

A wide-angle photograph of a rice field during harvest. Two large combine harvesters are visible in the middle ground, moving through the golden-brown rice stalks. The foreground is filled with a dense field of rice. The sky is filled with large, white, fluffy clouds. The overall scene is bright and captures the essence of agricultural work.

# 2015 RGA Annual Conference SunRice Update

**Mr. Laurie Arthur**  
**SunRice Chairman**  
7 August 2015





## Agenda

- C15 Outlook
- Global rice market dynamics
- C16 Prospects
- Capital Structure Review Update





## C15 Outlook: Our business and industry continues to be in a strong position

- Delivered outstanding full year result in 2014/15
- We continue to target 950,000 tonnes of rice annually and have markets available for 1.15 million tonnes
- SunRice growth strategy delivering results, maximising grower returns and enhancing shareholder value
- Continue to increase presence in domestic and international markets through innovation, combined with product mix, sales price increases and volume uplift
- Growth supported by our capital investment program of recent years
- Focus on controlling costs and driving greater efficiencies and productivity has also helped to deliver improved operating performance



## Paddy Price

- Delivered more than \$330 million in payments to our growers in C14
- Strong price driven by performance of our Rice Pool business:
  - Impressive sales and profit growth across international markets
  - Improved milling yields for the C14 crop
  - Strong global pricing
- C15 outlook:
  - Harvest complete. Production of 690,000 tonnes
  - Impacted by water availability and allocations
  - Strong price prospects based on current market conditions, with C15 indicative return in the range of \$350-\$370/t

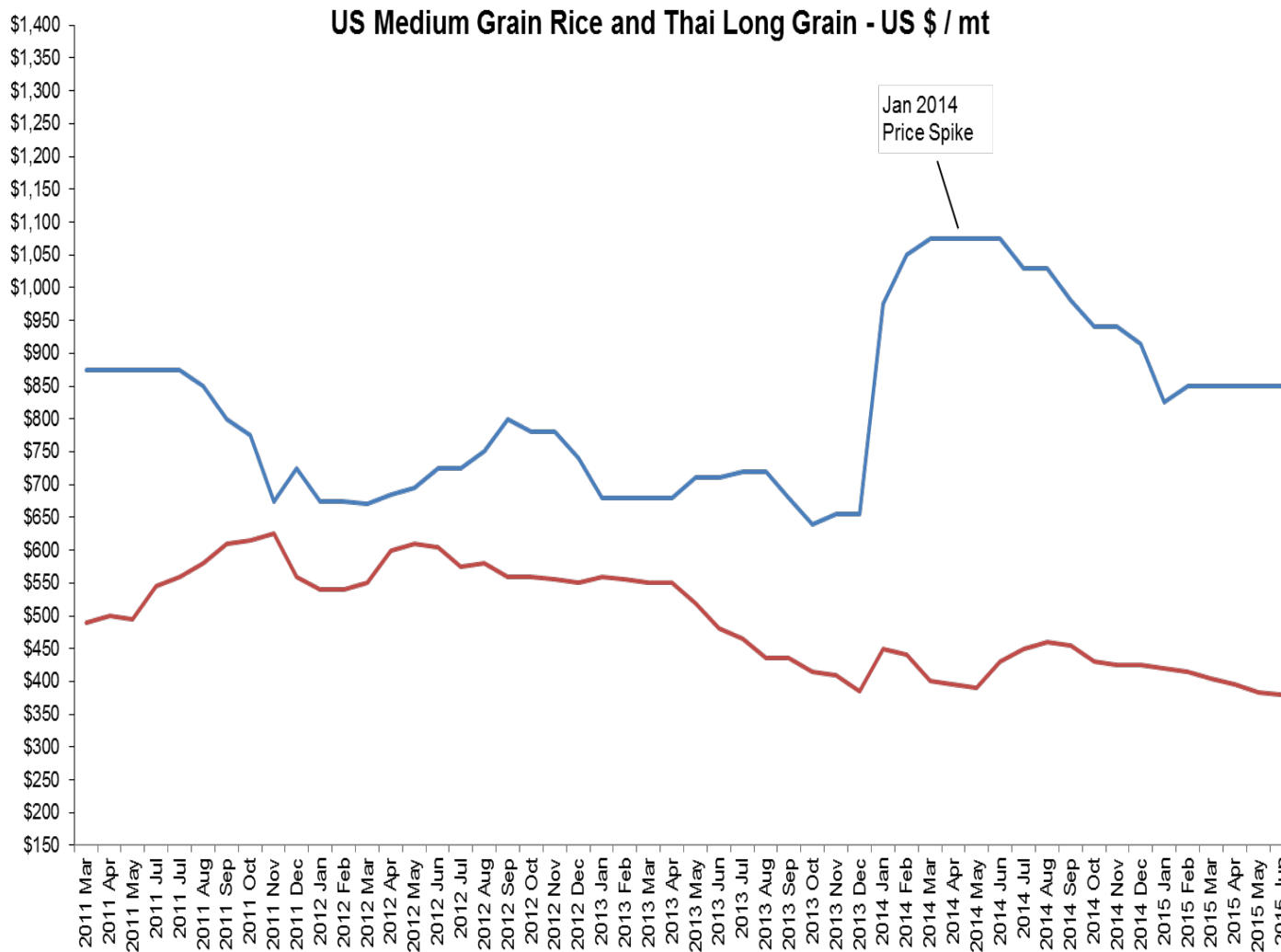


## Global rice market dynamics

- Overall, stable global market conditions currently for Australian rice
- Branded Medium Grain market is holding firm, with cautious outlook for commodity market:
  - Medium Grain market is holding high inventory
  - California likely to be in drought
  - Other MG exporters emerging i.e. Vietnam and China
- Mid-to-long term outlook remains positive



# Global Pricing – Medium Grain and Long Grain

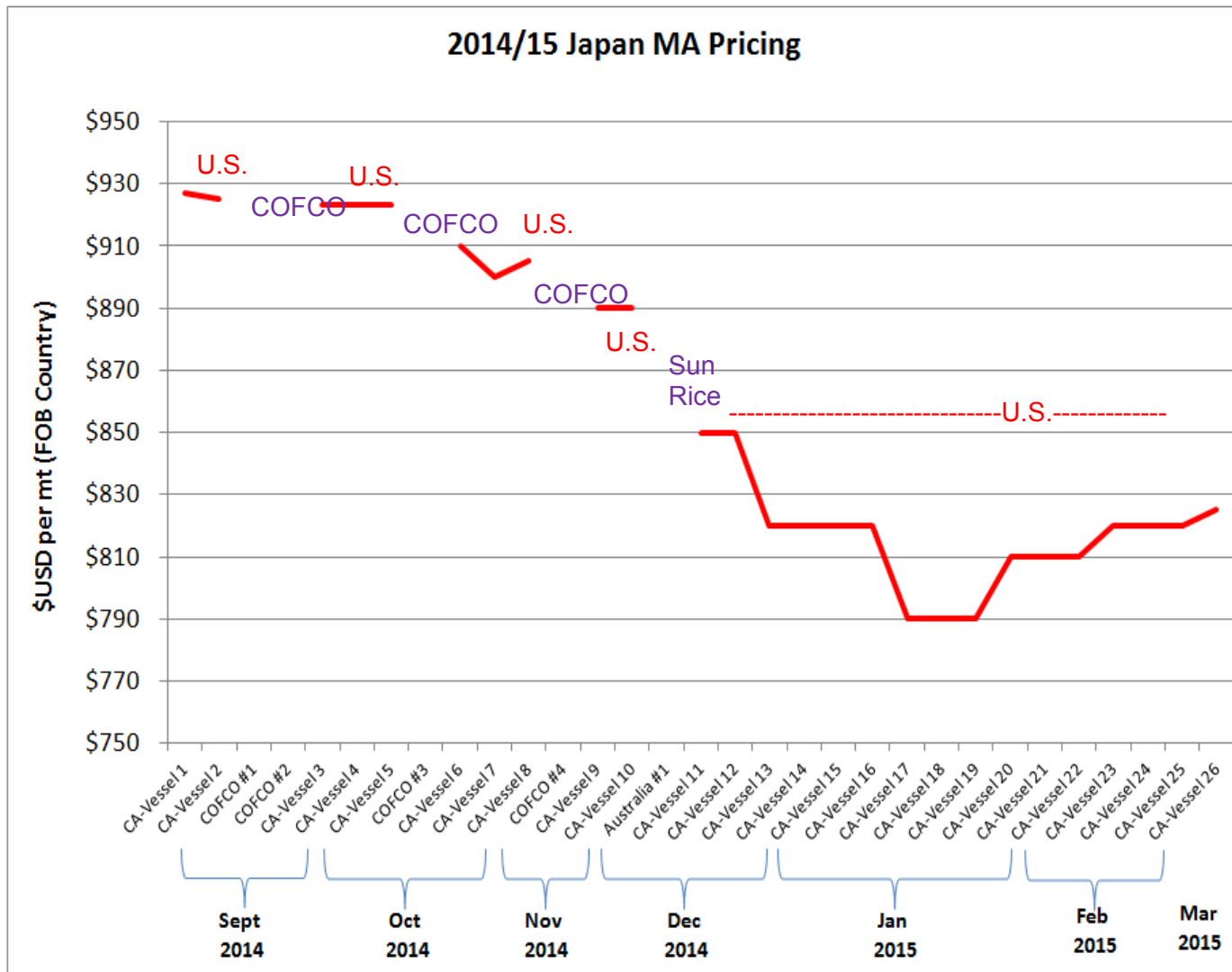


California = Creed US MG 4% Broken, US\$ per mt sacked containerised Oakland  
 Thai Long Grain = Creed Thai LG 100%B

— California Medium Grain — Thai long Grain



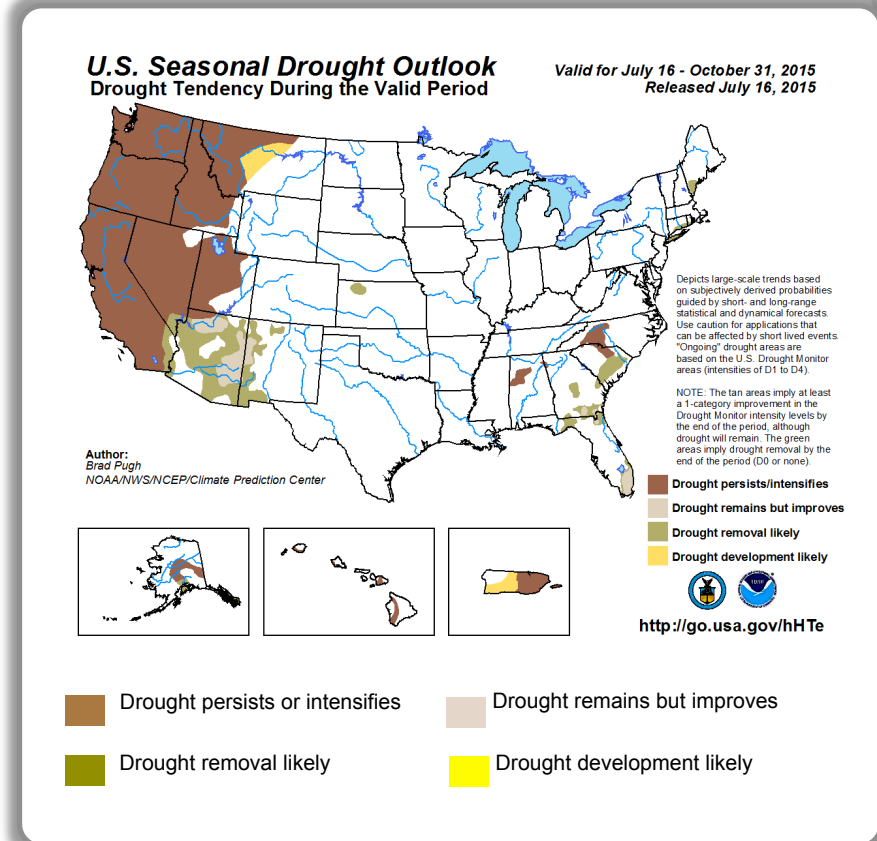
## C14 government tender markets - falling prices for Californian rice supplied to Japan





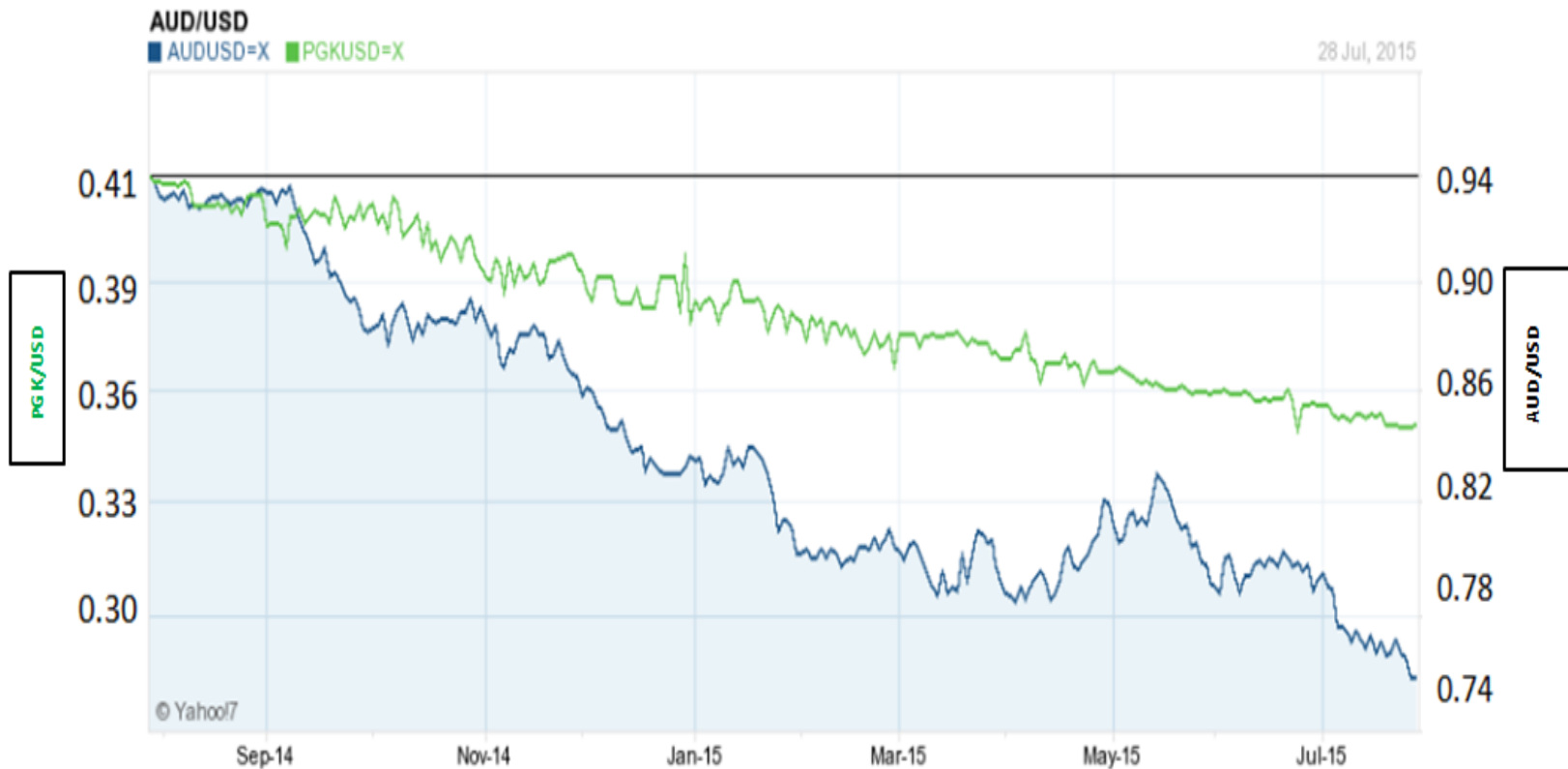
# The California drought – some key statistics

- California now entering its 4<sup>th</sup> year of drought
- YTD rainfall showing slight improvement on last year's figure of 17% of normal levels
- YTD snowpack in Northern Sierra continues at an abysmal 5% of normal
- Water allocation cut by 25%-35% but Californian rice growers will have sufficient water to finish crop
- Expected California crop acres to be down 11% in 2015 compared to last year. Industry is already looking to next year.
- Potential for strong El Nino has been strengthening





## Foreign exchange movements delivering mixed results



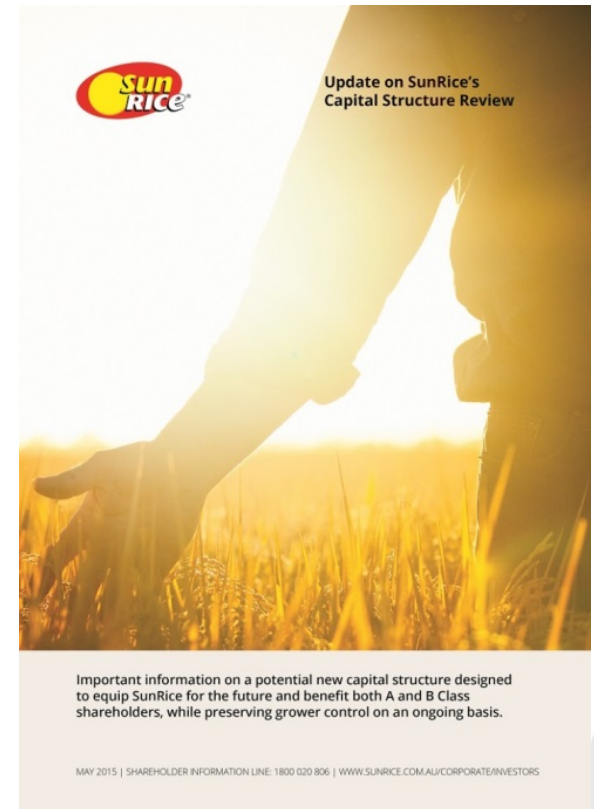
## C16: Rice an attractive prospect in a difficult environment

- Water availability is expected to result in a substantially smaller C16 crop
- However global outlook means price prospects are positive
- SunRice is focused on supporting Riverina rice growers and encouraging production via:
  - Pricing signals
  - Predictable, reliable and safe cash flow
  - Utilising our competitive borrowing costs to further enhance cashflow i.e:
    - Proposed new **GrowRice** facility for growers. The main features are:
      - A pre or post-sowing advance payment to qualifying growers of up to \$1,000 /contracted hectare
      - Enhanced cash flow at a competitive interest rate to assist purchase of crop inputs, including water
      - Repayment from 1<sup>st</sup> payment after harvest
      - Bank-funded but administered by Grower Services
    - Early payment program to bring forward 2nd , 3rd and 4th pool payments



## Capital Structure Review Update

- The potential structure represents a significant opportunity:
  - To change the way we fund SunRice's future growth
  - Build an Australian-controlled food company of scale that can more effectively compete in global markets to benefit **all** growers and shareholders
  - Importantly, it is able to deliver these outcomes while preserving the key features of our current structure, including **enduring grower shareholder control**
- Initial round of shareholder and grower meetings conducted in March received a positive overall response
- Shareholder phone survey conducted and results being reviewed





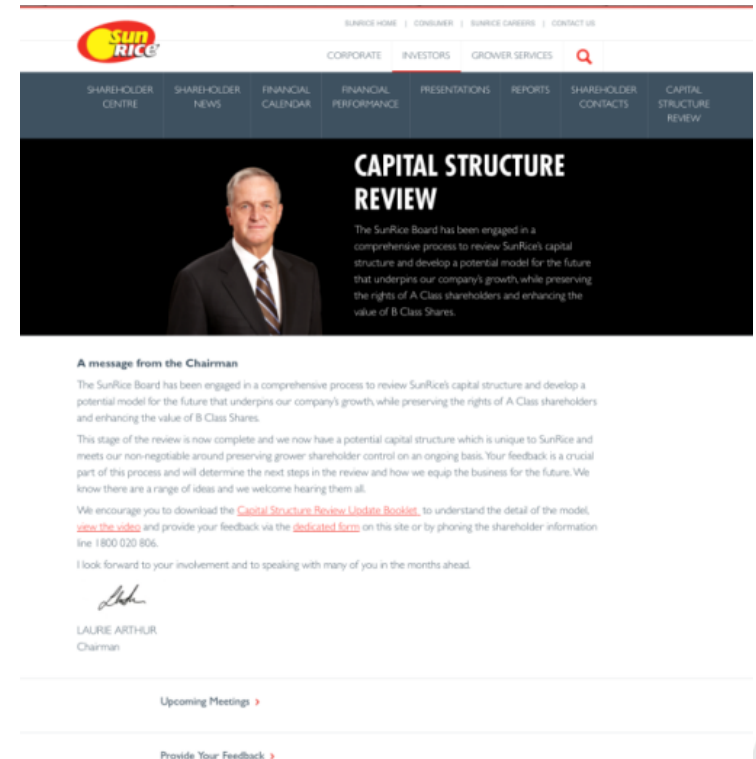
## About the potential model

- **The Board believes this is a strong workable model that can equip SunRice and its growers and shareholders for the future**
- The potential model preserves the following fundamental elements of the SunRice business:
  - The SunRice Board would continue to comprise a majority of Grower Directors
  - There would be no change to how paddy prices or dividends are determined currently, protecting both sets of shareholders' interests
  - The key features of our current structure would continue on an ongoing basis, specifically:
    - A Class shareholder control (or grower control), including a right to elect Directors, make any changes to the SunRice Constitution and to ultimately determine any change of control transaction
    - B Class shareholders would maintain economic rights in SunRice



## Next Steps

- Your input will determine the next steps in the process and whether or not it proceeds to a shareholder vote
- We urge all growers and shareholders to have your say in determining SunRice's future:
  - Access the Update Booklet, presentations, video and FAQs in the investor section of [www.sunrice.com.au](http://www.sunrice.com.au)
  - Ask questions or provide feedback via the shareholder information line on 1800 020 806
  - Speak to your Directors



The screenshot displays the SunRice website's 'CAPITAL STRUCTURE REVIEW' page. At the top, the SunRice logo is visible alongside navigation links for 'SUNRICE HOME', 'CONSUMER', 'SUNRICE CAREERS', and 'CONTACT US'. Below this, a secondary navigation bar includes 'CORPORATE', 'INVESTORS', and 'GROWER SERVICES', with a search icon. The main content area features a dark header with the title 'CAPITAL STRUCTURE REVIEW' and a photograph of Laure Arthur, the Chairman. The text below the header states: 'The SunRice Board has been engaged in a comprehensive process to review SunRice's capital structure and develop a potential model for the future that underpins our company's growth, while preserving the rights of A Class shareholders and enhancing the value of B Class Shares.' This is followed by a section titled 'A message from the Chairman' which elaborates on the review process and encourages shareholders to provide feedback. At the bottom of the page, there are links for 'Upcoming Meetings' and 'Provide Your Feedback'.



## **SunRice Annual General Meeting**

**Friday 21 August  
10.30am Jerilderie Civic Hall, Jerilderie**

**We urge you to attend for an update on:**

- Business Performance
- SunRice Group Strategy and the case for capital
- Capital Structure Review





# Questions

