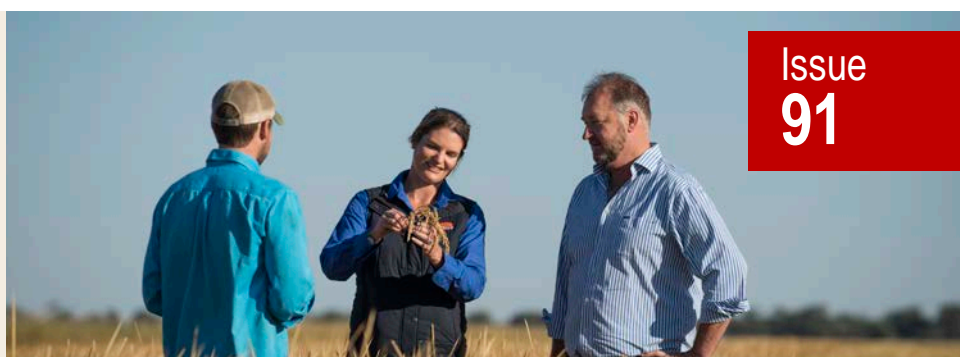


- *Positive outlook for C17*
- *Paddy Price Indicators*
- *Weather Outlook*
- *Water Allocation Outlook*
- *C17 Payment Schedule*



Your quarterly insights from Grower Services

Grower Update



Positive outlook for C17

Paddy price uplift of \$20 per tonne

SunRice's Board and management normally review the paddy price outlook at the August Board meeting as part of the business's budget forecast process. However, given the positive outlook for global markets and the importance we place on ensuring our growers can make well-informed and early decisions about their planting intentions, it is important to share with you the updated favourable C17 paddy price outlook, especially in the context of the tightening water market and increasing water prices.

I am delighted to announce that the estimated C17 paddy price range for medium grain (Reiziq) will increase to \$320-360/tonne (the range previously provided in the June edition of the Grower Update was \$300-320/tonne). The C17 payment schedule is now structured around a paddy price of \$320/tonne.

There are several key drivers of this improved C17 paddy pricing outlook.

As we reported in June, there were early signals that indicated the global rice market was starting to move beyond the bottom of the cycle and that more positive conditions were developing. This turnaround in the global rice market has continued and, most notably, the California Medium Grain paddy price has been increasing throughout the year, with

the cash price appreciating from US\$6 to US\$10/over-loan in only a couple of months. The gap between current California crop and lower than expected plantings, and the late harvest next season, is causing a shortage of supply that has bolstered recent pricing in that market. This short supply has been largely due to millers, believing that there would be a run of large crops after the drought in California, chasing volume and the unanticipated lateness of September crop. In addition, Japan tender pricing expectations are presently around US\$745/tonne, up from \$530/tonne in March, although it is important to note that tenders do not recommence until October.

SunRice's performance since the start of the 2018 financial year has also been strong. Sales volumes in several key markets have exceeded expectations and operational performance (for example milling yield) has improved.

You will also note that the paddy pricing range for C17 has broadened from \$20/tonne to \$40/tonne. This is due to some uncertainty regarding the direction of Medium Grain pricing – uncertainty that will remain in the market until tender volumes recommence in a couple of months. The broader paddy price range also reflects recent exchange rate movements: the AUD/USD exchange rate has strengthened considerably since May and, given the domestic

political landscape in the US, it is difficult to see the \$US strengthening.

We are confident of achieving the lower-end of the paddy price range (\$320/tonne). However, several market factors need to work in SunRice's favour should the top-end of the current range (\$360/tonne) be realised.

While the Board obviously hopes to provide further positive news in relation to the C17 paddy pricing range as the year progresses, further adjustments will be subject, as usual, to ongoing local and global market conditions, including international prices and foreign exchange rate fluctuations.

Laurie Arthur
Chairman

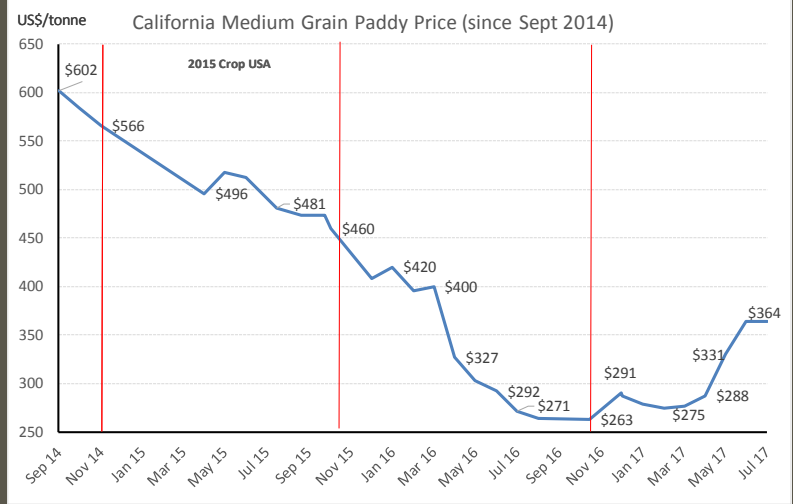


2. Grower Update Paddy Price Indicators

Global Pricing – Medium Grain

The lateness of the 2017 crop in California has resulted in mills having to acquire an additional month of old crop cover, thus reducing C16 carry over to a low level. This, combined with an anticipated 18% to 22% smaller (2017) crop size has resulted in firming paddy prices (\$60-\$75 per tonne).

As California approaches their 2017 crop harvest, much attention will be given to early field and milling yields of the new crop, as it will have significant impact on regional supply/demand balance and hence market offer price for the new marketing year.



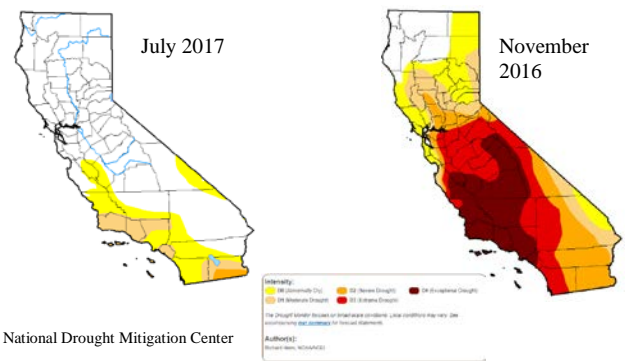
Please note: storage and drying costs are deducted from this price.

Source: SunRice Estimates

Water Commentary

As reported in the last Grower Update, drought conditions have ended in northern and central California, while mild drought conditions remain for the south and south west coast, however not in the rice production areas.

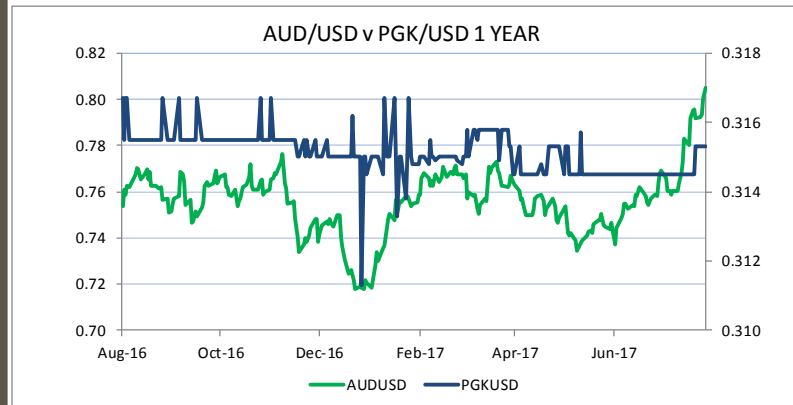
Since it is the middle of summer in California, there are no water updates, with the next report due when the US enters the new water year, starting 1 October 2017.



Source: US National Drought Mitigation Center

Foreign Exchange

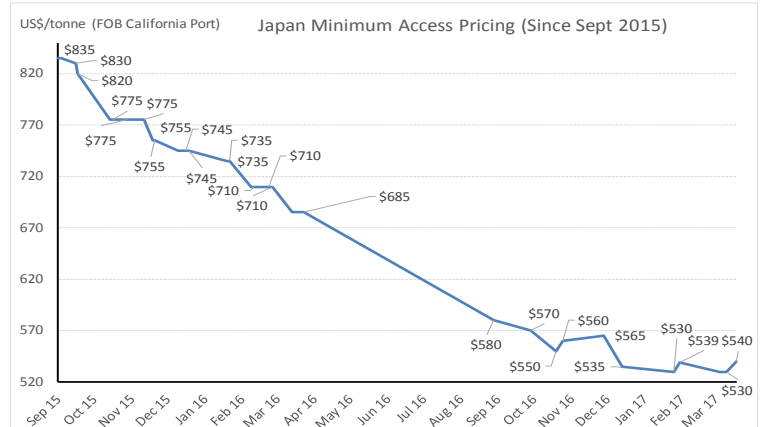
The AUD/USD has strengthened considerably since May 2017 despite the US Federal Reserve raising interest rates as expected on 14 June. The market has appeared to lose all faith in the ability of President Trump to push through promised reforms with the latest defeat of a bill to repeal Obama Care becoming the latest disappointment along with the continuing stalemate on corporate tax reform. The President's approval rating also continues to worsen in the wake of the developing investigation into his campaign ties with Russia leading to some calls for Trump's impeachment. It is difficult to see a return to \$US strength unless these issues are resolved, particularly when the US Federal Reserve is in no immediate hurry to raise interest rates again. Closer to home, the Reserve Bank of Australia (RBA) is most likely still on hold for an indefinite period despite some recent headlines to suggest it could raise interest rates by 2% over the next 12 to 18 months in tandem with other major central banks. However, the RBA has distanced itself from overseas actions and recent inflation data was benign, which a strong AUD should further assist to keep low. The Kina (PGK) continues to be stable as foreign currency demand and supply is closer to equilibrium following an improvement in commodity prices and the provision of sovereign foreign currency loans. The market is not anticipating any material PGK movement during the mid-year election period.



Source: Bloomberg

Japan Pricing

The are no new tenders to report, with the last Minimum Access tender held in March 2017. The next series of tenders are due to start in September. The graph provides the latest pricing details as at March 2017.



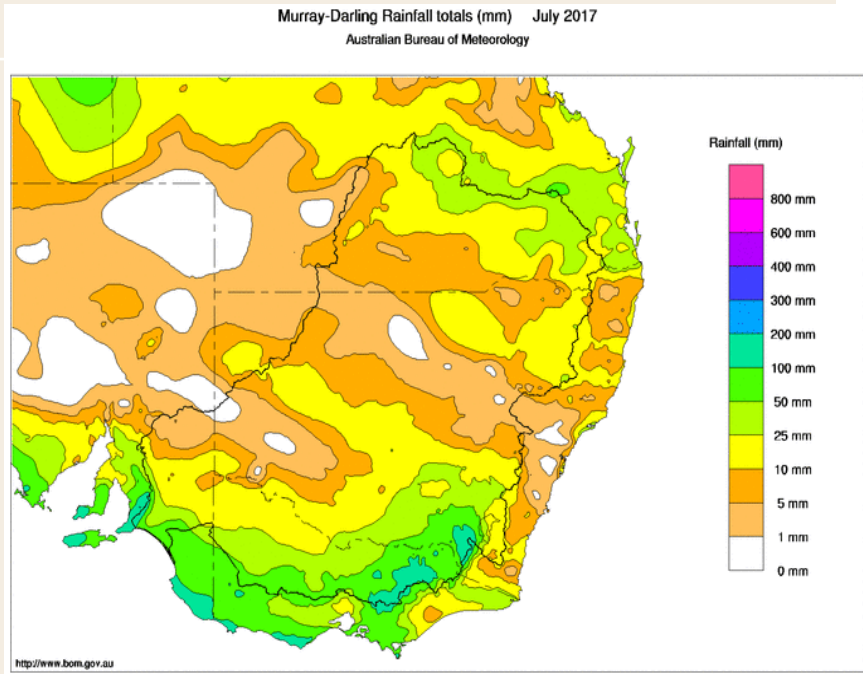
Source: SunRice Estimates

3. Grower Update **Seasonal Outlook**

Current Conditions

- Winter has continued to be very warm and dry across NSW, with above average daytime temperatures but colder than average nights. It was the driest July since 2002, as well as the coldest since 2002 for minimum temperatures. Maximum temperatures were the warmest since 2002, and the second-warmest July on record.
- The last weekend in July in particular saw record-breaking temperatures, with daytime temperature records reported at many long-term sites across NSW, from Goulburn and Griffith in the south to Walgett and Mungindi in the north.

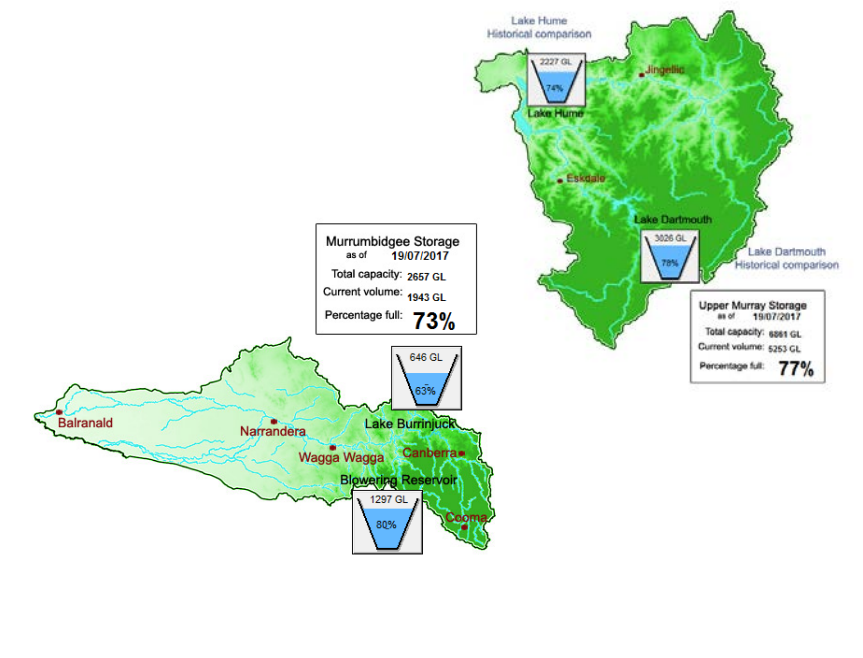
Source: [Bureau of Meteorology](#)



Dam Levels

- Water storages across the Murray Darling Basin have risen by 40 GL, with active storage now 5,771 GL or 67% capacity.
- Streamflow responses have been much lower than this time last year, reflecting dryer catchment conditions.

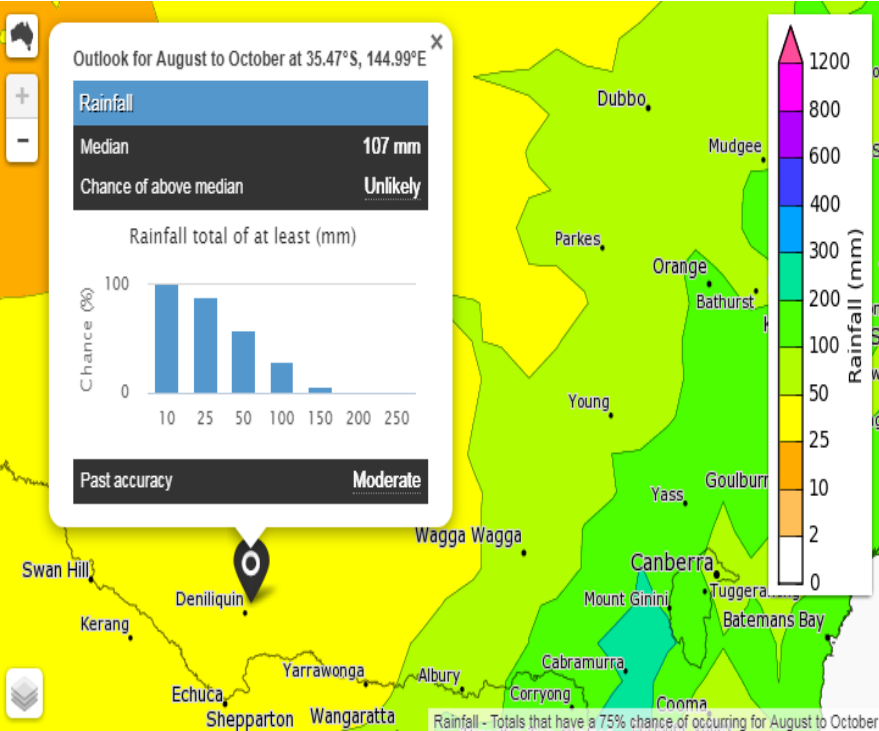
Source: [Murray Darling Basin Authority](#)



Three-Month Rain Forecast

- According to the BoM, below average rainfall is likely for most of southern mainland Australia from August to October, with a 59% chance of at least 50mm of rain in the Riverina.
- Days and nights also likely to be warmer than average during this period, with an 80% chance of this occurring for northern and southeastern Australia.
- While sea surface temperatures in the Pacific have been warmer than average, the El Niño-Southern Oscillation (ENSO) remains neutral and is likely to stay this way for the rest of 2017.

Source: [Bureau of Meteorology](#)



4. Grower Update **Water Outlook**

Forecast General Security Allocation (%)#

	High security	General Security	Average Carryover
Murray	97%	13%	41%
Murrumbidgee	95%	20%	27%

- As per the 1 August NSW DPI – Water ‘Water Allocation Statement’, there are no increases in NSW Murray and Murrumbidgee regulated river general security allocations.
- For the NSW Murray region, July has been extremely dry with Murray inflows forecast to exceed 98 in 100 years (98% Annual Exceedance Probability). This assessment is based on an updated carryover volume of 41 per cent of entitlement, meaning that overall general security water availability is 54 per cent of entitlement. Of note, about 60 per cent of licence holders carried over the maximum 50 per cent entitlement.
- For the Murrumbidgee, given the dry conditions experienced in June and July, combined with storage inflows tracking close to historical minimums, there is no improvement to resources. Caution has been applied to the operational loss allowance to ensure irrigation supplies can be delivered in full despite the dry seasonal outlook.
- This assessment is based on an updated carryover volume of 27 per cent of entitlement, meaning that overall general security water availability is 47 per cent of entitlement. Interestingly, about 90 per cent of general security licence holders carried over the maximum 30 per cent of entitlement.
- The NSW Office of Environment and Heritage (OEH) commenced an in-stream environmental watering action from Murrumbidgee storages on 24 July 2017 aimed at improving condition of the mid-Murrumbidgee wetlands and stimulating native fish migration. This watering is scheduled to continue until mid-August 2017.

Source: NSW DPI – Water

Payment Schedule

C2017 Payment Schedule (Traditional Pool \$/Tonne)

	Reiziq / YRM 70	Sherpa	Langi	Opus/ YRK5	Illabong	Topaz	Koshi	Organic Premium	Bio-Dynamic Premium
1st payment (Harvest)	180.00	168.00	213.00	192.00	180.00	252.00	258.00	100.00	100.00
2nd payment (24 Oct 2017)	56.00	53.00	61.00	58.00	56.00	70.00	70.00	50.00	50.00
3rd payment (27 Feb 2018)	22.00	20.00	26.00	23.00	22.00	30.00	31.00	50.00	50.00
4th payment (24 April 2018)	24.00	23.00	29.00	26.00	24.00	34.00	35.00	35.00	35.00
5th payment (22 May 2018)	15.00	14.00	18.00	16.00	15.00	21.00	22.00	40.00	40.00
Final payment (24 July 2018)	23.00	22.00	28.00	25.00	23.00	33.00	34.00	-	-
Total	320.00	300.00	375.00	340.00	320.00	440.00	450.00	275.00	275.00

These estimates and dates 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.

As announced, we have provided guidance around \$320-360/tonne (Reiziq) for C17 paddy pricing. The C2017 payment schedule is structured around a paddy price of \$320/tonne.

Contact us: 1800 654 557



August 2017
Issue no. 91

Grower Update

