

SunRice Update



December 2015 - Number 84

SunRice committed to Riverina despite smaller crop

As anticipated, due to low water allocations and high water prices, the 2015/16 crop will be smaller than we'd hoped for.

Despite these challenging circumstances, we remain committed to the Riverina, including our growers, our milling infrastructure and our employee base. As explained during the recent Capital Restructure presentations, SunRice is increasing its global sourcing activities to ensure we can continue to maintain the sales demand we have, which sits at just over 1.1 million tonnes of paddy equivalent rice. This is a key plank in our strategy to ensuring we maintain and grow our markets to place your Riverina rice into when favourable conditions – and larger crops – return.

In line with this, we are currently assessing how best to reconfigure our Riverina milling and packaging operations and will provide details as soon as we can.

While it is likely some operational changes will need to be made in order to adapt to the current situation, we are firmly focused on ensuring our Deniliquin and Leeton sites' viability for the future.

As you may be aware, SunRice has invested around \$80 million in our Riverina assets over the past three years. We have recently also undertaken a \$6 million capital expenditure works program at Deniliquin Mill, involving up to 75 tradespeople, including many local service providers and suppliers.

We are committed to maintaining a strong presence in the Riverina in anticipation of larger crops ahead. That includes retaining as many of our people as possible in what are undoubtedly difficult circumstances.

Capital Structure Review update

Given how busy you all are harvesting, I'd like to express my sincere thanks to those of you who attended the information roadshows about the proposed Capital Restructure in mid-November, ahead of the shareholder vote in March 2016.

This next step forward is designed to strengthen SunRice for the future, so it was especially pleasing to note the overwhelmingly positive sentiment across the meetings, with many of you confident, as I am, that the new structure is the right step forward.

In saying that, it is important that I remind you to read the Capital Restructure Booklet in full when it arrives in early 2016 before deciding how to vote. The Booklet will contain the details of the Capital Restructure, including an Independent Expert's Report and information on the advantages and disadvantages of the model.

For those of you who weren't able to attend one of the roadshows, I encourage you to watch the short video on the Capital Restructure which is available on the SunRice website at: http://bit.ly/CSR_video. The video talks through the key changes, benefits and disadvantages and next steps of the Capital Restructure. It also provides a summary of how the establishment of the

new SunRice Fund will work and how accessing a larger pool of equity capital than we currently have will ensure we're better equipped to target new markets for Australian rice and optimise the paddy price per tonne for Riverina growers in good times and bad.

Your participation and vote is critical. For the Capital Restructure to proceed a 75% majority vote of both A and B Class shareholders is required.

Between now and the vote in March, in addition to reading the Restructure Booklet, I encourage you to seek your own financial and other professional advice before voting.

If you have a question, please contact me on 0428 500 232 or one of your Directors. You can also obtain information via the SunRice website (www.sunrice.com.au/corporate/investors) or by phoning the shareholder hotline: 1800 020 806 or +61 3 9415 4260 (for international callers).

*Laurie Arthur
Chairman*



Meet Tom Howard, new General Manager, Grower Services & Agronomic Development



Many of you have probably had the opportunity to meet Tom when he toured the Riverina with the team for the Capital Restructure roadshow meetings last month.

Tom joined us in early November from grain marketing and supply chain business, Emerald Grain, where he held a number of senior roles over a five year period, including Group General Manager, Trading/Marketing and most recently, Group General Manager, Commercial, based in Melbourne.

He is a highly experienced agribusiness manager who brings a deep knowledge of the domestic and international grains industry to his role with SunRice.

Tom will spend the majority of his time in the Riverina, while also focusing on agronomic development in North Queensland, Papua New Guinea and other locations.

Initially, Tom will be spending a significant amount of time with Mike Hedditch to glean the benefits of Mike's deep understanding of the rice industry before he retires.

This will involve meetings and discussions with rice growers, water industry personnel, research and development collaborators and other stakeholders to supplement Tom's extensive agribusiness skills as he embarks on his career with SunRice.

Please join me in welcoming Tom to the Australian rice industry. To contact Tom, he can be reached in the office on 02 6953 0619, on his mobile 0488 779 166 and via email thoward@sunrice.com.au

Paddy Price Indicators

The C2015 price outlook has not varied from the update provided on 25 September, when the Board announced a \$25 per tonne increase to the C15 price range, bringing it to \$385 to \$405 per tonne for medium grain (Reiziq).

The improvement was in response to strong sales performance across domestic and global channels and favourable foreign exchange conditions. The indicative price range for Koshihikari also remains between \$515 and \$535 per tonne. For detailed information on paddy price indicators, see page 3.

Market Access Update

Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) was concluded on 5 October, 2015 between the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Key TPP market access outcomes for rice include:

- For the first time since 1995, new quota access for U.S. and Australian rice and rice flour exports into Japan, featuring:
 - * U.S. - new duty-free quota established for U.S. rice, initially set at 50,000 metric tons and growing to 70,000 metric tons after 12 years;
 - * Australia - new 6,000 metric ton duty-free quota growing to 8,400 metric tons after 12 years; and
 - * Japan will also reduce tariffs on a number of rice preparation products.
- Japan will amend existing administrative arrangements under its WTO quota on rice by allocating 60,000 metric tons towards medium grain rice for processing use.
- Improvements to Japan's tendering process for rice, with Japan to now offer tenders six times a year, including an additional tender in May in line with Australia's growing season.

Phytosanitary Protocol with China

Ongoing negotiations between the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) and China's General

Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) have recently been stalled after the U.S. industry felt demands made by the Chinese were scientifically unsound.

Australia's rice submission, which was lodged with China in March 2007 and then again in August 2012 (in accordance with new Chinese requirements), is currently with AQSIQ. AQSIQ has advised that it will progress market access requests one at a time based on industry prioritisation, with rice second in line behind lupins for human consumption.

Change of guard at RGA

Since the last update, you'd be aware that Les Gordon has stepped down as President of the Ricegrowers' Association of Australia (RGA), after eight years of outstanding service.

I'm sure you'll agree that Les made a significant contribution to the Australian rice industry, in particular the role he and the RGA played in retaining NSW's rice vesting arrangements and the SunRice Sole and Exclusive Export Agreement in 2012.

These arrangements provide certainty to our industry and assist SunRice to maximise returns for NSW growers in export markets.

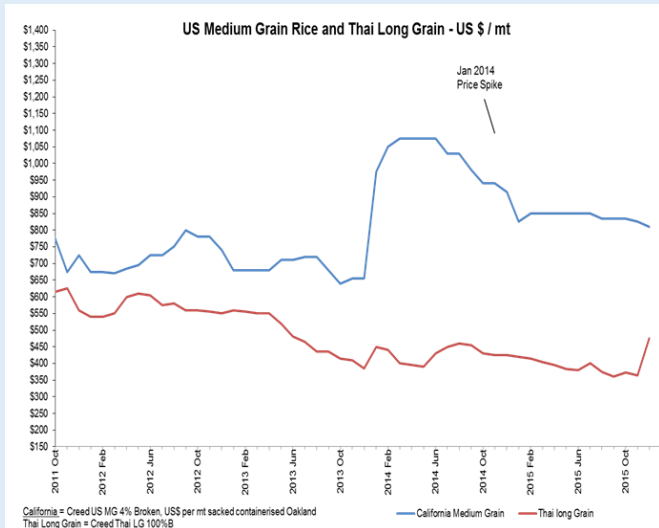
While I wish Les all the best for his well-deserved retirement, I also welcome his successor, Moulamein rice grower Jeremy Morton (pictured below) who takes on the role after a long association with the RGA, including most recently as its Senior Vice President.

I look forward to working with Jeremy on the upcoming vesting review and to continuing SunRice's strong relationship with the RGA.



Paddy Price Indicators

Global Pricing – Medium Grain and Long Grain*



*Note: Selling prices listed are in U.S. dollars per tonne 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 has fallen recently, largely due to Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF's) changing its buying patterns and spreading shipment dates for purchased rice.
- The potential still remains for the price to move higher due to the combination of smaller crops in California and Australia.
- Egypt re-entered the international market in October with increased wholegrain sales to traditional buyers in the Middle East and the Mediterranean. Egyptian export prices have since softened as the new crop harvest fully entered the market. Egypt's 2015/16 production is expected to reach four million metric tons (equivalent milled), down 13.2% on last year due to lower field yields caused by higher temperatures during August. Exports have been forecast to reach 400,000 metric tons (milled).

Long Grain

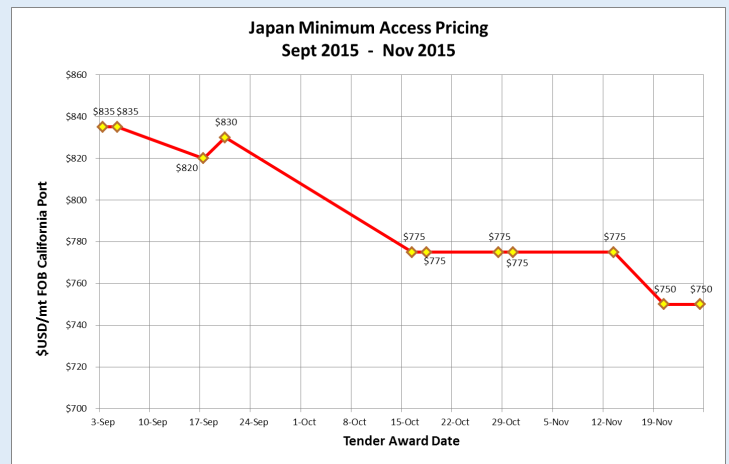
- Vietnamese and Thai long grain white rice prices surged in October on news of demand from Indonesia and the Philippines. The Philippines' National Food Association (NFA) purchased 450,000 metric tons of long grain milled rice from Vietnam and 300,000 metric tons from Thailand in response to dry weather due to the developing El Nino.
- Thailand has circa 13 million tonnes of rice in storage. About 6 million tonnes in government warehouses is below standard or rotten and classed unfit for human or animal consumption according to the Commerce Ministry. Since taking power in 2014, Thailand's military government has auctioned 5 million tonnes of rice through several tenders.

Foreign Exchange



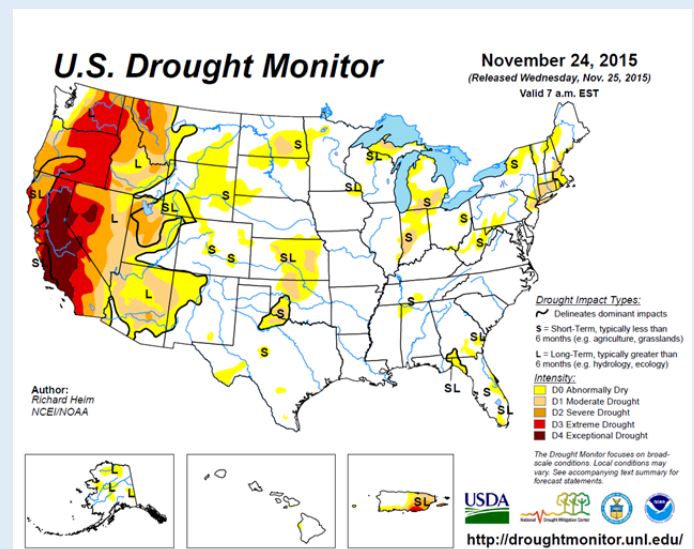
- Favourable foreign exchange conditions at present with the lower Australian Dollar benefiting international rice sales.

Government tender markets*#



- Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF's) strategy of spreading shipment dates and calling for 2014 or 2015 crop continues to negatively impact California medium grain prices. Since the first tender for medium grain held in September 2015, Californian prices have fallen US\$90 per metric tonne to around US\$750 per metric tonne.

California drought – key statistics



- The Californian rice crop has been revised upwards to 401,000 acres, with the year-on-year comparison expected to be down only circa 5%.
- While El Niño conditions continue to develop, California will require a significant amount of rain to lift it fully from a fourth year of drought.
- Northern California rain accumulation running 41% of normal. However 90 day forecast calling for above average rainfall

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 (paid)	52.00	49.00	58.00	57.00	58.00	65.00	66.00	68.00	40.00	40.00
3rd payment (23 February 2016)	31.00	30.00	35.00	34.00	35.00	39.00	40.00	41.00	40.00	40.00
4th payment (26 April 2016)	36.00	34.00	40.00	39.00	40.00	44.00	45.00	46.00	30.00	30.00
5th payment (24 May 2016)	22.00	21.00	25.00	24.00	24.00	27.00	28.00	28.00	40.00	40.00
Final payment (26 July 2016)	34.00	33.00	39.00	37.00	38.00	44.00	44.00	44.00		
Total	385.00	365.00	440.00	425.00	435.00	495.00	505.00	515.00	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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