

Address by SunRice Chairman Mr. Gerry Lawson AM

11:00 am, Friday, 11 August 2011
RGA Annual Conference
Barham & District Services Memorial Club
6 – 8 Niemur Street, Barham NSW

Today's conference encourages the rice industry to embrace change – and for SunRice, that means carving out a new pathway for our company.

A tumultuous twelve months have provided the platform for a new direction, and the Board's role - as it has always been - is to ensure the company goes from strength to strength. As I've said many times before, that will require some difficult decisions - which we have already begun to make.

I would like to say that we are moving forward, but our Prime Minister appears to have the copyright on that phrase.

So instead, I'll say that we're taking a renewed approach to the challenges which lie before SunRice, and that we ARE making headway.

Much of the last year was dominated by the Ebro offer. That decision is made and behind us, but it has highlighted the challenges and opportunities our company faces, and the desire to ensure a strong future for SunRice.

Since then, the Board has taken further steps to reduce the company's debt, and as I mentioned, we have begun to make some tough decisions. That included the reduction of the dividend paid to shareholders last financial year.

Over the past three months we have increased the capital in the business by \$6.4 million.

We delivered a fully franked dividend of 18 cents per B Class share, which is 4.5 cents per share lower than the dividend paid in 2010. This has allowed us to retain \$2.8 million from profit generated in 2010/11.

We also renewed our capital raising efforts, issuing a prospectus last month, which offered additional B Class Shares to shareholders and RMB Equity Holders.

Participation in the Dividend Reinvestment Program was similar to last year, securing \$2.67 million for the company. How wonderful our existing shareholders are.

Some \$892,000 worth of new B Class shares were acquired via the capital raising. This included \$642,000 secured via the 2011 Equity Rollover Payment, out of the total \$11.7 million available - and this isn't a surprise.

For the most part, it appears that those who have been contributors in the past have contributed again, and those who have not, have not.

It's vital that the company is placed in a better position to fund its operations and growth opportunities. That involves ensuring SunRice is also robust enough to withstand world market issues such as a volatile Australian dollar, volatile commodity prices and global competition.

We will continue to evaluate the options for reducing debt that were outlined in the Scheme Booklet to ensure SunRice is positioned strongly going forward.

SunRice delivered a \$13.1 million profit after tax in 2010/11, which was an improvement of 11.5 per cent on the previous year.

It's a good result, however it's important to note that our rice milling and marketing divisions recorded a 25% decline. It was the strength of our subsidiaries and rice foods businesses that underpinned this good outcome.

These matters will be outlined at SunRice's Annual General Meeting, to be held at Jerilderie on August 26.

It will be an opportunity to hear more about the financial performance of the company in 2010/11 and the road ahead.

We will also introduce the four directors who will be elected to the Board later this month. We need to have a good stable Board, as we've had. A Board which can work without division. A Board which focuses on the business. We have a strong field of candidates and once again, it is heartening to see growers seeking a greater role in the future direction of SunRice.

The AGM will also be Gary Helou's last as SunRice CEO and we will be sad to farewell him after 11 terrific years. I'll talk more about him at our AGM – he's been a fantastic CEO and we wish him well.

You'll hear from Gary shortly, and he will speak about SunRice's opportunities and challenges in more detail during his presentation on 'Meeting the Market.'

Although SunRice's debt has been a major focus for the industry in recent months, we must not forget that the company remains strong and the performance of our subsidiaries in particular has been positive.

We have made incredible progress in the area of research and development, with the release of the short term variety Sherpa, and further work is being undertaken to combine its cold tolerance with the grain qualities of Reiziq.

Research has always been the backbone of our industry, and it's what makes us the most efficient and productive rice growers in the world. It also allows us to move quickly to align varieties with customer requirements.

SunRice is taking a number of important steps in the next crop in regard to market alignment. We are retiring the "old faithful" variety Amaroo and in addition Jarrah. These varieties no longer meet our customers' needs as well as our newer varieties do. Reiziq is now demanded by most of our premium medium grain markets and Sherpa will do a better job than Jarrah as a late planted variety.

We are also providing a price signal about the importance of Reiziq - it will be the standard medium grain variety, and as a result Sherpa and Quest will be priced at a \$15 per tonne discount to Reiziq.

On the operational front, we have reopened our biggest mill – Deniliquin – which has been an enormous achievement for the company, and has provided jobs and economic benefits for the local community. The Coleambally mill has also been reopened for a short period to help process our rice.

More than 350 jobs have been created in total across our regional operations – an accomplishment of which we're proud, on the back of a decade long drought.

That of course, wouldn't have been possible without an almost 800,000 tonne rice crop – the largest the Australian rice industry has produced in five years. The outlook for the next season is outstanding.

We are back on track and will look to maintain and secure new markets around the globe. It's important to remember that the world wants Australian rice and that we are in the position to supply it.

Thank you.