



Rice Field Day Global Market Update

Rob Gordon - Chief Executive Officer
Thursday 9 March 2016



GLOBAL MARKET UPDATE

Agenda

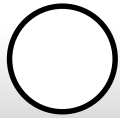
- Global Market Conditions
- California Rebounds
- Australian Factors
- C17 Price Outlook



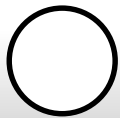
Pricing Indicators



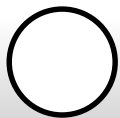
World Rice Prices



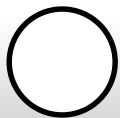
Foreign Exchange



Milling Yields



Crop Size



Branded Markets Smooth Pricing



Global Oversupply Undermining Prices

- 2016/17 global paddy production is forecast to be a record high of ~480 million tonnes.
 - Resurgence of California medium grain rice production
- Global stockpiles are at the highest levels since 2001/02, with US stockpiles at highest levels since 1986/87.
- International rice trade volumes anticipated to increase by ~3%, but will remain below 2014 record levels
 - Lower imports from traditionally strong Asian markets
- Prices to remain under pressure and we are not anticipating a meaningful rebound in 2017
 - Continued oversupply due to record production and large stockpiles
 - Medium Grain prices at 10 year lows
- However, SunRice business resilience and positive water outlook for C18 will allow Australian rice industry to 'weather the storm'

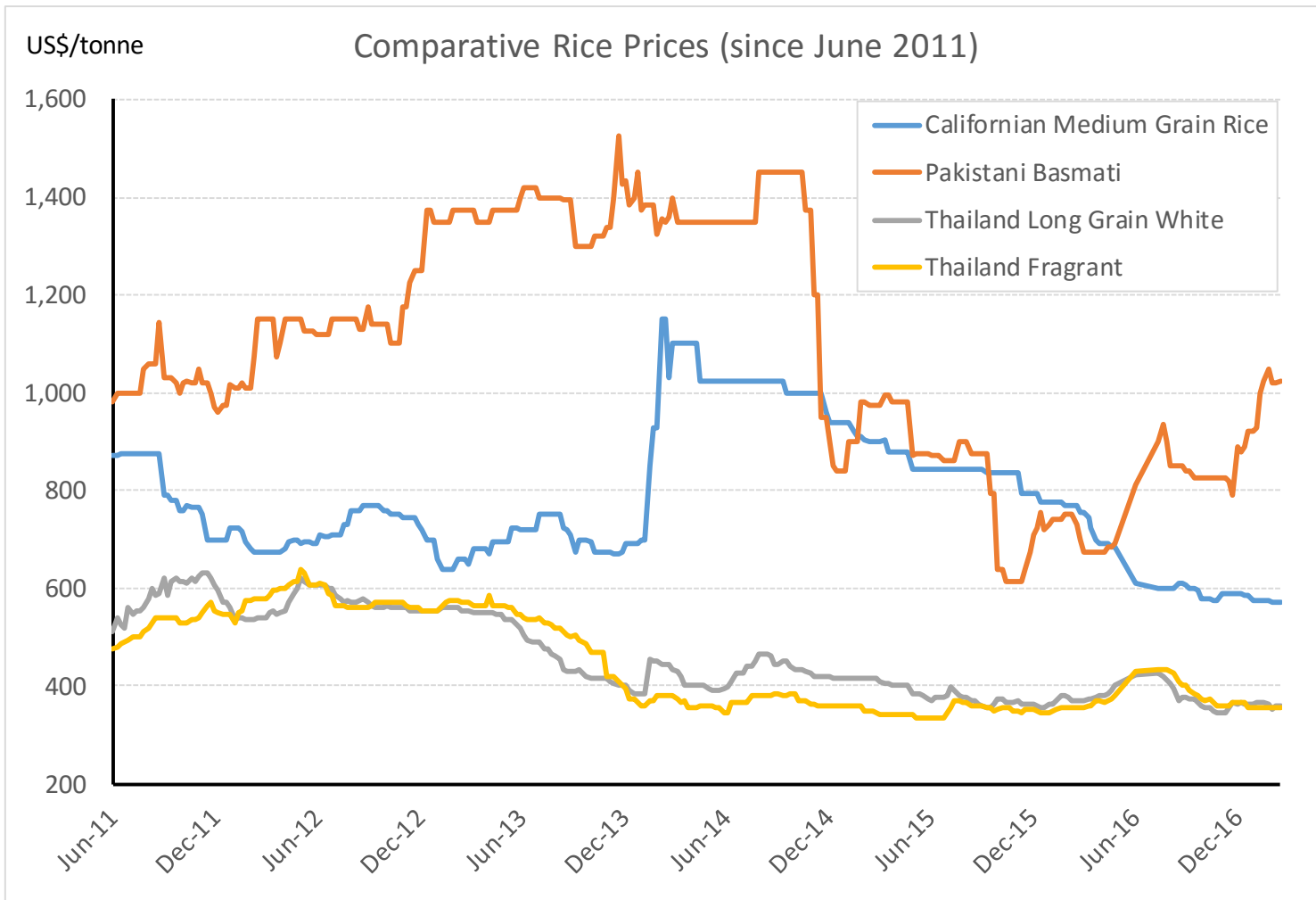


Asia to Offload Stockpiles

- The Thai Government plans to clear 8 million tonnes of stockpiled rice during 2017
 - All remaining stocks of food- and non-food-grade rice
- China's endings stocks in 2016/17 are forecast to increase to around 69.3 million tonnes, an increase of about 9% on previous year and the highest levels since 2001/02
 - Last year we understood as Chinese rice storage approached capacity limits, the Chinese Government auctioned stockpiled Japonica rice at US\$480 FOB
- Indonesia will export 'at least' 100,000 tonnes of rice in 2017
 - National rice stocks are anticipated to be ~15 million tonnes, due to production exceeding domestic demand in both 2016 and 2017



MG, LG, Fragrant and Basmati Prices

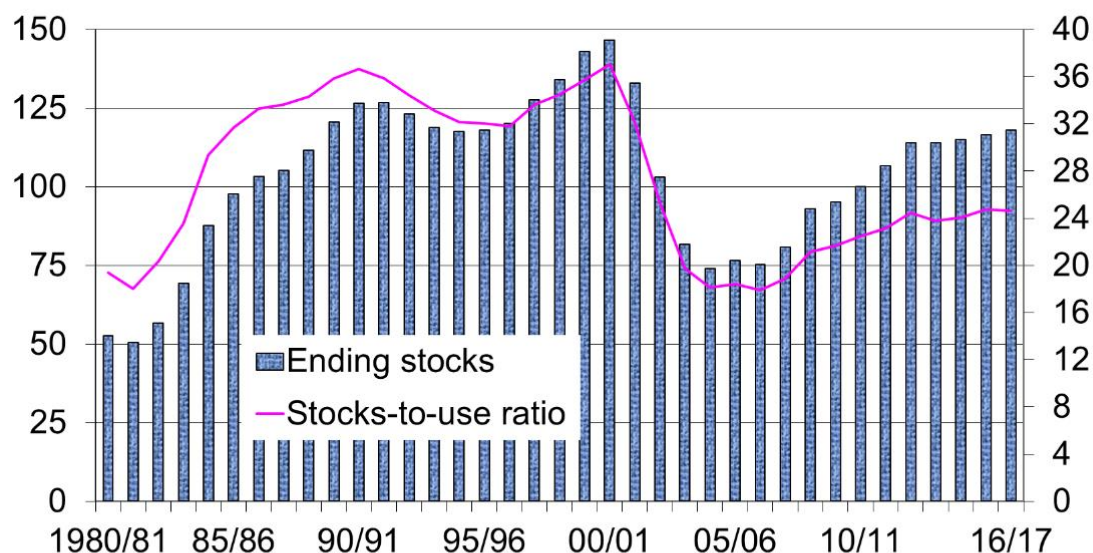


Global pricing: Stocks-to-use Ratio

Global rice ending stocks are projected to be the largest since 2001/02

Million tons (milled basis)

Percent



2016/17 are forecasts. Source: *Production, Supply, and Distribution* data base, Foreign Agricultural Service, USDA, <http://apps.fas.usda.gov/psdonline/psdQuery.aspxUSDA>.

- Indicators point to the continuing softness in global prices as record stockpiles levels are unwound
- A year ago, some indicators pointed to a medium term tightening of the market - these did not eventuate
- We anticipate no meaningful rebound in prices in the coming year



California Rebounds

- Plentiful water
- Drought has ended
- Average size crop returns, despite ongoing price weakness



California Rebounds from Drought

- California is SunRice's major competitor in medium grain segment of the global market
- Californian production has re-emerged strongly over past 12 months, from severe drought conditions to a water availability outlook that is extremely positive
 - C17 planted area anticipated to be slightly below average
- California prices are at their weakest levels in about a decade
 - Market trading well below cost of production
- However, California rice growers benefit from Price Loss Coverage (PLC) insurance program – US government subsidized price support mechanism



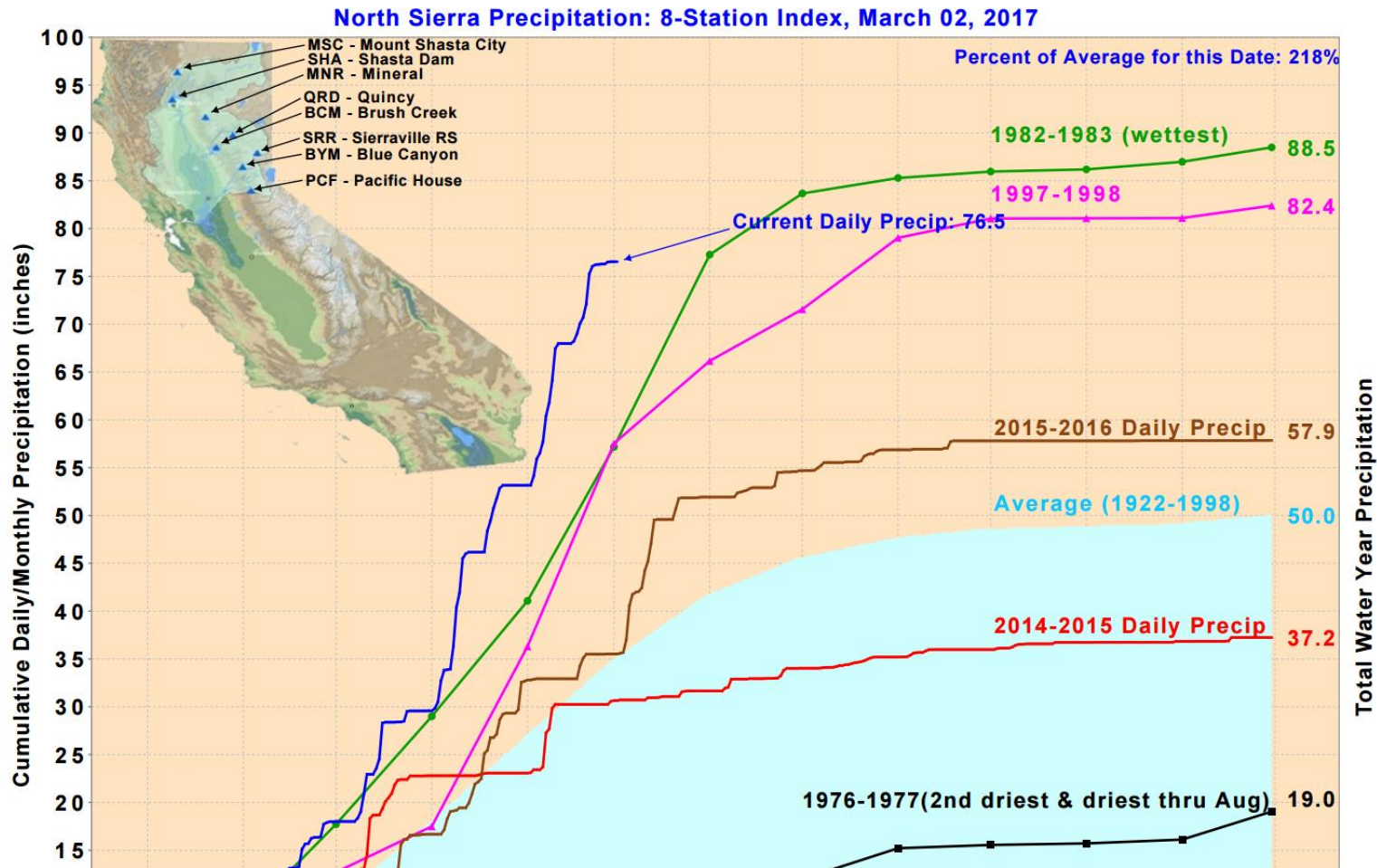
Positive Rain and Snowfall Conditions

- Northern California precipitation 220% of average
- Key reservoir storage at 130% of normal, with above average runoff/inflows anticipated for several months
- Northern Sierra snowpack running at 143% of average
- Trend currently tracking ahead of previously wettest annual rainfall in 1982/83
- Drought in Northern California has officially ended



Source: Californian Department of Water Resources with data points as at 15 February

Rainfall at Record Levels

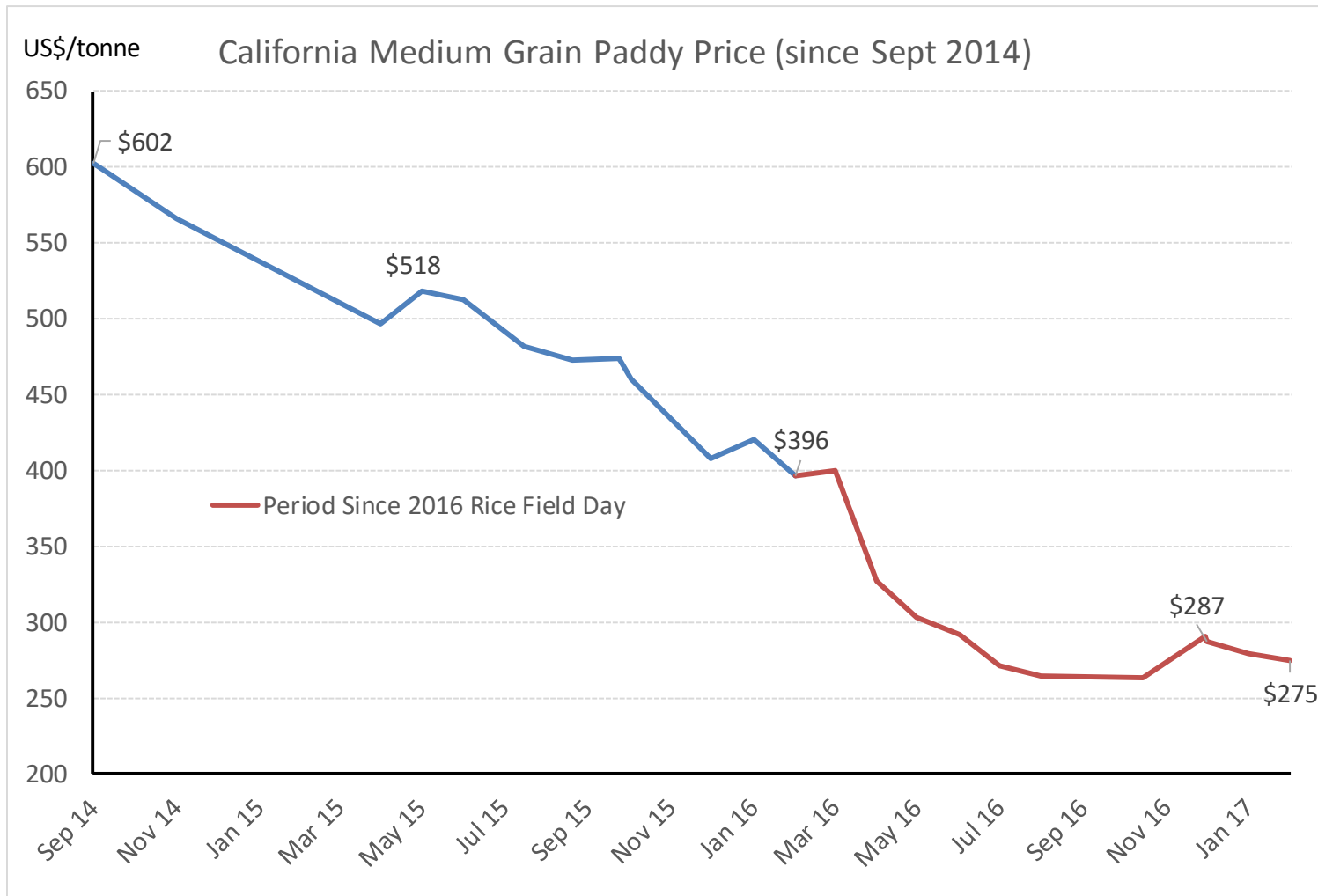


C17 Outlook: Average Size Crop Despite Low Prices

- C17 planted area estimated between 440,000-490,000 acres
 - ~9% lower than C16
 - 10 year average is 541,000 acres
- C17 supply anticipated to be 2.3-2.5 million tonnes
 - 10 year crop average is 2 million tonnes
- Despite currently low prices, key drivers promoting estimated level of C17 rice plantings include:
 - Low prices and depressed market opportunities for competing crops
 - Lack of opportunity/demand for water sales, which would have allowed for non-production profits and fallowing of C17 rice acres
 - Need to generate 2017 cash flow to reduce income tax liability
 - US Government Price Loss Coverage (PLC) insurance provides a safety net. Anticipated payments to California rice growers for C16 of A\$52/tonne (when calculated in equivalent terms for Australian growers)



Medium Grain Prices: California Paddy

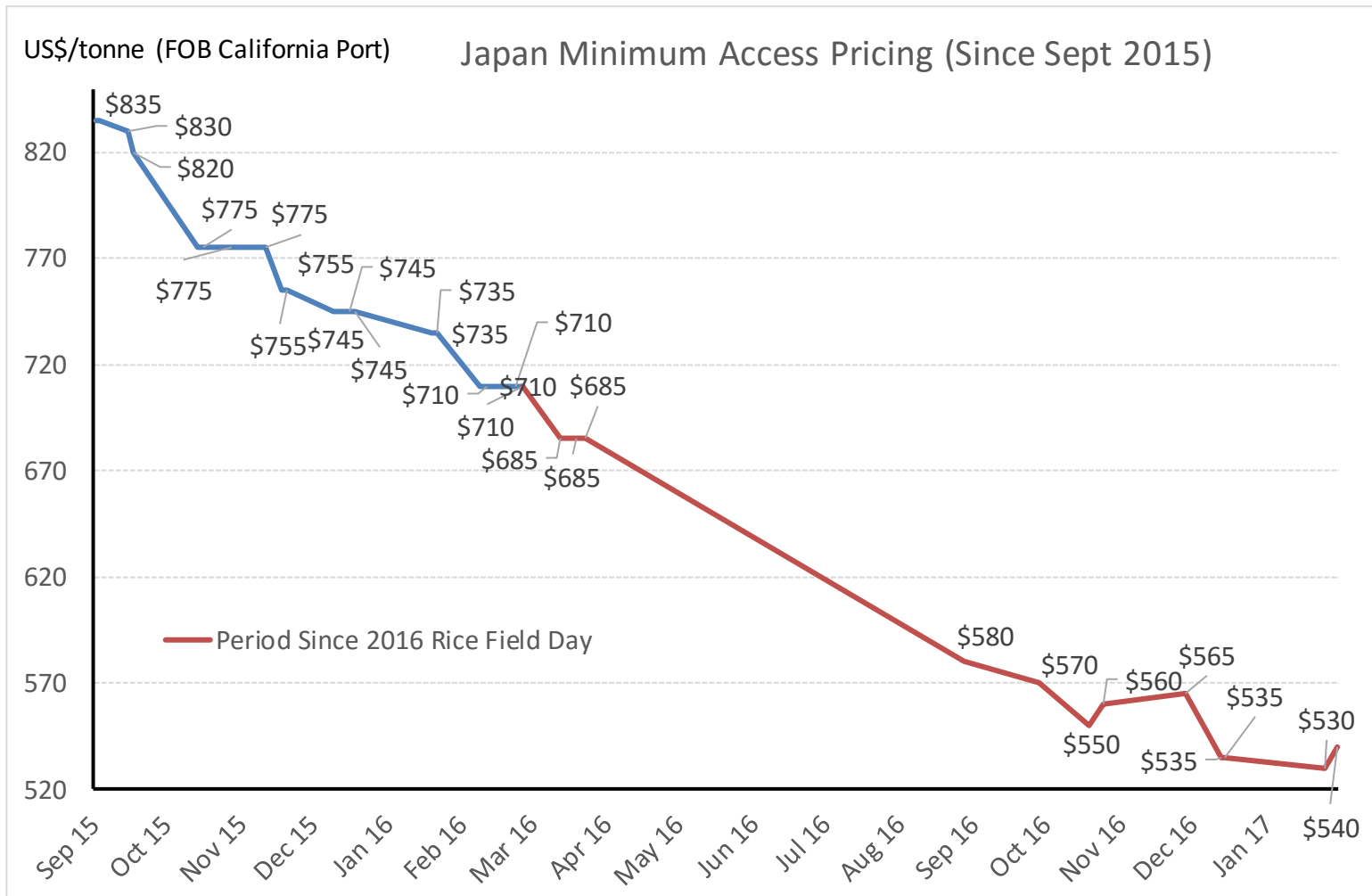


Prices have been adjusted for storage and drying costs



Source: SunRice

Medium Grain Prices: Tender Markets



Source: SunRice

Source: SunRice

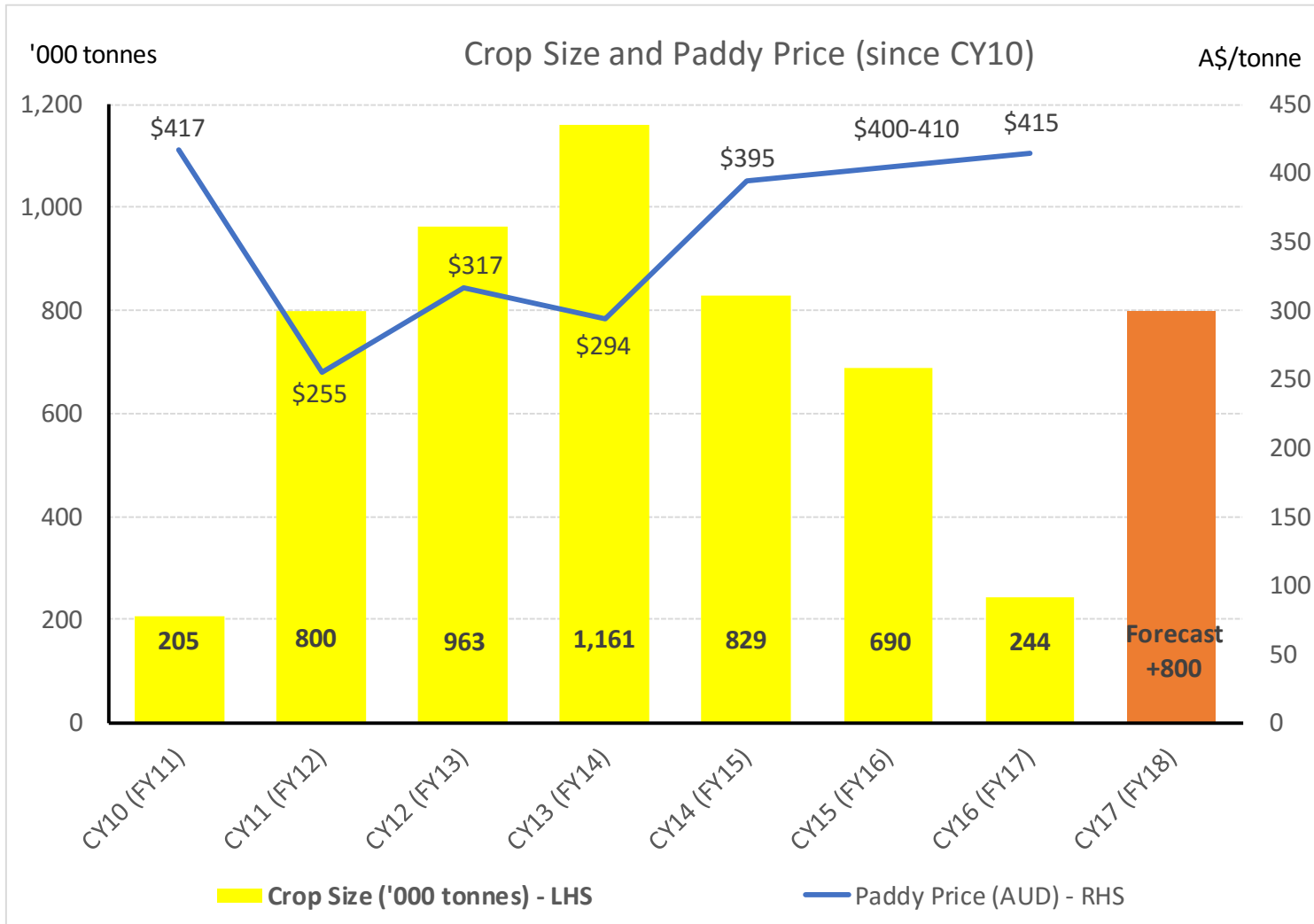


Australian Factors

- Mill yields stabilised
- Positive C18 water outlook
- C17 crop size returns to average levels

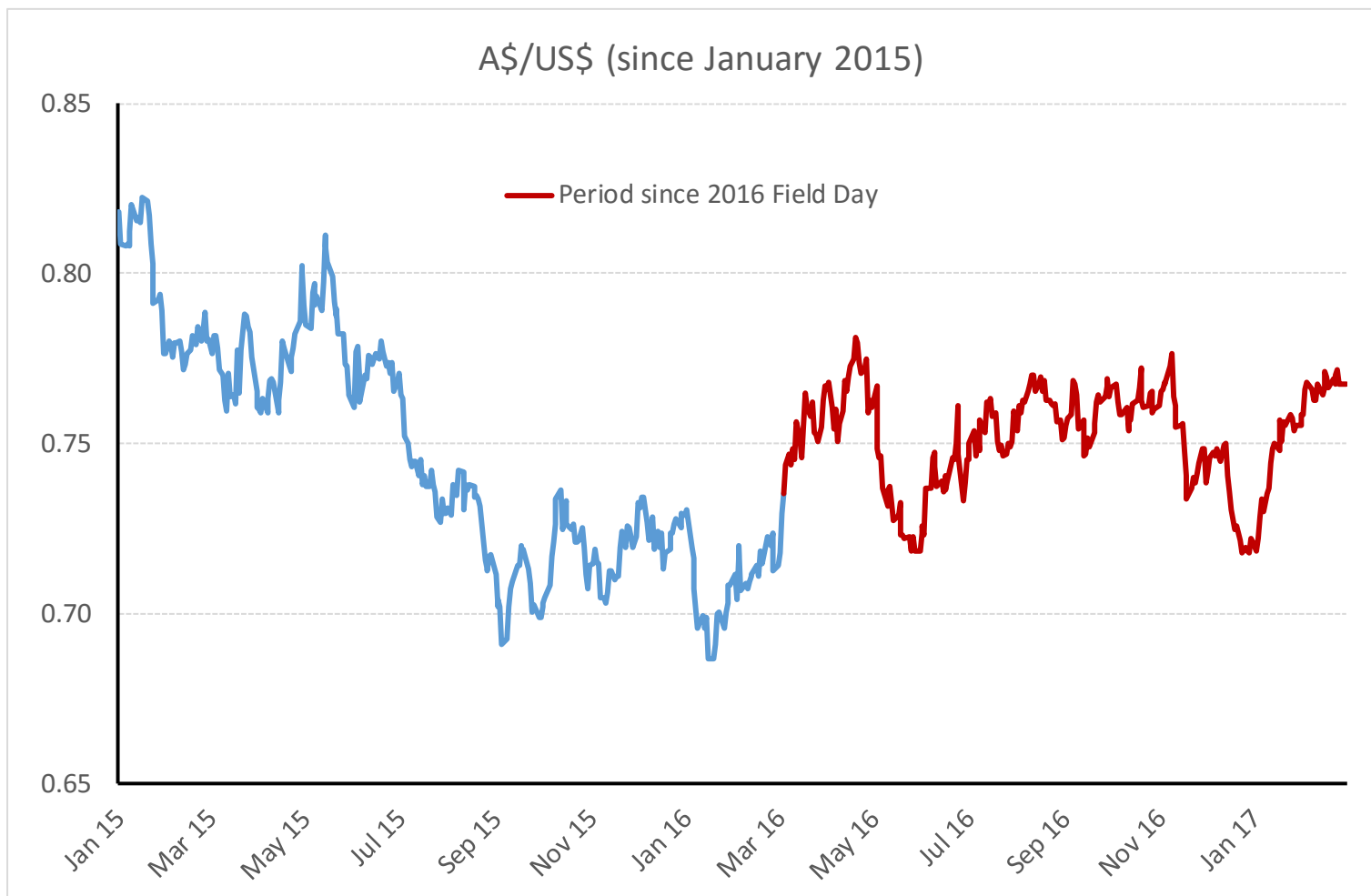


Australian Crop Size versus Pricing



Source: SunRice

Foreign Exchange Movements – A\$/US\$



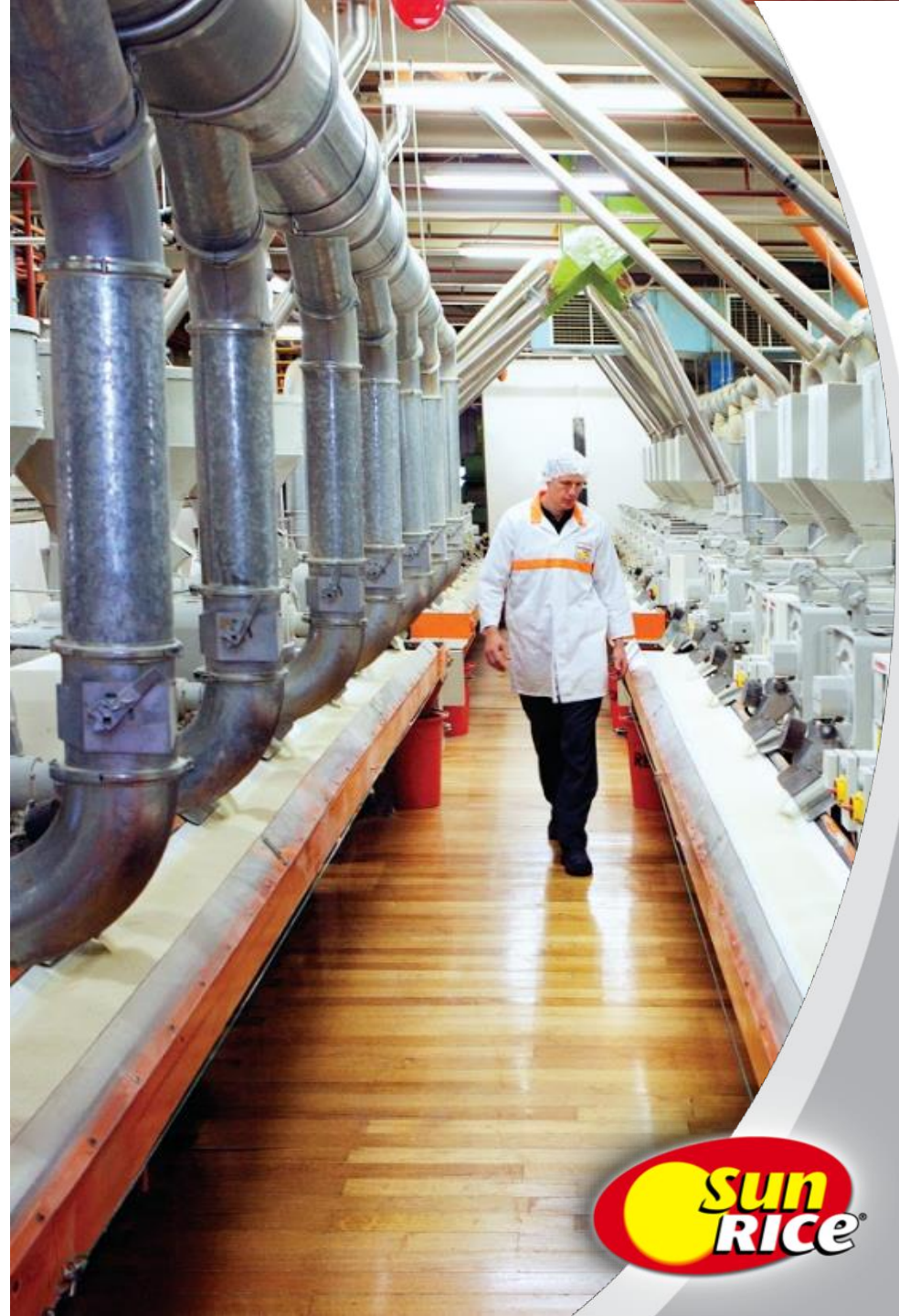
- Stronger A\$/US\$ exchange rate is unfavourable for international rice sales: no indications ahead of a weakening below US\$0.70



Source: Bloomberg

Mill Yields & Overhead Recoveries

- Expecting continuation of average milling yields. However, monitoring elements that could cause variances, which include:
 - Wide spread of planting dates this season, which ranged from early October to mid-December;
 - Extreme heat in early February;
 - Cooler finish in late February and early March could impact on late season crop yields; and
 - Harvest period weather, which is currently forecast to remain dry.
- Larger C17 crop will improve overhead recoveries and will require positive reconfigurations at milling operations



Water Outlook for C18

- Outlook for water allocations for next season presently positive
 - Total active water in MDBA storages now ~40% higher than last season
 - Major Murray and Murrumbidgee valley dams holding ~70% capacity
 - Expecting close to maximum allowable volumes to be carried over
- However, need to closely monitor forward forecasts
 - Increasing likelihood of return to El-Nino conditions could impact of seasonal inflows later this year
- Hopeful of better than average water availability next season
 - Higher opening allocations at the start of the season, coupled with carry over water levels



C17 Price Outlook

- Price indicators negative
- SunRice resilience
- Rice remains attractive prospect for C18



Pricing Indicators: On Balance Negative



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Rice Remains an Attractive Prospect for C18

- SunRice pricing has held relatively well despite downward global trends
 - Demonstrates the insulating power of brands and international trading
- SunRice strategy has provided insulation from price cycles
 - Continue growth across several diverse and vibrant markets
 - Identify global trends in consumer and branded markets, such as 'healthy' preferences (low GI), convenience (microwave) and sushi cuisine popularity
 - Complementary business mix: SunFoods has returned to profitability in FY17
- Fixed price commitment of \$415 for C16 is assured
- Rice remains competitive with other commodities in low water prices
 - Water outlook for C18 presently positive
- C17 price anticipated to be around A\$300/tonne (MG Reiziq)
- Board and management working hard to identify upside

SunRice has built commercial resilience, which will allow the Australian rice industry to 'weather the current storm'

