



Rice Field Day Rice Market Update

Rob Gordon - Chief Executive Officer

Thursday, 3 March 2016



Agenda

- Rice market update
- Industry outlook
- SunRice initiatives



RICE MARKET UPDATE



Current state of play

- Supply and demand dynamics
- World prices entering downward cycle but SunRice has developed resilience
- Rice competitiveness
- New pricing mechanisms



Factors impacting paddy return

- Global supply and demand dynamics
- Global rice price trends
 - Medium Grain
 - Long Grain
 - Fragrant varieties
- Foreign exchange movements
- Paddy milling yields
- Riverina crop sizes
- Overhead recovery capabilities



California positive rain and snowfall conditions

- Northern California precipitation 122% of average, as of 1 February 2016
- Northern Sierra snowpack running at same above average rate as precipitation

Hydrologic Conditions in California (02/01/2016)

| Northern Sierra Precipitation Accumulation (1) | |
|--|-------|
| Rainfall & Snow Water Content (in inches) | |
| Water Year Amount to Date (since Oct. 1, 2015): | 32.66 |
| Average to Date: | 26.70 |
| Percent of Average to Date: | 122 % |
| Average for the Water Year (Oct. 1 through Sep. 30) | 50.00 |
| Percent of Average for the Water Year (Oct. 1 through Sep. 30) | 65 % |

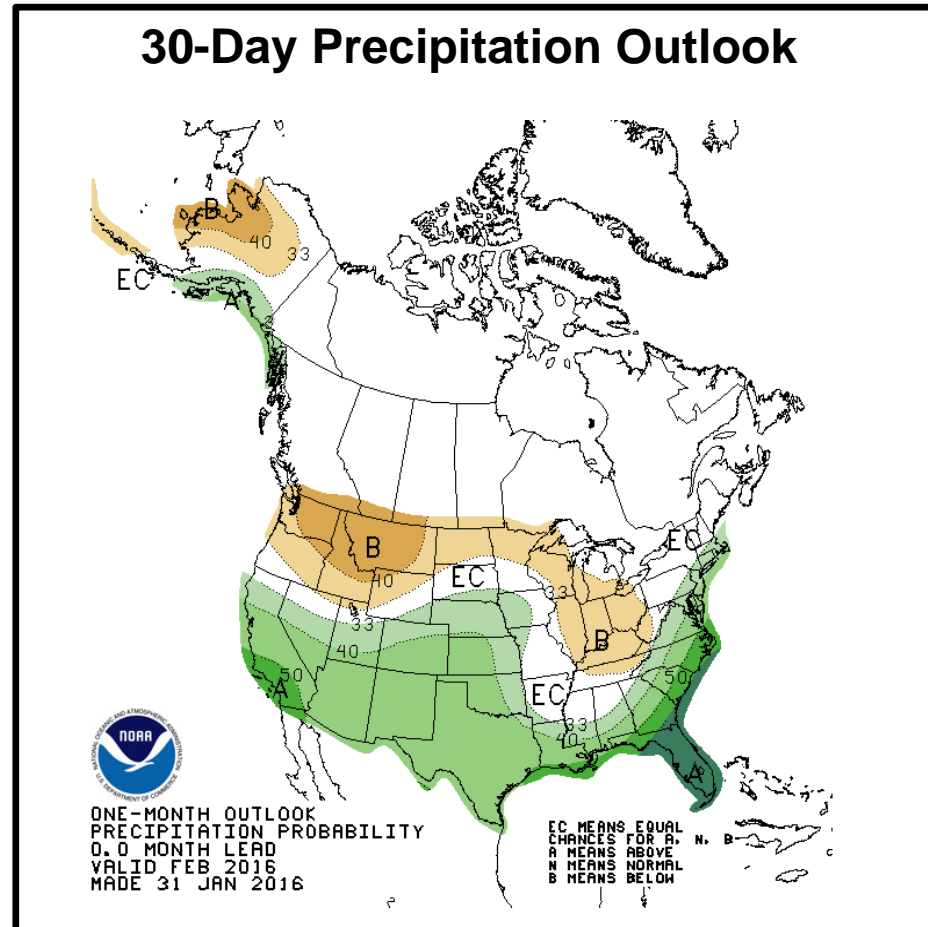
(1) Northern Sierra (Sacramento, Feather, Yuba, and American River Basins)

| Snowpack Water Content | | | |
|------------------------|------------------------------|------------------|----------------------|
| Region | Water Content (in inches) | % Avg to Date | % April 1 Avg (2) |
| Northern Sierra | 22.60 | 122 | 77 |
| Central Sierra | 21.00 | 116 | 72 |
| Southern Sierra | 15.10 | 98 | 57 |
| Statewide | 19.70 | 113 | 69 |

(2) April 1 is the date of normal maximum accumulation for the season.

California rainfall to increase

- 30 day forecast calling for slightly above average (Northern CA) to above average (Southern CA) rainfall



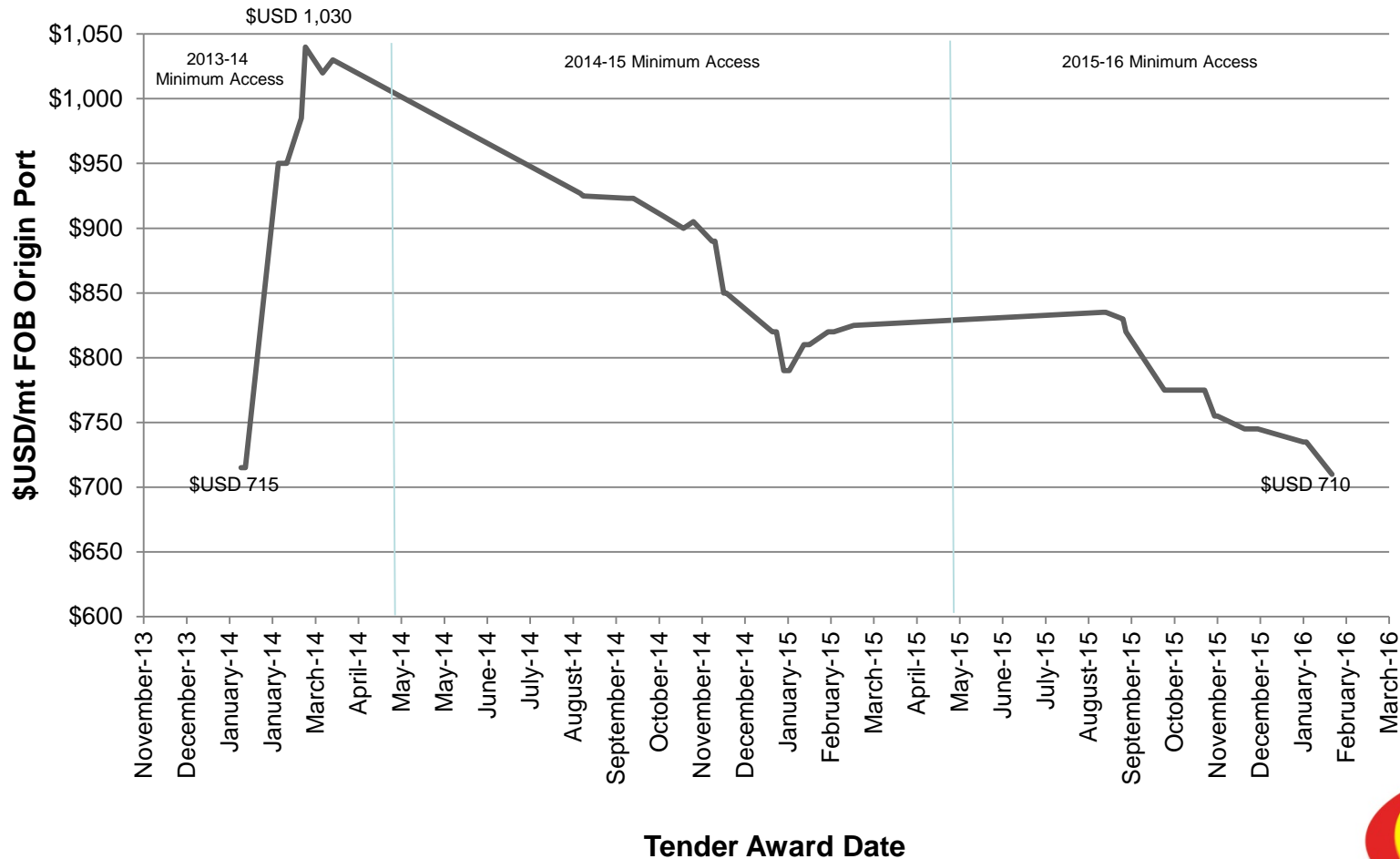
California seasonal outlook

- While California is not expected to officially emerge from multi-year drought deficit, it has received much needed above average snowpack and precipitation
- Official water allocations will not be made until April 2016, however, current expectation is that sufficient surface water will be available to plant minimum 10% increase in year-on-year plantings
- Forecast planting of 415,000 – 440,000 acres (166,000 – 176,000 hectares)
- Small water sales are also expected in the Northern growing region / Butte County



C15 Global pricing – Government Tender Markets

Japan Minimum Access Pricing
Australia / USA Awards
January 2014 - February 2016

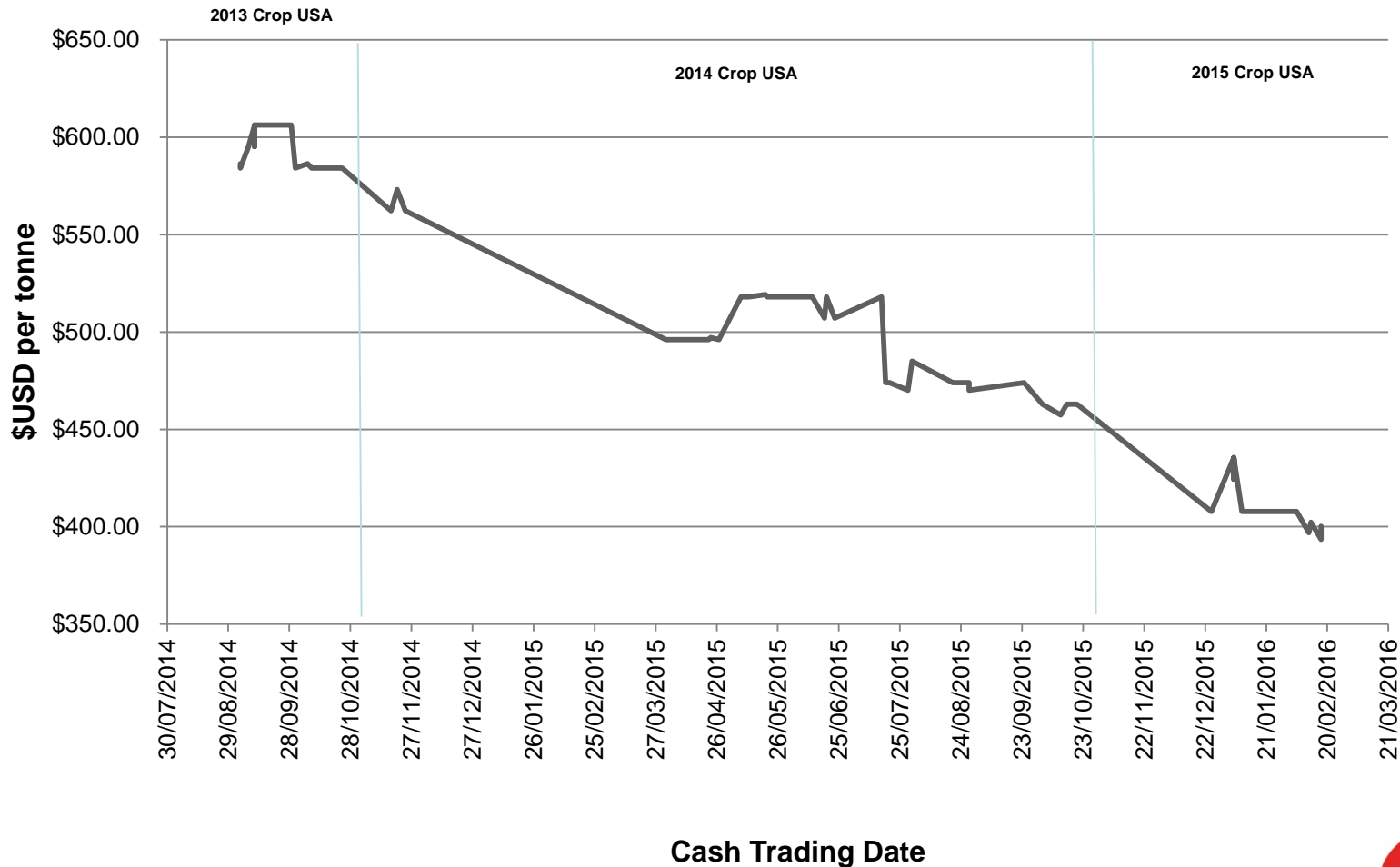


Source: SunRice



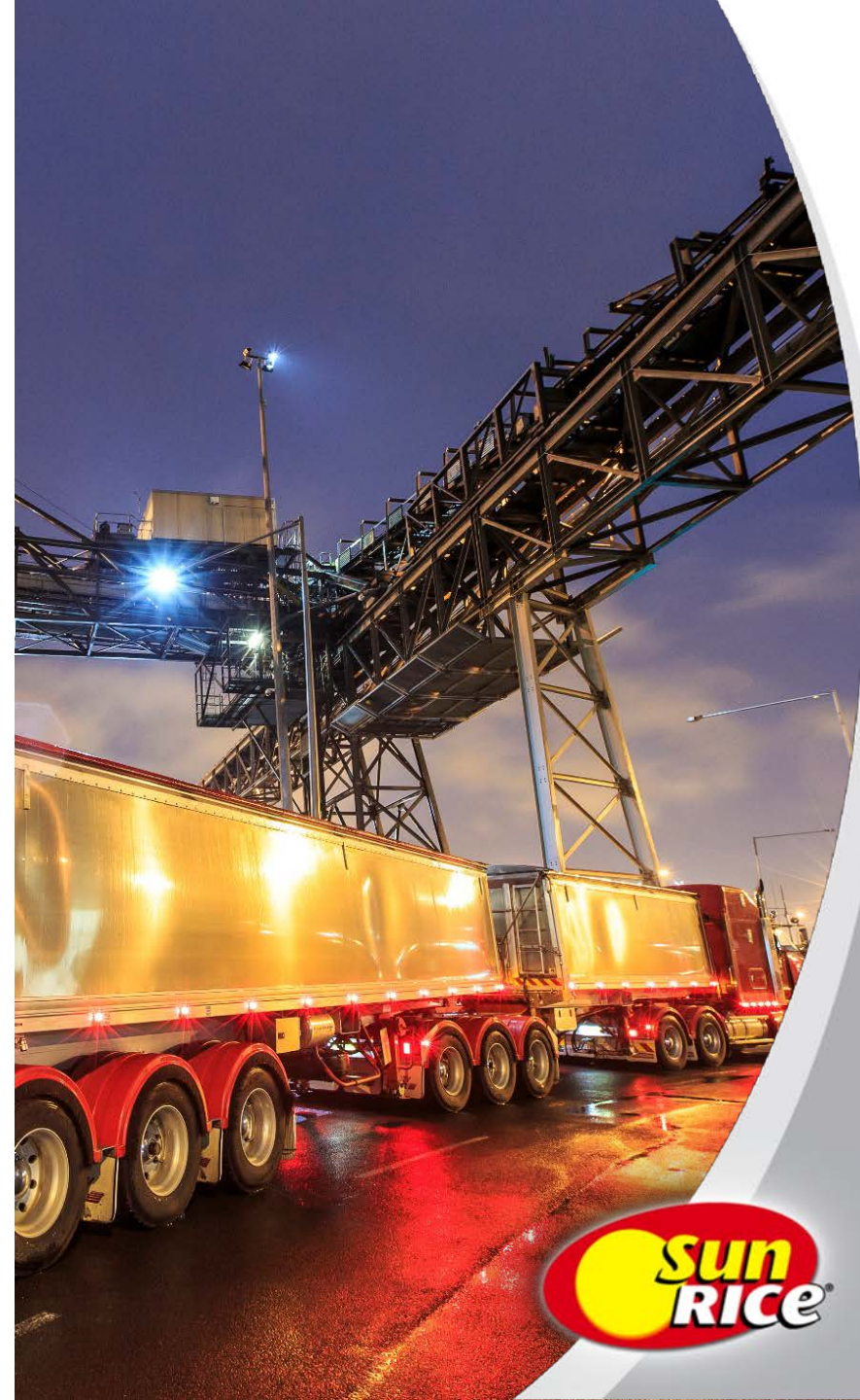
C15 Global pricing – Medium Grain

California 18-Month Cash Paddy Prices Cash Rice Network / Cal Rice Exchange



Supply: Demand summary

- Global prices softening
- Potential oversupply as Thailand and China look to offload stockpiles



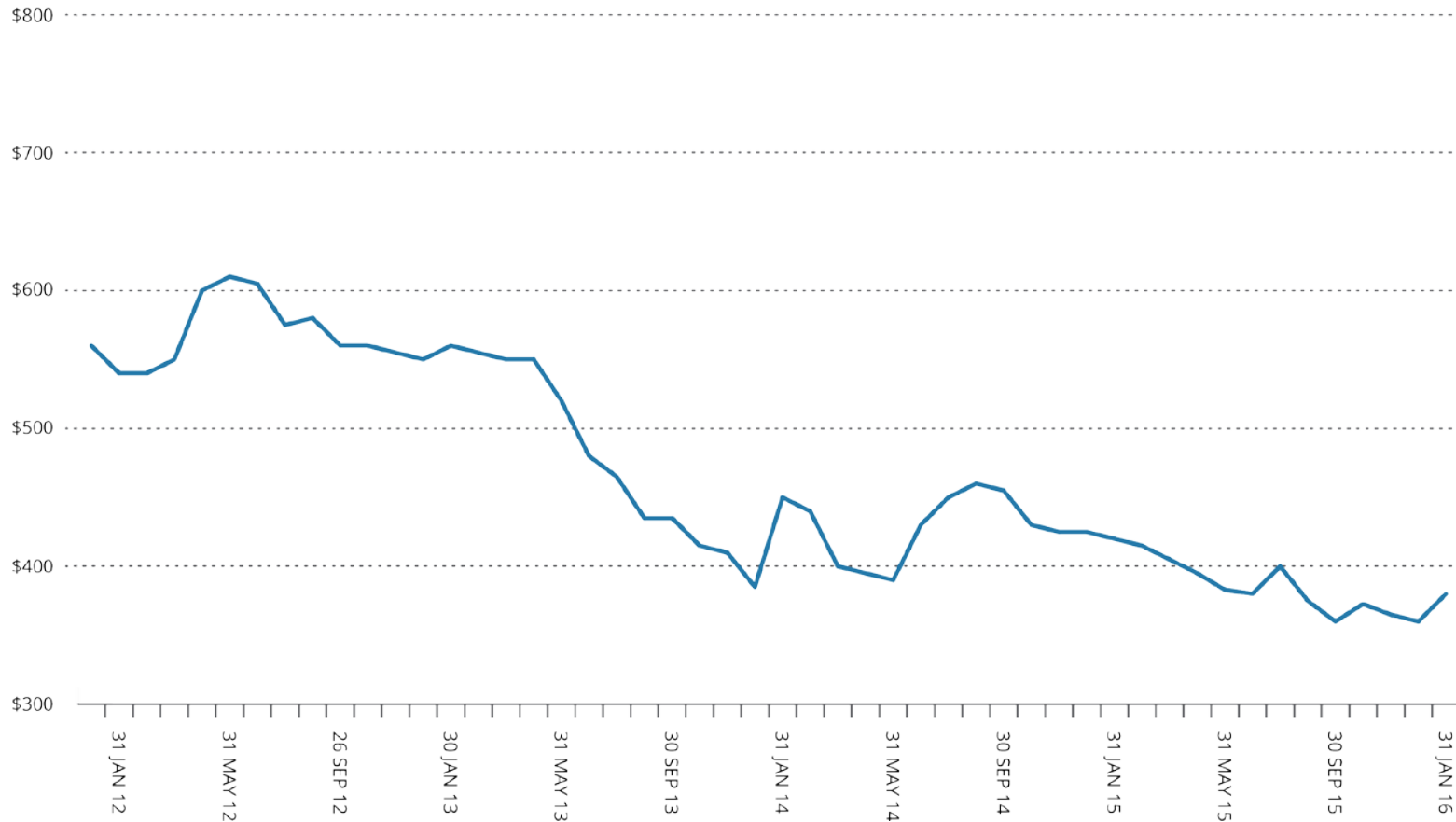
Asia to offload stockpiles

- The Thai Government plans to clear 13 million tonnes of stockpiled rice by 2017
- Last month 245,262 tonnes of Thai stockpile sold
- China's endings stocks forecast to increase to around 50.6 million tonnes, an increase of about 6% on previous year
- As Chinese rice storage approaches capacity limits, the Chinese Government plans to sell stockpiled rice



C15 Global pricing – Long Grain

Thai Long Grain



*Creed Thai LG 100% B

*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).



C15 Global pricing – Thai Hom Mali Long Grain



Source: Live Rice Index, UK



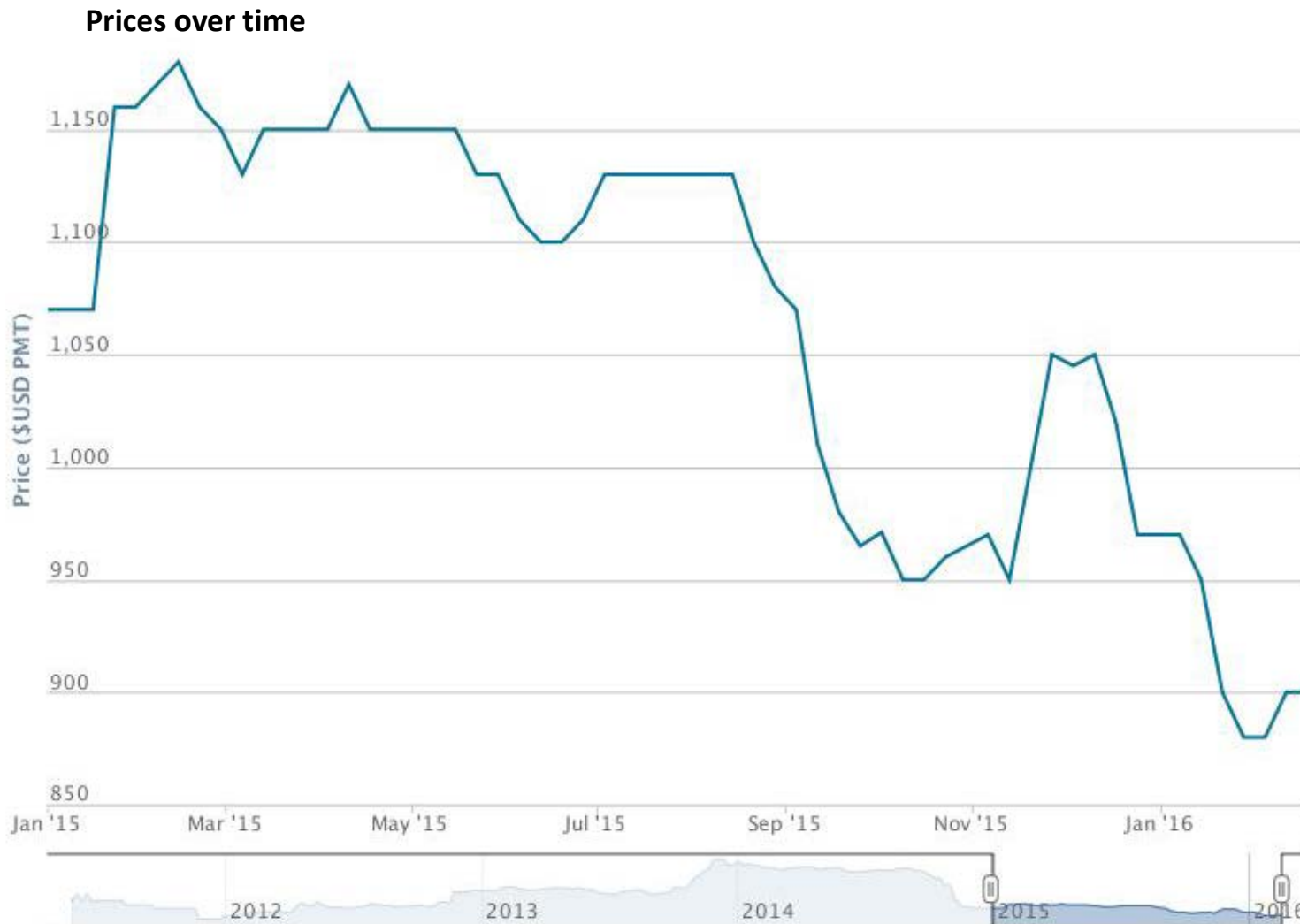
C15 Global pricing – Pakistan Basmati Long Grain



Source: Live Rice Index, UK



C15 Global pricing – Indian Basmati Long Grain



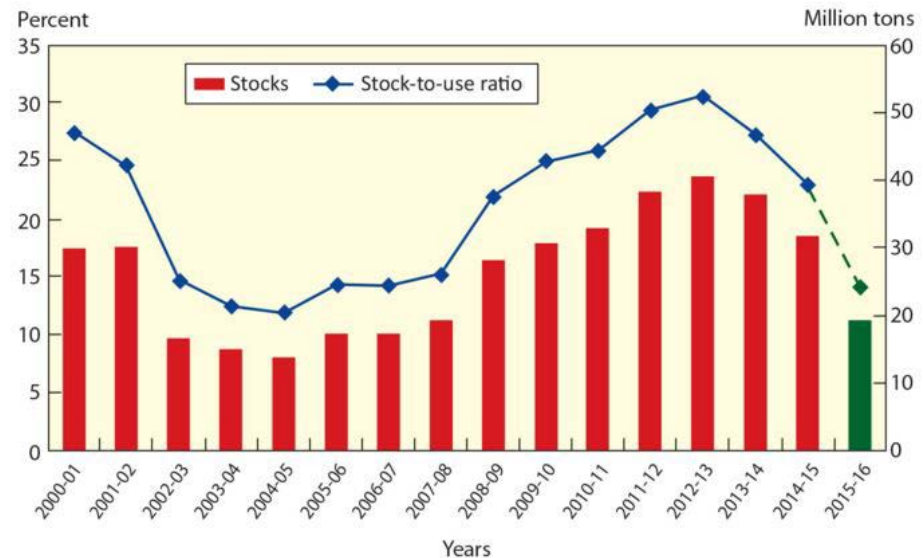
Source: Live Rice Index, UK



C15 Global pricing – Stocks-to-use ratio

- Despite downward price trends, some indicators point to the market tightening in the medium term
- Is the bottom of the cycle near?

Top five exporters rice stocks vs. stock-to-trade ratio
India, Thailand, Vietnam, Pakistan and the United States*

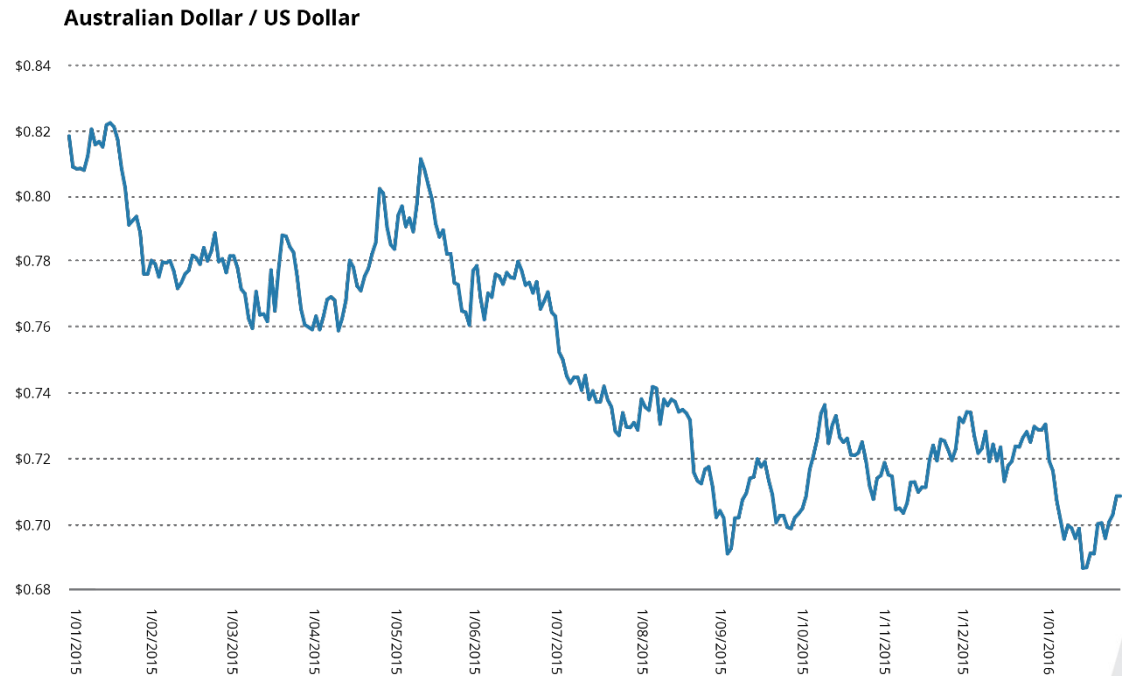


*Source: PSD Online Database, USDA (accessed on 12 February 2016)



Foreign exchange movements – US\$

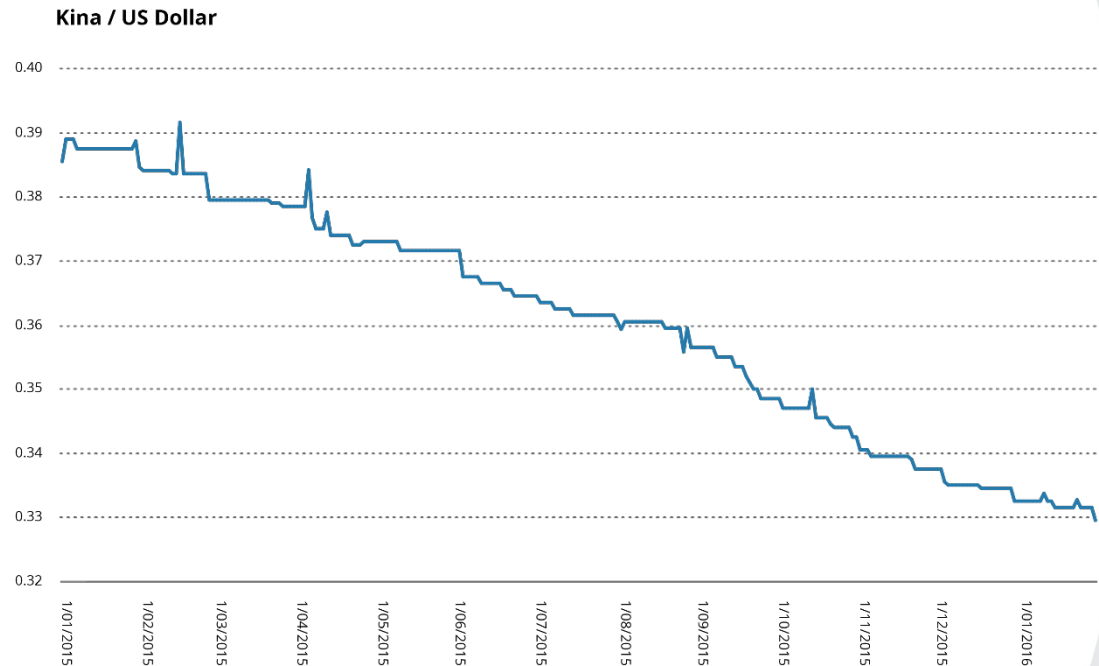
- Lower A\$/US\$ exchange rate benefits international rice sales
- Anticipate A\$/US\$ exchange rate to be 'range bound' over the short term



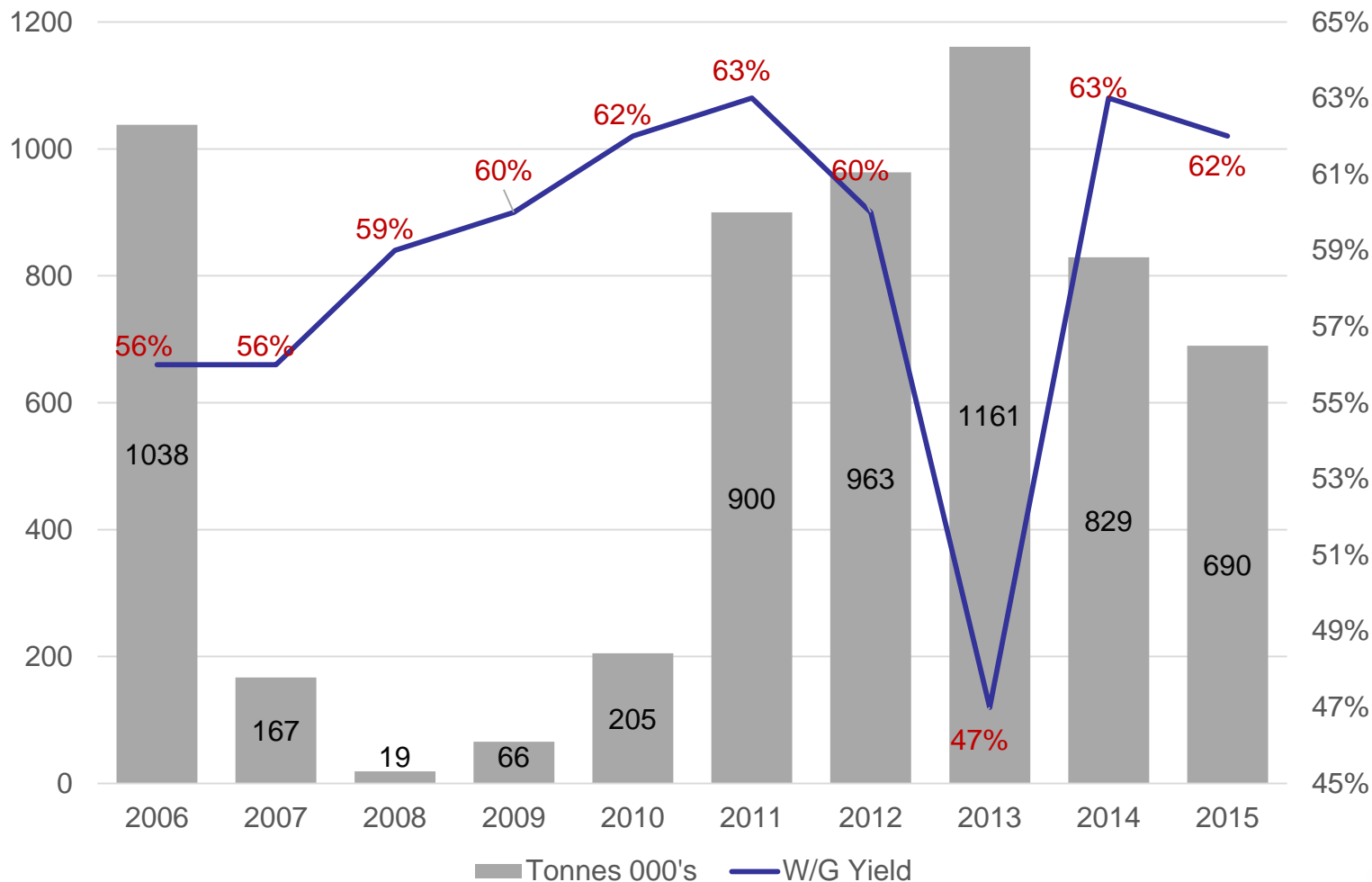
Source: Bloomberg

Foreign exchange movements - PGK

- Weakening PGK/US\$ exchange rate is likely to continue
- Volatile economic and political environment in PNG
- A weaker PGK dilutes returns
- PGK illiquidity is of concern for foreign businesses operating in PNG



Paddy quality stabilised at levels above average historically



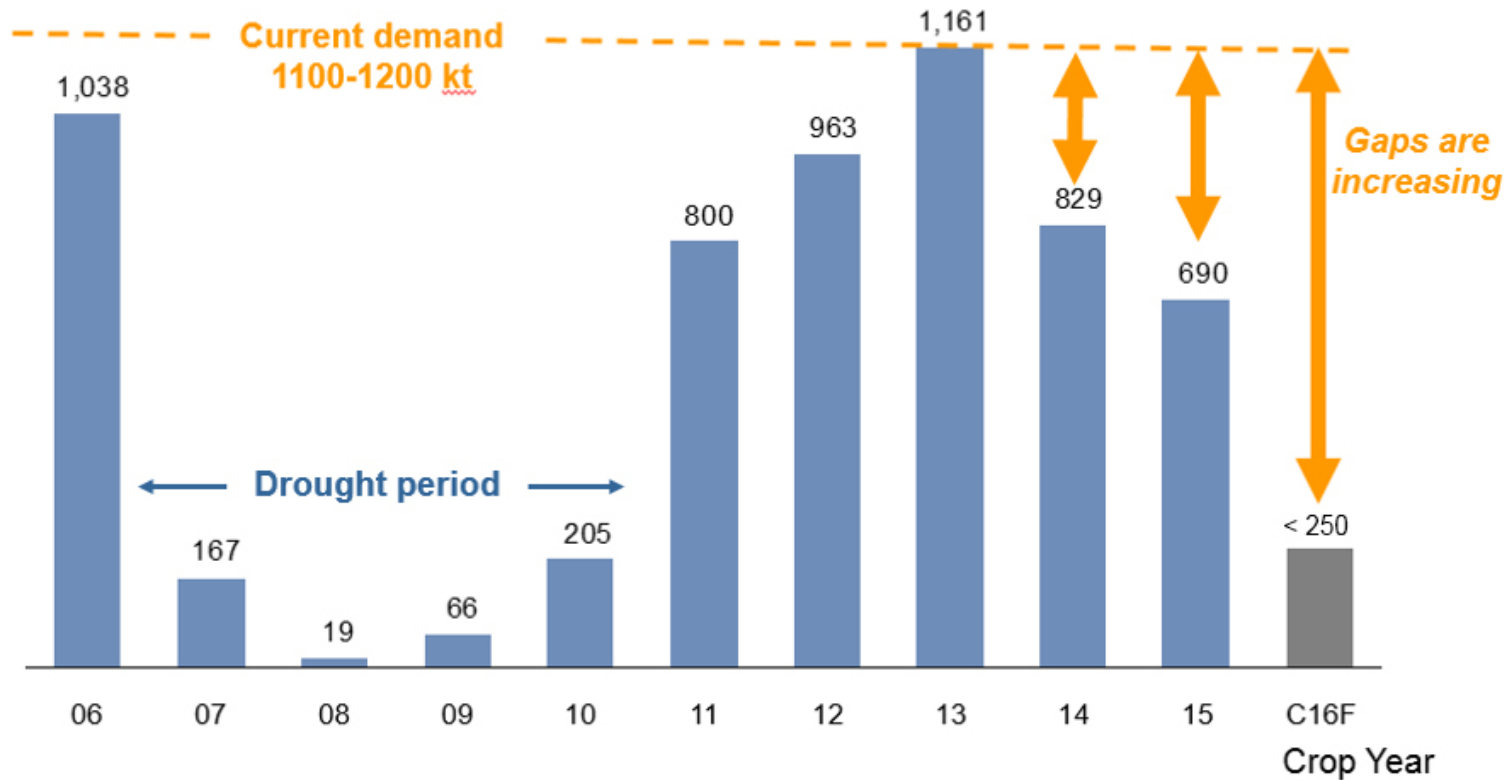
Overhead recoveries

- In response to the significantly reduced Riverina C16 rice crop and to ensure long-term business sustainability, we have reconfigured milling operations in Deniliquin and Leeton
- We have limited job losses to 38 permanent positions by pursuing all available options with employees and unions to retain people in the business. This included options to re-locate staff, job sharing and temporary leave
- Overheads are under recovered at less than 250,000 tonnes



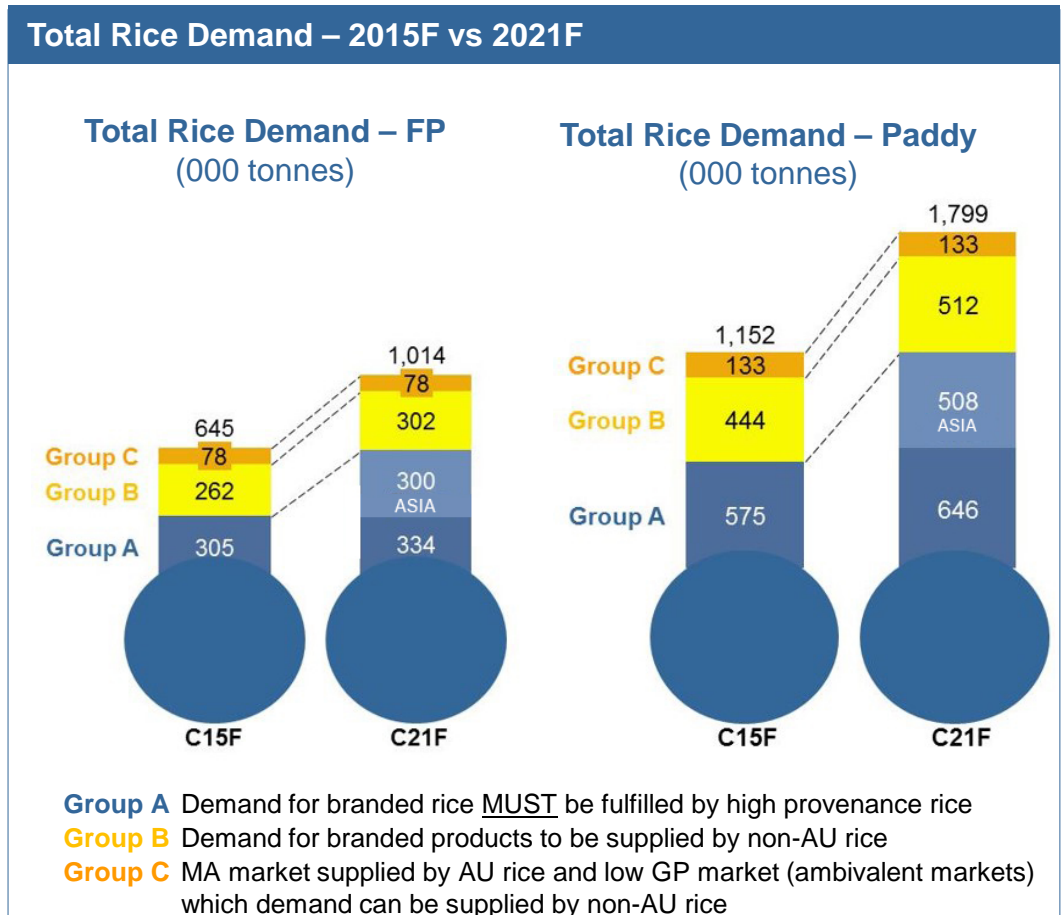
International sourcing filled Riverina shortfall in recent years

Australian Rice Crop Size
'000 Tonnes



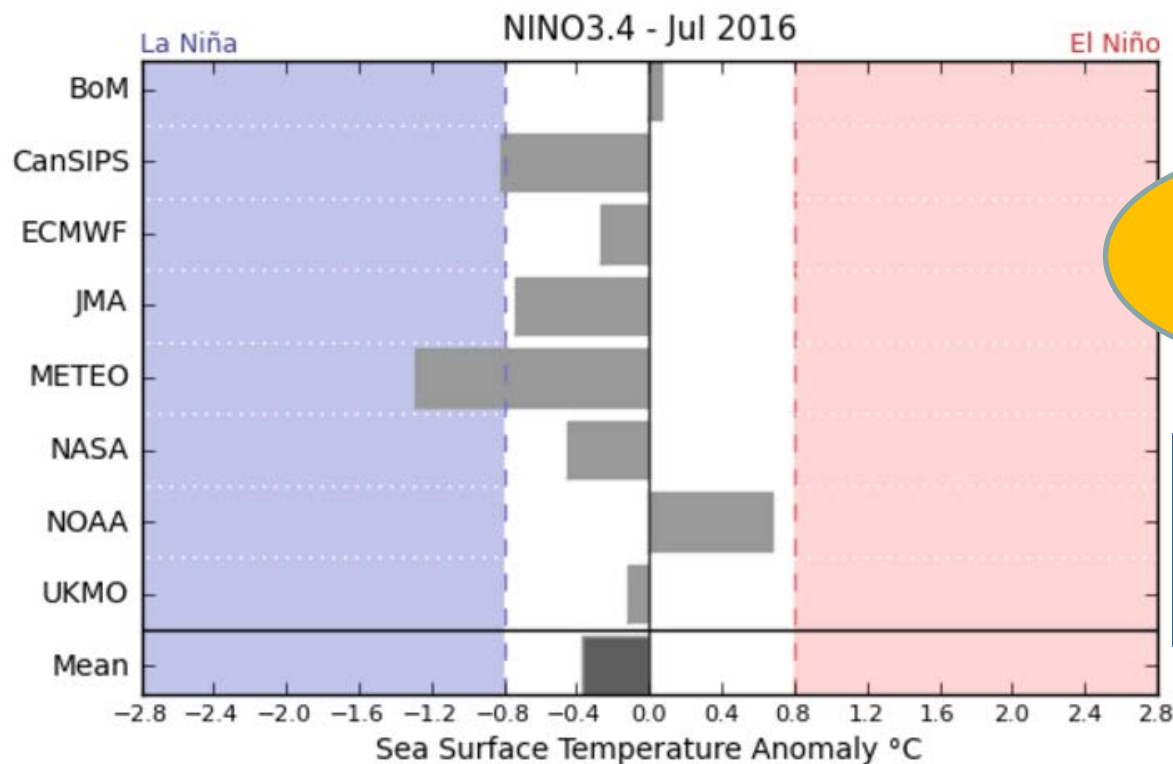
The minimum demand for Riverina rice is ~550-600 kt paddy

- Today, we need ~600kT paddy from the Riverina
- In 2021, we could need ~1000-kt paddy from the Riverina
- Our expansion plans in Asia require Riverina rice



Potential for above average rainfall if El Nino becomes La Nina

Climate Model Summary March to July 2016

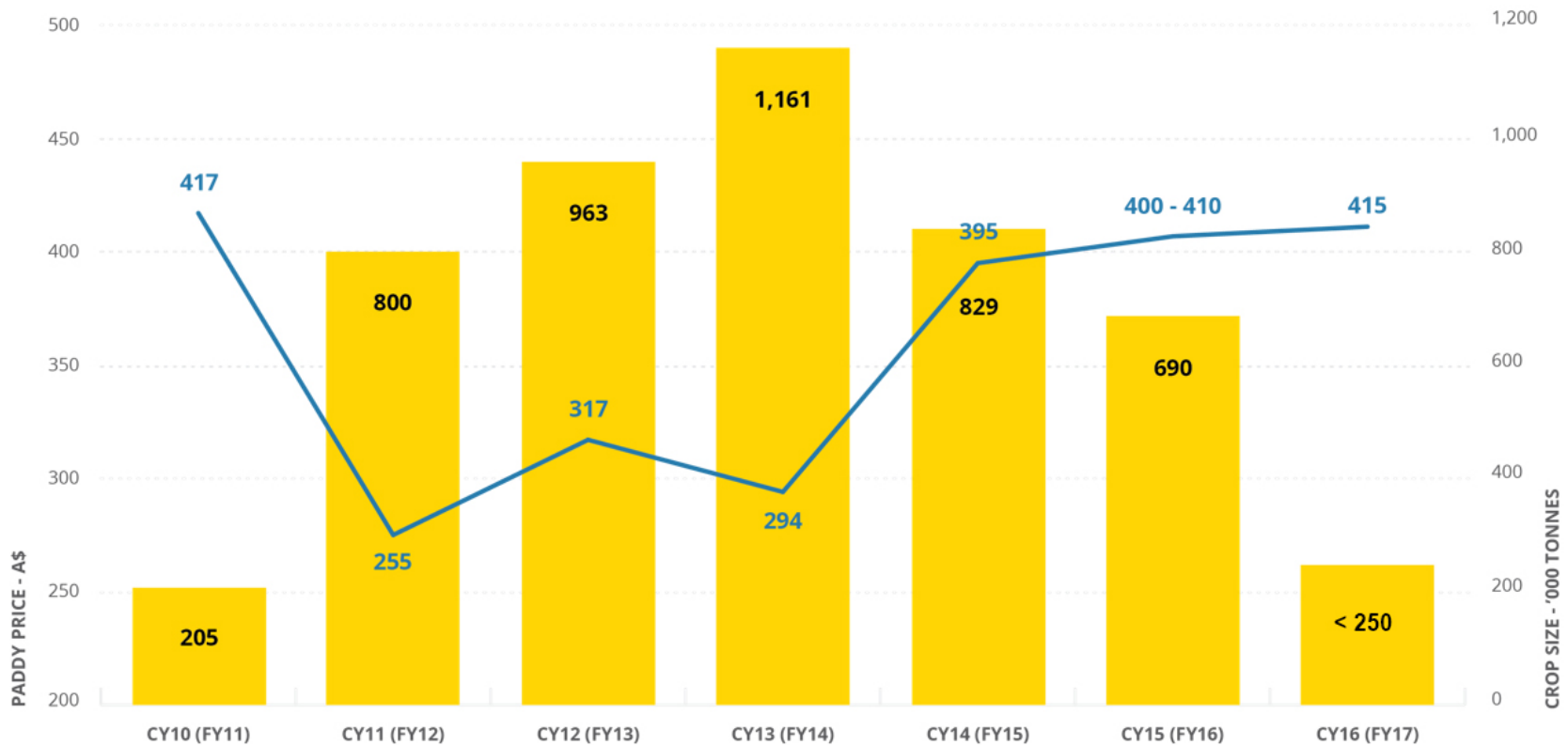


Our crop size forecasts may therefore be conservative

The Australian climate is influenced by temperature patterns in the Pacific and Indian Oceans. This page provides information on Pacific and Indian Ocean outlooks for the coming six months based on a survey of international climate models.

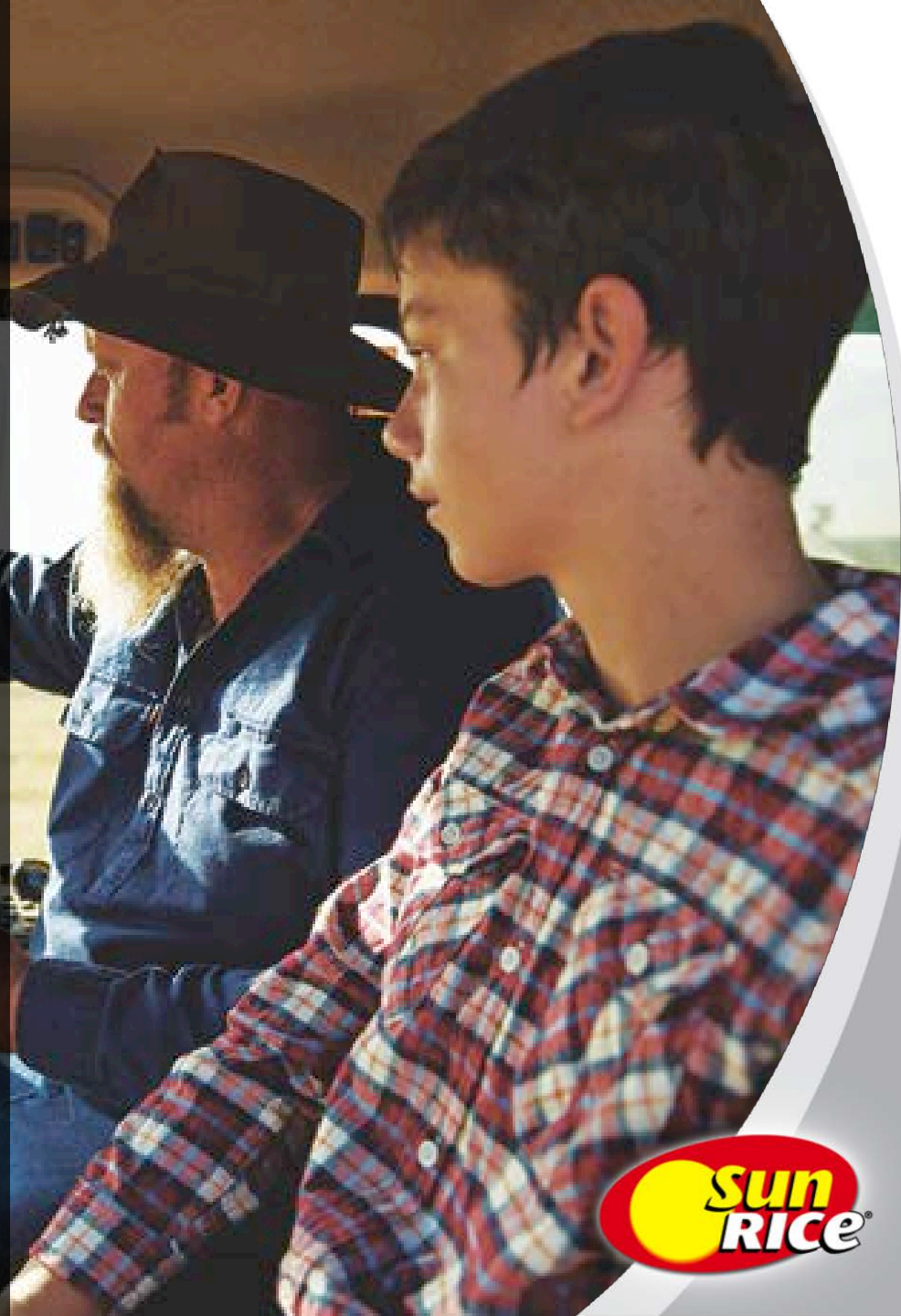
Australian crop size versus pricing

Riverina Rice Production vs Paddy Price

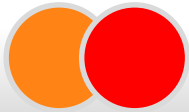


Industry Outlook

- SunRice is providing stability and maximising pricing for the future



Pricing summary



World Rice Prices



Foreign Exchange



Milling Yields



Crop Size

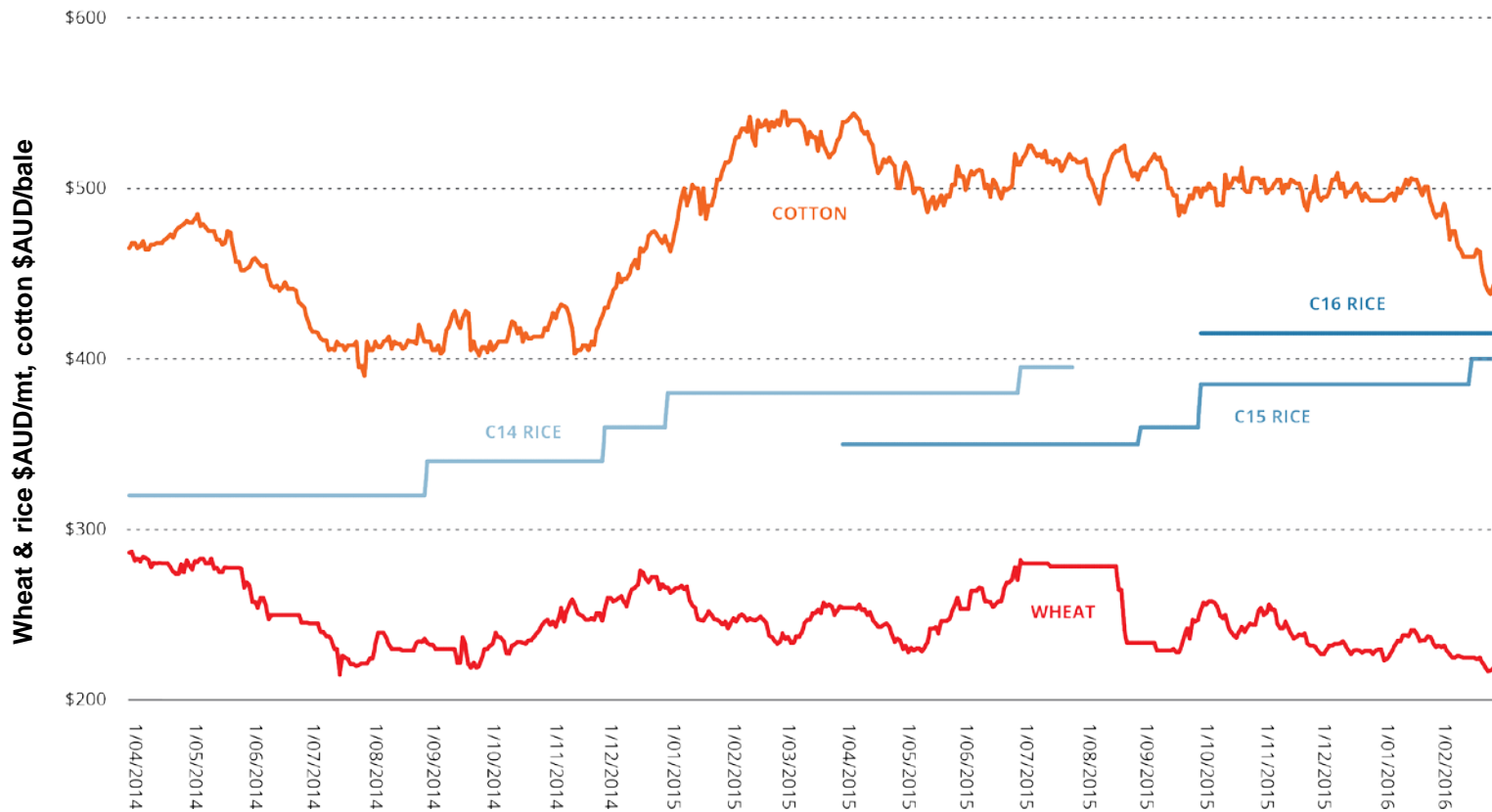


Branded Markets Smooth Pricing



Competition from other crops: prices from alternative crops are softening

Competition: Cotton and Wheat vs Rice



Source: Wheat: APW del Narrandera; Rice: SunRice; Cotton: market data



Rice competitiveness

- On an overall farm system basis, return on capital from planting rice is compelling, particularly for the typical Riverina farm profile
- Rice has maintained strong returns while other crops have experienced significant volatility
- Rice provides cash flow resilience against downward pricing trends for other crop commodities



SunRice Initiatives

- Securing Riverina production while maintaining international markets



New pricing and SunRice demand

- We have developed markets for over 1 million tonnes
- Currently an annual Riverina rice crop of 600,000 tonnes would be optimal to satisfy premium markets
- We need Riverina rice for future growth and existing markets
- We want to attract water from winter crops
- Following grower feedback, we will aim for earlier pricing signal
- SunRice will announce a limited fixed price contract in coming weeks for C17 planting
- Traditional pool will operate in parallel
- More details will be released in coming weeks



Rice an attractive prospect for C17

- SunRice pricing has been positive despite downward global trends, demonstrating the power of brands and trading in international markets
- Virtually all SunRice rice is now sold as branded product
- Fixed price commitment of \$415 for C16 is likely to be supplemented from international rice trading profits
- Rice is competitive with other commodities
- New water efficient variety – cold tolerant Reiziq promising yield improvements with less water
- Potential water solutions through Murray Irrigation proposal
- Likely that El Nino will become a La Nina
- New approach to pricing for Riverina rice
- More innovative tools for financing growing rice



QUESTIONS

