

11 October 2012

Dear Grower / Shareholder

## RE: THE BENEFITS OF VESTING AND THE SOLE AND EXCLUSIVE EXPORT AGREEMENT

As many of you will know, the NSW Government is currently considering whether to renew the Rice Vesting Proclamation. You may not be aware, however, that in recent weeks a campaign has been mounted to dismantle the current vesting arrangements for NSW-grown rice. This comes at a time when our industry is still recovering from the effects of drought, and in this context we would like to remind everyone of the benefits of vesting to our growers and our company.

SunRice, its shareholders, its growers and our regional communities benefit significantly from vesting and the single export rights that SunRice has been granted under the Sole and Exclusive Export Agreement. The arrangements have the unanimous support of the SunRice Board and have also been unanimously endorsed by every RGA branch and at two public meetings attended by business and community leaders.

Vesting and the Sole and Exclusive Export Agreement provide these benefits via:

- Enabling SunRice to deliver a price premium for NSW rice in global markets. Our analysis indicates that for the 2011/12 crop year, SunRice achieved an **average price premium of \$40.3 million or an additional \$69 per tonne** over and above the prices of our overseas competitors. This could not be achieved without the export freight and scale advantages and marketing strength provided by vesting and our exclusive export rights.

With respect to our overseas competitors and comparisons to the Californian rice price - it is important to highlight that a mixture of pools and cash markets operate in California and as a result there is no single farm gate price for Californian rice.

In addition, the Californian pricing cited in recent correspondence has been contrasted with prices SunRice attained in export markets at a time of transition for our company. As you all know, Australian paddy prices have borne the costs of upscaling from a 205,000 tonne crop in 2010, to 800,000 tonnes in 2011, and 963,000 tonnes earlier this year.

A simplistic comparison of SunRice's price for the entire pool against a price available for just part of the Californian crop is in our view misleading and our formal submission to the NSW Government addresses this issue.

- Underpinning the commercial decision to support and secure SunRice's markets and grower base through **supplementing rice payments by approximately \$140 million over the seven drought-affected years.**

This enabled us to secure the volumes of Australian rice needed to underpin SunRice's presence in key markets, keep Leeton Mill open, maintain other critical regional infrastructure and retain our core employee base.

These actions represented a **significant investment in the future of the NSW rice industry and its growers** and ensured that we were in a position to process and market large Australian crops again when conditions improved.

In comparison, SunRice made retentions from the rice milling and marketing business of \$16 million earlier this year.

- **Underpinning SunRice's "buyer of last resort" obligations**, which we understand is important in providing security to the vast majority of our growers.

It is important to understand that these outcomes – the price premiums achieved in export markets for NSW growers; the ability to retain and then upscale operations in regional Australia post drought; and the commitment to buy every last grain from every rice grower – would not have been possible without vesting and the Sole and Exclusive Export Agreement. The security and stability that the single export rights deliver SunRice as a business underpins these assurances.

The benefits provided by vesting and the Sole and Exclusive Export Agreement have a significant multiplier effect in delivering value to the regional communities in which the majority of you live. In line with this, SunRice has made a formal submission to the NSW Government Review, strongly advocating that the existing arrangements be maintained because they best serve the interests of SunRice, its shareholders, its growers, their families, rural and regional communities and the NSW economy more generally.

As I've previously stated, we encourage debate and different opinions. However given the outcome of the vesting review has the potential to adversely reshape SunRice as a business and result in the contraction of an industry that is only two crops out of a debilitating drought, it is important that everyone understands what is at stake.

Thank you for your continued support. If you have any questions, please feel free to contact me, one of my fellow Directors or Grower Services on 1800 654 557.

Yours sincerely,



GERRY LAWSON AM  
**Chairman**