

ANNUAL REPORT

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES



For the year ending 30 June 2017

27 September 2017



The Rice Marketing Board

FOR THE STATE
OF NEW SOUTH
WALES

The Honourable Niall Blair, MLC
Minister for Primary Industries
Minister for Lands and Water
Level 19
52 Martin Place
Sydney NSW 2001

Dear Minister

In accordance with Section 9A of the Annual Reports (Statutory Bodies) Act 1984, we submit the Rice Marketing Board's Annual Report for the year ending 30 June 2017, for presentation to Parliament.

Yours sincerely

Robyn Clubb
(Chairman)

Noel Graham
(Deputy Chairman)

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Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chairman's Report

Highlights

The 2017 year saw a return to a large rice crop in southern NSW, while the north of the state suffered lower than expected production due to drought followed by flooding after Cyclone Debbie in March.

In December the NSW government announced it would renew rice vesting for a period of five years, recognising that the majority of NSW rice growers obtained excellent price premiums from the market power that vesting provides. In 2016-17 the export price premium was determined to be \$26million, with a freight scale advantage of \$2million.

A significant milestone early in the financial year was the conclusion of the Capital Equity Rollover Scheme, with a final payment of over \$4million.

An election of three members of the Board will take place this year, and it is pleasing to note that we have seven worthy candidates. Sadly we will also say goodbye to Deputy Chairman Noel Graham who, after 34 years at the forefront of the rice industry, has decided not to seek re-election.

The past year saw the re-appointment of two invaluable members of the Board, John Culleton and Doug Hocking.

Review of Rice Vesting

Ninety-three percent of the submissions to the vesting review were in favour of renewal - the subsequent announcement that vesting was renewed until June 2022 was therefore welcomed by the majority of NSW rice growers. The Board has vesting powers over all rice grown in NSW, and has re-appointed SunRice as the Sole and Exclusive Exporter of NSW rice for the next five years. The Board continues to monitor SunRice operations to ensure the best possible returns to NSW rice growers. Our report to NSW rice growers on the performance of SunRice as the holder of the Sole and Exclusive Export Licence is appended at the end of this report. This report shows that NSW rice growers have again derived a significant benefit under the SEEL arrangement.

In granting the renewal of vesting, the NSW Minister for Primary Industries, Lands and Water, the Hon. Niall Blair, MLC, announced that the next review of vesting will occur in 2020. However, he also recommended that the Board investigates ways to develop the rice industry outside the Murray and Riverina areas, and that an independent review of the Board be undertaken to ensure that any risk of conflict of interest is appropriately addressed.

Authorised Buyers

I am pleased to announce that there are now eleven Authorised Buyers holding licences to market rice grown in NSW to the domestic market. Further details of the Authorised Buyers are available on the Board website or from the Secretary of the Board.

Governance

During the year, the Board reviewed its Multicultural Plan, and also all of its policies. We also instigated an enhanced Related Party Transactions reporting regime to meet the new requirements of NSW Treasury Circular TC16-12 and Accounting Standard AASB124.

Financial Performance

For the year ending 30 June 2017, the Board recorded a break-even position. The Board continues to recover its expenses through the Authorised Buyer licence fees, set at a low \$0.31 per tonne for 2016-17. It also maintains adequate funds to provide for two years of operating expenses as Reserves.

Board Membership

Deputy Chairman Noel Graham recently announced that he will not seek re-election to the Board this year. Noel has been a stalwart of the rice industry and has made a very significant contribution over the past 16 years. His insightful and intelligent contributions and vast knowledge of the rice industry will be greatly missed. I thank him for his exemplary service to the rice growers of NSW and wish him well for the future.

I am pleased to announce that John Culleton and Doug Hocking were re-appointed to the Board in July 2017, for a one year term. Mr Culleton brings a very strong knowledge of the irrigation industry, as well as skills in the areas of governance, audit, policies and procedures. Mr Hocking's thorough understanding of agronomy, agricultural research and government processes provides invaluable skills. These re-appointments will also ensure continuity while the election for the three grower-elected Board positions is conducted.

Appreciation

The Board appreciates the support provided by Minister Blair and his staff, especially during the vesting renewal process. Thanks also go to Scott Hansen, Director General of the NSW Department of Primary Industries (DPI) and Ms Rachel Connell, Deputy Director General, Strategy and Policy, DPI. I would also like to acknowledge Tim McRae, Group Director, Economics and Analysis, Strategy and Policy, DPI and his team for their hard work in relation to the vesting review.

The Board continues to work constructively with the Ricegrowers Association of Australia (RGA) during 2016-17 and acknowledges the strong leadership provided by the Chairman Jeremy Morton and Executive Director Graeme Kruger. The Board sponsored and participated in another successful RGA annual conference with 200 rice growers in attendance at Leeton.

The Board continues to hold observer status on the Rice R&D Advisory Panel of AgriFutures (formerly the Rural Industries Research and Development Corporation) and appreciates the visibility this provides into how rice industry funds are being used.

I would like to thank my Deputy Chairman, Noel Graham and all the Board members for their dedication and efforts during what has been a very busy year for the Board. Thanks also to Board Secretary, Ms Carol Chiswell, for her excellent organisational skills and for meeting the challenges of her position in such a professional manner.

Most importantly I would like to thank the Authorised Buyers and the growers, for their commitment to the NSW rice industry, and I look forward to working with you in the future.

Robyn Clubb
Chairman

Board Members



J.M. Bradford <i>MAICD</i>	D.F. Hocking <i>HDA GDE GCM</i>	V.L. Taylor <i>GIA(Cert) GAICD</i>	R. Clubb <i>BEc CA F.Fin MAICD</i>	G.L. Kirkup <i>MAICD</i>	C. Chiswell <i>BA MCA CPA</i>	N.G. Graham <i>MBA FAICD</i>	J.J. Culleton <i>CSC BA psc pcfsc GAICD</i>
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CHAIRMAN

SECRETARY

**DEPUTY
CHAIRMAN**

BOARD MEMBERS MEETINGS

	BOARD MEETINGS		ABL COMMITTEE		AUDIT AND RISK		GOVERNANCE	
MEMBERS	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
R. Clubb	13	12	3	2	0	0	0	0
N.G. Graham	13	13	0	0	0	0	2	1
G.L. Kirkup	13	13	0	0	2	2	2	2
D.F. Hocking	12	12	3	3	0	0	1	1
V.L. Taylor	13	13	3	3	0	0	2	2
J.J. Culleton	12	11	3	3	2	2	0	0
J. M. Bradford	13	12	0	0	2	2	0	0

BOARD STRUCTURE

The Board consists of seven members, three of whom are elected by growers, and four who are nominated by the NSW Minister for Primary Industries. Mr Culleton and Mr Hocking's terms expired on 29/5/17 and they were re-appointed on 27/7/17 for one year. Board members have attended various industry meetings and have represented the Board at government, industry and other delegations.

MANAGEMENT

The Secretary is the Board's only employee and is responsible to the Board for the management of Finance, Administration, Compliance and Crop Audit.

Statutory Reporting Requirements

EQUAL EMPLOYMENT OPPORTUNITY

Apart from the Secretary, the Board does not employ any staff. The Board supports the principles of equal opportunity and the involvement of women in the rice industry. Female representation on the Board was 43% in 2016-17.

DISABILITY PLANS

The Board's offices are accessible to disabled persons.

WASTE

The Board is conscious of the requirement for waste control and where possible, given the small volume of resources used, reduces the generation of waste.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT

The Board has received no requests for information under the *Government Information (Public Access) Act 2009* during the year.

PRIVACY MANAGEMENT PLAN

The Board is bound by the *Privacy and Personal Information Protection Act 1998* which is concerned with how personal information is to be collected, stored, used and accessed. As required by this Act, the Board has developed a Privacy Policy. There were no reviews in 2016-17.

WORKPLACE HEALTH AND SAFETY

The Board has had no injuries or prosecutions under the *Work Health and Safety Act 2011*.

MULTI CULTURAL POLICIES AND SERVICES PROGRAM

The Board is committed to the principles of Multiculturalism. The NSW Rice Industry is primarily located in the ethnically diverse Riverina and Murray regions of New South Wales. The Board regularly reviews the cultural diversity of its stakeholders, adapts to the needs of the community and represents fairly and equally the interests of all rice producers irrespective of their ethnic background. In providing services the Board members and staff are sensitive to the cultural, social and religious differences of their clients.

All rice producers within the area of the Board's jurisdiction have the opportunity to question its decisions and policies, by contacting the Secretary at any time or through attendance at the Annual Meeting. They are encouraged to vote at Board elections as a means of expressing an opinion on Board performance.

In 2016-17 the Board progressed its Multicultural Plan in the following ways:

- Collection and review of current data on the cultural diversity of stakeholders and regions;
- Offering interpreter services for applicants for Authorised Buyer Licences;
- Amendment to the Code of Conduct to include diversity issues;

- Training of staff through participation in the Multicultural NSW Cultural Competence Training Program.

In 2017-18 the Board intends to expand on its Multicultural Plan by continuing to monitor and improve on services provided to people from diverse backgrounds. Programs will be developed based on completion of the Cultural Competence training for staff. The Board will continue to monitor diversity changes in the rice growing areas of New South Wales and develop targeted programs to assist stakeholders to better understand the work of the Board.

FINANCIAL MANAGEMENT

Investment Performance

As required the Board invests funds on the short term money market at rates that are comparable to Treasury Corporation cash rates.

Liability Management Performance

The final payment of the Capital Equity Rollover Scheme was on 27 July 2016. The Scheme was managed in accordance with its rules which were approved by the Minister for Primary Industries.

Payment of Accounts

It is the Rice Marketing Board's target to pay 95% of invoices within 30 days. This target has been achieved for the year.

Charter

The Rice Marketing Board for the State of New South Wales was the first commodity marketing board established in New South Wales under the *Marketing of Primary Products Act 1927*, now replaced by the *Rice Marketing Act 1983*, and was officially constituted by Proclamation on 9th November 1928.

The Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing. It operates under the authority of and in accordance with the *Rice Marketing Act 1983*, the *Public Finance and Audit Act 1983* and the *Annual Reports (Statutory Bodies) Act 1984*.

Objectives

1. To encourage the development of a competitive domestic market for rice.
2. To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of the Australian grown rice.
3. To liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

Governance

The Board's primary role is to ensure the achievement of its Charter and Objectives.

To fulfil this role the Board Members are responsible for the overall corporate governance of the organisation, including setting its strategic direction, establishing goals and monitoring the achievement of those goals by Management.

BUSINESS PLAN AND BOARD SUB-COMMITTEES

A Business Plan has been developed to guide the Board's operations in relation to its key legislative objectives to:

- encourage the development of a competitive domestic market for rice
- ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice and
- liaise with, and represent the interests of, all NSW rice growers in relation to the Board's functions and objects.

There are three sub-committees that undertake detailed consideration of specific issues and provide for appropriate governance arrangements in support of the Board.

The sub-committees comprise:

- Authorised Buyer Licence Committee
- Governance, Nominations and Remuneration Committee
- Audit and Risk Committee.

The Authorised Buyer Licence Committee's responsibilities include:

- Administer the authorised buyer licensing scheme
- Review licensee annual returns
- Liaise with authorised buyers
- Make recommendations for changes to the licensing rules.

The Governance, Nominations and Remuneration Committee's responsibilities include:

- Review Board composition, induction program and role statement
- Review RMB policies, procedures and practices
- Review Board governance procedures and decision making processes.

The Audit and Risk Committee's responsibilities include:

- Review engagement and methodology of external auditors
- Review risk profile as the basis of the external audit program
- Monitor external auditors and management and report to the Board on:
 - a) Financial reporting processes
 - b) Compliance with legislation and regulation, accounting policies and internal controls
 - c) Audit outcomes and actions
 - d) Performance of auditors
- Review completeness and accuracy of the financial statements prior to consideration and approval by the Board

- Review emerging risks identified by the Board or management and ensure that risks are appropriately addressed
- Review financial management objectives and plan.

BOARD PROCESS

The Board generally holds eleven scheduled board meetings each year with non-scheduled meetings and sub-committee meetings being held when necessary. The agenda for meetings is prepared in conjunction with the Chairman. Standing items include monitoring performance in relation to the Board's regulatory and legislative objectives, financial reports, short and long-term financing programs and monthly performance monitoring of the sole and exclusive export licence holder, Ricegrowers Limited. Board papers are circulated in advance.

COMPOSITION OF THE BOARD

Three Board Members are elected for four year terms by those rice growers who are eligible and choose to vote. Four Board Members are nominated by the Minister for Primary Industries and appointed by the Governor of NSW, usually for a term of four years. The nominated Members are from outside the rice industry and bring additional expertise in agriculture, corporate governance, finance, business administration, communications, and stakeholder engagement to the Board. The NSW Government requires that the Chairman is selected from the Board's nominated members.

REMUNERATION

The Board approves the remuneration of its employee. The Board recommends the remuneration of its Members to the Minister for approval. Board Members fees are based on the Classification and Remuneration Framework for NSW Government Boards and Committees. All necessary expenses incurred by Board Members whilst attending to Board business are paid by the Board. Funding of the Board is met by the Industry.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO BOARD INFORMATION

Each Member of the Board has the right of access to all relevant Board information unless it constitutes a conflict of interest. Subject to prior consultation with the Chairman, Members may seek independent professional advice at the Board's expense. A copy of the advice received by the Member is made available to all Members of the Board.

AUDIT

The Board's financial accounts are audited by the Auditor General for New South Wales. The Auditor General has, with the involvement of the Board, subcontracted the audit to Johnsons MME for the year 2016-17.

RISK MANAGEMENT AND INSURANCE

The Board acknowledges that it is responsible for risk management and has implemented procedures covering financial reporting, insurance and crop audit to reduce these risks.

ETHICAL STANDARDS

All Board Members and employees are required to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Rice Marketing Board. A Code of Conduct is in place and all members and employees have signed a Code of Conduct Declaration and Undertaking, and a Pecuniary Interests Declaration and Undertaking during 2016-17.

Statement by Members of the Board

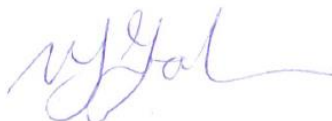
Under section 41C of the *Public Finance and Audit Act, 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Rice Marketing Board for the State of New South Wales at 30 June 2017 and its performance for the year then ended.

We further state:

- (a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.
- (b) that we are not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



R Clubb
(Chairman)



N.G. Graham
(Deputy Chairman)

Dated 27 September 2017

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2017

	Notes	2017 \$ 000's	2016 \$ 000's
REVENUE			
Authorised Buyer's Fees	2	255	311
Sole and Exclusive Export Agreement	2	216	200
Other income		-	13
		<u>471</u>	<u>524</u>
EXPENSES			
Audit Fees		(16)	(15)
Legal and Consultancy Fees	3	(44)	(81)
Depreciation	9	(13)	(12)
Members' Fees		(147)	(147)
Members' Superannuation		(14)	(14)
Employee Expenses	4	(149)	(151)
Insurance		(15)	(17)
Rent		(36)	(36)
Travel		(36)	(42)
Sundry Charges		(28)	(30)
		<u>(498)</u>	<u>(545)</u>
Finance Income	5	27	25
Net Surplus for the Year		<u>-</u>	<u>4</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>-</u>	<u>4</u>

The above statement of comprehensive income should be read in conjunction with the accompany notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 \$ 000's	2016 \$ 000's
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	809	732
Trade and Other Receivables	7	265	320
Other Assets	8	-	4,425
Total Current Assets		1,074	5,477
Non-Current Assets			
Property, Plant and Equipment	9	14	27
Total Non-Current Assets		14	27
Total Assets		1,088	5,504
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	81	73
Growers' Equity Loans	11	-	4,425
Provisions	12	4	4
Total Current Liabilities		85	4,502
Non-Current Liabilities			
Provisions	12	1	-
Total Non-Current Liabilities		1	-
Total Liabilities		86	4,502
NET ASSETS		1,002	1,002
EQUITY			
Retained Earnings		1,002	1,002
TOTAL EQUITY		1,002	1,002

The above statement of financial position should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2017

	Notes	2017 \$ 000's	2016 \$ 000's
Equity at the beginning of the financial year		1,002	998
Net surplus for the year		-	4
Other comprehensive income		-	-
Equity at the end of the financial year		<u><u>1,002</u></u>	<u><u>1,002</u></u>

The statement of changes in equity should be read in conjunction with the accompanying notes

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2017

	Notes	2017 \$ 000's	2016 \$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from operations		587	554
Interest received		21	25
Payments			
Cash payments to creditors and suppliers		(519)	(641)
Net cash provided by operating activities	16(b)	<u>89</u>	<u>(62)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		-	(4)
Net cash used in investing activities		<u>-</u>	<u>(4)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Equity rollover and redemptions		(4,437)	(1,292)
Receipt of equity contributions		4,425	1,276
Net cash used In financing activities		<u>(12)</u>	<u>(16)</u>
Net increase/(decrease) in cash and cash equivalents		77	(82)
Cash and cash equivalents at the beginning of the year		732	814
Cash and cash equivalents at the end of the year	16(a)	<u>809</u>	<u>732</u>

The statement of cash flows should be read in conjunction with the accompanying notes.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) REPORTING ENTITY

The Rice Marketing Board for the State of New South Wales was created by proclamation on 9th November 1928 under the now repealed *Marketing of Primary Products Act*, now replaced by the *Rice Marketing Act 1983*. Its office is located in Leeton New South Wales. The Rice Marketing Board's primary function is to obtain the best possible monetary return to rice growers consistent with the maintenance of orderly marketing. The financial statements were authorised for issue by the Board on 19 September 2017.

Under AIFRS there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting requirements. The Board has analysed its purposes and operating philosophy and determined that it does not have profit generation as its prime objective. Consequently where appropriate the Board has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) GENERAL

The Rice Marketing Board's financial statements are general purpose financial statements, which have been prepared in accordance with:

- Applicable Australian Accounting Standards;
- Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- The requirements of the New South Wales *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2015;
- Financial Reporting Directions mandated by the Treasurer.

The financial statements are prepared in accordance with the historical cost convention and on an accruals basis. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies set out below have been consistently applied to all years presented.

The financial statements have been prepared on a going concern basis.

(c) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Authorised Buyers Licence

The Authorised Buyers Licence has a base fee charged in advance each year and a variable fee applied on a per tonne basis charged in arrears annually. Both fees are recognised as and when the fees are received or become receivable in accordance with Authorised Buyer's Licence conditions.

Sole and Exclusive Export Agreement

The Sole and Exclusive Export Agreement is recognised as and when the fee is received or becomes receivable in accordance with the Sole and Exclusive Export Agreement conditions. Sole and Exclusive Export Agreement fee received in respect of future accounting periods is not recognised as revenue, but rather deferred to a liability called Sole and Exclusive Export Agreement received in advance.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(c) REVENUE (continued)

Interest

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

(d) BORROWING COSTS

The Board has no borrowings that incur interest.

(e) INCOME TAX

The entity is exempt from income tax pursuant to section 50-52 of the *Income Tax Assessment Act 1997*.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and other short term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(g) TRADE AND OTHER RECEIVABLES

Receivables are recognised at the amount recoverable as they fall due for settlement. Trade receivables are held at original invoice amount.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

(h) PREPAYMENTS

Prepayments are recognised where funds have been paid in advance of which future economic benefits are expected to flow to the entity in return for the funds paid.

(i) PROPERTY PLANT AND EQUIPMENT

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Each class of property, plant and equipment is carried at their fair value less, where applicable, any accumulated depreciation. Plant and Equipment have been brought to account at historic cost less depreciation. Assets are written off over their assessed economic life by the use of the straight-line method of depreciation.

Assets are depreciated at the following rates per annum:-

Office & computer equipment	20.0% - 33.3%
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(j) IMPAIRMENT OF ASSETS

The carrying amounts of the Board's assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which, the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the Board is deemed a not-for-profit entity for reporting purposes, the value in use is the depreciated replacement cost.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) TRADE AND OTHER PAYABLES

Accounts payable are recognised for future amounts to be paid in respect of goods and services received at balance date, whether or not they have been invoiced. Settlement of accounts payable is normally effected within a 30 day term. Due to the short term nature of payables, measurement at invoice amount is not materially different from amortised cost.

(l) EMPLOYEE PROVISIONS

Employee Benefits

A provision is made for the Board's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits.

An employee benefit liability is classified as a current liability if the Board does not have an unconditional right to defer settlement of the liability for at least 12 months. This includes all annual leave and unconditional long service leave, irrespective of when the liability is expected to be settled.

Superannuation

Superannuation expenditure relates to payments of the basic benefit for eligible employees to a privately administered superannuation plan.

(m) FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at fair value less attributable transaction costs. Subject to initial recognition these instruments are measured as set out below.

Loan Receivables

Loan Receivables from Australian Grain Storage Pty Ltd are non-derivative financial assets with determinable payments that are carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 11), being 0% (2016: 0%). Any increase or decrease in the present value of the interest free loans is recognised in the Statement of Comprehensive Income.

Borrowings

After initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the loans on an effective interest basis.

Grower Equity Loans

Interest Free Grower equity loans are initially recognised and subsequently carried at fair value. Fair value is the present value of all future cash payments discounted using the BBSW rate applicable to the Board's long term loan (Note 11), being 0% (2016: 0%). No rate was required in 2016 or 2017 because the loan was fully paid in July 2016.

(n) FAIR VALUE

The Board measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In addition, the Board determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(o) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated net of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

(p) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) ACCOUNTING POLICIES

Australian Accounting Standard AASB124 Related Party Disclosures has been extended to include not-for-profit public sector agencies and is now applicable to the Board (Note 15).

A number of other Australian Accounting Standards have been issued or amended since the last reporting date and are applicable to the Board but are not yet effective. The Board has assessed the impact of these amendments and they are immaterial to the entity. They have not been adopted in the preparation of the Financial Statements at balance date.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 2 AUTHORISED BUYER LICENCES AND SOLE AND EXCLUSIVE EXPORT AGREEMENT

The NSW domestic rice market was deregulated effective from 1 July 2006. As a result of deregulation Authorised Buyer Licences have been issued to appropriate bodies and persons by the Board. The Agency Agreement has been replaced by the Domestic Authorised Buyers Licences and the Sole and Exclusive Export Agreement.

The Sole and Exclusive Export Agreement was executed on 30 June 2006 and was effective from 1 July 2006 for an initial term of five years to 1 July 2011. The Agreement was renewed for another five year term from 1 July 2011 to 1 July 2016. A one year term was agreed for the 2016-17 year. A further 5 year term has been negotiated until 30 June 2022. At any time, either party may terminate the Sole and Exclusive Export Agreement by giving the other party at least 5 years written notice of termination.

Authorised Buyers pay a fixed annual fee of \$500 per year. The Board has recognised it requires operating capital and has retained the prepaid Sole and Exclusive Export Agreement fee as its operating capital. The Board has therefore adopted a full cost recovery policy for the term of the current Sole and Exclusive Export Agreement. After accounting for this combined income the Board levies Authorised Buyers with the balance of its operating shortfall (if any) for the period based on the percentage of the total rice crop each Authorised Buyer has procured.

The amount recognised as income for year ended 30 June 2017 was \$471,387 (\$511,383 in 2016).

NOTE 3 LEGAL AND CONSULTANCY FEES

	2017 \$000's	2016 \$000's
Legal Fees & Expense Incurred	26	63
Independent Experts Report	18	18
	<u>44</u>	<u>81</u>

During the year, the Rice Marketing Board engaged advisers for various legal and accounting matters.

NOTE 4 EMPLOYEE EXPENSES

	2017 \$000's	2016 \$000's
Wages & Salary	124	125
Annual Leave	11	10
Long Service Leave	1	-
Superannuation	13	13
Training	-	3
Recruitment Costs	-	-
	<u>149</u>	<u>151</u>

NOTE 5 FINANCE INCOME

	2017 \$000's	2016 \$000's
Bank Interest	<u>27</u>	<u>25</u>

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 6 CASH AND CASH EQUIVALENTS

	2017 \$000's	2016 \$000's
Cash at Bank	174	232
Cash on Deposit	635	500
	<u>809</u>	<u>732</u>

NOTE 7 TRADE AND OTHER RECEIVABLES

	2017 \$000's	2016 \$000's
Current		
Authorised Buyers	248	315
Other	17	5
	<u>265</u>	<u>320</u>

All receivables recognised in the Statement of Financial Position are, in the opinion of the Rice Marketing Board, fully collectable.

NOTE 8 OTHER ASSETS

	2017 \$000's	2016 \$000's
Current		
Australian Grain Storage Pty Ltd	-	4,425
	<u>-</u>	<u>4,425</u>

The Australian Grain Storage loan was a level 2 asset for fair value measurement purposes. The loan expired on 31 July 2016. No discount rate for present value was applied in 2016.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2017

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	2017 \$000's	2016 \$000's
OFFICE & COMPUTER EQUIPMENT		
At Cost	70	70
Accumulated Depreciation	(56)	(43)
	14	27
TOTAL PROPERTY, PLANT AND EQUIPMENT	14	27

Description	Year ended 30 June 2017	Year ended 30 June 2016
	Office, Computer Equipment & WIP \$000's	Office, Computer Equipment & WIP \$000's
Opening WDV 1 July 2016	27	35
Additions	-	4
Depreciation	(13)	(12)
Closing WDV 30 June 2017	14	27

NOTE 10 TRADE AND OTHER PAYABLES

	2017 \$000's	2016 \$000's
Payables	46	26
Unclaimed grower equity repayments	35	47
	81	73

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 11 GROWERS' EQUITY LOANS

	2017 \$000's	2016 \$000's
Equity Roll Over Loan Fund (Current)	-	4,425
Total Growers Equity Loans	-	4,425

Grower equity loans are level 2 liabilities for fair value measurement purposes. The nominal value of the interest free grower equity loans at 30 June 2017 was nil (2016: \$4,425,389). The nominal value represents the actual amounts which have been collected from and which are due to be repaid to growers. The present value represents the result of discounting the nominal value under Australian Accounting Standards using the BBSW rate applicable to the Board's long term loan. No discount rate was applied in 2016 because the loan expired on 31 July 2016.

EQUITY ROLLOVER FUND MOVEMENTS

This Fund was introduced for the 1988 Crop for the purpose of further financing of the Rice Marketing Board's Capital Programs and to repay contributions made to the Capital Equity Rollover Scheme. The final repayment under the Scheme was made on 27 July 2016.

	2017 \$000's	2016 \$000's
Opening Balance of Fund	4,425	5,626
Less Redemptions	-	(16)
Less Roll Over Payment	(4,425)	(1,276)
Add Movement in fair value of loans	-	91
Closing Balance of Fund	-	4,425

Based on the Rice Marketing Board's current practice, rollover payments were scheduled to be repaid as follows:

	2017 \$000's	2016 \$000's
Less than one year	-	4,425
Total	-	4,425

Growers were able to apply to redeem their equity loan if they met the rules of the Scheme. However, the total value of redemptions in any one year was capped by an agreement with AGS. For the year ending 30 June 2017 the agreed maximum was nil (2016:\$110,000).

The year ending 30 June 2017 is the final year of the loan.

NOTE 12 PROVISIONS

	2017 \$000's	2016 \$000's
Current		
Annual Leave	4	4
Non-Current		
Long Service Leave (Non-Current)	1	-
	5	4

All annual leave liabilities are expected to settle within 12 months.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 13 FINANCING ARRANGEMENTS

The Rice Marketing Board has access to the following lines of credit:

	2017 \$000's	2016 \$000's
Bank overdrafts	2,500	2,500
Total	2,500	2,500
Facilities utilised at reporting date		
Bank overdrafts	-	-
Total	-	-
Facilities not utilised at reporting date		
Bank overdrafts	2,500	2,500
Total	2,500	2,500

NOTE 14 FINANCIAL INSTRUMENTS

14(a) Interest rate risk exposures

The Rice Marketing Board's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

2017	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position \$000's	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years			
	\$000's	\$000's	\$000's	\$000's	\$000's	%
Financial Assets						
Cash and cash equivalents	174	200	435	-	809	2.09%
Trade and other receivables	-	-	-	265	265	n/a
Total financial assets	174	200	435	265	1,074	
Financial Liabilities						
Trade and other payables	-	-	-	81	81	n/a
Total financial liabilities	-	-	-	81	81	

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 14 FINANCIAL INSTRUMENTS (continued)

2016	Floating Interest Rate	Fixed Interest Rate Maturing in		Non- Interest Bearing	Total Carried As per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or less	1 to 5 years		\$000's	%
	\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets						
Cash and cash equivalents	232	500	-	-	732	2.64%
Trade and other receivables	-	-	-	4,745	4,745	n/a
Total financial assets	232	500	-	4,745	5,477	
Financial Liabilities						
Trade and other payables	-	-	-	73	73	n/a
Growers' equity loans	-	-	-	4,425	4,425	n/a
Total financial liabilities	-	-	-	4,498	4,498	

14(b) Credit risk exposures

The credit risk on financial assets is generally the carrying amount disclosed on the Statement of Financial Position.

14(c) Net fair values

For all financial assets and financial liabilities it is considered that carrying values as disclosed in the Statement of Financial Position reflect the net fair values.

14(d) Financial Risk Management

The Rice Marketing Board's activities expose it to credit and liquidity risks. The Board's overall risk management program focuses on the key risk of unpredictability in financial markets and seeks to minimise potential adverse affects on the financial performance of the Board.

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits and bills with banks as well as credit exposures including outstanding receivables. The maximum exposure to credit risk at balance date is the carrying amount of financial assets as summarised in Note 14(a). Refer to Note 20 for details regarding the Capital Equity Rollover Scheme. To manage its credit risk the entity invests in term deposits to maximise its return on surplus funds while reducing the potential effect of the short term unpredictability of financial markets and the effect this may have on its return on surplus funds. Due to the size and fixed nature of the term deposits at balance date the entity's exposure to credit risk is considered immaterial to the overall profitability of the entity.

b) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in Note 14(a). To manage its liquidity risk the entity monitors its cash flow requirements on a monthly basis to maintain sufficient cash to pay its debts as and when they fall due.

c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Board's income or the value of its obligations, and arises on floating rate debt.

Cash flow sensitivity analysis for variable rate financial instruments

The Board is not exposed to any cash flow sensitivity relating to interest rate shock on borrowings.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

NOTE 15 RELATED PARTY TRANSACTIONS

15(a) Key Management Personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Rice Marketing Board either directly or indirectly. The key management personnel comprise the directors and executives who are responsible for the financial and operational management of the Rice Marketing Board.

Compensation paid to key management personnel of the company was as follows:

	2017 \$000's	2016 \$000's
Short-term employee benefits	283	272
Post-employment benefits	27	37
	310	309

15(b) Transactions with Related Parties

During the year the Board did not enter into any transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof.

NOTE 16 NOTES TO THE STATEMENT OF CASHFLOWS

16(a) Reconciliation of Cash at End of Year

	2017 \$000's	2016 \$000's
Cash at bank and on deposit	809	732
Cash at end of year	809	732

Definition of Cash for cash flow purposes includes cash on hand and at bank and term deposits.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

Notes to and Forming Part of the General Purpose Financial Statements

For the Year Ended 30 June 2017

16(b) Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2017 \$000's	2016 \$000's
<u>Net surplus for the year</u>	-	4
<u>Non cash recognition of provisions in the statement of financial position</u>		
Depreciation	13	12
<u>Asset and Liabilities Movements:</u>		
(Increase)/Decrease in Trade and other receivables	55	180
Increase/(Decrease) in Trade and other payables	20	(51)
Increase/(Decrease) in Other liabilities	0	(200)
Increase/(Decrease) in Provisions	1	(7)
Net cash provided by operating activities	89	(62)

NOTE 17 CONTINGENT LIABILITIES

No contingent liabilities are known to exist at the time of signing these statements (2016: Nil).

NOTE 18 EVENTS OCCURRING AFTER REPORTING DATE

No after balance date events are known to exist at the time of signing these statements.

NOTE 19 SEGMENT REPORTING

The Rice Marketing Board is based in Leeton, NSW. It derives its income from licensed Authorised Buyers via fixed and variable fees. The fixed fees include the Authorised Buyer Annual Application Fee and Sole and Exclusive Export Agreement Fee. The variable fee is based upon the percentage of the total rice crop each Authorised Buyer has procured from producers of paddy rice grown within New South Wales.

NOTE 20 CAPITAL EQUITY ROLLOVER SCHEME

Until 22 July 2016 the Board was reliant on Australian Grain Storage Pty Ltd being able to repay its outstanding debt to the Board to enable the Board to repay grower equity loans as and when they fell due. The Rice Marketing Board was therefore economically dependent on Australian Grain Storage Pty Ltd by virtue of the size and nature of business transacted between the two entities.

A bank guarantee was in place to secure Australian Grain Storage Pty Ltd's debt until the final payment was made. On 22 July 2016 Australian Grain Storage Pty Ltd paid the final instalment of the debt outstanding to the Board. The final rollover payment to growers under the Capital Equity Rollover Scheme took place on 27 July 2016.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
Notes to and Forming Part of the General Purpose Financial Statements
For the Year Ended 30 June 2017

NOTE 21 COMMITMENTS FOR EXPENDITURE

	2017 \$000's	2016 \$000's
Operating lease commitments:		
Within one year	6	6
	<u>6</u>	<u>6</u>

There were no other capital or other commitments at 30 June 2017 (2016: Nil) other than that disclosed above.

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Rice Marketing Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rice Marketing Board (the Board), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Board in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board must assess the Board's ability to continue as a going concern except where the Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



C J Giumelli
Director, Financial Audit Services

9 October 2017
SYDNEY

Budget

Actual 2016/17 \$000's	Budget 2016/17 \$000's		Budget 2017/18 \$000's
INCOME			
255	348	Authorised Buyers' Licence Fees	402
216	205	Sole & Exclusive Export Licence Fee	221
27	25	Interest Received	23
498	578		646
EXPENDITURE			
(1)	(1)	Advertising	(1)
(16)	(17)	Audit Fees	(16)
(2)	(2)	Bank Charges	(2)
(44)	(88)	Legal & Consultancy Fees	(60)
(13)	(13)	Depreciation	(13)
(3)	(4)	Information Systems	(4)
(15)	(23)	Insurances	(18)
(147)	(150)	Members' Fees	(150)
(14)	(14)	Members' Superannuation	(14)
(1)	(2)	Postage & Couriers	(1)
-	(1)	Printing & Stationery	-
(36)	(36)	Rent of Premises	(36)
(149)	(150)	Staff Employment Costs	(155)
(6)	(6)	Telephone	(6)
(36)	(50)	Travel - Members & Staff	(50)
-	(1)	Sundry Charges	(1)
(15)	(9)	Grower Relations	(19)
-	(5)	Staff Training	(5)
-	(6)	Market Research Expenses	(30)
-	-	Industry expansion Review	(40)
-	-	Election costs	(25)
(498)	(578)		(646)
-	-	Operating Surplus/(Deficit)	-
-	-	Capital Expenditure	-

Statistical Summary

New South Wales Only

		2017 Crop	2016 Crop	2015 Crop	2014 Crop	2013 Crop
Number of farms producing rice	MIA	382	220	351	338	448
	CIA	201	87	195	209	279
	MV	596	101	559	746	898
	Nth NSW*	7+	4	4	4	6
	TOTAL	1,186+	412	1,109	1,297	1,631

Production (tonnes)	MIA	308,511	152,951	254,031	233,760	377,850
	CIA	109,316	39,849	97,638	115,466	190,540
	MV	381,016	51,384	333,540	476,647	589,668
	Nth NSW*	833	603	419	193	282
	TOTAL	799,676	244,787	685,628	826,066	1,158,340

Harvested Area (hectares)	MIA	29,134	13,382	23,153	20,944	33,077
	CIA	11,795	3,980	10,003	11,347	18,922
	MV	39,158	4,884	32,977	46,229	60,795
	Nth NSW*	-	220	132	87	116
	TOTAL	80,087+	22,466	66,265	78,607	112,910

Average Yield (Tonnes/Hectare)	MIA	10.6	11.4	11.0	11.2	11.4
	CIA	9.27	10.0	9.8	10.2	10.1
	MV	9.7	10.5	10.1	10.3	9.7
	Nth NSW	-	2.7	3.2	2.2	2.4
	AVERAGE	10.0 est.	10.9	10.4	10.5	10.3

*Some information not available for 2017 crop



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**6th Annual Report to NSW Rice Growers
October 2017**

Introduction

The Rice Marketing Board for the State of NSW (the Board) is pleased to present the sixth annual report to New South Wales rice growers on the performance of the Board against its stated objectives, and on the performance of SunRice as the holder of the Sole and Exclusive Export Licence (SEEL).

The *Rice Marketing Act 1983* (the Act) directs that all rice produced in NSW be vested in the Board. Vesting is based on the proposition that providing a single statutory authority, the Board, with the legal right to control the marketing of rice produced in NSW will yield net benefits to the NSW rice industry and to the general community.

In 2006, the domestic rice market was deregulated, and the Board now issues licences to Authorised Buyers who trade rice within Australia, as well as one export licence, the SEEL, currently held by Ricegrowers Limited trading as SunRice (SunRice).

A Proclamation by the NSW Governor outlines the objectives of the Board as:

- To encourage the development of a competitive domestic market for rice;
- To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice; and
- To liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.¹

Section A of this document reports on the performance of the Board against these objectives while Section B provides an assessment of the performance of SunRice as the SEEL holder.

Section A

The Board's performance against its stated objectives

(a) The Board continues to encourage a competitive domestic market for rice by facilitating participation in the market in the following ways:

- There are currently eleven licensed Authorised Buyers; and
- The Board has issued licences to all parties who have applied for an Authorised Buyers Licence, have met the required conditions, and have signed the Authorised Buyers Licence Agreement.

(b) Ensuring the best possible returns on rice sold outside Australia

The Board again commissioned a report which has independently verified the 2016-17 export price premium as calculated by the SEEL holder SunRice. On the basis of the information provided by SunRice, the independent verification report and its own observations, the Board has concluded that

¹ NSW Government Gazette No. 75, 22 May 2009, p. 2310

SunRice, and the sole exclusive export arrangements, continue to provide the best possible benefits to NSW rice growers.

(c) The members of the Board liaised with NSW rice growers over the past twelve months, in relation to its objects and activities, through the following means:

- Attending the Ricegrowers' Association of Australia (RGA) branch meetings;
- Sponsoring and attending the RGA Annual Conference;
- Attending the RGA Rice Leaders Forum in August 2017;
- Sponsoring two Northern Rivers rice growers to attend the Rice Field Day in March 2017;
- Providing information on the Board's website, including Annual Reports, regular news updates, Authorised Buyers contact details, Capital Equity Rollover Scheme rules, Board policies;
- Communicating with the President and Executive Director of the RGA on issues relevant to the rice industry;
- Providing regular articles in the RGA newsletter, "Rice Matters";
- Inviting all NSW rice growers to the Board's Annual Meeting held every November; and
- Being available to all growers, through its sole employee, the Board Secretary.

Section B

Summary of SunRice's Performance as SEEL Holder

Despite a significantly reduced crop size and difficult international market conditions in 2016-17, SunRice performed well. An export price premium of \$26.4million was achieved equating to \$108 per tonne, and growers received \$415 per tonne for medium grain Reiziq.

(a) Independent verification of the 2016-17 Export Price Premium

Grant Thornton Australia Ltd was engaged to perform an independent review of the export price premium and freight scale advantage for the year ending 30 April 2017.² Based on the findings of this review, and its own monthly review of SunRice's operational and financial results and position, the Board finds that SunRice as the holder of the SEEL, continues to deliver substantial benefits to NSW rice growers.

The Board can also confirm the existence of other substantial benefits to growers as a result of SunRice holding the SEEL.

The Grant Thornton review highlights the following:

- An export price premium delivered to growers of \$26.4million, down from \$70.7million in the previous year;³

² SunRice's financial year is from 1 May 2016 to 30 April 2017.

³ Grant Thornton Australia Ltd. Verification of the export price premium and freight scale advantage report, 2017, Commercial-in-confidence, p. 7.

- The average medium grain export prices achieved by SunRice have been greater than those achieved by the average Creed Report⁴ prices for the majority of the past three crop years (see graph on page 39);
- Declining trends generally in key markets and market share;
- Paddy price premium includes efficiency scale advantage;
- Freight scale advantage of \$2.45million (2015-16: \$9.2million) delivered to growers, in addition to the export price premium;⁵
- SunRice delivers other substantial benefits to growers. For example, the ability to respond to changes in market conditions, product research and development, buyer of last resort, history of reliable sales and payments, crop finance, rice crop insurance, provision of storage and purity of seed; and
- Sound financial performance of RL, including:
 - o Revenues of \$1.1billion (\$1.3billion in 2015-16); and
 - o Net Profit After Tax (NPAT) of \$34.2million (\$52million in 2015-16).

(b) Assessment of SunRice in relation to stated objectives

1. Delivery of export price premiums to NSW rice growers

i. Value of export price premium for 2016-17 year

An export price premium of \$26.4million for the 2016-17 year (2015-16: \$70.7million) was achieved by SunRice as the current holder of the SEEL.⁶ Despite a smaller Australian crop and a decline in market share, SunRice was still able to deliver an export price premium equal to \$108 per tonne (2015-16: \$102 per tonne) to Australian growers in 2016-17.

The export price premium is calculated for each of the five major export regions in which SunRice operates. These markets comprise the Pacific Majors (Papua New Guinea (PNG) and Solomon Islands), the Middle East, World Trade Organisation (WTO) Markets (Japan, Taiwan and South Korea), New Zealand, and the Pacific Islands.

The premium is calculated as the difference between the average local SunRice sale price, less the average weighted local competitor sale price, multiplied by the volume sold.

Grant Thornton Australia Ltd stated in its verification report that the total premium has decreased due to a decline in export volumes derived from the lower Australian crop yields and the continued release of cheaper rice blends in some export markets, coupled with government pricing policy.

ii. Three year trend of the average Free on Board (FOB) Price

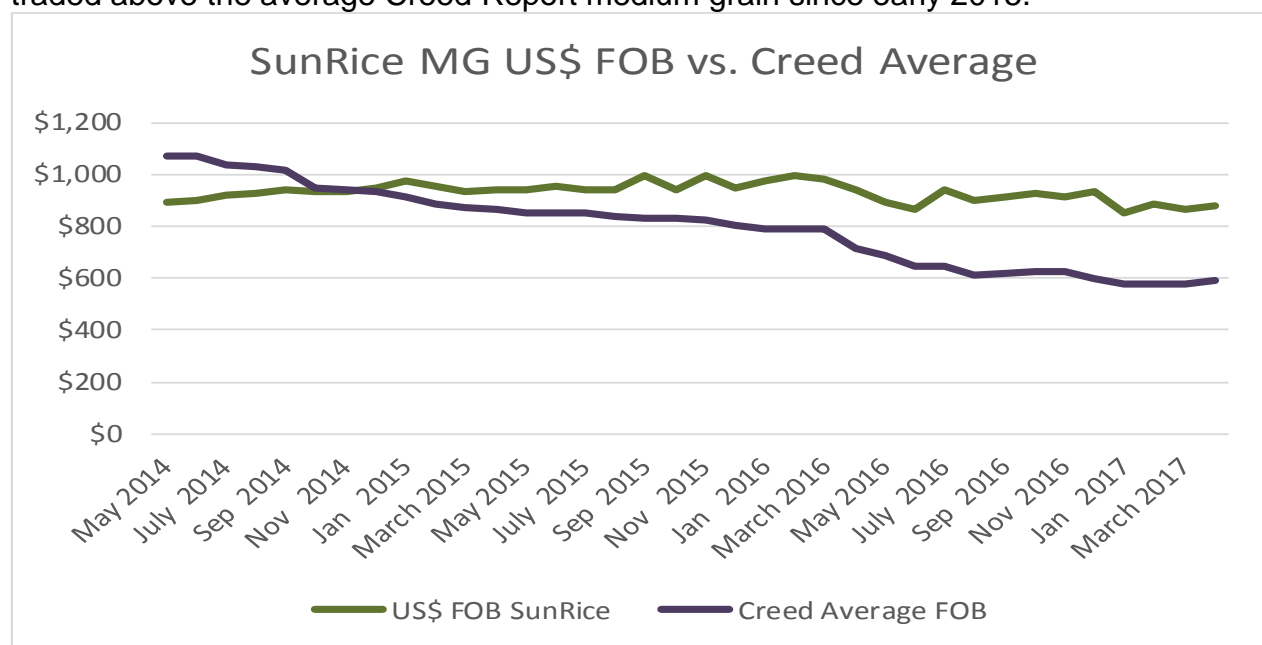
The following graph displays the three year trend of the average FOB price achieved by SunRice Medium Grain rice in export markets (for exported Australian rice) compared to the average FOB

⁴ The Creed Rice Co is a USA rice brokerage firm that negotiates rice transactions in export and US domestic markets.

⁵ Ibid, p. 11.

⁶ Grant Thornton Australia Ltd, Op. Cit., p. 7.

Creed Report medium grain price⁷. The graph shows that SunRice medium grain has consistently traded above the average Creed Report medium grain since early 2015.⁸



iii. Summary of trends or developments in key markets as reported by SunRice

Due to brand strength, SunRice remained the dominant market player in the Pacific region and the Middle East. The Papua New Guinea market was significantly impacted by that country's economy with revenue for the SunRice subsidiary Trukai Industries down 26%.⁹ Overall however, SunRice's International Rice revenue declined by only 2% due to increased global trading volumes and a return to profitability for SunRice's USA subsidiary, SunFoods.¹⁰

iv. Demonstration of Freight Scale Advantage to Rice Growers

Freight scale advantages arise due to the benefit of delivering larger volumes into export markets thereby lowering delivery costs for NSW rice into export markets. These benefits provide a further advantage against international competitors and would not be available in the absence of the scale delivered under the SEEL arrangement.

SunRice produced a total freight scale advantage of \$2.45million (2015-16: \$9.2million) in 2016-17, which equates to \$10.05 per tonne (2014-15: \$13.33 per tonne).¹¹ If volumes were lowered as a result of other exporter participation, the scale advantage that is passed back to growers would be significantly reduced.

The calculation by SunRice of the freight scale advantage was estimated based on discount ranges/indications of the volume discounts provided by five freight companies, and is not based on a

⁷ Ricegrowers Limited, SEEL Annual Review Response, September 2017, Commercial-in-Confidence, pp.4-13.

⁸ The early 2014 price spike for Californian rice reflects the sharp increase in United States medium grain asking prices as a result of the Californian drought and the anticipated restricted future paddy supply.

⁹ Ricegrowers Limited Annual Report 2017, p. 16.

¹⁰ Ibid p. 15

¹¹ Grant Thornton Australia Ltd, Op. Cit., p. 7.

specific analysis of actual discounts received. Grant Thornton stated in its verification report that “*this is the only practical way of estimating the savings given smaller scale competitors rates are confidential*”.¹²

v. Demonstration of the Advantages of Scale to Rice Growers

A component of the paddy price for rice grown in NSW and purchased by SunRice is derived from the degree of efficiency in rice-milling. SunRice continues to report monthly to the Board on its milling capacity management. Current NSW milling capacity on a 24/7 basis is 880,000 tonnes. This represents a theoretical utilization of 27.6% based on the 2016-17 crop size of 244,000 tonnes. The 2017-18 crop of 800,000 tonnes saw a theoretical return to milling capacity of 91%.¹³

2. Assessment of the ongoing delivery of other secondary benefits provided by the SEEL holder to NSW rice growers

- i. Ability to successfully compete with imported, typically long grain, rice
 - SunRice’s ability to compete against imported long grain and jasmine rice is directly related to the size of the Riverina grown crops of this type.
 - Due to its brand strength in the retail channel, SunRice is able to compete against private labels and command a substantial shelf premium.
- ii. Demonstrated ability to respond to changes in conditions and continue to operate profitably
 - Through the adoption of their corporate strategy, SunRice has seen the demand for products increase significantly over the past few years.
 - Net profit before income tax was \$40million in 2016-17, a 45% reduction in profit compared to 2015-16.¹⁴ This was achieved despite a drop in Australian rice production of 65%.
- iii. Contribution to Research and Development
 - SunRice continues to provide significant funding for rice research and development to its subsidiary, Rice Research Australia Pty Ltd. New seed varieties are currently being trialed that are showing potential for double cropping opportunities.¹⁵
 - SunRice is a contributing partner in the Rice Breeding and Grain Quality Partnership.
 - Collaboration continues with CSIRO, Universities, and the NSW Department of Primary Industries amongst others, for product and process development research.
- iv. Buyer of last resort and track record of good returns
 - A condition of the SEEL agreement between SunRice and the Board, is that SunRice be the buyer of last resort. This provides certainty for growers that their NSW crop will be sold if it is of merchantable quality.

¹² Ibid, p. 11.

¹³ Ricegrowers Limited, SEEL Annual Review Response, September 2017, Commercial-in-Confidence, p. 18.

¹⁴ Ricegrowers Limited Annual Report 2017, p. 62

¹⁵ Ricegrowers Limited Annual Report 2017, p. 11.

- SunRice has an unbroken record of paying the indicated returns, or better, to growers on or before scheduled payment dates.
- v. Operating a transparent pool and regularly updating growers on price trends and payment dates
- vi. Regularly exceeding pool price expectations
- vii. Financing of crop at competitive interest rates
 - SunRice does not profit from forward finance arrangements as happens in other industries and it currently underwrites these financial arrangements.
- viii. Provision of rice storage
 - Paddy storage is provided by SunRice through its subsidiary, Australian Grain Storage Pty Ltd.
- ix. Pure Seed production and supply to rice growers
 - SunRice operates a quality assured Pure Seed Program to supply registered seed for all commercial rice varieties to growers.
 - Its subsidiary, Rice Research Australia Pty Ltd produces breeders' seed of all varieties for the Pure Seed Program.
- x. Strength of products and related brands to drive ongoing demand
 - SunRice continues to invest in its brands, through product innovation, and consistent above and below the line support to its branded products to command the premiums achieved in the market.

3. Impact of changes in the availability of water

Reduced water entitlement as a result of the Murray Darling Basin Plan has had and will continue to have an impact on rice production. SunRice has indicated that the impact is twofold: irrigators have less water to grow crops and temporary water prices have escalated in some seasons to make water purchase for rice production unviable. Additional competition for water from other crops, such as cotton, is adding to the impact.¹⁶

4. Market Position

Rice consumption in Australia is growing, being driven by sales in traditional food service channels such as restaurants and sushi chains, and also by favourable immigration trends. SunRice's Australian rice is the market leader in the Australian retail sector.

¹⁶ Ricegrowers Limited, SEEL Annual Review response, September 2017, Commercial-in-Confidence, pp 13-14.

There has been no material change in the business segments of SunRice during 2016-17.

5. Financial Performance of SunRice¹⁷

The SunRice financial statements reflect a difficult 2016-17 year, caused by low crop volumes coupled with low medium grain rice prices and increased overseas supplies as global paddy production and stockpiles reached record levels. Despite these hurdles, SunRice delivered a net profit after tax of \$40million and growers received \$415 per tonne for medium grain Reiziq, an increase of 2.8% compared to the previous year (2015-16: \$403.60).

i. Income Statement

- Revenue from continuing operations totaled \$1.11billion in 2016-17 (2015-16: \$1.27billion),
- Expenses decreased, in line with lower Australian production,
- Net Profit After Tax was \$34million (2016-17: \$52million), a decrease of 34%,
- Results by segment indicate all segments were profitable in 2016-17,
- Dividend paid to B Class shareholders was 33 cents per B class shareholder, (2015-16: 33 cents),
- Earnings per share was 61.3 cents in 2016-17 compared to 88 cents in the prior year,
- Return on Capital Employed was 10.3% (2015-16: 15.1%).

ii. Balance Sheet

- Net Assets were \$405million in 2016-17, an increase of \$15million (2015-16: \$390million),
- Retained earnings increased to \$270million, from \$254million in 2015-16,
- Current Ratio (current assets to current liabilities) increased to 1.9 (1.5 in 2015-16),
- Gearing percentage (debt to debt plus equity) was 17% compared to 32% for 2015-16,
- Return on capital of 10.3% in 2016-17 was down compared to the prior year (2015-16: 15.1%).

iii. Cash Flow

- SunRice's net cash decreased by \$65million during the 2016-17 year (2015-16: \$50million increase).

iv. Other relevant financial matters for the year to 30 April 2017

- Total liabilities have reduced from \$580million in 2015-16 to \$406million in 2016-17
- Debt levels are in line with industry peers

¹⁷ Detailed information is contained in RL's Annual Report April 2017 including audited Financial Statements.

- SunRice's currency exposures are managed under its Treasury policy. The company is compliant with the requirements of the policy.
- Capacity to pay growers for paddy: syndicated seasonal borrowing facilities are negotiated on an annual basis to meet grower payments.
- Capacity to pay debt, seasonality of debt, and interest cover: Ability of SunRice to meet financial commitments is tested regularly. All bank loan covenants have been met.
- Interest rate exposures are managed under SunRice's Treasury policy. SunRice is compliant with the requirements of the policy.
- Capital Raisings: SunRice did not undertake a capital-raising during the 2016-17 year. A Dividend Re-investment Plan allowing B-class shareholders to elect for the payment of their dividend in B class shares occurred after year end.
- A proposed capital restructure was being considered by the SunRice Board in 2015-16 but has been put on hold.
- Fixed Asset Management: Capital investments by SunRice during 2016-17 totaled \$22million (2015-16: \$24million).
- SunRice subsidiary Riviana Foods acquired Fehlbergs Fine Foods during 2016-17 at a cost of \$2.6million.

6. Changes of Board and senior management personnel of SunRice

During the 2016-17 year, there were no changes to the SunRice Board. Mr Milton Bazley, General Manager, International Commodity left SunRice in 2016-17, and Mr Peter McKinney joined as General Manager, CopRice.

7. Risk management - competition from other agricultural products

SunRice monitors competition from other summer and winter crops and focuses on a range of initiatives to make rice production as competitive as possible and to encourage Riverina irrigators to make rice their first choice summer crop.

Conclusion

The Rice Marketing Board for the State of NSW continues to deliver against the objectives of the *Rice Marketing Act 1983*, to the benefit of all NSW rice growers.

The Board is confident its administration of the SEEL, and the appointment of Ricegrowers Limited to operate this licence, results in both export price premiums and substantial secondary benefits to rice growers.

The Board will continue to work with the NSW Government and all rice growers to monitor the benefits accruing from the current arrangements.