

2016 Rice Field Day SunRice Update

Laurie Arthur, SunRice Chairman
Thursday, 3 March 2016



Agenda

- Improving returns through agronomic developments
- New product developments
- Capital Structure Review Update
- Questions



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Thank you Rob and to everyone who has made today possible.

Firstly, I'd also like to take the opportunity to thank you all for your support during what has undoubtedly been and continues to be a challenging growing year. Given you have been faced with low water allocations and high water prices, we really appreciate and value your commitment. Like you, we're also looking forward to a return to favourable conditions.

As Rob mentioned, I'm going to touch on some of the exciting agronomic R&D work that aims to make growing rice more viable and competitive, especially in years like the one we're experiencing, followed by some new products we're developing to meet growing consumer demand for safe, clean, green and healthy foods. I'll then end with a brief update on the Capital Structure Review process.



As a rice grower I'm excited to be here today talking to fellow rice growers about the possibilities and potential for our industry as a result of SunRice's investment in RRAPL.

While we're having a tough year, I believe this research presents us with the opportunity to embrace new growing techniques and technologies so we can reduce our reliance on water and ultimately improve our bottom lines.

You may have seen some of the R&D work I'm going to talk about this morning in the field program, or you might be involved in trials, so you'll appreciate how lucky we are to have RRAPL and its commitment to agronomic R&D. However it needs your support as growers to be effectively adopted and realised.

To this end, I encourage you to make use of the resources we have in RRAPL and also in SunRice's expanding Grower Services team. If you have questions about growing, or if you're interested in being trained in these new techniques and technologies, RRAPL and our Grower Services are here to help – they can help conduct grower training days and show you examples of the new varieties being grown and teach you about the different watering systems being developed, which I'll be talking about.

World leaders in water efficiency

- We grow rice using less water than rice grown in any other country – **50%** less than the global average
- Water use per hectare continues to decline as a result of the industry's commitment to developing high yielding rice that uses less water
- R&D paves way for continued improvement through:
 - Shorter season rice varieties
 - Improved biomass accumulation
 - Smarter breeding techniques
 - A broader evaluation system of new varieties
 - Improved irrigation layouts



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There's no doubt Australian rice growers are leading the world in water efficiency. We grow rice using less water than rice grown in any other country – **50%** less than the global average.

Water use per hectare continues to decline as a result of the industry's commitment to developing high yielding rice that uses less water.

We can further improve on this impressive track record and better position ourselves for future seasonal challenges, through:

- Shorter season rice varieties
- Improved biomass accumulation
- Smarter and more efficient breeding techniques
- A broader evaluation system of new varieties
- Improved irrigation layouts

New shorter season, cold tolerant, more water efficient rice varieties

- Three new varieties in advance stages of commercialisation:
 - New medium grain - YRM 70 showing promise to replace Reiziq in Middle East
 - New short grain - YRK5
 - New long grain, Doongara type - YRL127
- Developed to improve returns through delivering water efficiencies:
 - 2-3 week shorter growing season but achieving same yields
 - Cold tolerant
 - Later sowing
- Suit water efficient growing techniques



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RRAPL and some selected seed growers are currently multiplying three shorter season, cold tolerant, more water efficient varieties that are close to commercialisation.

The most advanced is YRM 70, which I know some of you have been trialling. In addition to its agronomic advantages it is being well received in the market place according to results from sensory taste testing.

The other two new varieties that are nearing release are a shorter grain rice and a long grain Doongara type variety.

Each variety has been bred around three key traits designed to improve water use efficiencies and deliver better returns for growers. The key traits being:

- Shorter growing season of up to two to three weeks as a result of a faster biomass accumulation; and
- Cold tolerance, so less water is needed to protect the crop.

All three are suited to a range of growing techniques designed to improve water efficiency, which I will talk about in more detail shortly, including:

- 'Direct drilling' in combination with 'Alternate wetting and drying', which you might know better as 'flushing' and / or 'Delayed permanent water'
- 'Opportunistic farming' – planting the seed and waiting for rain and additional allocation.

The newer short season varieties offer a later sowing option, whilst maintaining grain quality and yield. This is the real change that we need to adopt if we are going to live in a world of variable and late water allocations.

Water efficiency growing and irrigation techniques

Considerations:

- Direct drilling and delayed watering
- Beds and double cropping
- Opportunity cropping



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While many of us use aerial seeding to sow our crops, the development of these new varieties and new seeding technology that can more accurately place seed is seeing a trend back to direct drilling that was popular back in the 60s and 70s.

The NSW Department of Primary Industries reports local agribusiness advisers say up to 80% of crops in the Coleambally Irrigation Area were drill sown this season – a huge change from 10 years ago when just 20% of crops were direct sown.

Research is showing that a growing system using direct drilling and delayed watering or alternate wetting and drying irrigation methods are proving useful, especially in years of low water allocation.

You might have read about this in The Land recently. The DPI has reported a five-year research project from the Ricegrowers' Association and Australian Centre for International Agricultural Research that shows direct drilling and delayed watering can deliver water savings and increase gross margins by up to 59%.

The research shows that growers who delay permanent water (DPW) application can save 2.5 megalitres per hectare compared with traditional drill sowing and 4.5 megalitres better than aerial sowing. That extra water can then be used to grow more rice and increase gross margins.

The direct drill-DPW approach means growers can avoid issues with ducks, wind

and muddy water. There's often no need to spray broadleaf weeds and risk spray drift issues, they can sow on time and apply water and nitrogen once water availability is assured.

It will be interesting to note the outcome of another new DPI research project in partnership with the Rural Industries Research and Development Corporation (RIRDC) that is assessing growth, yield, grain quality and timing of panicle initiation and harvest for current rice varieties for aerial and drill sowing and DPW.

For those who prefer aerial seeding, when it comes to planting these new varieties, timing and crop management will be critical to achieving good results.

Double cropping: wheat – short season rice: Chris and Harry Morshead, Amberley

Date	Operation
23 rd Nov	Finished harvesting wheat Yield: Approx. 6t/ha with 2 irrigations Straw spreader used on the back of the header
23 rd Nov	Burnt stubble
24 th and 25 th Nov	Disked twice
25 th Nov	Ridge rolled with harrows
26 th Nov	Sowed with double disc seeder 18 mm deep, 200 mm spacing 200 kg Granulock-Z 170 kg/ha YRM70 seed
27 th Nov	First flush
4 th Dec	Ground spray 1.5 L Gramoxone 3 L Stamp 600 mL Director
5 th Dec	Second flush
15 th Dec	Third flush
22 nd Dec	Ground spray 5 L Saturn 200 mL Dominex
22 nd Dec	Spread Urea at variable rate: 285-365 kg/ha
23 rd to 25 th Dec	Filled with permanent water
22 nd Jan	Panicle Initiation
31 st Jan	Topdressed Urea at variable rate: 100-150 kg/ha

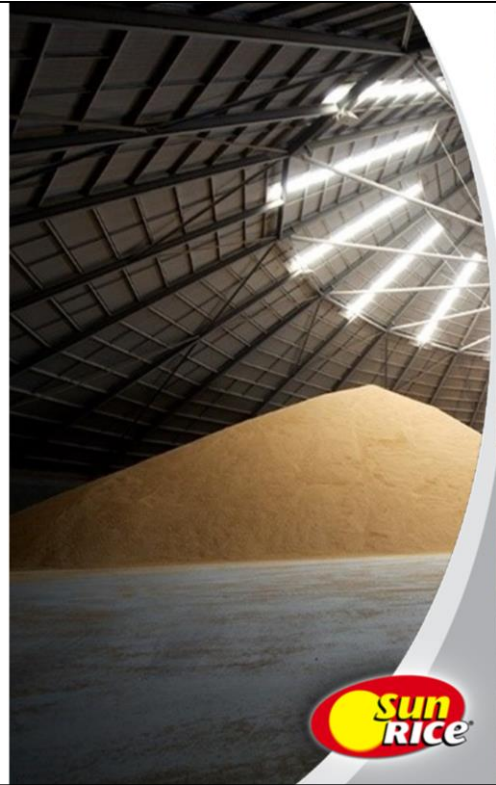


Some growers in the Murrumbidgee Irrigation Area have been successfully trialling growing rice on beds as part of a double cropping system, which is improving yields and using less residual water. The improved drainage that results from using this method enables growers to double crop more efficiently and effectively.

This poster of Chris Morsehead’s YRM 70 crop with first flush on 27 November, which is displayed in the rose garden area, demonstrates the versatility of a double cropping system and these new varieties.

Opportunistic farming

- Plant seed dry, rely on rainfall for establishment
- Successful grower trials
- Water savings of up to 3ML/hectare
- Low outlay/small risk



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For another option, a number of Riverina growers have successfully trialled a fairly new growing method labelled 'opportunistic farming', saving both water and growing costs.

I understand it involves planting seed in dry conditions or with a favourable soil moisture profile and then relying on rainfall or existing soil moisture for germination and establishment.

The most important aspect of this approach is that it allows you to make a later decision if you are waiting on water allocation. For example, some farmers this year didn't have to apply any water until early tillering, so a month to six weeks after germination, and they have achieved water savings in the order of up to three megalitres per hectare.

It's also a cheap / cost-effective option. All you need is seed and a small amount of fertiliser, which comes to a combined cost of about \$80 per hectare. If you're usual growing costs are \$1800 per hectare, your outlay for an opportunistic crop is just 5% of this, and there's always the chance that the crop will succeed. If it doesn't you haven't endured a heavy loss.

As such an opportunity crop is well worth considering when you're unsure about water allocation.

Precision agriculture

- \$1000/ha in-field variation
- Opportunity to improve productivity
- New guide to be released



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I also wanted to briefly touch on the benefits of precision agriculture, which you might know is a particular passion of mine.

We know there is variability within our fields. However, I was interested to learn from the *Rice Precision Ag Project* by Andrew Whitlock that on average there is a productivity variation of \$1000/ha between the worst and best.

So, if we can improve the production of the bottom 25% of the field area and use the same amount of water we are a long way in front.

A rice grower guide on how to get the best out of this technology will soon be released, which I'd encourage you all to get a copy of and if you haven't already, see how you can integrate it into your farming systems.



Running parallel to the R&D work being done in the field, our Marketing team is focused on finding new sales avenues for Australian grown rice, with provenance and health and wellbeing being key consumer trends that are opening up opportunities, and which I'll talk about now.

New Product Development

- Provenance of Australian grown rice is driving Asian business expansion
 - Food safety is a key concern for Asian consumers
 - Belief that better quality rice is produced from a pure, pristine environment
 - Topaz strongly competing in Jasmine segment
 - Expecting Jasmine sales in Food Service to increase by 80% and drive rice sales in Hong Kong and Singapore by +40% by end C16



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Extensive consumer research in Hong Kong and the domestic Asian channel has identified Food Safety as one of their biggest concerns, with Australia ideally positioned to deliver high value 'clean & green' rice.

Research on consumer attitudes shows that Asian consumers in Australia perceive that better quality rice is produced from a pure, pristine environment, which is great news for our rice.

Based on these market insights, Topaz was developed to compete in the biggest Jasmine segment, beating the leading Thai Hom Mali in blind sensory testing amongst Chinese/Hong Kong consumers.

So it's exciting to report that we're expecting Jasmine sales in Food Service will increase by 80% following the recent launch of Topaz, by the end of C16, while in Hong Kong and Singapore, we're expecting rice sales to grow by more than 40%.

New Product Development

- Leveraging global health & wellbeing trend:
 - Growing obesity and diabetes concerns driving demand for Doongara Low GI Rice
 - 'Better for You' trend to healthier snacking habits
 - Rice Chips up 96%, Kids Mini Bites +74% this year
 - Gluten avoidance trend seeing +38% in Rice Flour sales over last two years



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As consumers become more health conscious, the opportunities for Australian rice increase.

Not surprisingly, significant increases in the rates of obesity and diabetes is creating health and diet concerns in many of our key markets such as Asia, the Middle East, and Australia.

Global prevalence of diabetes is predicted to affect one in 10 people by 2030, that's 552 million people living with diabetes.

As a result, there is growing demand for Doongara Low GI Rice, launched this year into Hong Kong, Singapore, and Food Service in Australia.

The 'Better for You' trend is also moving consumers towards healthier snacking habits, away from traditional potato chips and biscuits.

Leveraging this trend sales of SunRice's Kids Mini Bites have grown 74% this year, while Rice Chips have grown 96%. We've also started to market Rice Chips in China and will launch into the Middle East in C16.

In response to the growing global trend towards 'gluten free', sales volume of our Rice Flour has increased more than 38% in the last two years. In Australia alone, 10% of Australians actively avoid gluten.

These developments are just some of the many underway to ensure Australian rice is competitive at home here in Australia and across the world.

Capital Structure Review Update

- As previously advised, the vote has been delayed.
- This delay will have no impact on the SunRice business or our growers.
- The new vote date will be announced as soon as possible, taking the April harvest into account.

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I'd now like to say a few words about where we are at with the Capital Structure Review.

Significantly, one of the things the Capital Structure Review is designed to address is building a business that has the balance sheet strength and resilience to withstand crop and economic downturns.

As Rob mentioned, our global sourcing efforts are designed to ensure we keep our global markets open during small crop years like we are about to experience. So when you have the ability to grow large crops again, we are able to place them.

We believe the proposed Capital Structure is designed to strengthen SunRice for the future.

The Board and I have no doubt that this model is the way forward and will entrench grower control.

As we have previously communicated, notwithstanding the strong support from A and B Class shareholders for our proposed Capital Restructure, we have had to delay the March vote as the process of engaging with a range of stakeholders on our unique proposal is taking longer than expected.

As soon as we can confirm a revised timeframe to complete this process, we will communicate the new vote date to growers and shareholders. We are mindful some of our A Class Shareholders will be harvesting during April and will of course take this into account in developing the new timetable.



Next Steps

- We believe the Capital Restructure is in the best interests of both A and B Class Shareholders and SunRice.
- To learn more:
 - Email me: larthur@sunrice.com.au
 - Call me: (02) 6953 0404 or 0428 500 232
 - Access information online:
www.sunrice.com.au/corporate/investors/capital-structure-review/
 - Call the shareholder information line:
1800 020 806
 - Speak to your Directors
- Thank you for your patience and support

The Board remains firmly of the view that the Capital Restructure is in the best interests of both A and B Class Shareholders and SunRice.

We look forward to sharing the new vote date and other details, including the Independent Expert's Report, which has been commissioned as part of the Capital Restructure Booklet.

In the meantime, to learn more, I continue to be personally available to all growers and shareholders to answer your questions on the Capital Restructure and to attend small group meetings. You can reach me via email or either of the numbers listed on-screen.

Alternatively information materials are also available on the SunRice website, by calling the Shareholder Information Line, or by speaking to your Directors.

Thank you for all your support and involvement to date as we continue to progress the proposed Capital Restructure.



That brings me to the end of my presentation, so thank you again for your time.

Before I open to questions, I just want to reinforce that while things are challenging this year and the current crop will be smaller than we'd hoped for, I'm confident that backed by this research, the work SunRice is doing to build further resilience for Australian grown rice, and hopefully better water availability, the future will be brighter.

I hope like me, that from what's been showcased today, you are feeling re-energised and optimistic that with the right tools we can better tackle seasonal challenges.

As I mentioned earlier, I do encourage you to make use of RRAPL and our Grower Services agronomic support to adopt and realise the full potential of this research.

I'll now open the floor to questions.