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Your quarterly insights from Grower Services

Grower Update



2016 Harvest Update

As you would be aware, the 2016 (C16) Riverina rice crop harvest is almost complete. As anticipated, the 2016 harvest will be smaller than the 2015 harvest of 690,215 tonnes, due to lower water allocations. Based on our receivals, we anticipate a full year harvest of approximately 245,000 tonnes.

In what must be much welcomed news and a well-deserved reward for those of you who persevered with rice this season, a significantly positive element of the 2016 harvest is that despite the smaller crop, yields materially outperformed five year averages across the Riverina. Yields for all regions and varieties averaged 11.0 tonnes per hectare versus a five-year average of 10.0 tonnes per hectare. This is the highest national average yield yet achieved for the Australian rice industry, which further establishes Australian yields as the best internationally: the average yield for countries that grow comparative temperate varieties is around seven tonnes per hectare.

It has been particularly pleasing that some growers in the Murrumbidgee Irrigation Area (MIA) achieved outstanding medium grain Reiziq yields of over 15 tonnes per hectare.

The strong yields will mean that overall harvest levels have exceeded our initial expectations.

SunRice estimates that for growers who planted medium grain Reiziq in the MIA using the dry broadcast sowing method, this year's harvest generated an average gross margin of approximately \$3,400 per hectare and \$280 per megalitre*.

These improved yields serve to reinforce independent research demonstrating rice's competitiveness and cash flow resilience against other commodities like cotton, wheat, canola and maize in the Riverina, especially as they experience significant price volatility.

While favourable growing conditions contributed to the increased yields, it's been

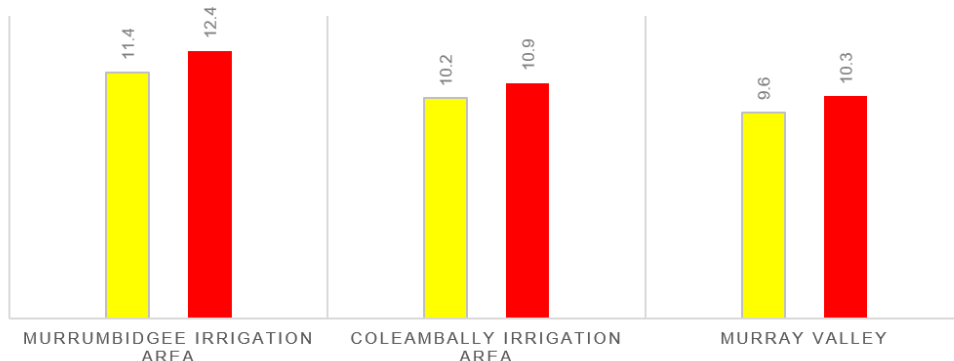
exciting to learn that an important role has been played by growers increasingly adopting more efficient farming techniques, which were developed by RRAPL.

* This calculation assumes that an MIA rice grower using the dry broadcast sowing method: achieved an average yield of 12.41 tonnes per hectare; received a price of \$415/tonne; incurred variable costs of \$1,740/hectare; and used 12.25 ML of water per hectare. The dry broadcast sowing method accounted for the majority of the MIA crop harvested in 2016.

Yield (tonnes per hectare)	12.41
Price (A\$)	\$415
Revenue (A\$)	\$5,150
Total Variable Costs (A\$)	\$1,740
Gross Margin (per hectare)	\$3,410
Water Use (ML)	12.25
Gross Margin (per ML)	\$278

REGIONAL YIELD COMPARISONS - REIZIQ

■ 5 Year Average Yield ■ 2016 harvest yields



Laurie Arthur
Chairman



R&D update

Our investment in R&D and finding new and more innovative ways to enhance the reputation of rice as the 'crop of choice' in the Riverina has always been a core focus for the business.

As you may be aware, we are currently in the commercialisation stage of developing three new cold tolerant, shorter season varieties (short, medium and long grain) with the new medium grain variety, YRM70, in the most advanced stages of commercialisation. Growing trials are showing they are reaping comparative yields per hectare whilst improving rice water use efficiency via shorter maturing varieties with good quality, agronomic characteristics and cold tolerance.

Specifically, trials show that YRM70 produces upwards of 12 paddy tonnes per hectare pointing to significant gross margin gains for growers and consumer acceptance in our key global and domestic markets.

The key benefits of developing these cold tolerant, short season varieties are:

- Greater uniformity of production, even in cooler years;

- Improved farming efficiencies as it enables farmers to double crop (grow two crops on the same land during a growing season), thus increasing farm profitability;

- Improved water use efficiency – more tonnes per megalitre of water; and

- Growing rice on beds as part of a double cropping system is resulting in improved yields and use of less residual water. The improved drainage that results from using this method enables growers to double crop more efficiently and effectively.

Phase one testing, including lab analysis and tasting by a trained expert panel in Leeton, has been successfully completed, finding that YRM70 is matching the best quality Reiziq rice for grain quality and sensory perception.

Reiziq is accepted by Middle Eastern markets as a very high quality rice with ideal characteristics for their taste palate. The next phase will be consumer sensory and cooking tests in the Middle East in July following the harvest of the trial crop.



NSW DPI has applied for stage one and stage two of plant breeding rights, which will enable YRM70 to be grown commercially for the first time. The variety is in final stages of rapid multiplication in expectation of a final release in the near future.

A growing package will be part of the extension effort when the variety is released to growers. This will enhance grower uptake and ensure the best quality rice is produced in the first year of commercial production.

YRM70 presents us with the opportunity to reduce our reliance on water, produce efficient, sustainable and profitable crops and contribute to a sustainable rice future in our region.

SunRice Update meetings 6 – 9 June

SunRice Chief Executive Officer Rob Gordon and Chairman Laurie Arthur will be hosting three SunRice Update meetings across the Riverina in the week commencing 6 June 2016. These meetings will be held prior to RGA branch meetings and all SunRice growers and shareholders – A and B, grower or non-grower, as well as our employees – are welcome to attend.

The Board understands that some of you have questions following our latest announcements, and we will be providing a short update on anticipated full year financial guidance, world markets and the delay in the Capital Restructure, before opening up the meeting to your questions and comments.

To accommodate those of you coming from the farm or work and/or attending the RGA meetings, refreshments and catering will be provided as follows:

Monday, 6 June – Dunlop Room, Deniliquin RSL Club, Deniliquin

- 5:00pm – 6:15pm: SunRice Update Meeting
- 6:15pm – 6:45pm: Finger food and refreshments
- 7:00pm onwards: Deniliquin and Victoria RGA Branch meeting (in the same room)

Wednesday, 8 June – Coleambally Bowling Club, Coleambally

- 7:00am – 7:30am: Breakfast and refreshments
- 7:30am – 8:45am: SunRice Update Meeting
- 9:00am onwards: Coleambally RGA Branch meeting (in the same room)

Thursday, 9 June – Mirrool Room, Griffith Ex-Servicemen's Club, Griffith

- 5:00pm – 6:15pm: SunRice Update Meeting
- 6:15pm – 6:45pm: Finger food and refreshments
- 7:00pm onwards: Mirrool RGA Branch meeting (in the same room)

Please note Mr Arthur will also be attending the remaining RGA branch meetings and will provide an abridged update. General Manager AGS, Grower Services and Agronomic Development Tom Howard will also present on the 2016 harvest and outlook at the RGA meetings.

If you have questions about SunRice, the Capital Restructure, or any other matter you wish to raise with the Board, we encourage you to attend one of the SunRice Update meetings. We look forward to your participation.



3. Grower Update

Meeting global demand

As a result of our ongoing global marketing efforts, we are experiencing significant demand for over 1.25 million paddy tonnes per annum of rice across our international markets.

While Australian grown rice remains the cornerstone of our business and the foundation on which our brand and reputation is built, SunRice has developed the ability to source rice internationally in lower Riverina crop years to meet this demand and protect market access.

Given this year's small crop, we are intensifying global sourcing activities to ensure we can continue to meet demand and grow our presence in branded retail markets. As part of this we are undertaking complementary sourcing activity in the Asia Pacific region.

Importantly, at the same time, as part of our commitment to enable you to profitably grow rice and to cement rice's position as the summer crop of choice in the Riverina, our ongoing support includes the introduction of programmes such as the fixed price / fixed volume contract (see update in separate story), the GrowRice input finance scheme, greater payment flexibility, agronomic support and ongoing research and development (see update in separate story).

Fixed price / fixed volume contract update

We continue to receive strong interest in our fixed price / fixed volume contract that opened in early May, offering \$400 per tonne for medium grain Reiziq and \$380 per tonne for Sherpa for the crop to be harvested in 2017.

The contract has been designed to fulfil your requests for early pricing signals so you can more confidently make planting and water allocation decisions.

As we're operating the contract on a first-in-first-served basis, we urge you to take advantage of this opportunity before the volume limit is reached, as at that point the contract will immediately close. We reiterate that the interest to date has been strong.

If you're interested in participating in this initiative, please contact Grower Services on 1800 654 557 or refer to the Grower Portal.

Grower Update



Message from NSW DPI: NSW rice vesting review

Under the *Rice Marketing Act 1983* all rice produced in NSW is vested in the Rice Marketing Board. The Board currently chooses to issue a single export licence to Ricegrowers Limited, trading as SunRice Australia.

The current rice vesting period is due to expire on 30 June 2017 and therefore is due for review. The Department of Primary Industries (DPI) is undertaking the review, which will examine whether vesting should be extended and if so for what period of time.

Industry and stakeholders will be widely consulted as part of the review process, with public meetings being held in:

- Deniliquin - Deniliquin RSL, 7pm, 11 July 2016
- Coleambally – Brolga Hotel, 7pm, 12 July 2016
- Griffith – Exies, 7pm, 13 July 2016

The review is due for completion in late 2016, with a final report to be provided to the Minister for Primary Industries to help inform the future of rice vesting in NSW by the end of the year.

For further information contact rice.review@dpi.nsw.gov.au

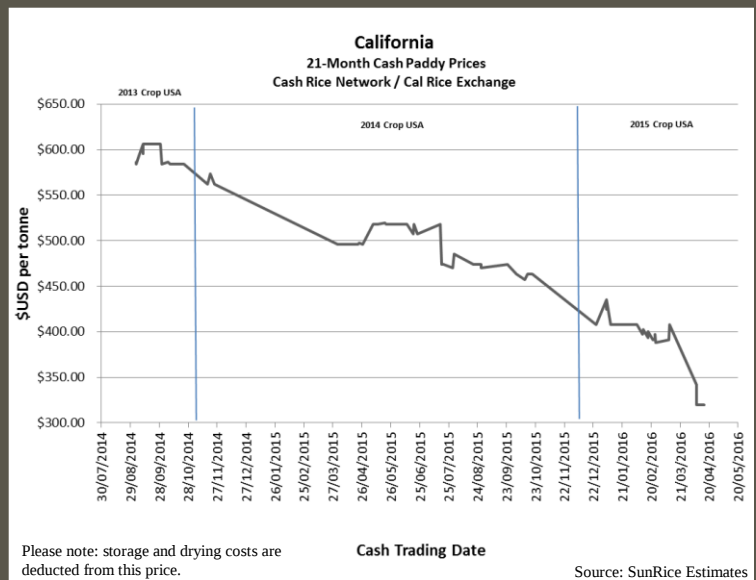


4. Grower Update

Paddy Price Indicators

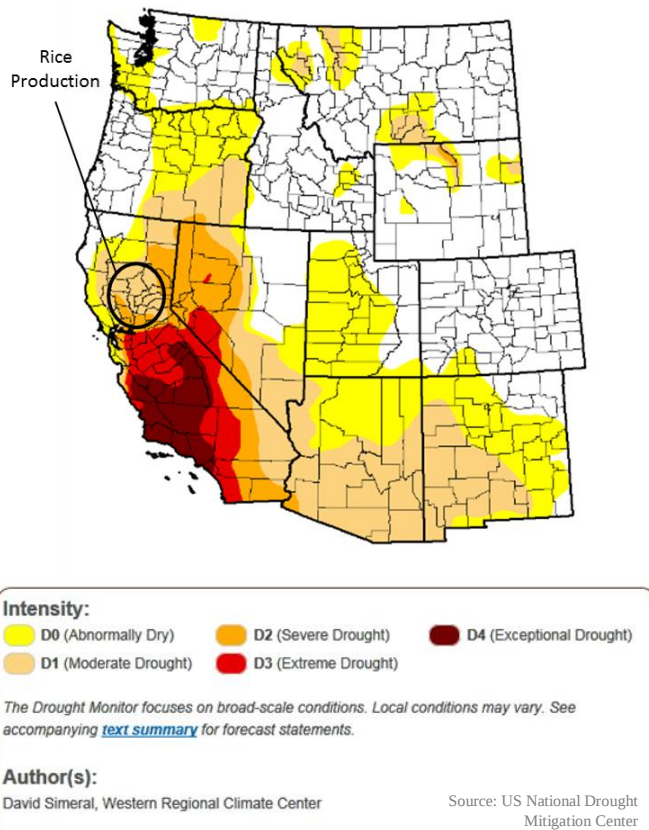
Global Pricing – Medium Grain

- Spot paddy cash prices continue to trade at lowest level of the US marketing year
 - Drought relief boosting anticipated planted area and pressuring old crop stocks
 - Paddy storage sheds pressuring growers to move old crop
 - Banks forcing growers to sell old crop stocks to free up cash / reduce new crop covenant liabilities
- April-May paddy sales pricing estimated to be \$60-75 per tonne under California cost of production.



California Drought Update

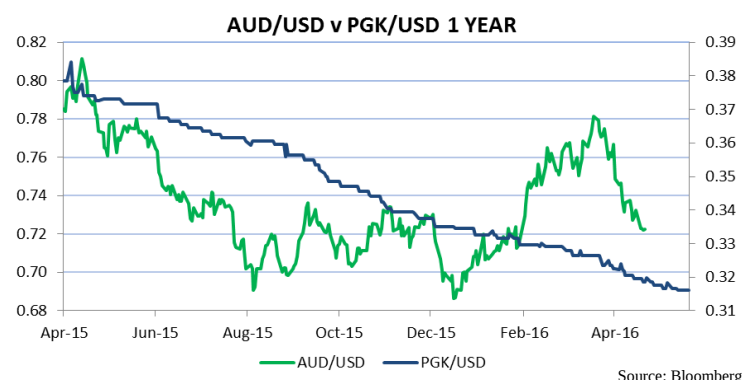
West



While California is still technically in a drought due to a multi-year water deficit, the 2016 irrigation situation in Northern California is looking positive. Widespread one-category improvements were made across northern California and northwestern Nevada where conditions have steadily improved since the beginning of the Water Year (1 October). In the northern Sierra, spring rains combined with a generally above-average snowpack have led to considerable increases in reservoir storage levels in area reservoirs. According to the California Department of Water Resources, Lake Oroville sits at 116% of its historical average while both Folsom Lake and Lake Shasta are at 108%. As of 17 May, the Northern Sierra 8-Station Index (a broad index of precipitation in the northern Sierra) is at 119% of average since the beginning of the Water Year.

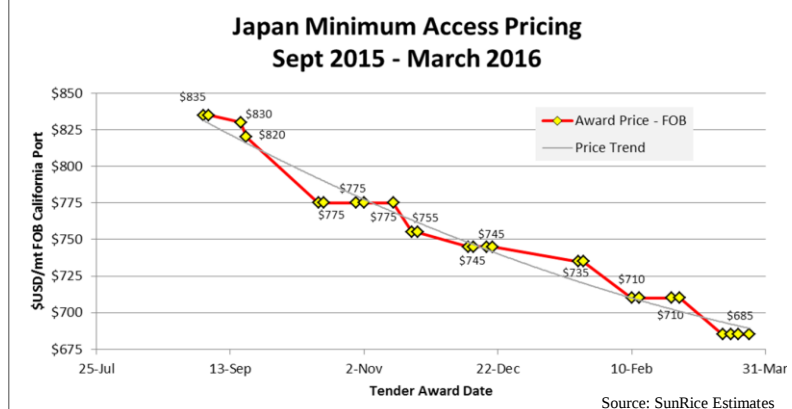
Foreign Exchange

The AUD/USD weakened materially over the last month as low March quarter inflation led to the RBA cutting interest rates. Many forecasters now anticipate another two rate cuts and a US rate hike in June 16 which should weaken the AUD/USD further. The Kina (PGK) is highly likely to continue weakening versus the USD as the local PNG economy struggles with weaker commodity prices and a poor fiscal position.



Japan Pricing

Japan has fulfilled last year's requirements to tender for rice to import (the Japanese financial year runs 1 April to 31 March). The last Minimum Access tender for last financial year was held 18 March 2016. The next series of Minimum Access tenders will not likely start until September or October 2016.



Payment Schedules



C2015 Payment Schedule (Traditional Pool \$/Tonne)

	Reiziq	Sherpa Illabong	Langi	Doongara	Opus	Topaz	Kyeema	Koshi	Organic Premium	Bio- Dynamic Premium
1st payment Harvest (paid)	210.00	198.00	243.00	234.00	240.00	276.00	282.00	288.00	90.00	90.00
2nd payment (paid)	52.00	49.00	58.00	57.00	58.00	65.00	66.00	68.00	40.00	40.00
3rd payment (paid)	35.00	34.00	39.00	38.00	39.00	43.00	44.00	45.00	40.00	40.00
4th payment (paid)	40.00	38.00	44.00	43.00	44.00	48.00	49.00	50.00	30.00	30.00
5th payment (paid)	25.00	24.00	28.00	27.00	27.00	30.00	31.00	31.00	40.00	40.00
Final payment (26 July 2016)	38.00	37.00	43.00	41.00	42.00	48.00	48.00	48.00		
Total	400.00	380.00	455.00	440.00	450.00	510.00	520.00	530.00	240.00	240.00

These estimates 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.

C2016 Payment Schedule (Traditional Pool \$/Tonne)

	Reiziq	Sherpa	Langi	Doongara	Opus	Illabong	Kyeema Topaz	Koshi	Organic Premium	Bio- Dynamic Premium
1st payment Harvest (Paid)	249.00	237.00	282.00	282.00	270.00	249.00	321.00	327.00	90.00	90.00
2nd payment (October 2016)	49.00	47.00	56.00	56.00	53.00	49.00	64.00	65.00	40.00	40.00
3rd payment (February 2017)	30.00	28.00	34.00	34.00	32.00	30.00	38.00	39.00	40.00	40.00
4th payment (April 2017)	34.00	32.00	38.00	38.00	37.00	34.00	43.00	44.00	30.00	30.00
5th payment (May 2017)	21.00	20.00	24.00	24.00	23.00	21.00	27.00	27.00	40.00	40.00
Final payment (July 2017)	32.00	31.00	36.00	36.00	35.00	32.00	42.00	43.00		
Total	415.00	395.00	470.00	470.00	450.00	415.00	535.00	545.00	240.00	240.00

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.

SUNRICE BOARD OF DIRECTORS

Laurie Arthur (Chairman)
Glen Andreazza
John Bradford
Rob Gordon
Noel Graham
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Gillian Kirkup
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Mark Robertson
Leigh Vial

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Chief Financial Officer : John Brennan
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GM People and Performance : Allison Salmon
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Agronomic Development : Tom Howard

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