allocation to date of zero percent for the Murray and 17 percent for Murrumbidgee, means we are anticipating a substantially reduced crop to be sown in the months ahead.

SunRice continues to have more demand in premium markets for Australian rice than actual supply. We encourage our growers to plant as much rice as they can in what we know are difficult circumstances.

For SunRice's part we are preparing for the smaller crop by continuing our global sourcing activities to maintain our markets, and pursuing changes that position us all for the future – the business, our growers and our shareholders. It's this change that I'd now like to spend some time on.

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As Rob will share with you shortly, 2014/15 was an outstanding year for SunRice, where we reaped the rewards of the company's Group Strategy, put in place three years ago.

We are undoubtedly in a position of strength to take the next step to deliver even greater results for growers and shareholders in the future.

In March we shared details of a potential new capital structure designed to deliver this new future, without relinquishing any of the A Class grower shareholder control that our company has been built on.

We have invested significant time and resources to develop a potential model that is unique to SunRice and can deliver on the Review's objectives. These are:

- To preserve A Class grower shareholder voting and control rights;
- To improve SunRice's ability to access capital to support its growth;
- To allow B Class shareholders to realise a better value for their investment in SunRice;
- To enhance the liquidity of an investment in SunRice; and
- To address estate planning issues.

I thank those shareholders who attended the Capital Structure Review briefings in March and June and also to those who participated in the independent shareholder survey conducted recently.

We have had strong support from those growers and shareholders who we've been able to reach to date. However there have been many who have not been contactable or who have asked for more information before they confirm whether they'd like to see the potential model go forward to a vote.

Given this is such a significant decision for SunRice, we have extended the survey and encourage all remaining A and B Class shareholders to participate.

This decision is too important to SunRice's future, and your own, to go forward without your input.

On that note, I've also spoken to many of you directly in the past two weeks and I plan to speak to many more of you in the weeks ahead. I am aware that there are some matters that people still have questions on.

While full Restructure documentation will come to you if the Board moves ahead with a vote, I want to take the opportunity to make the following points in relation to the potential Capital Structure.

1. Grower control is not at stake. Not in any way, shape or form. The model we have developed is enduring. It does not contain a sunset clause or any of the elements that have seen other agricultural companies lose grower control on the ASX. Our model separates A Class grower shareholder control and the SunRice business from investors, protecting both sets of interests.
2. If the proposal proceeds, SunRice will NOT be listed on the ASX. A separate legal entity called the SunRice Fund will be listed on the ASX, not the company. SunRice will remain intact exactly as it is today, with the same Board, management and business structure.
3. External investors will not have voting rights in SunRice and they CANNOT acquire them in the future without A Class shareholder approval. Investors are acquiring a non-voting security – an economic right to receive a dividend from SunRice – that is all. They will come into this structure knowing that they have no right to vote at general meetings and therefore no right to change the Constitution or to appoint Directors. All of these control mechanisms will remain with SunRice A Class shareholders as they do today.
4. I've also heard some concerns about what might happen if there is another drought and A Class Share numbers reduce. I wish to say two things on this:

- Firstly, the Board has already set a precedent and would take the same approach as during the Millennium drought. That is the Board can defer the redemption of an A Class Share if it believes the holder will resume being an Active Grower in the future.
- Secondly, the Board assesses the A Class shareholder base periodically to ensure it remains representative of our industry. As part of this, we will continue to look at a range of mechanisms to ensure our A Class register remains strong in the future and reflects those farmers who are committed to the rice industry in the longer term.

This includes supporting rice growers and local production, as well as considering other options such as extending the period of time over which A Class shareholders can supply the minimum quantity of rice. The next review of the criteria is likely to occur in 2016/17 and any such proposal would come back to A Class shareholders for consideration and approval.

5. Finally, several people have asked me why we need to change and why we can't just fund the capital required for SunRice's future directly. In a moment I'll hand over to Rob who will speak to SunRice's Group Strategy and why we require additional equity capital for growth. However, it's important for us to reaffirm our desire to have each of you invest in SunRice when the opportunity arises. We will be providing every opportunity to encourage existing shareholders to participate in future capital raisings.

In light of that, what the Capital Restructure will give you and what it will give SunRice, is options and with it, opportunity.

- For A Class grower shareholders, the Restructure represents a once in a generation opportunity to build and control a global food business of significant scale. A business that can better target new markets for Australian rice and optimize the paddy price per tonne for Riverina growers, in good times and bad.

- For B Class shareholders, the Restructure offers the potential to unlock greater value for your shares, providing freedom to invest in SunRice’s future and your own.
- And for SunRice, the Restructure provides the opportunity to equip the company for the future, enabling us to:
 - Invest for growth;
 - Better manage business risk; and
 - Have greater resilience and balance-sheet strength to withstand future downturns in crop and economic conditions.

The Board and I firmly believe the potential new capital structure is an opportunity to retain grower control into the future while enhancing our equity capital base and building a business that can carry us forward for generations to come.

We look forward to coming back to you on this in October. In the meantime we encourage you to share your views with us and have your say on SunRice’s future given the significance of this step to the business and all growers and shareholders.

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Turning to Board matters briefly, I would like to acknowledge Glen Andrezza and Mark Robertson who, along with me, have been re-elected to the Board of SunRice as Grower Directors. We are delighted to have your commitment and energy for another four year term.

I would like to congratulate John Bradford, following his success in the Rice Marketing Board election in July. John shares our deep commitment to and passion for a strong SunRice and a strong Australian rice industry and has been attending the SunRice Board as an observer. We look forward to having John officially join the Board following confirmation of his appointment to the RMB by

the Governor of NSW and the endorsement of our A Class shareholders later in the meeting.

Today we also welcome Leigh Vial as a Grower Member Director. Leigh has excellent experience in the rice industry, with a particular focus on research and development, and we are equally pleased to have his skillset and knowledge on the Board.

We also farewell two Directors today.

I would like to acknowledge the significant contribution of External Director Peter Margin, whose terms ends at this AGM. Peter held the roles of Chairman of Riviana Foods and of the Remuneration Committee.

His expertise in consumer marketing and business management, along with his insight and counsel have been greatly appreciated. Peter was also instrumental in helping shape the Capital Restructure and, on behalf of the Board, I would like to thank him for his valuable service.

We also wish Alan Walsh the very best for the future. Alan has made an outstanding contribution to SunRice over the past 15 years, including as Chairman of Rice Research Australia Pty Ltd (RRAPL) and Director of both Riviana Foods and Solomons Rice Company.

Alan's understanding of rice based systems and his own farming practices have contributed strongly to both SunRice and our industry. His legacy is undoubtedly the substantial productivity gains we have made as an industry with respect to water use efficiency and research and development. We owe him a great debt for that.

While I know Peter is not with us today, please join me in thanking both Alan and Peter by way of a round of applause.

Finally, I would like to acknowledge Deputy Chairman, Noel Graham and my fellow Board members for their dedication and support.

Thank you also to CEO Rob Gordon who led the Group Strategy which saw such outstanding growth results for the Group; and also to our Corporate Management team and employees for their commitment and achievements over the past 12 months.

I would also like to acknowledge the NSW Rice Marketing Board and Chair Robyn Clubb, as well as the team at Ricegrowers' Association of Australia under the leadership of President Les Gordon and newly appointed Executive Director Andrew Bomm for representing our interests.

In closing, I'd like to thank our 2,200 growers and shareholders – I look forward to working with you all as we continue to strengthen the Group for a new generation of SunRice.

Thank you. I would now like to welcome Rob Gordon to the lectern to present his CEO report.