



**SPEECH: SUNRICE GROUP CHAIRMAN LAURIE ARTHUR
RRAPL RICE FIELD DAY, OLD COREE, JERILDERIE, 9 MARCH 2017**

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

Last year I acknowledged our growers' support during what was an undoubtedly a challenging growing year and looked forward to a return to favourable conditions.

Those conditions have arrived, at least on the growing front with 100% allocations in both valleys and temporary water trading as low as \$32 a megalitre in the south.

You should be careful what you wish for though. At one stage I had 2,000ml of flood water per day flowing across my rice layouts. If we click on the video on screen, you can see what we called the 'Jurassic flood' on our farm. It all worked out in the end and we will harvest 620ha in the coming months.

However, as Rob has outlined, we are facing significant headwinds in other parts of the SunRice Group, including in many of our global markets.

I don't need to tell you that agriculture is a dynamic industry. From resources and climatic conditions to international trade barriers and the elements that impact our growers' cost of production, our constraints are many and varied.

Rice – which I've farmed for three decades now – may not pay the top price compared to other crops every year, but it pays a consistent return. And perhaps more importantly, through vesting, it provides a market for every saleable grain grown.

As you've just heard, the global outlook is tough right now. However, we've built resilience in the SunRice business, which is being put to work for all growers and shareholders currently. Where other Australian agricultural businesses still sell their product in bulk as a commodity, virtually all SunRice rice is now sold as a branded product. We've invested in our markets. We've invested in our operations and supply chain. And we've diversified through our subsidiary and complementary businesses.

However, this does not mean that we are immune from the commodity cycle. Right now, we are facing fierce competition from countries like the USA that are focused on clearing their stocks. Our investment in strong brands means that we can still retain our market share at price premiums that our competition cannot achieve. But your Board realises the impact those market battles have at farm gate. One thing your grower directors bring to the boardroom table is skin in the game.

That said, I hope like me, growers will feel confident that rice has a strong future in the Riverina and around the world. Because we are resilient. This year, off a small base of only 244,000 tonnes we have been able to honour our fixed price commitment of \$415 a tonne for the C16 crop and compete around the world. This was the highest price we'd paid in many years and rewarded the risk our growers and A Class shareholders made in very difficult circumstances.

We are also confident we will be able to pay a similar dividend for C16 to the one we paid last year, also appropriately rewarding the economic investment our B Class shareholders have made in SunRice.

I think for some it's easy to forget:

- We need a strong profitable SunRice to continue to build premium markets around the world, and profitable companies pay strong dividends; and
- That those of you who hold B Class Shares don't currently get to realise the true value of your investment, beyond your dividend stream.

When we look at the marketing year ahead, we know it won't be easy. However, the fixed price, fixed volume contract for C17 at \$400 a tonne is also assured. We thank those of you who participated in this early contract, which was offered for a limited time during May last year, to secure the paddy volume critical for our key markets and operations. And now, with a larger crop of 800,000 plus tonnes soon to be harvested, we're still confident we'll achieve \$300 a tonne for the balance of the C17 crop. You can be assured the Board and management are doing all we can to move the needle higher on that number for medium grain. It is a standing agenda item at every Board meeting.

Finally, as I've shared with you before, we know at SunRice that we need to stay on the top of our game for our growers. We know you make a commercial – not emotional – decision to grow rice every year.

That's why Rob, Tom and others have introduced initiatives such as:

- Fixed price and fixed volume contracts;
- Early pricing signals;
- The GrowRice input finance scheme;
- Better agronomic support; and
- Ongoing research and development.

And there will be more innovation to come.

The Board and I are focused on a strong future for SunRice and the Australian rice industry.

I know it's challenging right now, but I'd like to remind you that we've faced tougher times than these together, and come back even stronger.

Thank you for your continued support and wishing you all a successful harvest.

I'd now like to invite our CEO Rob Gordon back to lectern with me and invite any questions if there's time.