

SunRice Update



September 2015 - Number 83

\$10 uplift to C2015 paddy price for Riverina grown rice

As announced at our Annual General Meeting (AGM) in Jerilderie last month, following a strong first quarter in the global rice pool business, we are pleased to report a \$10 lift to the previously advised price range for the C2015 paddy price for growers across the Riverina. This takes the indicative full year price range for the crop just harvested to between \$360 and \$380 per tonne for medium grain (Reiziq).

The price range for specialty varieties with premiums above the Reiziq price will also increase, with the indicative price range for Koshihikari now between \$490 and \$510 per tonne.

This is a continuation of the strong price paid to growers in C2014 and is indicative of the positive outlook for Australian rice, with the potential for further upwards movement in the price subject to the continuation of existing market conditions. Underpinning the positive outlook are:

- favourable foreign exchange conditions with the lower Australian dollar benefiting international rice sales;
- global rice prices, while down on the previous year, remain relatively high; and
- global supplies of medium grain continue to be impacted by conditions in California, which has entered its fourth year of drought despite forecasts for a strong El Nino event that is expected to bring an increase in rainfall.

For more detailed information on paddy price indicators, see page 3.

The positive outlook for Australian rice is encouraging news given the C2015 harvest of 690,215 paddy tonnes was significantly smaller than the annual 1.15 million paddy tonnes of rice we now have markets secured for. Production was impacted by increased competition for water in the Murrumbidgee and Murray Valleys, high temporary water prices and low water allocations in 2014/15.

In line with our earlier commitment we will provide paddy price updates on a quarterly basis, with the next one due in late November.

Strong demand for rice despite anticipated smaller C2016 crop

Looking ahead, we are concerned, like you, at the poor outlook for the 2015/16 season provided by DPI Water. This, along with a current allocation of zero percent for the Murray and 27% for the Murrumbidgee, means we are anticipating a substantially reduced crop to be sown in the months ahead. However, it is too early to forecast crop size given the planting window extends to late November and there is time for water availability to improve.

As we continue to have more demand in premium markets for Australian rice than actual supply, we are encouraging our growers to plant as much rice as they can in what we know are difficult circumstances. We are doing all we can

to increase our support of growers to enable this to happen, including continuing to offer growers assistance in planning their rice program so they can maximise yields and reduce costs.

Recent media reports have speculated that the predicted smaller crop could impact our milling operations, particularly in Deniliquin.

There has also been concern that the size of the crop might affect paddy prices. I want to stress that it is too early to speculate on operational needs given the crop will not be sown for some months.

While we continue to strongly encourage you to grow more rice, we are also putting in place contingency plans for a smaller crop than the one delivered this year.

This will ensure we continue to maximise returns to growers by meeting market demand and helping to offset the impact of a smaller crop on production costs.

Laurie Arthur
Chairman



2015 AGM: Reaping the Rewards of Investment

As mentioned, we recently held our AGM, presenting shareholders with the outstanding financial results from 2014/2015, where we reaped the rewards of the company's Group Strategy, put in place three years ago.

The company's results for the 12 months ending 30 April 2015, included consolidated revenue for the SunRice Group of \$1.25 billion, up 8.3% on the previous year's \$1.15 billion. Net profit after tax was \$49.2 million, up 46.8% on last year's \$33.5 million.

The 2015 Grower Member Directors were formally introduced at the AGM, with Glen Andrezza, Mark Robertson and myself being re-elected for another four year term, alongside new Board member, Leigh Vial. As former head of the International Rice Research Institute's Experiment Station in the Philippines and operating his own farming enterprise in Moulamein, Leigh brings a comprehensive insight and understanding of global rice production and research and development trends to the Board.

At the AGM, we also congratulated John Bradford following his success in the Rice Marketing Board (RMB) election in July. John, who has now officially joined the SunRice Board following confirmation of his appointment to the RMB by the Governor of NSW, is a long standing, well respected rice grower with extensive industry knowledge and a commitment to ensuring the long term success of SunRice and the Australian rice industry.

As we welcome Leigh and John, we farewell and thank two Directors, Alan Walsh and Peter Margin for their outstanding contribution to SunRice. Alan's involvement at SunRice spanned from Chairman of Rice Research Australia Pty Ltd (RRAPL) to Director of both Riviana Foods and Solomons Rice Company. His departure from the Board

leaves behind a legacy of substantial productivity gains for the industry, underpinned by his leadership of research and development activities. Similarly, External Director, Peter Margin's dedication and significant contribution, including holding the positions of Chairman for both Riviana Foods and the Remuneration Committee, has made a significant impact on the business. 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.

Capital Structure Review: equipping SunRice for the future

I thank everybody for taking the time when you received the call from Georgesons to provide feedback to the Board about the proposed capital restructure. Whilst the Board is encouraged by the strong support for the proposal, we were surprised to find that a significant number of shareholders had not formed an opinion. For this reason the Board is going to attempt to contact all shareholders in this position over the next month.

We want to ensure that all shareholders understand exactly what we are proposing before we move towards any vote.

When the Board reflects on the proposal, we also think about a vision for our rice industry that most of us share. A vision where growers control our destiny through good years and bad, with the aim of our families and the next generation enjoying ongoing prosperity. This prosperity enables us to improve our farms, educate our children and provide for our retirement years.

Since the establishment of SunRice 65 years ago, we have all relied on our grower elected representatives to guide us on this journey. Your Board takes

this very seriously and we believe that the proposed capital restructure can secure our future for generations to come.

The world is changing rapidly and not always for the best. Rice farming seems to be getting harder and rice markets need to be defended. Your Board's approach is to tackle these issues head on now and not wait around and hope things work out.

In a nutshell, the proposed restructure will enable us to establish a stronger balance sheet that enhances our capacity to improve paddy and shareholder returns through strategic investment in the industry's future. I do not believe that paddy returns and shareholder returns are mutually exclusive; in fact I think there is a harmony between the two and enduring grower control is non-negotiable.

I look forward to talking to many of you over the next month about the exciting future we have in front of us.

Mike Hedditch announces retirement after 37 years of service to the rice industry

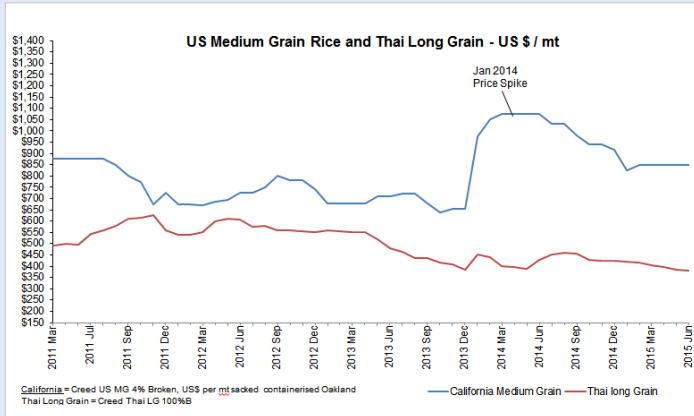
As you may be aware, Mike Hedditch, General Manager, Grower Services has announced his retirement, effective 31 December 2015. Mike has made an invaluable contribution to our business and will be sorely missed.

It's fair to say Mike's life has revolved around rice. This was recognised in 2006, when the RGA awarded him its highest honour, appointing him an Honorary Councillor for outstanding and meritorious service to the Australian rice industry.

Mike says it has been an enormous privilege to have worked in the rice industry and with SunRice and its growers. And while he might be retiring, he's still focused on righting the imbalance between water for food production and water for the environment, encouraging irrigators to pressure policy makers.

Paddy Price Indicators

Global Pricing – Medium Grain and Long Grain*



*Note: Selling prices listed are in U.S. dollars per tonne and for Finished Product tonnes (includes costs for milling and yield losses, packing, distribution and administrative charges).

SunRice estimates

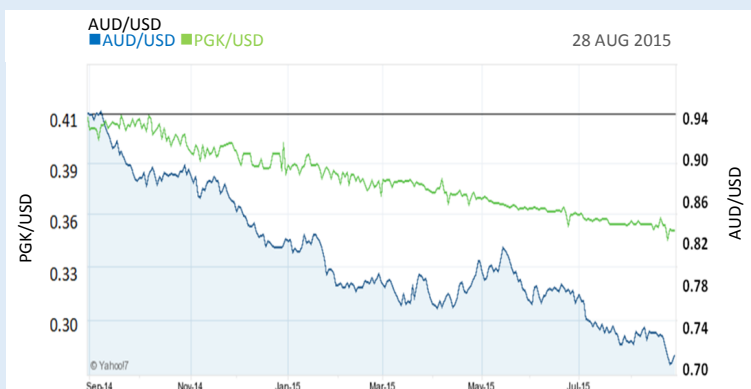
Medium Grain

- The price for Californian medium grain, while lower than last year, is still relatively high.
- Potential for the price to move higher due to combination of smaller crops in California and Australia.

Long Grain:

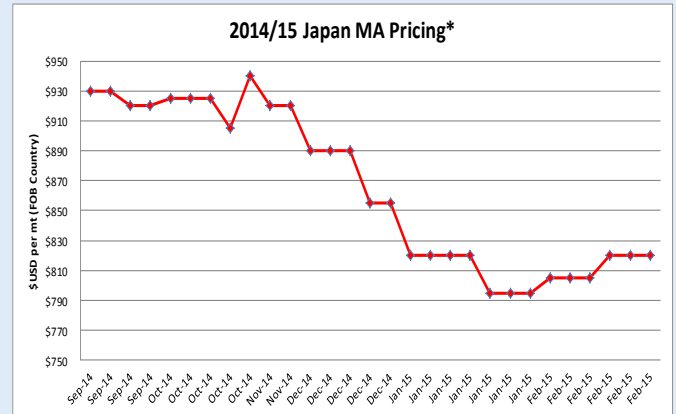
- The price for Thai long grain has been under pressure amid a massive overhang of rice stocks built up under the previous government's buying program.
- However, production of new rice in Thailand has reduced due to drought.
- The price is not expected to fall further and may increase depending on how significant the drought becomes in Thailand.

Foreign Exchange



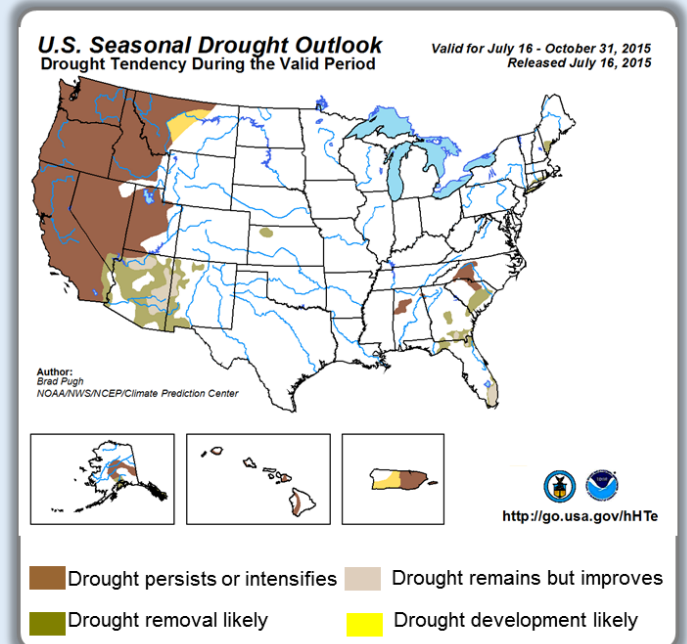
- Favourable foreign exchange conditions at present with the lower Australian Dollar benefiting international rice sales.

Government tender markets**



- Despite the drought induced smaller crop, prices for Californian rice supplied to direct government tenders in Japan have fallen.
- A key reason for the fall is Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) has changed its buying patterns, spreading shipment dates for purchased rice well out into the future. This has resulted in less pressure on milling time.

California drought – key statistics



- California is now entering its fourth year of drought.
- California crop acres expected to be down 11% in 2015 compared to previous year.
- With El Nino conditions developing, California will require significant rainfall to recharge reservoirs and increased snowpack in the coming winter to enable a return to more normal crops next year.

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)	45.00	41.00	50.00	49.00	50.00	58.00	58.00	61.00	40.00	40.00
3rd payment (23 February 2016)	27.00	26.00	31.00	30.00	31.00	35.00	36.00	36.00	40.00	40.00
4th payment (26 April 2016)	30.00	29.00	35.00	34.00	35.00	39.00	40.00	41.00	30.00	30.00
5th payment (24 May 2016)	19.00	18.00	22.00	21.00	21.00	24.00	25.00	25.00	40.00	40.00
Final payment (26 July 2016)	29.00	28.00	34.00	32.00	33.00	38.00	39.00	39.00		
Total	360.00	340.00	415.00	400.00	410.00	470.00	480.00	490.00	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.

SUNRICE BOARD OF DIRECTORS

Laurie Arthur (Chairman)
Noel Graham (Deputy Chairman)
Glen Andreazza
John Bradford
Rob Gordon

Gillian Kirkup
Grant Latta
Mark Robertson
Leigh Vial

CORPORATE MANAGEMENT TEAM

Chief Executive Officer : Rob Gordon
Chief Financial Officer : John Brennan
GM Operations : Simone Anderson
GM International Commodity : Milton Bazley
GM People and Performance : Vacant

Company Secretary : Mandy Del Gigante
GM Grower Services : Mike Hedditch
GM Consumer Markets : David Keldie
GM CopRice and AGS : Gerard Woods