



Rice Industry Field Day

Global Market and Sustainability Update

Rob Gordon - Chief Executive Officer
Thursday 7 March 2019



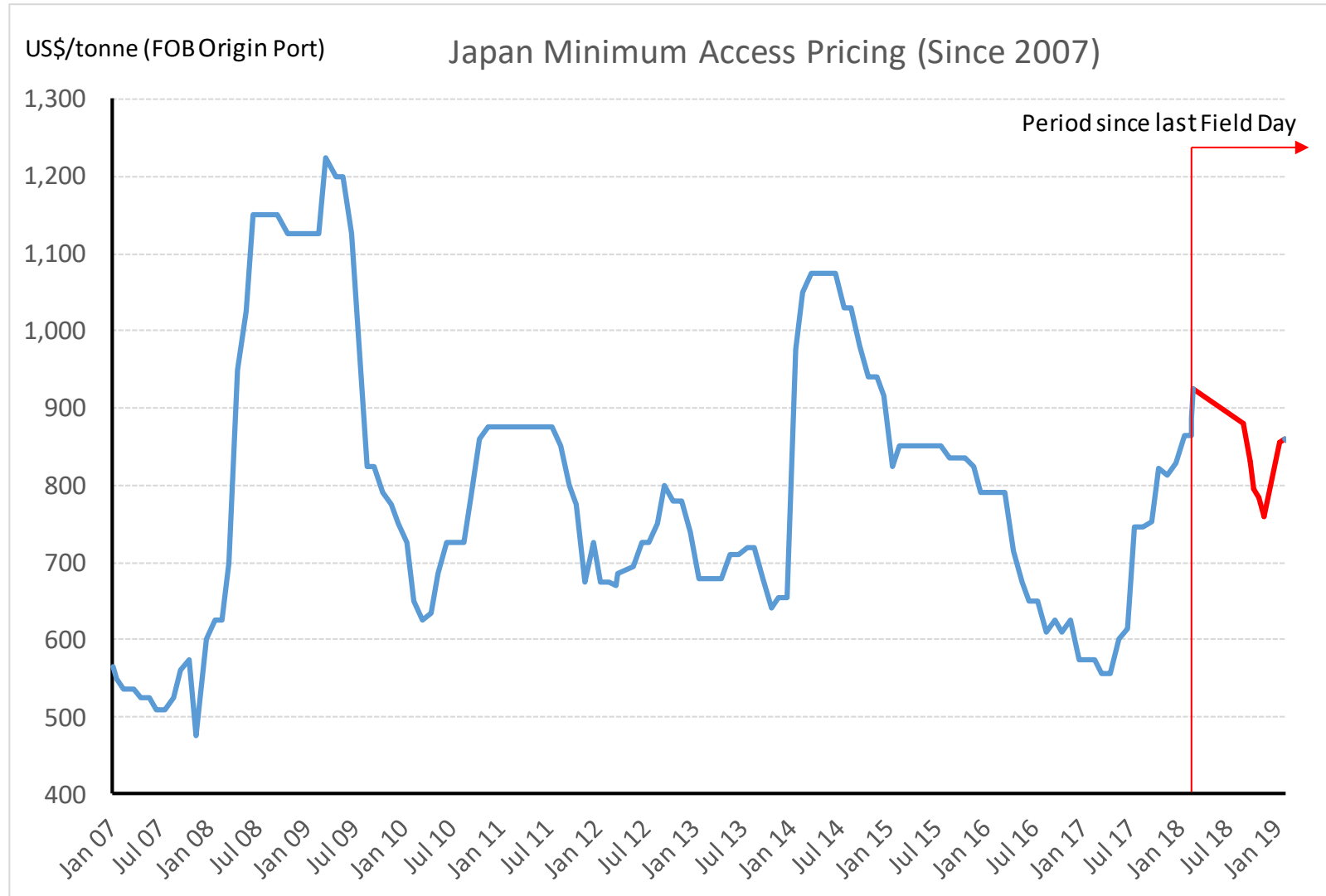
Global Outlook

- Global Market
- California Developments
- Global Stockpiles
- Foreign Exchange

Sustainability Update



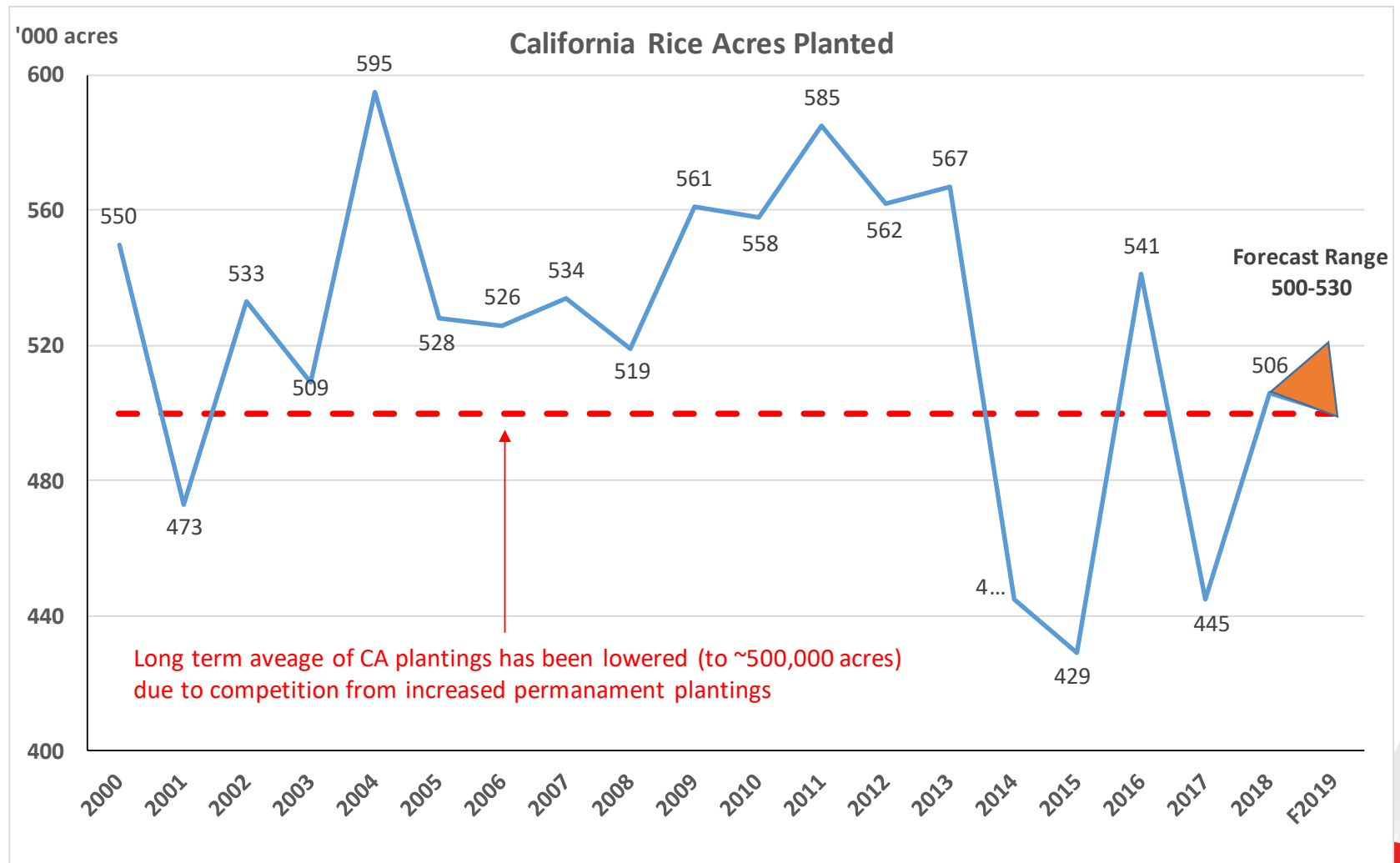
Medium Grain Prices: Tender Markets



Source: Creed Report



California Annual Plantings



Source: SunRice and USDA

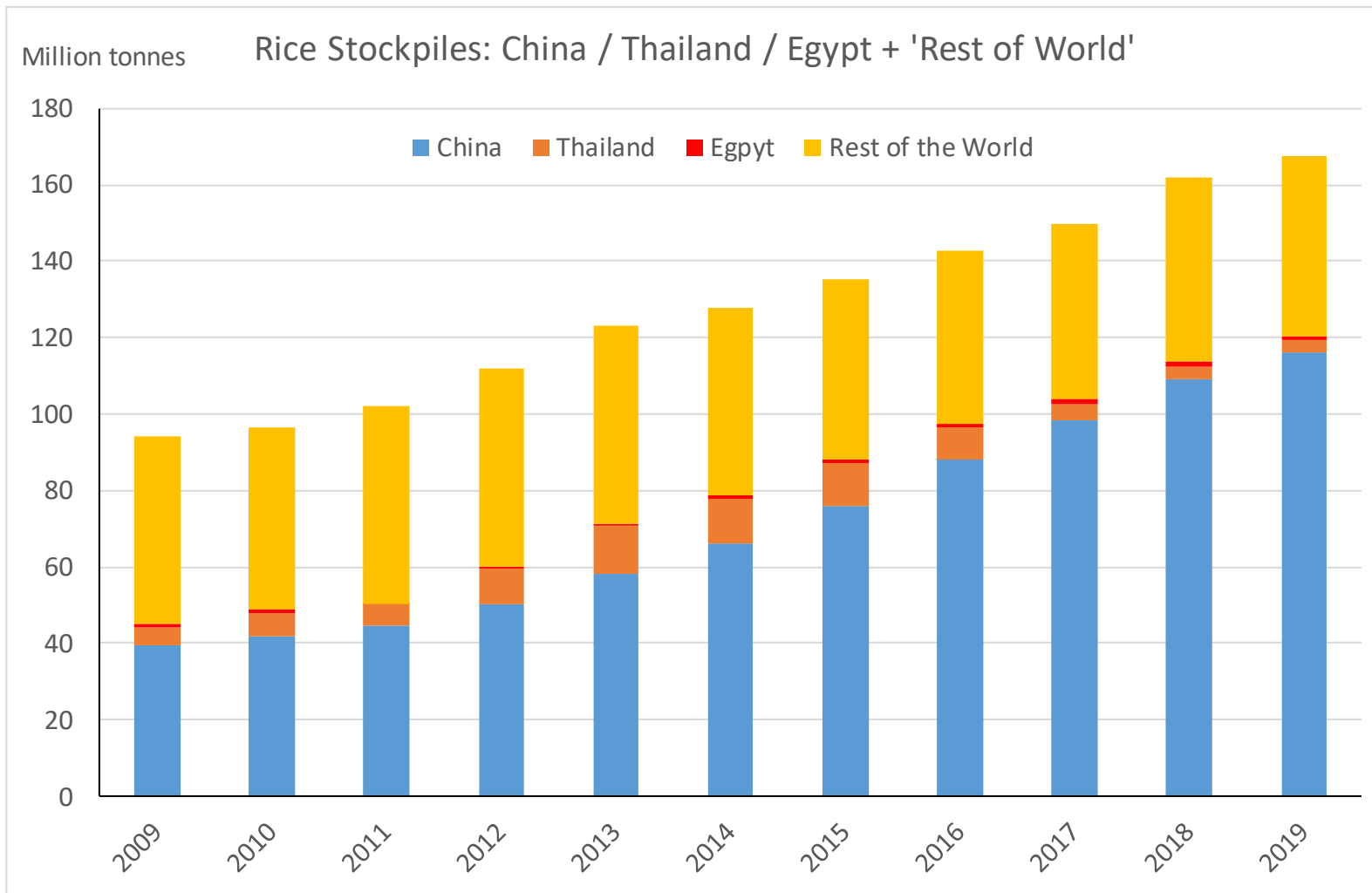


California: Conditions for our Major Competitor

- While it is still early in the cycle, there is presently ample water in California and 2019 plantings are expected to be in the range between 500,000-530,000 acres
- The years of +540,000 acres of rice plantings are unlikely given the expansion of almond plantations and permanent cropping
- Californian medium and short grain exports forecast to be 35% higher than last year
 - Coming off smallest export volume since 2014/15, and weaker crops in Australia and Egypt
 - Increased exports likely to be focused on Middle East and North Africa
- Japanese tender prices have also remained buoyant, having recently returned above US\$800/tonne



Global Stockpiles still High



Source: USDA



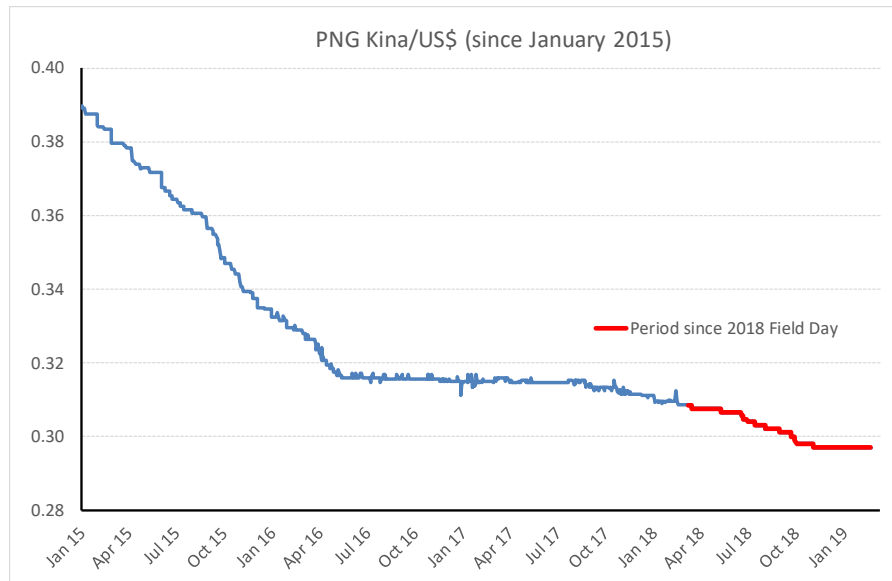
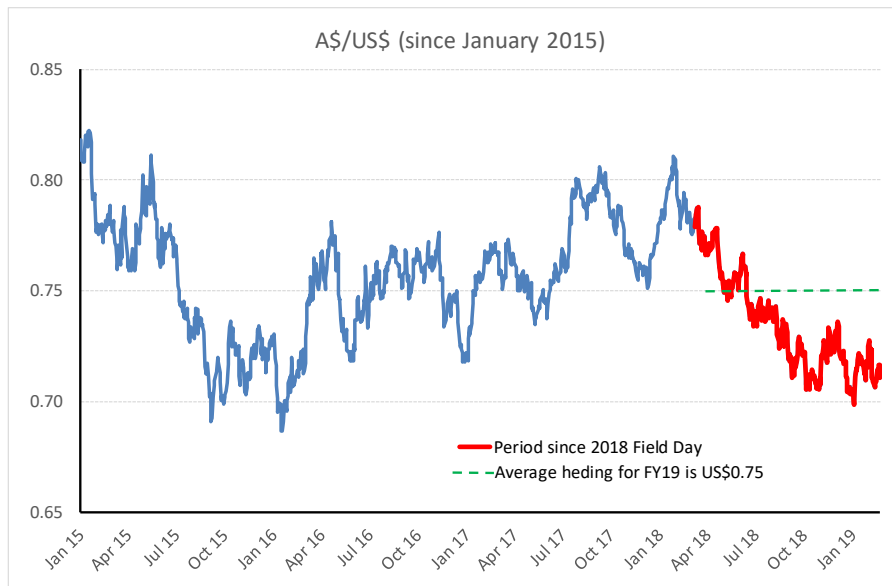
Chinese Stockpiles and Exports Increase

- As a result of high floor prices for domestic farmers, China stockpiles have increased by around 6% to 116 million tonnes, which accounts for 69% of overall global stockpiles
- China continues to increase exports, especially into lower returning markets such as Asia and the Pacific, to unwind stockpiles
 - China's annual rice exports have increased by 75% since early 2017 and now exceed 2 million tonnes
 - SunRice is taking advantage of this opportunity and has agreed to purchase Chinese medium grain rice
 - In Middle Eastern sensory testing Chinese medium grain has performed well
 - Will US-China trade talks impact trade flows?
- Egypt has unwound stockpiles by 59% over the past year and levels are now at lowest since 2014 due to small domestic crop and import requirements
- Despite country-specific variances, global rice trade volumes have experienced minimal change, as reflected in strong pricing year-on-year

**Premium Riverina rice is sold into high returning markets,
as rice sourced beyond Australia satisfies demand in
lower returning markets**



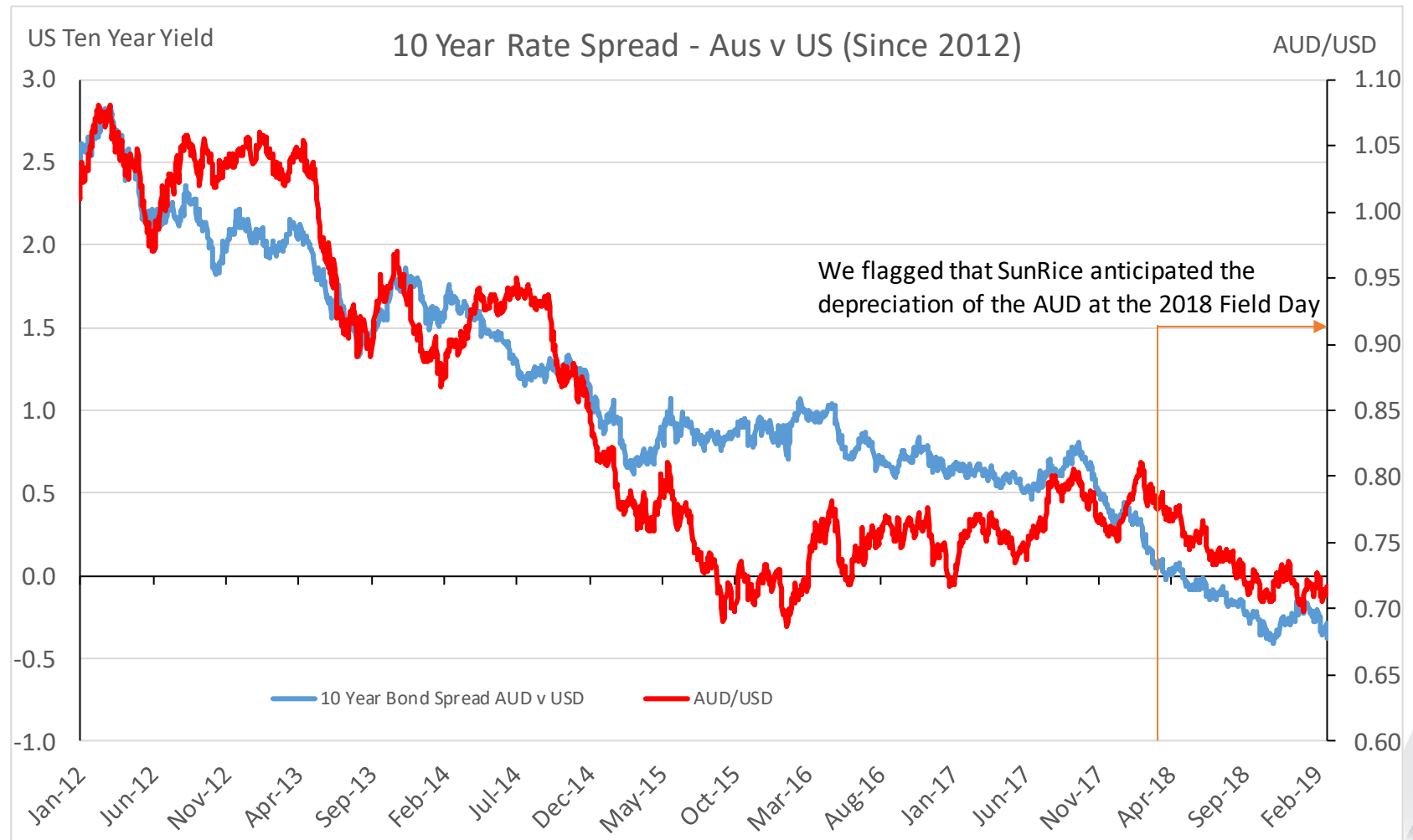
Foreign Exchange Movements – A\$/US\$



- Weaker A\$/US\$ exchange rate is favourable for international rice sales
- SunRice's rice price is sensitive to exchange rate fluctuations
- US central bank commentary suggests US rates are presently in neutral position
- Majority of our banking syndicate are presently forecasting A\$ to depreciate over 2019
- PNG bond issuance in September 2018 has improved USD liquidity, reducing SunRice's exposure to the depreciating PNG Kina exchange rate



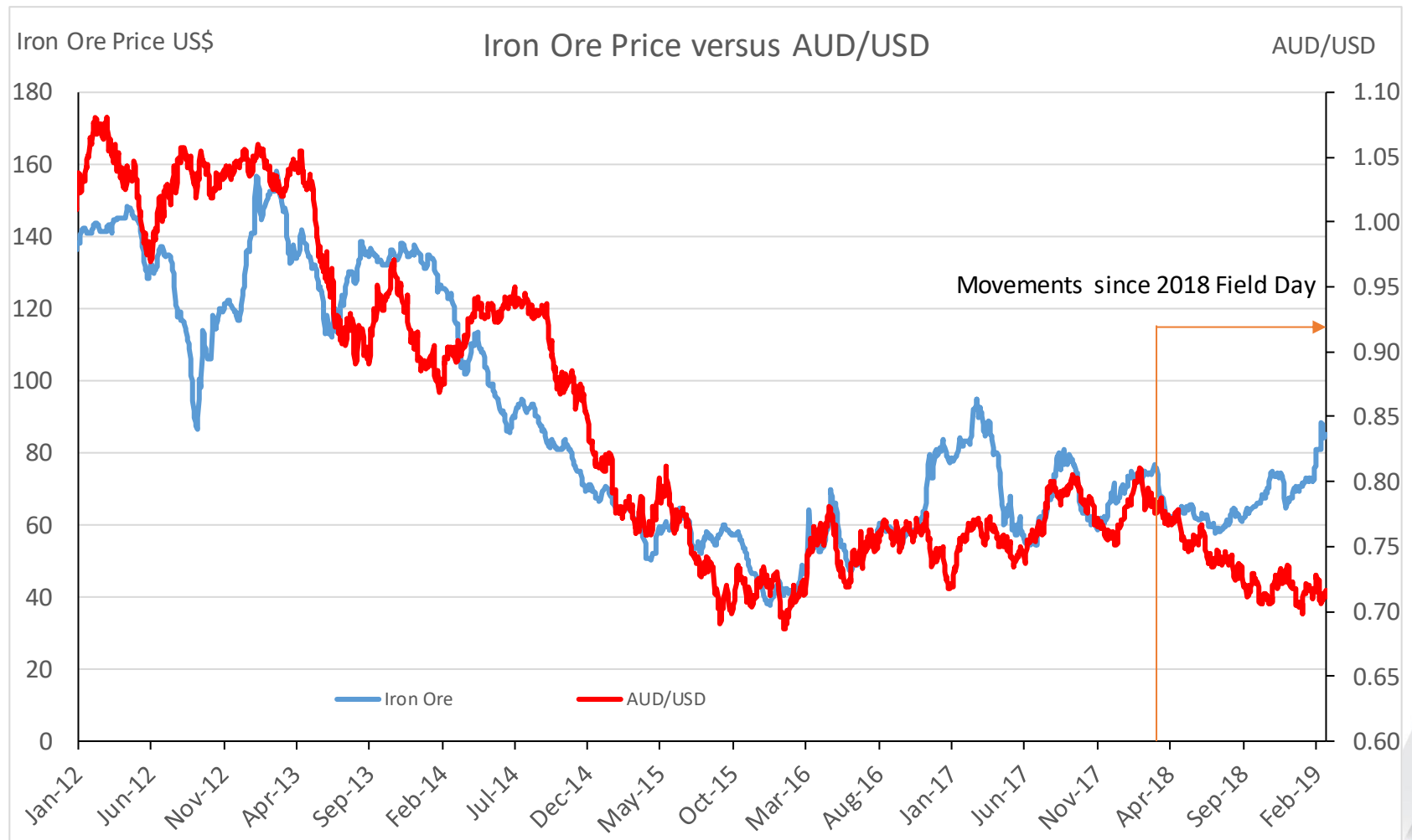
Is the A\$ Set for Further Depreciation?



Source: Bloomberg



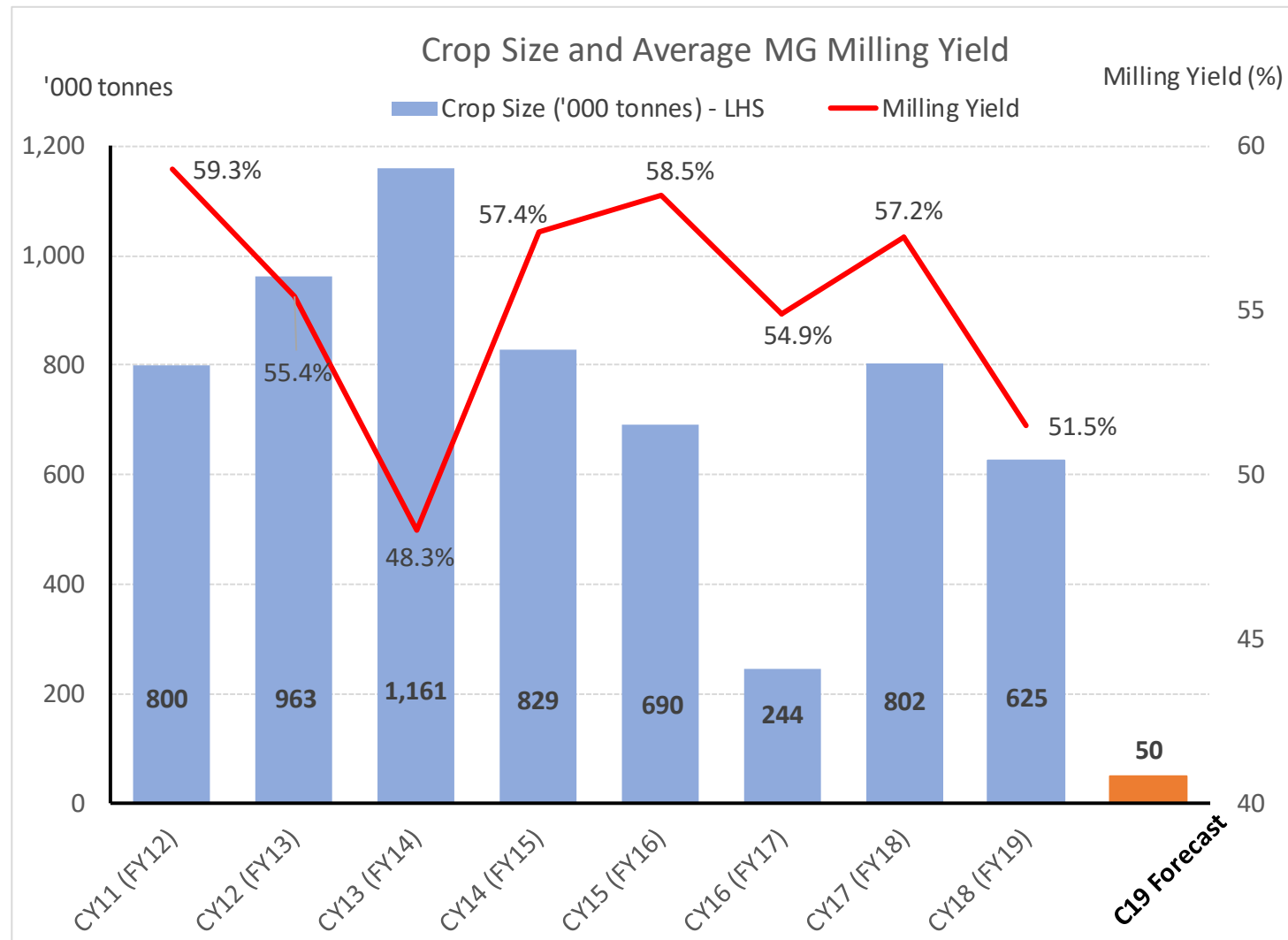
Iron Ore Pricing versus AUD/USD



Source: Bloomberg



Crop Size and Milling Yield



Source: SunRice



Pricing Indicators: On Balance Remain Positive



World Rice Prices



Foreign Exchange



Milling Yields



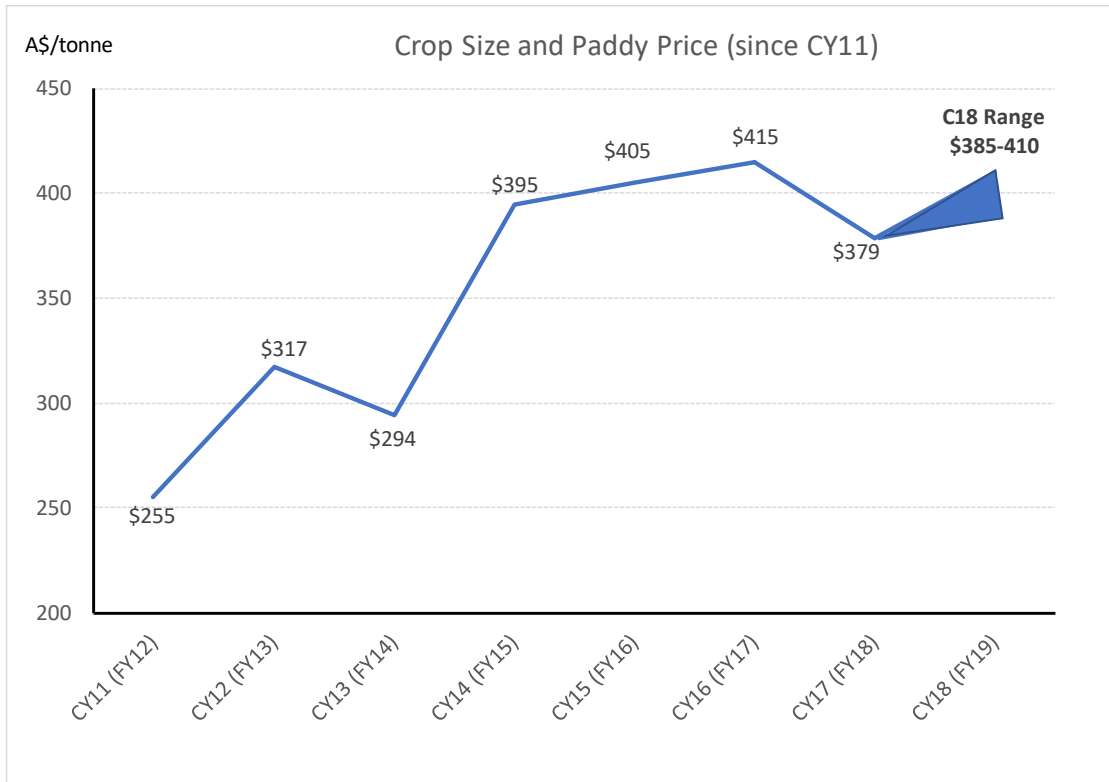
Crop Size



Branded Markets & Sale of Premium Varieties
Ensure Stronger Pricing



SunRice Provides Reliable Paddy Price Indicators



Source: SunRice

- SunRice continues to provide growers with reliable price range indicators and guidance
- Regular adjustments to price range guidance are communicated to growers depending on market and trading conditions
- Base of the C18 paddy price range has increased by \$30/tonne over the past six months: now \$385-410/tonne





Sustainability – A local and global responsibility

Sustainability is a Key Focus – Why?



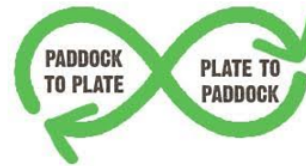
of global consumers said its very or extremely important that companies implement programs to improve the environment.

Source: Nielsen

34%

of Australian Metro consumers prefer to buy products that are produced using sustainable sourcing methods.

Source: Mintel



Consumer trends are becoming more heavily focused on 'paddock to plate' – and not just in restaurants

Investors

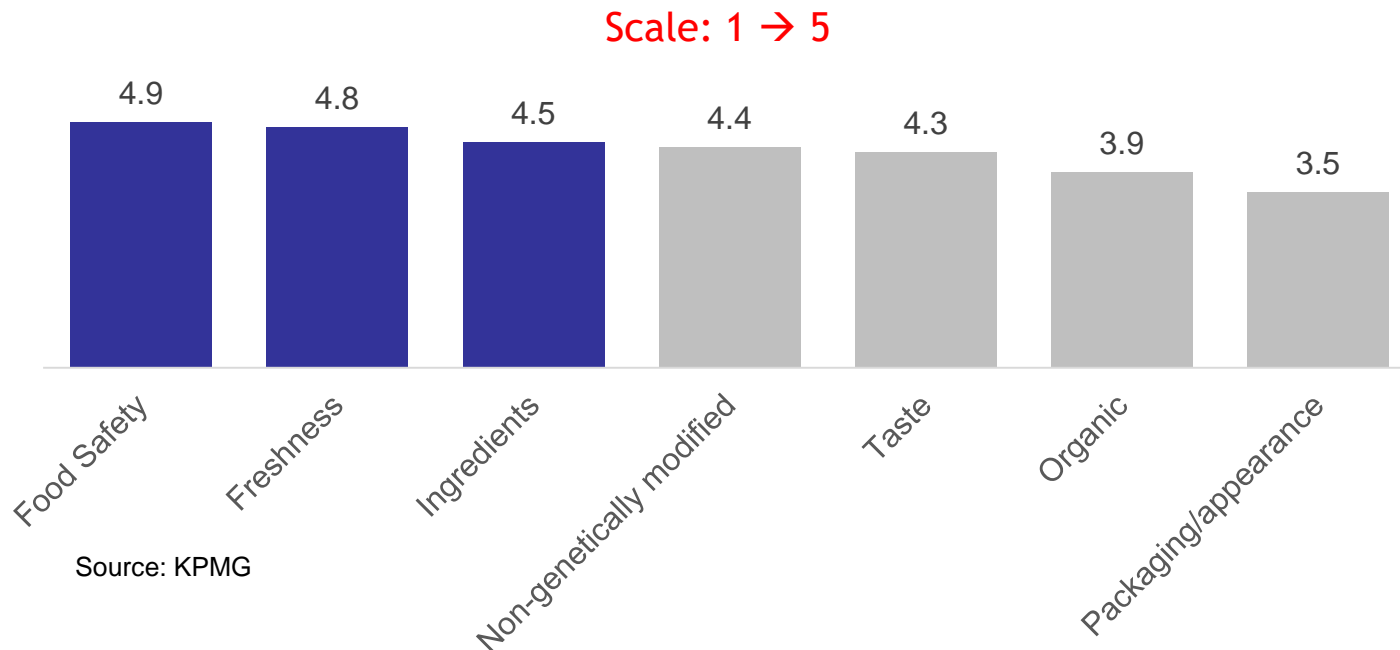
Also growing demand from investors for full disclosure of **E**nvironment, **S**ocieties and **G**overnance

Companies that focus on sustainability and anchor sustainability within the strategies and activities of their businesses, create a competitive advantage for their business, while working towards addressing social, environmental and ethical issues.



Sustainability is a Key Focus – Why?

- China is an example of a market where the consumer is demanding sustainable and safe food: increasing portion of regular spending (~87%) is on food rather than non-food products
- Characteristics of food deemed most important by consumers in China



- According to IRRI, consumers are willing to pay between 30-35% premium for rice that can demonstrate traceable and sustainable credentials



Sustainable Rice Platform (SRP)

SRP: World's first rice sustainability standard v.1.0 (to be revised in 2017)



The Standard covers the following 8 themes:



Water use



Nutrient management



Pre-planting



Health & safety



Harvest &
post-harvest



Farm management



Labour rights



Pest management

Photos: image collection of the International Rice Research Institute (IRRI)



Questions

