

31 October 2023

## **SunRice Group provides submission to the Inquiry into the Water Amendment (Restoring Our Rivers) Bill 2023**

Ricegrowers Ltd (SunRice) has today provided the attached letter to Growers regarding its submission to the Senate Standing Committee on the Environment & Communications' Inquiry (**Inquiry**) into the Water Amendment (Restoring Our Rivers) Bill 2023.

**Authorised by Kate Cooper, General Counsel and Company Secretary, SunRice Group**

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### **About SunRice's structure**

The structure of 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 rice growers who meet the production quotas prescribed by the SunRice constitution. 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 generally have the right to vote at general meetings of SunRice. 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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Dear fellow rice growers,

**SunRice Group provides submission to the Inquiry into the Water Amendment (Restoring Our Rivers) Bill 2023**

Please see **attached**, a submission from the SunRice Group to the Senate Standing Committee on Environment & Communications' Inquiry (**Inquiry**) into the Water Amendment (Restoring Our Rivers) Bill 2023 (**Bill**) lodged today.

Given the importance of water access to the Australian Rice Industry and the SunRice Group, the Board has major concerns about the potential impacts of the Bill. Accordingly, we are taking proactive steps to inform both the Federal and New South Wales Government of the need for proper consultation regarding the consequences of this Bill on industry, our workers, our growers and our community.

Our Group CEO Paul Serra will be appearing in person on the 'Processors Panel' on Wednesday 1 November to give evidence to the Inquiry and speak about the issues raised in our submission.

I welcome any questions or feedback you may have in relation to the Bill or our response. You can reach me at [larthur@sunrice.com.au](mailto:larthur@sunrice.com.au) or 0428 500 232.

Sincerely,

Laurie Arthur

A handwritten signature in black ink, appearing to read "Laurie Arthur".

**Chairman**



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Committee Secretary  
Senate Standing Committees on Environment & Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Delivered by email: [ec.sen@aph.gov.au](mailto:ec.sen@aph.gov.au)

Dear Secretariat

### **SunRice Group submission to the Inquiry into the Water Amendment (Restoring Our Rivers) Bill 2023**

Thank you for the opportunity to provide this submission to the Senate Standing Committees on Environment & Communications' Inquiry (**Inquiry**) into the Water Amendment (Restoring Our Rivers) Bill 2023 (the **Bill**).

#### **Background**

The SunRice Group is a \$1.64 billion ASX-listed global food manufacturer and one of Australia's most iconic food brands. SunRice is Australia's number one rice brand, and we have market leading positions in 14 countries, including countries in the Middle East and the Pacific Islands.

With a 73-year heritage that began when a group of Riverina rice growers pooled their resources to build a single rice mill, the SunRice Group today sells approximately 1,500 value-added products across 26 major brands into over 50 markets worldwide. The SunRice Group employs over 2,000 employees and has operations in 10 countries.

#### **Regional economic contribution**

The SunRice Group is a significant economic contributor to the Southern Murray Darling Basin (**Basin**), and a major employer in the Riverina region of NSW where approximately 98 per cent of Australian rice is produced. In years of typical production (approximately 550,000 to 650,000 paddy tonnes), the SunRice Group employs over 650 skilled workers in the Riverina region and injects almost \$500 million in direct payments into Basin communities through salaries and wages, and payments to growers, suppliers, and contractors.

Our operations in the Basin include three rice processing mills and associated value-add facilities in Deniliquin and Leeton, a network of more than 70 storage facilities across the Riverina, and the CopRice animal feed business which has facilities located at Leeton, Coleambally, Tongala and Wangaratta.

We are proud of the contribution that the SunRice Group makes to the national economy. This contribution was recently recognised by the NSW Government and the Export Council of Australia in awarding the SunRice Group the winner of the Agribusiness, Food and Beverages category at the 2023 Premier's NSW Export Awards, and by the Commonwealth Minister for Trade and Tourism upon inclusion of the SunRice Group as a finalist in the 2023 Australian Export Awards.

#### **Food supply in uncertain times**

Rice is a staple food for countries across the world, and the supply of rice can be impacted by geopolitical relations and instability. For around 50 years, the SunRice Group has been a leading rice food supplier to both the Middle East region, including Israel, Palestine and the UAE; and the Pacific Islands, where we play a critical role in improving nutrition through supplying vitamin-enriched rice. In recent years agencies have called on our

regional supply capability to assist with the provision of food aid, including during international natural disasters and drought.<sup>1</sup>

In Australia, the SunRice Group provides rice-based foods for domestic consumers. The importance of this capability was highlighted during the COVID-19 period when there were shortages in domestic rice supply, due to international government policy restrictions. SunRice was able to use its domestic and international supply chain during this time to augment Australian rice supply for the benefit of consumers.

A key lesson from the pandemic was that having a national capability to process and value-add to a food staple should not be taken for granted. If Australia was to further offshore its reliance on rice production, it would further subject consumers to the volatility in global rice supply and pricing caused by protectionist international government policy. Recent examples of these measures include the Indian Government's ban of non-basmati rice exports and complications with consistency of supply out of China given China's policy focus on national food security.

Finally, we are proud of our support of FoodBank, and have supplied over 2,000 tonnes of rice and food products through Foodbank since 2003. In 2022 we were able to provide the equivalent of 560,000 meals to help feed Australians in need.<sup>2</sup>

### Water productivity and climate resilience

The Australian rice industry has a long history of innovation and is world leading in its rice yields<sup>3</sup> and considers itself to be a leader in water use efficiency. This is due to the collective investment of Australian growers, governments and SunRice over many decades in rice research, development, and extension.

The SunRice Group and the Australian rice industry are committed to continuing to improve water use efficiency, with the current Commonwealth-supported AgriFutures Australia Rice RD&E Plan's overarching goal being to achieve a production of 1.5 tonnes of rice per megalitre of water by 2026.<sup>4</sup>

The SunRice Group is committed to decarbonising the rice supply chain, both domestically and abroad. SunRice is currently working with growers and researchers to verify the greenhouse gas emissions from the production of rice in Australia using different growing practices, through its *Australian Rice Emissions Pilot* project. We are also working towards submitting our Science Based Target (SBT) for validation this financial year, and accelerating our investment in breeding research and development to support climate friendly rice varieties and practices through the Rice Breeding Australia joint venture.

Internationally, in partnership with the Australian Centre for International Agricultural Research (ACIAR), the SunRice Group is working directly with Vietnamese partners, including small-farm holders in the Mekong Delta, to improve their breeding programs, research capabilities, farm practices and milling capability.

The SunRice Group has achieved the NSW Government's Sustainability Advantage's Silver Partner status in recognition of the significant progress we have made in our approach to integrating sustainability in our business. This includes committing to have our Science Based Targets validated by FY2024; setting ambitious Scope 1 and Scope 2 targets and targets for Scope 3 Forestry Land and Agriculture (**FLAG**) and non-FLAG emissions; and committing to Net Zero emissions no later than 2050.

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<sup>1</sup> For example, the SunRice Group supplied aid to the Solomon Islands following various natural disasters, including the cyclones in 2020, and also provided aid in 2021 during the COVID-19 pandemic.

<sup>2</sup> <https://www.facebook.com/FoodbankAus/videos/sunrice-foodbank-partnership-video-2020/182287896910784/>

<sup>3</sup> <https://data.oecd.org/agroutput/crop-production.htm>

<sup>4</sup> <https://agrifutures.com.au/wp-content/uploads/2022/11/rice-RDE-.pdf>, p.9

## Concerns with the proposed Bill

The SunRice Group and our growers are committed to finding a sustainable solution to managing the distribution of water resources in the Basin.

However, as set out in the **enclosed** submission, we have significant concerns regarding the current drafting of the Bill and the lack of detailed analysis of the economic consequences, should it be implemented.

The SunRice Group requests that the Senate Committee undertake specific consideration of the impact on food, fibre and beverage manufacturing in its deliberations on this Bill, and requests that the Federal Government develops a specific consultative process to engage with these manufacturers and the unions representing workers including the United Workers Union, the Australian Manufacturing Workers Union and the Electrical Trades Union. Respectfully, SunRice considers that the perspectives and experiences of these manufacturers, their workers and unions have not been heard in the process, a process that appears to have been dominated to date by agricultural and environmental stakeholders.

We agree with Regional Development Australia Riverina's strategic recommendation that the Federal Government undertakes a *"a comprehensive impact assessment, including the economic, environmental, and social consequences of the Bill. This should involve conducting thorough studies to estimate the potential job losses, economic decline, and environmental degradation."*<sup>5</sup>

The SunRice Group also supports the submission provided by the Ricegrowers' Association of Australia, the industry body for the Australian rice industry, which has consulted widely on the impacts of the Bill in proposing amendments and project solutions.

Thank you for the opportunity to provide our submission to this Inquiry. We would welcome the opportunity to host the Committee in the Riverina region to visit our operations and meet with our staff and some of the world's best rice growers.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Paul Serra".

Paul Serra  
SunRice Group CEO

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<sup>5</sup> Water Amendment (Restoring Our Rivers) Bill 2023 [Provisions] Submission 88 dated 10 October 2023, page 2.

## SunRice Group submission to the Senate Standing Committee on Environment & Communications Inquiry into the Water Amendment (Restoring Our Rivers) Bill 2023

The SunRice Group is deeply concerned about potential implications of the *Water Amendment (Restoring Our Rivers) Bill 2023* (the **Bill**) on Southern Murray Darling Basin (**Basin**) food, fibre, and beverage manufacturing.

The Southern Murray Darling Basin is one of Australia's premier 'food bowls'<sup>6</sup> and is currently home to some of Australia's most iconic value-added food, fibre and beverage manufacturers reliant on irrigated agriculture.

These include SunRice, Casella Family Brands, De Bortoli, Calabria Family Wines, SPC Global, Costa, Riverina Fresh, Southern Cotton, Real Juice Company, Daily Juice Co (and other brands owned by Bega Group), Select Harvests, Kagome and Simplot Australia (Leggo's, Edgell, Chicken Tonight, Raguletto, Harvest and Rosella Australia), not to mention a nationally significant dairy supply chain which includes companies such as Fonterra and Saputo Dairy Australia.

The total Gross Value of Irrigated Agricultural Production (**GVIAP**) in the Murray Darling Basin before value-adding was \$8.4 billion in 2020-21<sup>7</sup>. Tens of thousands of manufacturing jobs are connected to irrigated agriculture in the Basin.

### Historical impacts on rice production during times of high water prices and low water availability

Because rice growers are reliant on water sourced from the Basin, the volume of Australian rice produced is **directly** correlated to the availability and price of water in the Basin. For example, in 2019 when the average water price was \$460/ML, the total harvested rice crop dropped to just 54,000 tonnes (compared to 2018 when the average water price was \$140/ML and the total harvested crop was 623,000 tonnes)<sup>8</sup>.

The SunRice Group has with time proactively evolved its capability to help manage the impact of variability in the total volume of rice processed in our operations as a result of prevailing water policy and climate change. However, this has not occurred without significant challenges, including two seasonal mill closures (during the Millennium Drought and then again in the 2019 and 2020 crop years) due to extended periods of drought.

### Concerns with the proposed Bill

The drafting of the current Bill foresees the potential recovery of up to 750 gigalitres of water from production in an expedited timeframe.

Of particular concern, the Bill:

- introduces buy-backs as a method of recovery for the 450 gigalitres;
- limits the socioeconomic neutrality test's application from the full 450 gigalitres, to only the part of the 450 gigalitres to be recovered through 'Efficiency Measures'; and
- removes the 1,500 gigalitre cap on buybacks, suggesting it is the Government's intention to purchase at least the approximate 250 gigalitres still available for purchase under the current cap.

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<sup>6</sup> Based on total gross value of agriculture (\$B), as at 30 June 2021, the Riverina Murray is the largest regional contributor to Australian agriculture after the states of NSW, Victoria, Queensland, Western Australia and South Australia at \$5.891 billion. See ABS Value of Agricultural Commodities Produced by Natural Resource Management Regions – 2020-21.

<sup>7</sup> <https://www.abs.gov.au/statistics/environment/environmental-management/water-account-australia/2020-21>

<sup>8</sup> 'Estimating Water available and rice production 2023', Analysis by Rob Rendell and George Warne, RMCG for SunRice, Prepared 12 – 21 July, 2022.

The SunRice Group is particularly concerned about the significant **volume, methodology** (i.e. buybacks) and **timing** for this water recovery, and the **removal of critical protections** designed to mitigate social and economic impacts.

While our business has evolved to help withstand variability in climate, and continues to do so, we are of the view that a change in the operating context of the scale that is proposed by the Bill could create a material cost 'shock' to the Australian rice industry and our Riverina operations, without sufficient time to further adapt our business operations and growing practices.

The Australian Bureau of Agricultural and Resource Economics and Sciences (**ABARES**) in its report 'Future scenarios for the southern Murray-Darling Basin: Report to the Independent Assessment of Social and Economic Conditions in the Basin' dated February 2020 (**Report**)<sup>9</sup> forecast that the recovery of a further 450 gigalitres of water, amongst other factors, would lead to an increase in average water allocation market prices by between 28 – 50% across the Basin, compared to the 'current market scenario'<sup>10</sup> at the date of the Report. ABARES states in the Report that with this level of recovery, average prices are estimated to **remain above \$200 per ML in 8 out of 10 years** under the 'future market scenario'.<sup>11</sup> Our view is that once the price per megalitre of water exceeds approximately \$150-200 per ML, rice becomes increasingly uneconomic to produce and process in Australia. In other words, at \$200 per megalitre **the future viability of the Australian rice industry could be uncertain and at risk**. It would therefore seem important that the Senate Committee better understands the economic consequences of the Bill.

As a food manufacturing business, we must regularly consider the utilisation of our major assets. To ensure the viability of our operations, we require a minimum scale of product processed through our mills. If rice production and processing is limited in 8 out of 10 years, then we will be required to make commercial decisions about our Australian manufacturing operations to ensure the future sustainability of our business. Our Riverina asset base has a significant replacement value and if processing was to be offshored, it could be difficult to re-establish processing in Australia.

Through recent engagement with other Basin manufacturers, we understand that other operations are facing similar risks and that these manufacturers share similar concerns in making future investment decisions given the uncertainty created by the Bill.

The potential flow-on impacts from the closure of key Australian manufacturing assets in the Basin could include:

- the loss of thousands of manufacturing jobs in the Basin;
- the loss of significant gross domestic irrigated production; and
- the loss of our domestic capability and food security independence at a time when the geo-political context means food supply chains internationally are becoming increasingly volatile. As a staple food globally, rice supply chains in particular are subject to government policy intervention.

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<sup>9</sup>Future scenarios for the southern Murray-Darling Basin: Report to the Independent Assessment of Social and Economic Conditions in the Basin', ABARES: Mihir Gupta, Neal Hughes, Linden Whittle and Tim Westwood – see <https://www.agriculture.gov.au/abares/research-topics/water/future-scenarios-smdb-independent-assessment-social-economic-conditions#background>.

<sup>10</sup> Current market scenario defined in the Report as "Current irrigation development (horticultural plantings), current water recovery under the Basin Plan, current trade rules and commodity prices" as at the date of the Report.

<sup>11</sup> 'Future scenarios for the southern Murray-Darling Basin: Report to the Independent Assessment of Social and Economic Conditions in the Basin', ABARES discussed at pages v and 13.



We are concerned from our discussions with government representatives to-date that a detailed economic analysis of the likely impacts to manufacturing supply chains and capabilities has not been undertaken in relation to this Bill.

**Due to these concerns, we strongly believe that the Federal Government should undertake a thorough analysis of the direct and indirect employment, gross domestic product (GDP), export and consequential supply chain impacts of this Bill.**

Furthermore, we support the statement made by Regional Development Australia - Riverina in their written submission to the Inquiry that this Bill *“poses substantial economic, environmental, and social risks for the Riverina region, one of Australia’s premier food bowls”*.<sup>12</sup> We agree with their strategic recommendation that the Federal Government undertakes a *“a comprehensive impact assessment, including the economic, environmental, and social consequences of the Bill. This should involve conducting thorough studies to estimate the potential job losses, economic decline, and environmental degradation.”*<sup>13</sup>

One of the objectives outlined in the Murray Darling Basin Plan’s own overarching legislation, being the *Water Act 2007 (Cth)*, includes: *“to promote the use and management of Basin water resources in a way that optimises economic, social and environmental outcomes.”*

SunRice is of the opinion that it is not possible to understand whether the current Bill meets this objective if the economic analysis of the impacts to one of the most significant food, fibre and beverage manufacturing industries in Australian has not yet been modelled.

### **Structural adjustment packages**

We are also apprehensive about the Federal Government's pledge of 'structural adjustment packages' to facilitate the transition of affected industries to a future with less production, and affected employees to new industries.

Past experience indicates that there are significant structural challenges in implementing such programs in a regional setting where new industry and employment opportunities are limited. We understand that the proposed structural adjustment packages for NSW currently being considered would not fairly compensate for the loss of the direct annual economic contribution currently made by Basin manufacturers alone.

### **Recommendations**

Our key recommendation is that the passage of the Bill be delayed and that the Senate Committee undertakes a specific review of the impact on food, fibre and beverage manufacturing in its deliberations on this Bill. We request that the Federal Government develops a specific consultative process to engage with these manufacturers and the unions representing manufacturing workers including the United Workers Union, the Australian Manufacturing Workers Union and the Electrical Trades Union. Respectfully, SunRice considers that the perspectives and experiences of these manufacturers, their workers and unions have not been heard in this process.

We also request that the Bill be amended to maintain:

- the existing 1,500 GL cap on water buybacks;
- the existing requirement that the 450 GL of water recovery occur via ‘Efficiency Measures’; and

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<sup>12</sup> Water Amendment (Restoring Our Rivers) Bill 2023 [Provisions] Submission 88 dates 10 October 2023, page 2.

<sup>13</sup> Water Amendment (Restoring Our Rivers) Bill 2023 [Provisions] Submission 88 dates 10 October 2023, page 2.





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- the current requirement that the 450GL is conditional on improved or neutral social and economic outcomes, irrespective of recovery measure – a standard that was agreed to by the Murray Darling Basin Ministerial Council in 2018.

We thank you once again for the opportunity to participate in this Inquiry. We ask that the Committee seriously considers our concerns and our requests as part of its review of this Bill.