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**95**

Your quarterly insights from Grower Services

# Grower Update



## Strong Riverina harvest ahead with plenty of opportunity

Harvest has started across the Riverina earlier than usual thanks to a great growing season with warmer than average temperatures. We are on track to achieve our forecast of a 600,000 tonne crop and from my early harvest experience I believe we can all expect excellent yields.

One of the important initiatives SunRice offers to encourage rice production in the Riverina is GrowRice. GrowRice provides up to \$1,000 per contracted hectare at a competitive interest rate prior to or during the growing season to assist with the purchase of water and other crop inputs, with repayments being deducted from your first harvest payment. I have been really pleased to hear how many growers make use of GrowRice and benefit from this initiative. A good example of this is former NRL footy star-turned rice grower Ryan McGoldrick and his wife Rosanna from Coleambally, who took advantage of SunRice's GrowRice funding facility to purchase water so they could plant their second ever crop of rice. In a time when many young people are swapping their rural lives for the city, it's wonderful Ryan and Rosanna can see a bright future in rice and the Riverina – read more about Ryan and Rosanna's story below. As we look beyond harvest and start planning for C19, I'd strongly encourage you all to look at GrowRice and see how it might assist your efforts to grow rice. For more details and eligibility criteria, visit <http://www.moneytech.com.au/GrowRice>.

These initiatives are strengthened by our focus on doing everything we can to deliver on the core objectives of our new five-year strategy: improving paddy prices and shareholder returns, as reinforced in CEO Rob Gordon's message below. As he explains, we're expecting a key driver of this to be the ability to market premium rice from the Riverina, to meet global consumers' increasing demand for quality, 'clean and green', healthy products.

As such, we're encouraging you to grow premium, high-value varieties such as medium grain, Low GI, Opus and Koshihikari.

Considering this, the Board was delighted to be able to announce last month a further \$15 per tonne uplift to the lower end of the C17 paddy price range, with the estimated range for medium grain (Reiziq) now at \$350 - \$365/t. This represents an overall \$50/t uplift on the initial estimated range of \$300 - \$320/t announced in August 2017. As communicated, the positive adjustment was made possible by a combination of factors, including: continued positive trading conditions; leveraging the recovery in world markets and prices; and premiumisation of branded products. The Board will again review the C17 range at the next Board meeting in April. Grower Services has also announced the interim first payment rates for C18. Once again this season, following the April Board meeting we will be quoting a range for estimated C18 pool returns with pool payments being set from the lower end of that range. Any changes to the interim payments will automatically flow through in future pool payments.

### Grower Reference Group

We have held the first meeting of the newly formed Grower Reference Group, which we have established with the support of the RGA to help inform SunRice's thinking on key grower issues.

The Group is intended to broaden the range of views and feedback that SunRice gets from our growers, particularly given the limited proportion of growers that attend our regular meetings throughout the year. We want the Group to provide frank and robust face-to-face feedback and, as a result, we have chosen a diverse mix of members. Items for discussion may include Capital Restructure options, grower-related programs and processes such

as PayRice and other issues arising. I consider the first meeting was a success, with all members purposefully contributing to discussions across a range of issues.

### PayRice harvest payments

With the first harvest payment for C18 on the horizon, by now you should have received by email the new look delivery and payment documents from the Grower Services team. We are trying to reduce the amount of paper we are sending to you, while ensuring we provide clear and concise information. I have received my documents via email and am pleased with the format and layout. We have also sent you a short video to step through the new documents and to help you understand how you will be paid. This will cover our new standard payment terms and the PayRice facility. Please take the time to review this information which can be accessed via the Grower Portal and if you have any questions please do not hesitate to contact Grower Services on 1800 654 557.

It was great to see those of you who attended the Rice Industry Field Day in Yanco recently, where it was exciting to be part of the launch of the new short season variety, YRM70, now named Viand. On behalf of the SunRice Board, I would like to wish you all the best of luck with harvest.

**Laurie Arthur**  
Chairman



### New rice grower kicks goals with GrowRice

Faced with high water prices coming into just their second year of growing rice for C18, Ryan McGoldrick and his wife Rosanna almost decided not to plant a crop on their Coleambally farm.

But SunRice's GrowRice crop input facility helped to change their minds. They used GrowRice to purchase water and planted 30 hectares of Sherpa in October 2017. With rain on the horizon in late December, Ryan had the confidence to plant a further 20ha of YRM70.

Ryan, who has only recently swapped his professional rugby league football boots to become a rice grower, said SunRice provided great support opportunities for growers, especially newcomers like themselves, with initiatives such as GrowRice.

The McGoldricks grew their first rice crop

of Reiziq in C17 and have to purchase water as the rice farm they bought in 2015 came without water entitlements.

"Because we have to buy in water, this year I grew Sherpa to help manage risk and the YRM70 is a bonus, but I wouldn't have been able to plant either without GrowRice.

"We have only just started out in the rice industry, so GrowRice is helping with our cashflow. It's helped to reduce the pressure as it enabled us to top up our water and it's repaid from our first harvest payment. It's been a massive help.

"I've been tempted to grow cotton a couple of times, but the industry doesn't offer the same support as SunRice does for rice growers through initiatives like GrowRice – it is a big advantage and it's great that SunRice is offering things like

this to help rice growers.

"For a new farmer, having the ability to plant a crop (YRM70) so late in the season after wheat thanks to GrowRice and hopefully make a profit shows that rice has more benefits than other summer crops like cotton."



### CEO Message - Growing our five-year strategic plan

The Australian rice industry and SunRice have come a long way since 1950, when Riverina rice-growers first pooled their money to establish a rice mill in Leeton.

Over the past five years, SunRice's strategy to expand the business has driven improved financial performance; built a resilient business; increased returns to growers and shareholders; and diversified our source of supply from beyond the Riverina.

We now have an excellent foundation on which to grow the business further by taking advantage of global trends and leveraging SunRice's distinct competitive advantages.

Our five-year strategy identifies where these growth opportunities exist and outlines what we need to do to maximise the benefits of these opportunities. There are three overarching themes that are underpinned by our twin objectives to improve paddy prices and increase shareholder returns:

1) The provenance of Australian rice, which is amongst the best in the world. We need our Riverina growers to focus on growing premium, high-value varieties to meet global consumers' increasing demand for quality, 'clean and green', healthy products. This focus will help to improve paddy prices.

2) Utilising our various sustainable global supply chains to respond to increased demand. Australia will be the supply source of choice for premium branded rice markets and lower returning markets will be supplied with affordable yet high-quality rice grown outside of Australia.

3) Matching global food trends from our diversified product portfolio, such as the 'Sushi Revolution' and Low GI, which will help to drive profits.

Examples of successes already achieved include: a record for the sale of rice to Japanese customers; we are well advanced in securing a permanent, fully controlled supply chain in Vietnam; and we are introducing our Low GI rice into new markets around the world.

To learn more about our strategic plan and vision for SunRice, I hope you enjoy a video message, which can be watched by visiting <http://bit.ly/5YearStrategy>. This is truly an exciting time and over the coming months I look forward to providing you with further regular updates on how SunRice is achieving its strategic goals.

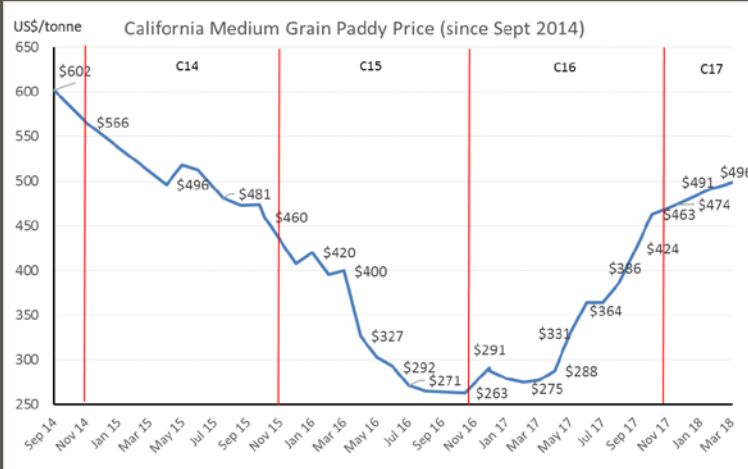


Watch the video by visiting <http://bit.ly/5YearStrategy>

### 3. Grower Update Paddy Price Indicators

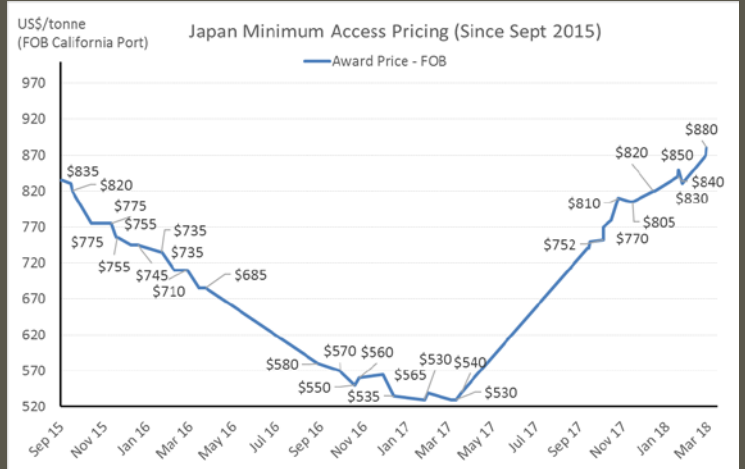
#### Global Pricing – Medium Grain & Japan Pricing

USA Calrose prices for Minimum Access (MA) business has been on a steady rise, fuelled by a short C17 paddy supply. California has sold 230,000 metric tonnes of rice under the Japan MA scheme with the anticipation of 70,000mt to go. We expect the total tonnage potential for the balance of MA may be tempered slightly by the increased tonnages sold under Simultaneous Buy and Sell (SBS). We expect award prices will remain strong until new crop supply becomes available in October 2018.



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

Source: SunRice Estimates



Source: SunRice Estimates

#### Water Commentary

California commenced the new water year on 1 October 2017. As of early March 2018, water year rainfall totals are running 65% of average and 46% for the water year. A series of much needed storms hit Northern California in late February and the first few days of March.

Reservoir levels are running 59% to 102% of normal for this time of the year. Oroville is currently the biggest concern for rice as low year-to-date snowfall accumulation combined with a 42% reservoir fill level will likely result in reduced water allocations.

The 30-day precipitation outlook is calling for above average precipitation levels however the window is starting to close for California, as the spring season will officially start on 20 March 2018.

In the end we expect to see some reduced water allocations out of the Oroville scheme and full or near full allocations out of Shasta.

Sacramento Region Summary			
Precip: 8-Station Index			
Season to Date	85%	% Avg year	46%
Northern Sierra Snow Water Content			
% to Date	30%	% Apr 1	28%
Reservoir Storage			
Reservoir	%Hist.Avg.	%Capacity	*Encrch
Shasta	102%	76%	-888
Oroville	59%	42%	-1617
New Bullards	122%	80%	-20
Folsom	96%	54%	-109

Data as of 11:59:59 PM on Mar 4, 2018.

\* Encroachment to regulated storage level. Source: US National Drought Mitigation Center

#### Foreign Exchange

The AUD/USD has been volatile since November 2017 in line with general USD movements. Initially, the Corporate Tax reforms passed by Congress were seen as a positive for the USD however, as a whole were discounted as being within market expectations given it had been discussed for so long.

As expected, the US Federal Open Markets Committee (FOMC) increased the Federal Funds interest rate in December by 0.25%. Ten out of 16 FOMC members expect at least three further rate increases in 2018 and after stronger than expected inflation data released to the market in February, the risk for more than three rate increases appears to be higher. This should be USD positive.

Recent CPI and wages data in Australia continue to support a no rate change for up to 12 months whilst some commentators are expecting no rate changes for over two years. US interest rates are now higher than Australian rates through to 10 years and traditionally this has coincided with a weakening AUD versus the USD. Whilst this will be a strong headwind, recent comments by President Trump that the USA would impose tariffs on steel and aluminum imports could escalate quickly to a trade war with China and Europe and lead to USD weakness. It has been clear during Trump's Presidency that he wishes to support local industry. Tariffs and/or a weaker USD would benefit US industry greatly though will not be welcomed by trading partners.

In Papua New Guinea, the Kina (PGK) is weakening very gradually as the supply of foreign currency has fallen. A one-off 20 to 25% Kina depreciation is still a constant risk, however the government appears resolved for it not to happen and a very gradual depreciation seems the most likely option for now.



Source: Bloomberg

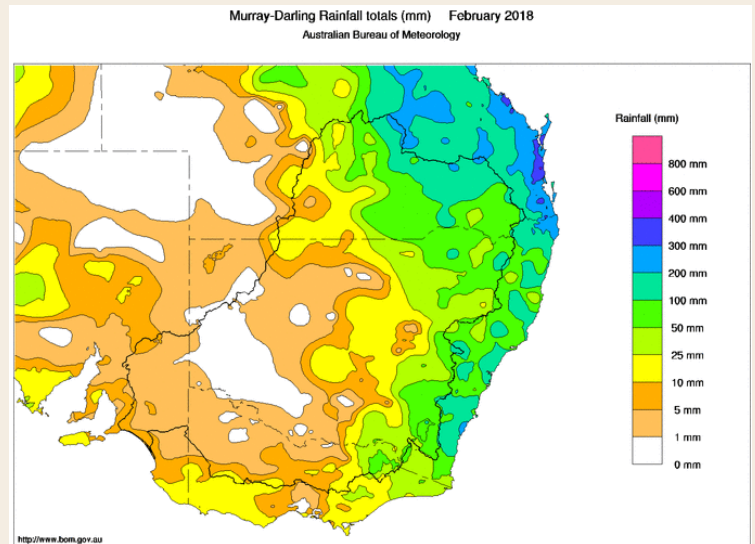
## 4. Grower Update **Seasonal Outlook**

### Current Conditions

Rainfall across Australia as a whole was below average for February including below average rainfall for the Murray-Darling Basin. Areas surrounding Deniliquin and Griffith experienced the lowest rainfall for the month of February for at least 20 years.

Towards the end of the month, a series of weak cold fronts crossed the Riverina, and in combination with a surface trough, produced moderate falls over the region.

Source: [Bureau of Meteorology](#)



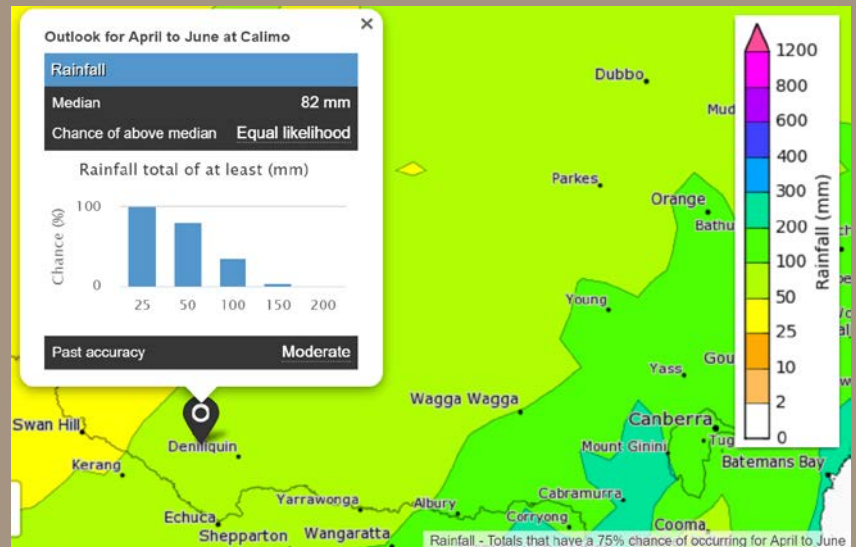
### Three Month Outlook

The BoM's seasonal outlook from April to June indicates that the Riverina is likely to experience conditions wetter than average.

The La Niña in the tropical Pacific Ocean has ended, and ENSO neutral conditions now prevail. With neutral conditions also in the Indian Ocean, there is no strong push towards broadscale wetter or drier conditions for much of the country, although nights in the Riverina are likely to be warmer than normal.

Overnight temperatures are also expected to be warmer than normal for those in the Riverina region.

Source: [Bureau of Meteorology](#)



# Payment Schedule

	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 (Paid)</b>	56.00	53.00	61.00	58.00	56.00	70.00	70.00	50.00	50.00
<b>Supplementary payment (Paid)</b>	15.00	15.00	15.00	15.00	15.00	15.00	15.00	-	-
<b>3rd payment (Paid)</b>	37.00	35.00	41.00	38.00	37.00	45.00	46.00	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>350.00</b>	<b>330.00</b>	<b>405.00</b>	<b>370.00</b>	<b>350.00</b>	<b>470.00</b>	<b>480.00</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 \$350 - \$365/tonne (Reiziq) for C17 paddy pricing. The C2017 payment schedule is structured around a paddy price of \$350/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 \$359.35 - \$373.13.

Contact us: 1800 654 557



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