



26 August 2020

Dear fellow rice growers,

2021 RIVERINA CROP YEAR POOL ANNOUNCEMENT

I am writing to inform you of the SunRice Board's decision today to open a pool ("Pool No. 1") for the 2021 Riverina crop year (CY21), with an estimated range of \$390 to \$450 per metric tonne for medium grain Reiziq.

This table sets out the varieties available in Pool No. 1, with estimated premiums and discounts to base grade Reiziq:

Variety	C21 Varietal Premiums / Discounts
Reiziq	Base
Viand	Flat
Sherpa	-\$20
Topaz	+\$70
Langi	+\$50

We have all been watching the rainfall very closely over the past few weeks, and it's been pleasing to see some significant inflows to major storages, particularly in the Murrumbidgee Valley. Allocations in both the Murrumbidgee and Murray valleys have increased in August, water prices have decreased, and the outlook looks positive for further rainfall and inflows in the months ahead.

As a consequence of drought, low water availability and high water prices – which have been exacerbated by state and national water reforms – the past two Riverina rice seasons have been incredibly difficult for the SunRice Group and rice growers. However, with pricing for other annual crops under pressure, SunRice's reputation for always paying, the demonstrated suitability of rice to our farming systems, and conditions turning in our favour – the Board believes the estimated range for Pool No.1 is a compelling proposition for growers, and we are increasingly optimistic of a much larger rice crop being planted in CY21.

As you know, on 24 July 2020 we announced the Board's initial offer of fixed price contracts for limited volumes of key varieties for the CY21 Riverina crop year, which was closed four days after opening due to strong demand from growers. This strong response meant that we have contracted substantially more rice than was grown in CY19 or CY20.

The Board has continued to monitor conditions since closing that initial fixed price contract offer, which is why we are now pleased to be announcing the opening of CY21 Pool No. 1. Seed orders

for the Pool No. 1 will open to Critical Year growers (who grew in CY19 and / or CY20) at **9am on 7 September 2020**, and to all other growers at **9am on 9 September 2020**.

SunRice has taken the decision to provide an estimated pool range at this early stage of the season to provide our growers with some certainty. The Group requires commitment from growers so that we can undertake critical planning, including determining how much seed will remain after the CY21 crop is planted. The small volume from the CY19 and CY20 crops, currently being milled, is expected to be exhausted in early 2021.

The Group's intention is to utilise any excess seed to maintain a milling program at Leeton and Deniliquin for the period between the exhaustion of the CY19 and CY20 volume, and the CY21 harvest. The Board believes that releasing an early estimate of the range for Pool No. 1 will give both growers and the SunRice Group the certainty and commitment needed at this point to plan.

We appreciate that growers need to be able to secure resources for the season, and SunRice also needs to determine if we are to turn off international sourcing arrangements to make markets available to increased Australian production.

Given the importance of growers planting and delivering the CY21 crop that they commit to in Pool No. 1, and the impact and costs of any non-delivery on other pool participants and SunRice, we have introduced a new wash-out clause which will apply for Pool No.1. The wash-out fee is less than that in the fixed price contracts to reflect factors including the risk-sharing nature of the pool. If growers commit to participate in the pool, and then fail to follow-through, it impacts on the returns of the pool as a whole, and therefore other growers. This is particularly the case for the CY21 Pool No.1, as returns are sensitive to a range of factors including the total volume received (as this impacts the overheads of our assets in the Riverina), and also particular varieties. It is for these reasons that we believe a wash-out is appropriate and in the interests of grower participants in the pool.

To further support growers in increasing production in CY21, SunRice is also offering:

- Our GrowRice facility, which provides input funding for approved growers of up to \$1500 per hectare (or \$2000 per hectare for Critical Year growers)
- A new PaddyPay Harvest Payment option (previously known as PayRice), where growers can elect to now access up to 90 per cent of the estimated pool return (lower end of the range), paid within 5 days end of week of delivery.

We have already sent materials to growers regarding the GrowRice facility, and will be issuing materials regarding PaddyPay ahead of Pool No. 1 opening on 7 September. A Grower Circular will also be sent prior to that point, with all details regarding the pool arrangements.

Consistent with the operation of pools in prior years, the estimated price range for the pool of \$390 to \$450 per tonne is indicative, and the price to be paid will be notified to you at the completion of the pool. The final price will be determined by SunRice based on the market performance of the pool and will take into account global and domestic market factors, such as the world price of rice and foreign exchange rates that impact profitability.

There is limited volume in some varieties, and the Board reserves the right to close any specific variety within the pool at any time and without prior notice.

As a consequence of the strong response from growers to our initial fixed price offer, the Group has secured sufficient volume of Doongara and Koshihikari at this time. In addition to the varieties in the pool, the Group is also offering a fixed price contract for organic / biodynamic varieties at \$1350 per metric tonne which will also open on at 9am on 7 September for Critical Year growers, and at 9am on 9 September for all other growers.

The Board has had strong feedback from growers that they value both fixed price contracts and the pool, which is why we are pleased to have been able to offer the strongly supported initial fixed price offer for specific varieties, and now the Pool No.1. The Board will continue to monitor market conditions, and reserves the right to offer further fixed price contracts, additional varieties or a second pool, dependent upon those conditions.

Our industry has demonstrated resilience after two very tough years, and I am confident with your support we can get Riverina rice production back on track, with an opportunity for increased profitability to us as growers, SunRice and our communities.

Sincerely,

A handwritten signature in black ink, appearing to read 'Laurie Arthur', written in a cursive style.

Laurie Arthur
Chairman
SunRice Group