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Your quarterly insights from Grower Services

# Grower Update



## *Strong Interest for the C18 Rice Season*

It was pleasing to see over 400 growers, the strongest turnout in a number of years, attending the annual pre-season Grower Meetings across the Riverina in August to plan for C18. Thank you to everyone who attended and growers who are looking to plant rice this season.

At the meetings, SunRice announced a number of enhanced service plans and pricing options for growers that build on and support both the refreshed SunRice Strategy and 5Rs of Rice value proposition, that were outlined at the SunRice AGM, the RGA Annual conference and the RGA AGM.

As communicated, the new five-year strategy builds upon the successes of the past five years and outlines the opportunities the Group will pursue to continue to develop and expand internationally. Core elements include:

***Ensuring rice can compete against cotton in the Riverina:*** by promoting fewer and higher valued niche and premium varieties supported by the 5Rs of Rice value proposition that focuses on improving Returns, Risk Management, Research, Relationships and Reputation.

***Finding new premium markets across the globe:*** Medium Grain to discerning Asian customers, sushi rice into the rapidly expanding Asian food service sector and Low GI Rice into health-conscious markets.

***Creating new high value opportunities:*** investing in innovation in the health and gluten free markets and continuing to expand our offering in rice products and rice based derivatives.

### *Tribute to Terry Hogan AM – SunRice Chairman 1996 – 2001*

The substantial media tributes over the past week since his sad passing and the significant turnout to his funeral are a testament to the great man Terry Hogan was. His leadership across the Riverina rice industry and service to the local community touched many and his contribution to both will go down in history no doubt.

As I've expressed, it truly was an honour to know Terry, who I greatly respected for his leadership and support, not just for myself but for many current and future rice industry leaders. Dedicating 17 years to the SunRice

Board, including five as Chairman, Terry undoubtedly played an integral role in driving the success of SunRice and the Australian rice industry and both will be indebted to his significant contribution.

During his time as Chairman, Terry's leadership was instrumental in driving change that underpinned the company's transformation from a rice processor to a globally competitive food export business.

Terry's extensive involvement in and service to the rice industry were recognised with an Order of Australia Medal in 2003. The medal was also presented in recognition of his more than 45-year commitment to local government, including 13 years as Mayor of the former Jerilderie Shire.

He will be sadly missed by the rice industry and those who had the privilege of knowing and working with Terry during his time with SunRice. Our thoughts are with Terry's wife Heather and the Hogan family at this sad time.



***Supplying lower returning markets from offshore sources:*** allows SunRice to remain competitive in markets that can no longer afford Australian rice, whilst entering and developing new premium markets and providing supply flex when the Australian crop is low.

In response to the new strategic move to expand production of niche and premium varieties and the 5R elements of increasing risk management options for growers, a new range of fixed priced contract options and pool varietal premiums were announced at the pre-season meetings and opened to growers on 6 September. Fixed price options for Koshihikari, Doongara, Opus, YRK5 and Reiziq were offered to growers along with traditional pools for Reiziq, Opus, Sherpa, Ilabong, Langi, Topaz and YRM70.

## 2. Grower Update

Response from growers to the new pricing and contracting options has been very positive, with three fixed priced varieties being fully subscribed within the first week of contracting and with significant volumes also committed to the traditional pool. We have been delighted with the positive response and the compelling proposition that rice is providing to growers, as evidenced by our demand for Koshihikari, Doongara, Opus, and Topaz all now being met.

The new pricing options and the traditional pool have been supported in C18 by an expansion in the popular GrowRice input funding facility, where approved growers are able to fund crop inputs (water, fertiliser, agchem, diesel etc.) for up to \$1,000 per hectare with SunRice.

### PayRice

By now you should have received a brochure introducing 'PayRice', a new payment facility for C18. PayRice offers significant benefits to SunRice in the way we manage seasonal finance. It also offers more payment options and greater flexibility to growers. PayRice is designed to make it easier for growers to plan financially and to maximise cash flow at harvest through early access to future payments.

You can now choose to either be paid 75% or 60% of estimated pool payments at harvest, or defer this 75% or 60% first payment to July. These payments will be based on the lower end of any published range for pool returns.

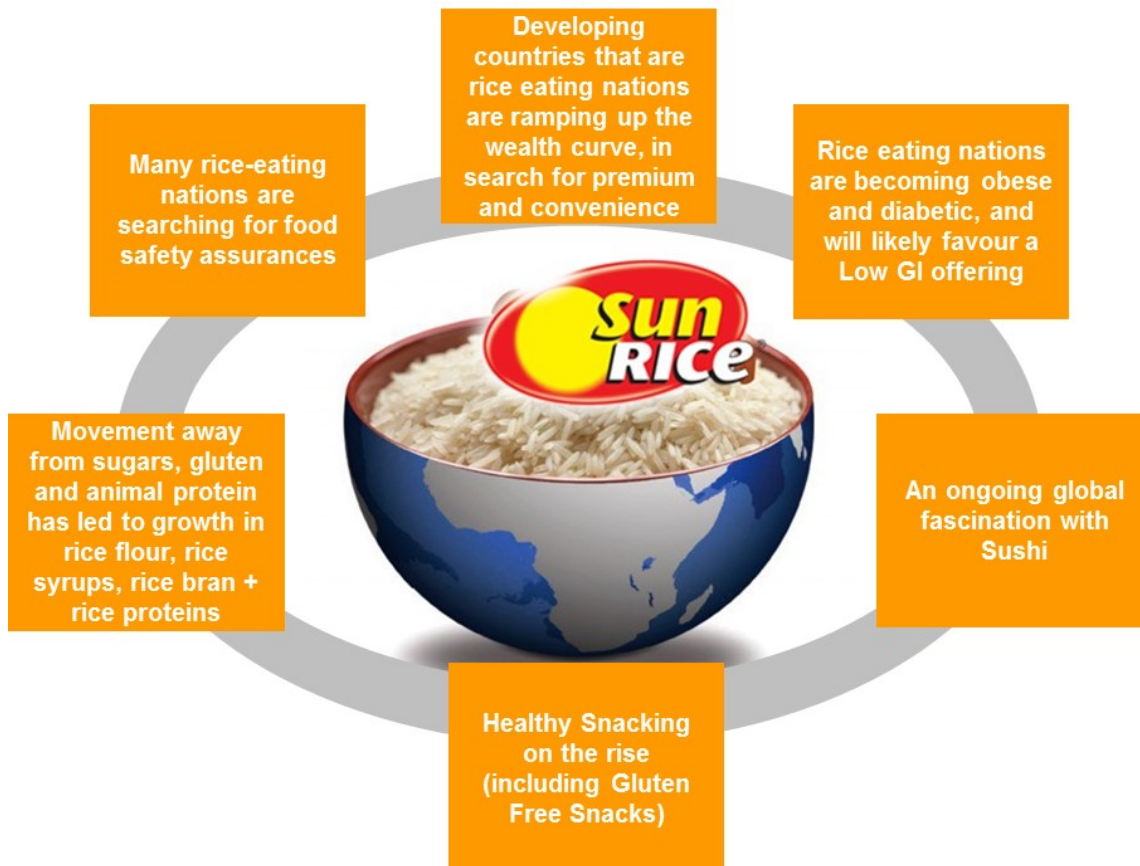
Every effort will be made to assist growers to sign up for PayRice, however those who do not sign up will be paid under our new standard payment terms of 12 instalments across the life of the pool, with the first payment paid 61 days from the end of the month of harvest delivery. Please visit the Grower Portal for all terms and conditions associated with PayRice.

These initiatives, the strong contract response and Grower Meeting attendance, coupled with improving global market prospects as outlined in the last Update, are pointing to a positive C18. I wish everyone well over the planting window.

**Laurie Arthur**  
Chairman



## Refreshed Strategy: Leveraging Food Trends that Play to Our Competitive Advantages

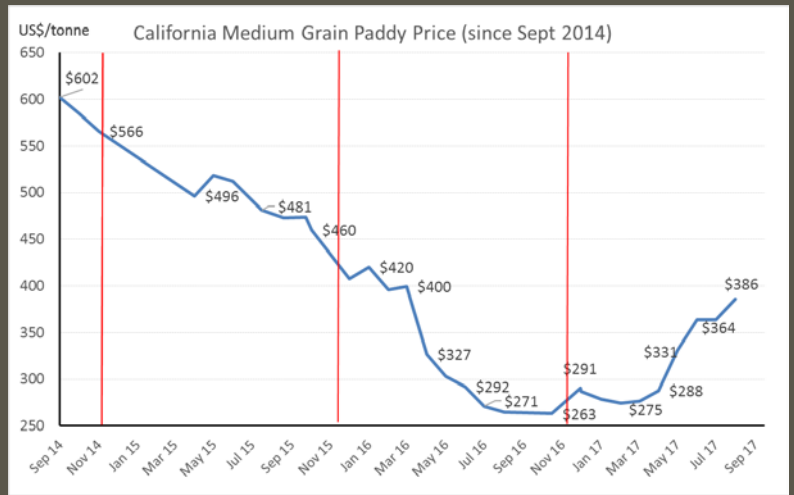


## 2. Grower Update Paddy Price Indicators

### Global Pricing – Medium Grain and Japan Pricing

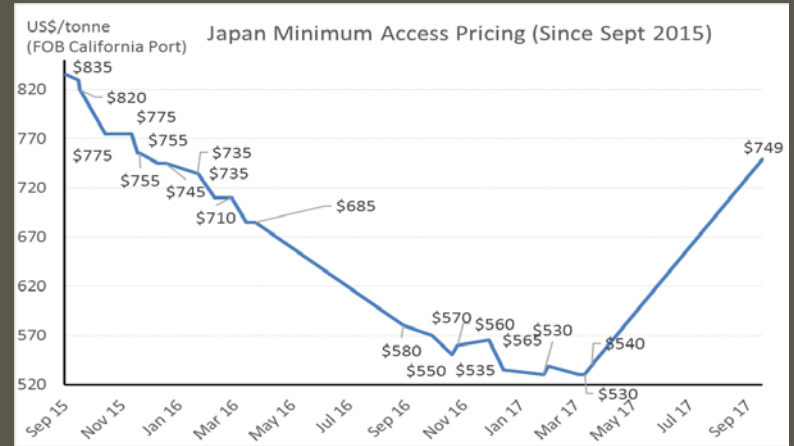
The Japanese Ministry of Agriculture, Forestry and Fisheries tendered their first US cargos for the new marketing year. Prices were up \$200 per metric tonnes from the last round in March 2017. California old crop (CY 2016) supplies are in short supply, which partially contributed to the large increase in Minimum Access (MA) award price out of California. We expect the next rounds of MA will be offered on new crop (CY 2017) specifications only, which will provide the market with direct visibility to California new crop (CY 2017) pricing.

Additionally, California planted acres are down 17% in 2017 however field yield and quality are yet to be determined. We expect harvest will begin in the coming 10 days and should provide marketers with firmer crop information which will help provide an overall market direction.



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

Source: SunRice Estimates



Source: SunRice Estimates

### Water Commentary

As of mid-September 2017, Northern California rainfall totals are running 190% of average and 189% for the water year (ending 31 October 2017). Shasta reservoir levels are running 125% of normal as California approaches the start of the next water year, commencing 1 October 2017. There have been heavy releases from the Oroville Reservoir this year due to the main spillway damage that occurred in late 2016. Repairs are scheduled to be completed by November 2017. We do not expect the lower levels in Oroville will impact 2018 rice hectares, however it will be monitored. Early estimates of 2018 water allotments are expected to be favorable due to high carry over levels in Shasta.

### Foreign Exchange

The AUD/USD has remained strong since August 2017 in line with general USD weakness. While the market continues to doubt President Trump's ability to push through promised reforms, corporate tax reform appears to be gaining media attention, which has resulted in the USD strengthening slightly against some of its trading partners, notably the Japanese Yen. North Korean tension appears to be increasing as missile launches become more provocative and Kim Jong-un continues to defy world condemnation. A military response against North Korea would most likely see a safe-haven USD rally, but conversely the longer the threats continue the less likely Trump will deliver on further economic and tax reform in the near future.

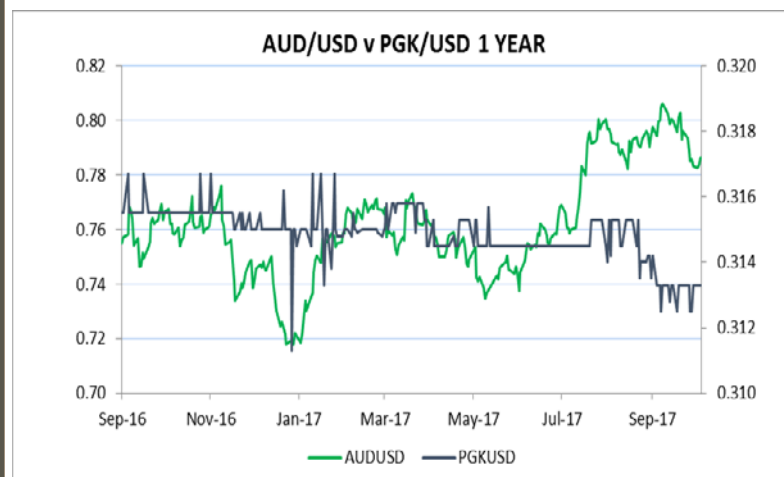
The most recent Federal Open Markets Committee (FOMC) minutes released on 20 September showed that expectations for another rate hike this year had increased from 50% of members to 11 out of 16. However, this has not had any material impact on the AUD/USD following recent upbeat comments by the RBA about Australia's economy. Whilst some banks are now forecasting a rate hike in the first half of 2018, both inflationary and wage growth pressures are not yet emerging. In conjunction, the RBA continues to caution that an appreciating exchange rate would likely result in a slower pick-up of economic activity and inflation than currently forecast, with further material upside possibly limited in the short term.

Data as of 11:59:59 PM on Sep 19, 2017

Sacramento Region Summary			
Precip: 8-Station Index			
Season to Date	100%	% Avg year	189%
Northern Sierra Snow Water Content			
% to Date	n/a	% Apr 1	n/a
Reservoir Storage			
Reservoir	%Hist.Avg.	%Capacity	*Enrch
Shasta	125%	76%	n/a
Oroville	65%	41%	-2029
New Bullards	114%	72%	-251
Folsom	123%	72%	n/a

\* Encroachment to regulated storage level

Source: US National Drought Mitigation Center



Source: Bloomberg

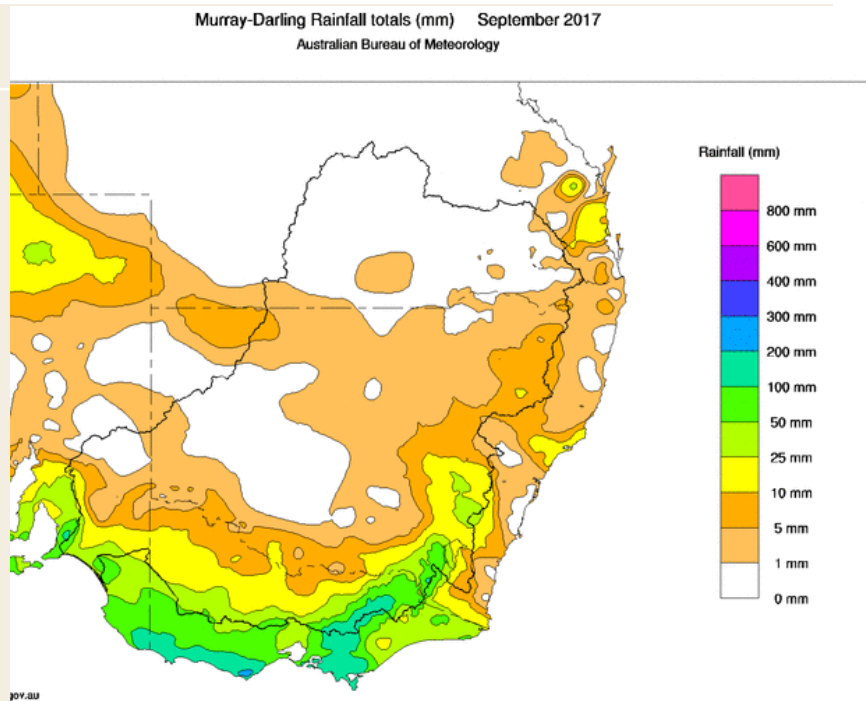
In Papua New Guinea, with the election out of the way, the Kina (PGK) has weakened slightly as the supply of foreign currency has fallen. Whilst a one-off 20-25% Kina depreciation is an ongoing risk, the government appears resolved for it not to happen and a very gradual depreciation seems the most likely option for now.

### 3. Grower Update **Seasonal Outlook**

#### Current Conditions

- Rainfall in September was well below average for the majority of Australia. Some key agricultural regions have only had a third of their normal rainfall for the month. This was combined with an exceptionally hot start to spring, with NSW experiencing its hottest day on record in September.
- Soils are quite dry across the Murray Darling Basin.

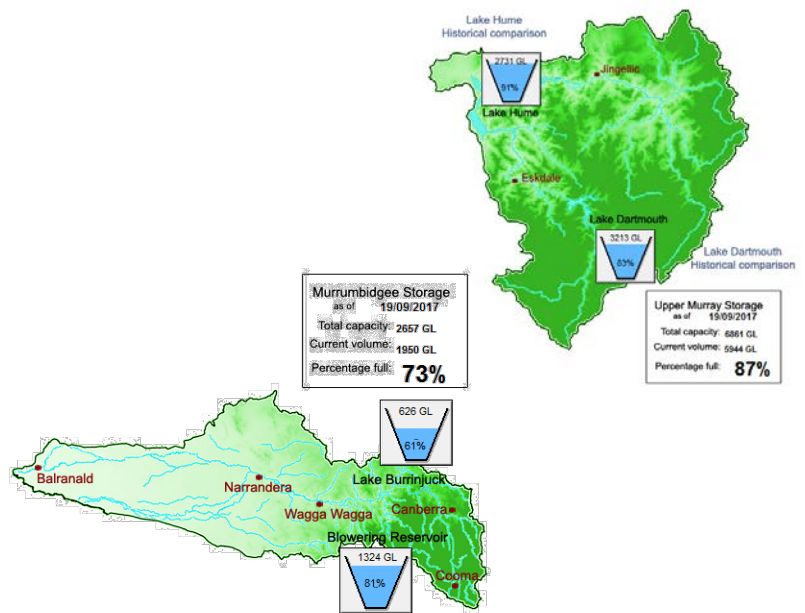
Source: [Bureau of Meteorology](#)



#### Dam Levels

- Water storages across the Murray Darling Basin have risen by 691 GL, with active storage now 87% capacity in the Upper Murray and 73% capacity in the Murrumbidgee.
- Due to the modest rainfall experienced in the southern parts of NSW, streamflow remains steady.

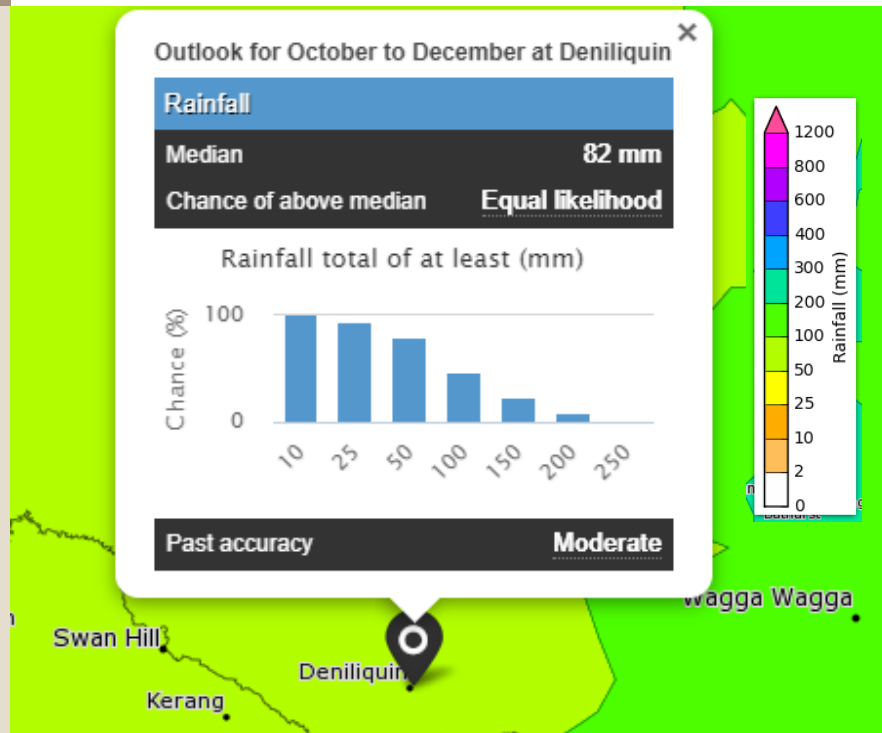
Source: [Murray Darling Basin Authority](#)



#### Three-Month Rain Forecast

- According to the BoM, the October to December outlook shows an equal chance of wetter or drier conditions for most of Australia, with October likely to be wetter than average for large parts of eastern Australia. There's an equal likelihood the Riverina will receive its median rainfall of 82mm over this period.
- Daytime and night-time temperatures are likely to be warmer than average for parts of southeast Australia. Elsewhere, chances of warmer or cooler nights are roughly equal.
- Climate influences from the Indian and Pacific oceans are likely to be competing, with a slightly drying influence in the Indian Ocean likely to be cancelling out a slightly wetter influence from the Pacific Ocean.
- The El Niño–Southern Oscillation (ENSO) is neutral, but tropical Pacific Ocean temperatures have been cooling since mid-winter. Forecasts suggest La Niña thresholds towards the end of 2017, meaning a potentially wetter spring and summer than anticipated.

Source: [Bureau of Meteorology](#)



## 4. Grower Update **Water Outlook**

### Forecast General Security Allocation (%) (as at 3 October 2017)

	High security	General Security	Average Carryover
Murray	97%	29%	44%
Murrumbidgee	95%	33%	27%

- NSW Murray general security allocation has increased by 1% to 29% of entitlement, with a commensurate increase in allocation to conveyance entitlements. Although it has been mostly dry, showers in September, coupled with better than expected tributary inflow recessions, have contributed to this improvement.
- Carryover in accounts has been revised upward by 40 GL to 730 GL, an average of 44% of general security entitlement. Incorrect system debiting of supplementary usage from some general security accounts was found, which meant that these

account balances were too low and carryover was underestimated. With the correction it means that overall general security water availability is 73% of entitlement in the valley.

- For the Murray, Water users are reminded that repayment of the borrowed Barmah-Millewa environmental water allowance, some 177,000 megalitres (ML), will commence when general security allocations reach 30% of entitlement.
- The Murrumbidgee general security allocation remains unchanged at 33% of entitlement. This means, with carryover, overall general security water availability is 60% in the valley.
- For the Murrumbidgee, with general security allocation plus carryover now reaching 60%, there is a requirement under the water sharing plan to begin to allocate 50,000 megalitres to the environmental water account (EWA1) and 25,000 megalitres to the provisional storage volume account (PSV1). This is required before general security allocations rise further.

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
<b>1st payment (Paid)</b>	180.00	168.00	213.00	192.00	180.00	252.00	258.00	100.00	100.00
<b>2nd payment (24 Oct 2017)</b>	56.00	53.00	61.00	58.00	56.00	70.00	70.00	50.00	50.00
<b>3rd payment (27 Feb 2018)</b>	22.00	20.00	26.00	23.00	22.00	30.00	31.00	50.00	50.00
<b>4th payment (24 April 2018)</b>	24.00	23.00	29.00	26.00	24.00	34.00	35.00	35.00	35.00
<b>5th payment (22 May 2018)</b>	15.00	14.00	18.00	16.00	15.00	21.00	22.00	40.00	40.00
<b>Final payment (24 Jul 2018)</b>	23.00	22.00	28.00	25.00	23.00	33.00	34.00	-	-
<b>Total</b>	<b>320.00</b>	<b>300.00</b>	<b>375.00</b>	<b>340.00</b>	<b>320.00</b>	<b>440.00</b>	<b>450.00</b>	<b>275.00</b>	<b>275.00</b>

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. The combination of fixed pricing, forward contracting, varietal premiums and the traditional pool now available to growers means that there is an increasingly diverse range and alternatives available to price paddy and a corresponding range of returns across contract types and varieties. As announced in April, to provide a more accurate indication of the actual prices that are available across the range of varietal and contracting alternatives, we have developed a Paddy Price Index that represents the range of weighted prices from all options across each season. When combining the varietal premiums and other fixed price options available in C17, the current C17 Paddy Price Index range is \$331.79 – \$368.54.

Contact us: 1800 654 557



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