

ASX ANNOUNCEMENT

1 August 2019

Presentation: Ricegrowers' Association of Australia (RGA) Annual Conference

The attached presentation will be delivered today by SunRice CEO Rob Gordon at the Ricegrowers' Association of Australia (RGA) Annual Conference being held in Corowa NSW.

The presentation covers topics including the changing landscape of Riverina agriculture, the Company's rice business in CY18, and the link between Riverina Rice and industry assets.

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About SunRice's structure

The structure of Ricegrowers Limited (**SunRice**) contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

A Class Shares confer on their holders the right to vote at general meetings but no right to dividends. A Class Shares are not quoted on ASX and may only be held by Active Growers. The right to vote is based on one member, one vote and no person may hold more than 5 A Class Shares. In practical terms the voting rights held by A Class Shareholders give those shareholders the right to control the election of directors and any changes to SunRice's constitution.

B Class Shares are quoted on ASX and confer on their holders the right to receive dividends, as determined by the directors from time to time. Holders of B Class Shares do not have the right to vote at general meetings of SunRice and may only vote on proposals involving a variation to their class rights or if required for the purposes of the ASX Listing Rules. This means B Class Shareholders have no right to vote on the election of directors of SunRice. No person may hold more than 10% of the total number of B Class Shares on issue.

For more details of the non-standard elements of SunRice's structure see <https://corporate.sunrice.com.au/investors/>.

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Ricegrowers Limited
ABN 55 007 481 156
trading as SunRice



THE RIVERINA RICE IMPERATIVE



1 AUGUST 2019

**ROB GORDON, CEO
2019 ANNUAL RGA CONFERENCE**

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of SunRice is available on our website: <https://investors.sunrice.com.au/investors/>.

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AGENDA

The SunRice advantage

The changing landscape of Riverina agriculture

Reflections on our rice business in C18

Local supply situation

The link between Riverina Rice and industry assets

Securing a future together

Questions

A GLOBAL FOOD GROUP WITH A RURAL HERITAGE

▶ **1.3 billion revenue, multiple businesses, 2200 staff across eight countries:**

- ▶ Rice Pool Business represents SunRice's heritage in the Riverina
- ▶ Profit Businesses are independent of or less reliant on local production and deliver diversified earnings

▶ **SunRice's success has been largely built on two pillars:**

- ▶ World class product and world class people



WORLD CLASS PRODUCT

- ▶ **Quality, taste and texture of Riverina Rice underpins access to premium markets**
- ▶ **Riverina Rice industry is renowned for:**
 - ▶ Pure seed
 - ▶ Market driven research and development
 - ▶ On farm efficiency
 - ▶ Quality systems
- ▶ **This expertise has been successfully extended to international sources, including most recently Vietnam**



WORLD CLASS PEOPLE


- ▶ **SunRice operates across eight countries**
- ▶ **Our expertise spans the entire supply chain, from paddy to plate**
- ▶ **In Australia, we employ 902 staff**
- ▶ **More than 40% of our people are focused on or involved in the Riverina Rice Pool business, from R&D and appraisals to milling, supply chain and marketing**
- ▶ **We invest more than \$2.1million annually in training and development**





TOGETHER, THESE TWO ELEMENTS DELIVER SIGNIFICANT BENEFITS TO REGIONAL AUSTRALIA



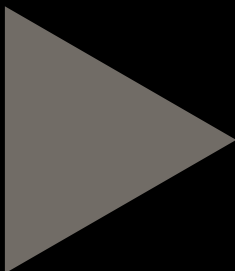
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- ▶ In years of normal Riverina production (600KT – 700KT of paddy), SunRice:
 - ▶ Employs **560** people directly across the Riverina, including:
 - ▶ Approx 100 Deniliquin
 - ▶ Approx 460 Leeton
 - ▶ Injects **\$256 million*** into the Riverina via paddy payments
 - ▶ Pays **\$96.5 million** in regional wages and salaries
 - ▶ Funds regional sponsorship and training and development programs to the value of approximately **\$730,000**
 - ▶ Underpins indirect employment across a wide range of industries that rely on the Riverina rice industry. In C18, this included **\$60 million** in SunRice expenditure across **416** Riverina companies, from transport and logistics to accommodation and catering

*Based on C18 Paddy Payments for 623,000 tonne crop



A strong
SunRice
delivers
approx. **\$400+** per annum*
million directly
into the
Riverina

* In years of normal Riverina production of 600,000 – 700,000 paddy tonnes.





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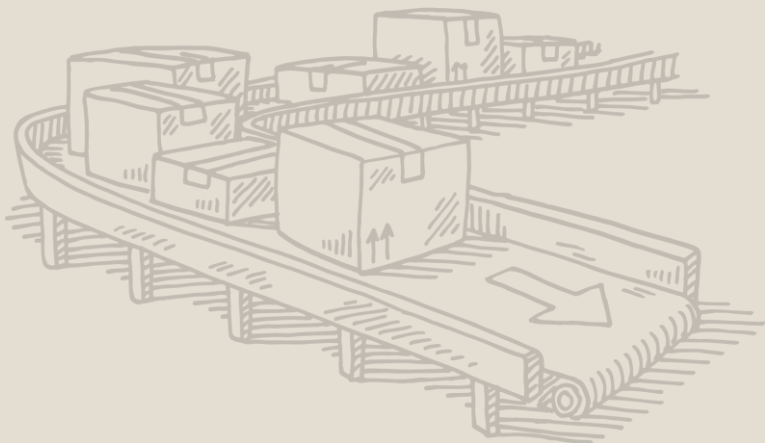
THE RIVERINA: A CHANGING LANDSCAPE



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- ▶ Drought and water policy have fundamentally changed the Murray Darling Basin, and within it the Riverina
 - ▶ Irrigation technology and layouts have increased flexibility in summer cropping choices for annual croppers
 - ▶ Annual croppers who have found adaptation more difficult have moved to sell water on the temporary market
 - ▶ Permanent water sales have had a greater impact on general security water holders in both valleys, as relying on the temporary water market has not proved viable under the current conditions
 - ▶ The influence of permanent plantings, particularly nuts, on the temporary water market is also impacting annual croppers given they cannot compete with prices paid

ADAPTATION – AT AN IRRIGATOR AND INDUSTRY LEVEL

- ▶ Like any business, irrigators have adapted their farming mix and models
- ▶ SunRice has adapted too, through the execution of our 2022 Growth Strategy and in light of the drought facing the Riverina





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REFLECTIONS ON OUR RICE BUSINESS IN C18

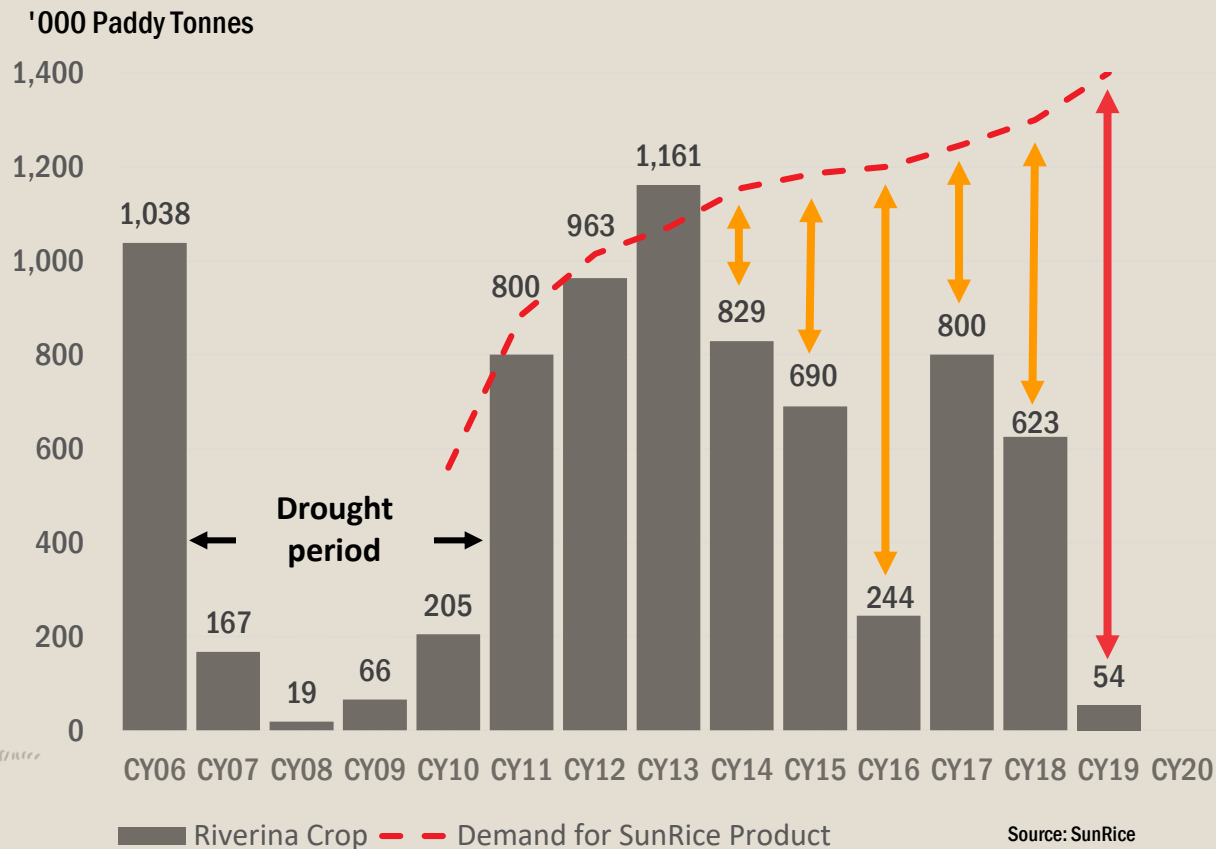
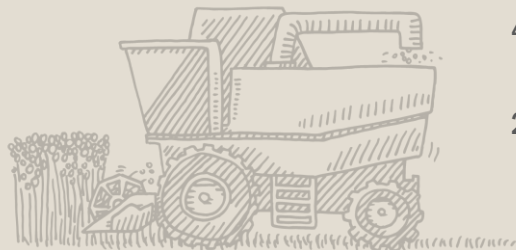


- ▶ Price rises across all markets
- ▶ Strengthened customer relationships, including taking the lead over all but one FMCG peer to become #2 in Advantage Australia Supplier ranking*
- ▶ New marketing campaigns across Middle East, Australia and Solomon Islands
- ▶ New Ethnic campaign in Australia
- ▶ Launched new products such as SuperGrains
- ▶ Set up Low GI momentum domestically and in potential new markets
- ▶ Developed new snacks concepts for global introduction
- ▶ Entered new markets in Libya and India
- ▶ Developing a well researched portfolio for China
- ▶ Connected with new distributor partners across Asia

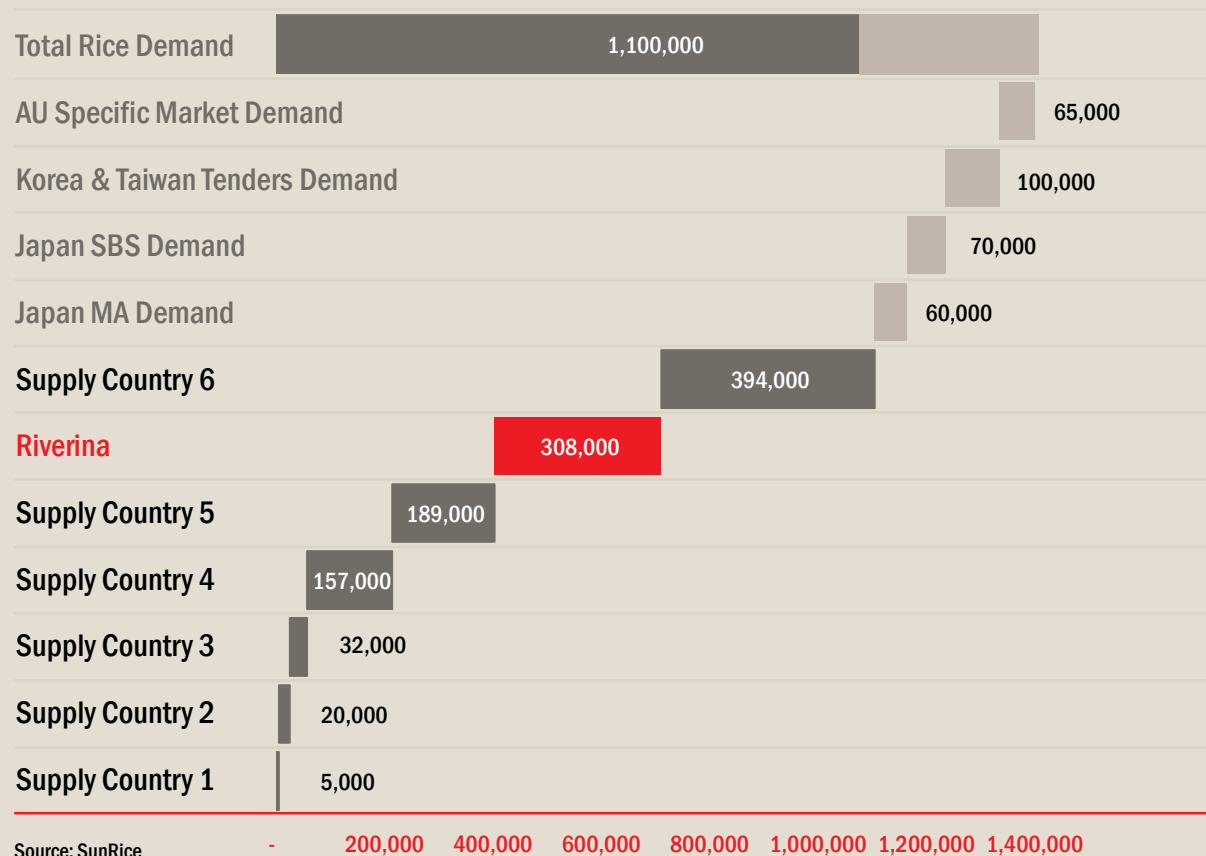
All this while managing a complex crop transition

*Compared to other leading FMCGs (e.g. Nestle, Colgate, Coca-Cola, Pepsico etc)

RIVERINA SUPPLY VS. DEMAND

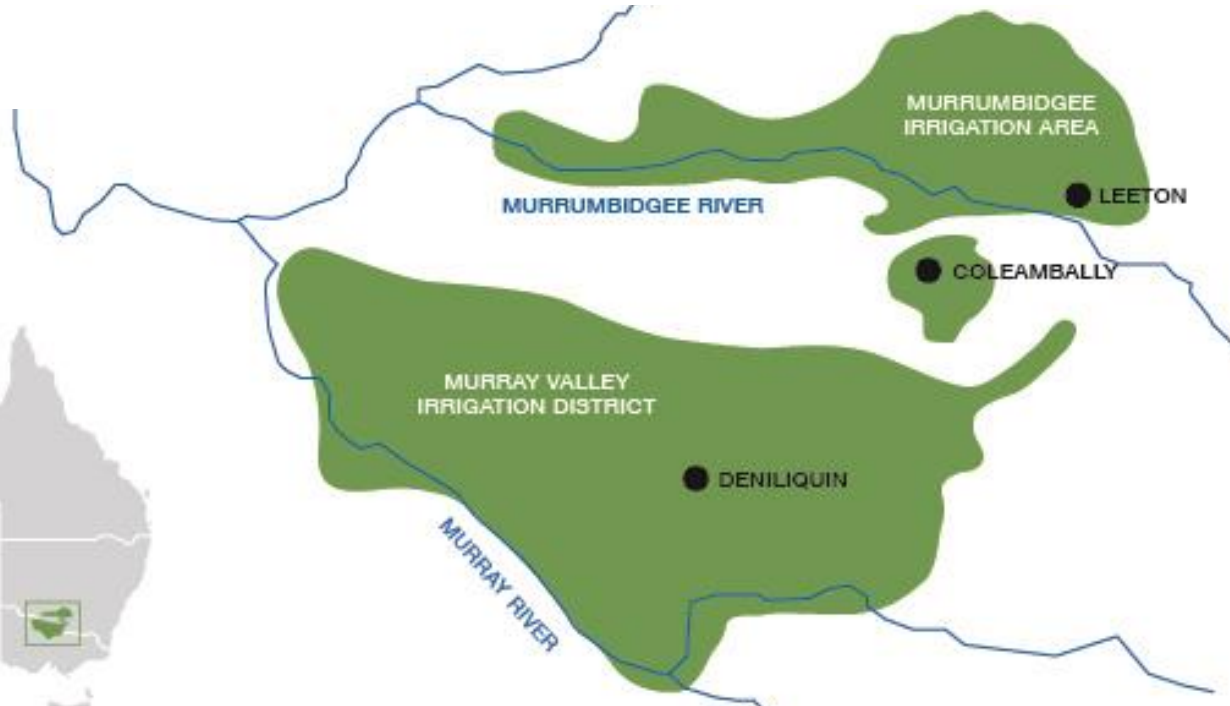


C19 RICE SOURCING AND DEMAND (PADDY TONNES EQUIVALENT)



RESHAPED RIVERINA FOOTPRINT

- Rice growing regions
- Rice Mills



192,000 tonnes of paddy carried over from C18 has been able to be used to maintain positions for 246 employees at Leeton Mill

91,000 tonnes of paddy carried over from C18 has been able to be used to maintain positions for 57 employees at Deniliquin Mill

COLEAMBALLY WILL BE AUSTRALIA'S LEADING RUMINANT NUTRITION BLENDS PLANT



- ▶ High capacity mill with throughput ~2x Cobden or Tongala
- ▶ 80,000t of storage allowing segregation of grain, legumes and by-products
- ▶ Extensive warehousing plus bulk/bulker bag and containerisation capability
- ▶ CopRice Coleambally will be able to make blends from by-products like almond hulls and grape pomace combined with commodities like wheat, barley, corn and legumes
- ▶ To these blends CopRice will then add concentrate pellets manufactured at Leeton
- ▶ This flexibility will enable Coleambally to make blends for Dairy, Sheep and Beef sectors plus create a new “Grain Free for Grass Fed” Beef/Sheep Range
- ▶ A-Class Shareholder “Coly Introduction” Day will be held September 2019

WATER REFORM GOVERNMENT LOBBYING AND RIVERINA SUPPLY

- ▶ **Hosted State and Federal Ministers to raise awareness of reduced water allocations and drought**
- ▶ **Combined effort with other Riverina-based food processors**
- ▶ **Key focus on viability of the region to survive climate variability if farming mix focuses heavily on high value production (e.g. new permanent plantings)**





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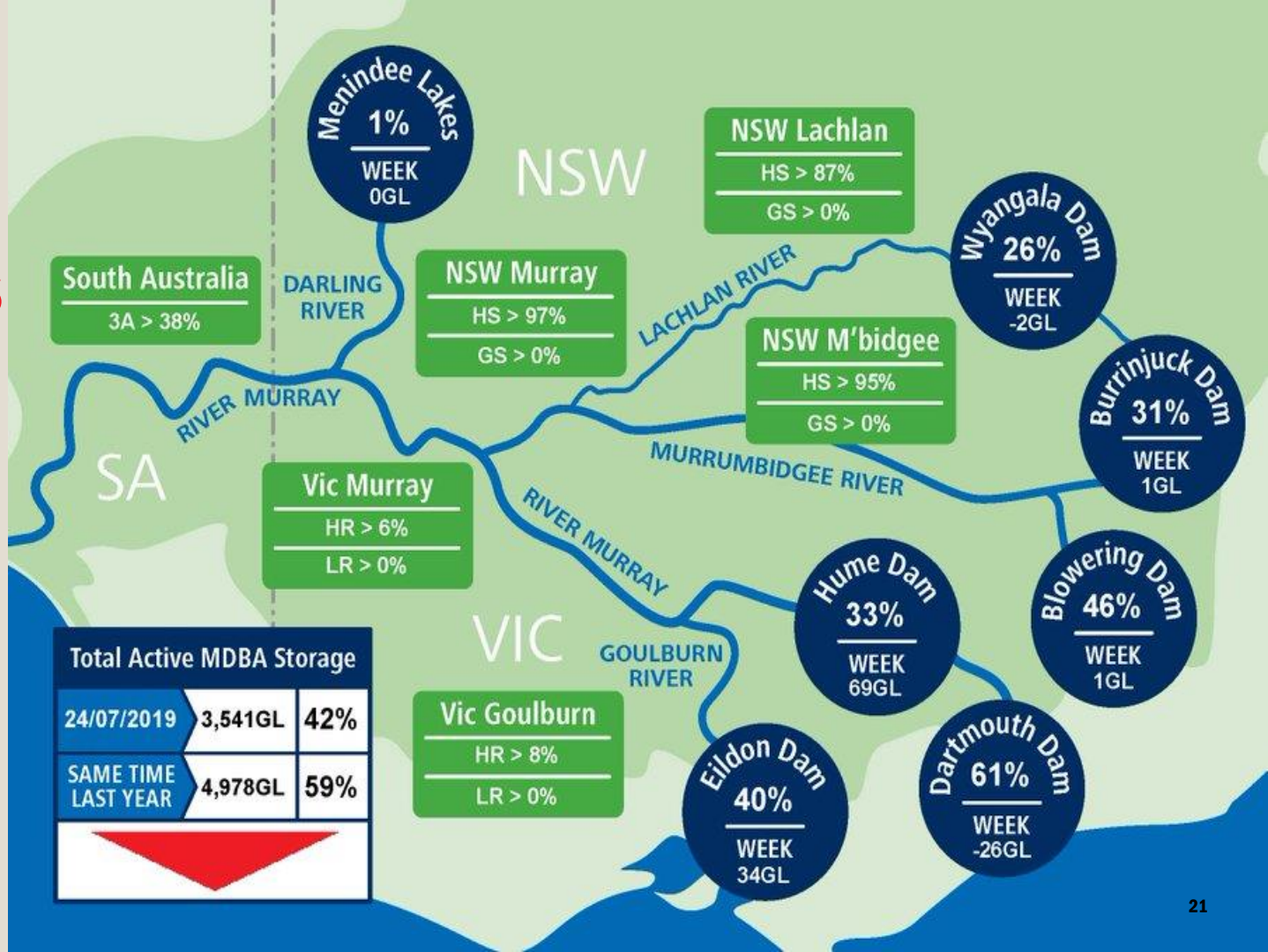
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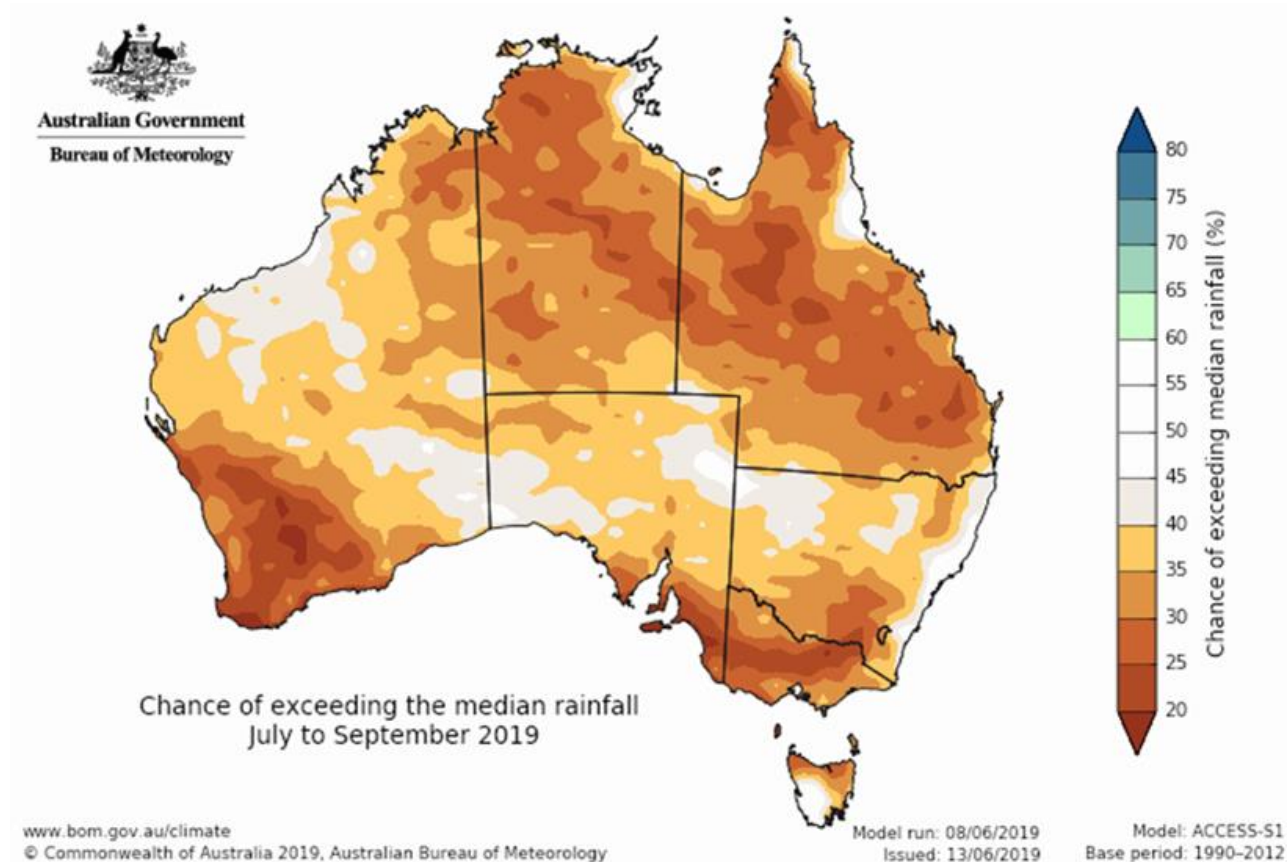
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WATER STORAGES AND ALLOCATIONS



Source: Ruralco Water, 30 July 2019

AUSTRALIAN RAINFALL OUTLOOK



A photograph of a rice field at sunset. The rice stalks are in the foreground, some green and some turning golden. The sun is low on the horizon, creating a warm, orange glow. The sky is filled with soft, white clouds. Overlaid on this image is a large, bold, white text block.

**C20 expression of
interest at \$500p/t for
Reiziq and \$600p/t for
Topaz resulted in no
firm commitment**



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RETAINING ASSETS AND SKILLS



- ▶ Together, Deniliquin and Leeton Mills have the capacity to process more than 800,000 paddy tonnes per annum
- ▶ We have less than half of this available currently:
 - ▶ Carry over available on 1 May 2019: 283,000 paddy tonnes (50,000 tonnes of which had been milled at 30 June 2019)
 - ▶ C19 crop harvested: 54,000 paddy tonnes
 - ▶ C20 crop: likely to be small
- ▶ We are managing carry over to optimise operations and retain core skills across C19 and C20 and working with global partners to address variety and volume gaps off-shore
- ▶ We are ramping up Coleambally recruitment, with further expansion plans tied to market success
- ▶ However if C20 = another small Riverina crop, further reshaping of our milling footprint is likely

PAYING HIGHER PADDY PRICES ISN'T A STRAIGHT FORWARD ANSWER

HYPOTHETICAL RIVERINA PADDY PRICE SENSITIVITY



	Paddy Price uplift effect + \$20m	Cost of paying \$750 vs \$450 = \$300 premium
200KT	\$100	\$60m [#] +
400KT	\$50	\$120m*
600KT	\$33	\$180m

For comparison SunRice total core debt ≈ \$80m

* 400KT volume at which overheads become absorbed

Costs remain under absorbed

RIVERINA RICE CANNOT BE SEPARATED FROM RIVERINA ASSETS



- ▶ **Phytosanitary issues prevent Riverina Rice being exported to international markets for milling and packing at lower production costs**
- ▶ **Cost prohibitive regional supply chain prevents rice from international markets being imported to the Riverina for use in assets here**



THE RIVERINA RICE IMPERATIVE

- World class product and world class people underpin the regional communities we support in the Riverina
- If one is lost, both are impacted





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WE'RE IN THIS TOGETHER



- ▶ **SunRice will continue to do all it can to maximise paddy returns in line with the 2022 Growth Strategy and within the constraints outlined**
- ▶ **Despite the current outlook, we are also focused on maintaining Riverina Rice storage and processing assets, as well as retaining our people wherever possible**
- ▶ **All A Class shareholders are Riverina Rice growers and the majority of SunRice's B Class Shareholders are based in the Riverina**
- ▶ **We strongly encourage you to allocate any available water you have to rice in the season ahead, if possible**

QUESTIONS

