

ANNUAL REPORT

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES



For the year ending 30 June 2020

12 October 2020



The Rice Marketing Board

FOR THE STATE
OF NEW SOUTH
WALES

The Honourable Adam Marshall, MP
Minister for Agriculture and
Western New South Wales
52 Martin Place
Sydney NSW 2000

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 2020, for presentation to Parliament.

Yours sincerely

John Culleton
(Board Chair)

Gillian Kirkup
(Chair, Audit and Risk Committee)

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Westpac Banking Corporation

Auditors

Auditor-General of New South Wales

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Chair's Report

I am pleased to present my first Annual Report as Chair of the Rice Marketing Board for the State of New South Wales. It has been customary for the Chair to commence such reports by reflecting on the highlights of the reporting year – suffice to say, in the face of a horrific bushfire season, drought, the global pandemic (Covid-19) and rice production in NSW falling to 45,000 tonnes (the second-lowest crop on record), the 2019-20 season had little in the way of highlights. The 2020-21 rice season outlook is however looking more promising.

Financial Performance

In the face of the very small harvest, the Board again decided to draw on its financial reserve rather than to fully recover costs through licensing fees; had it not done so, the variable fee charged to Authorised Buyer Licence holders would have been in excess of \$5.00/tonne rather than \$2.50/tonne. The impact of reduced income was offset by expenditure being approximately \$69,000 lower than forecast (due to reduced travel, legal and consultancy expenses). Importantly, the Board continues to maintain an adequate reserve to continue its operations but will need to reinforce this reserve as soon as circumstances allow.

Vesting

Vesting is the arrangement by which NSW rice may only be marketed through buyers authorised by the Board. Under current arrangements, there is no limit to the number of buyers that can be licensed by the Board to buy NSW grown rice and sell it on the domestic market, and there are currently eleven such authorised buyers. Gary Woolley, from Dungarubba, recently surrendered his licence because he no longer wishes to trade rice – Gary was the first rice grower in Northern NSW and started growing rice in 2000 and the Board thanks him for his significant contribution to the rice industry in NSW.

Under the vesting arrangement, only one buyer is licensed to export NSW rice: that licence holder is currently Ricegrowers Limited, trading as SunRice.

The NSW Government will undertake a review of Rice Vesting in 2020. It was originally planned that the Review would commence in July but a range of other matters have delayed its commencement. While the Board has not seen the final Terms of Reference, it is almost certain that the focus of the Review will be whether the benefits of vesting continue to outweigh the costs to the whole community and whether any benefits that accrue from the current marketing arrangements can only be achieved through restricting competition. The Review will therefore be an opportunity for growers to indicate whether they support a continuation of vesting or want changes to the marketing arrangements for rice grown in NSW. It will be vital that all rice growers and other stakeholders that depend, to varying extents, on the rice industry (such as local communities and businesses) take the opportunity to make a submission to the Review when the opportunity presents - the NSW Government cannot be informed by a silent majority.

Export Price Premium and Freight Scale Advantage

Two of the key indicators that are used to measure the benefit that comes from vesting to growers are the export price premiums and the freight scale advantages that are achieved under the sole and exclusive export licence issued to SunRice. The export price premium calculation is the difference between the price achieved by SunRice in an overseas market and a benchmark for competitor prices in that market. The freight scale advantage refers to the cost savings that are secured because SunRice is the sole exporter of NSW rice – the larger the export volume, the lower the unit cost of delivery for NSW rice growers.

The Board employs a consultant to independently verify the calculations of these two measures each year. The 2018-19 assessment was that the export price premium was \$25.8M and the freight scale advantage was \$4.39M. The 2019-20 assessment will be published later this year.

Other Significant Board Matters

RMB representation on the SunRice Board: Under the terms of the Sole and Exclusive Export Licence (SEEL) Agreement, the three rice growers elected to the RMB Board are also appointed to the SunRice Board. During 2019-20, SunRice advised that it wished to reduce the number of its elected directors on its Board and sought the RMB's assistance to do so. The RMB subsequently agreed to reduce the number of its elected Members serving on the SunRice Board from three to two subject to SunRice being able to secure the required level of grower support for the related changes that would be required to SunRice's Constitution and subject to there still being a majority of grower directors. This change will not take effect until the next RMB elections (in 2021).

Legal Issues: In 2018, Forbidden Foods Pty Ltd (a Victorian based food company) filed an application under the *NSW Government information (Public Access) Act 2009* to access confidential information provided to the RMB by SunRice and to the RMB's appraisals of SunRice's performance as the holder of the SEEL. The RMB agreed to release some but not all of the information requested. After several hearings, a determination mostly in favour of Forbidden Foods and an appeal by the RMB and SunRice (which was successful in part), the matter is back for reconsideration by the member of the NSW Civil and Administrative Tribunal who made the original finding. The RMB's contention was, and remains, that the documents that it has been ordered to release are commercially sensitive and their release would adversely impact SunRice and would prejudice the effective exercise of the Board's functions by reducing the ability of the Board to thoroughly assess the SEEL holder into the future.

Board Membership: In March, we farewelled Board Member Robyn Clubb AM and we welcomed Su McCluskey in Robyn's place. Robyn had served on the Board since 2004 and was Chair from 2011 to early 2018. During that period, Robyn oversaw the deregulation of the domestic rice market; the sale of the rice storage facilities; the decision to engage independent opinion of the data and analysis offered by SunRice in relation to the export price premiums; the strengthening of the RMB's in-house analysis of the export market premiums through visits to those markets by nominated members; and the establishment of a Committee system within the Board – one which sees the detailed consideration of certain matters confined to the Authorised Buyer Licensing Committee, to reduce the prospect of any suggestion of a conflict of interest within the Board by having dual directors on both the SunRice Board and the Board. The NSW rice industry and the RMB have benefitted greatly from Robyn's foresight, knowledge, judgement and commitment over 16 years and her legacy will be an enduring one.

Su McCluskey is a very experienced and highly sought-after director; in addition, she's a beef cattle farmer from Yass – so she knows about the challenges of farming. Su has quickly grasped the essence of the challenges facing the NSW rice industry and is making a significant contribution to the RMB.

Votes of Appreciation

Most of the RMB's work goes unreported but there were few weeks when Members are not required to give consideration to some aspect of RMB business. The RMB Members each bring different skills to the Board but work consistently and coherently to promote the interests of NSW rice growers and the rice industry as a whole. I thank the Members for the support they have also shown me over the year. The work of the members is underpinned by the sterling executive and administrative support provided by Ms Carol Chiswell (Board Secretary) and Ms Rose Kay (Administration Officer). I have also appreciated the on-going support of Minister Adam Marshall and his office staff, as well as the NSW Department of Primary Industries, and in particular Darren Budworth and Michael Rollin.

If there is a leaner and more hardworking industry organisation than the Ricegrowers' Association of Australia, I have yet to come across it – my thanks are therefore extended to the RGA's President and Executive Director, Rob Massina and Graeme Kruger respectively and their staff; the delegates to the Central Executive; and all Branch office-holders. I would also like to record my appreciation to SunRice's Chair and CEO, Laurie Arthur and Rob Gordon respectively, for their willingness to have frank but constructive dialogue whenever that has been required.

Finally, I would like to pay tribute to any grower who managed to grow a rice crop over the last two seasons – your decision to grow rice in seasons as tough as 2018-19 and 2019-20 would not have been easy. To those growers who wanted to grow rice over the same period but couldn't because of low water allocations and high temporary water prices, I hope that 2020-21 allows you to get your rice header back into operation because Australian consumers and SunRice's export customers are chafing to see your rice back in stock.

John Culleton
Chair

Board Members



Victoria Taylor
Deputy Chair



John Culleton
Chair



Gillian Kirkup



Adam Boyton



John Bradford



Su McCluskey*



Robyn Clubb AM**



Ian Mason

*Ms McCluskey commenced 13 March 2020

**Ms Clubb's term expired on 12 March 2020

QUALIFICATIONS

John Culleton, Chair, CSC, B.A., psc, pcfsc, GAICD

Victoria Taylor, Deputy Chair, Grad Cert (Water Policy & Governance), GIA (Cert), GAICD

Adam Boyton, B.Bus., GAICD

Su McCluskey, B.Comm. (Accounting), FCPA, MAICD

Gillian Kirkup, MAICD

John Bradford, MAICD

Ian Mason, MAICD

Robyn Clubb AM, B.Ec., CA, F.Fin, MAICD

TERMS AND METHOD OF APPOINTMENT

MEMBERS	APPOINTMENT DATE	TERM EXPIRY	METHOD
J.J Culleton	1/6/2013	2/8/2022	Nominated
V.L. Taylor	14/12/2013	12/3/2024	Nominated
A.L Boyton	3/8/2018	2/8/2022	Nominated
S. McCluskey	13/3/2020	12/3/2024	Nominated
G.L. Kirkup	9/11/2005	12/12/2021	Elected
J.M. Bradford	26/8/2015	12/12/2021	Elected
I.R. Mason	14/2/2018	12/12/2021	Elected
R. Clubb	1/8/2004	12/3/2020	Nominated

MEETING ATTENDANCE

MEMBERS	BOARD MEETINGS		ABL COMMITTEE		AUDIT AND RISK		GOVERNANCE	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
J.J. Culleton*	12	11	2	2	2**	1**	0	0
V.L. Taylor	11	9	2	2	0	0	2	2
A.L. Boyton	12	12	2	2	3	3	0	0
S McCluskey***	3	3	1	1	1	1	0	0
G.L. Kirkup	12	12	0	0	3	3	2	2
J. M. Bradford	12	12	0	0	0	0	0	0
I.R. Mason	12	12	0	0	0	0	2	2
R. Clubb****	8	7	1	1	2	2	0	0

*Mr Culleton was on a leave of absence for the September 2019 Board meeting.

**Mr Culleton attended the Audit and Risk Committee meetings as an observer

***Ms McCluskey commenced 13 March 2020

****Ms Clubb's term expired 12 March 2020

MANAGEMENT AND 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. The nominated members are Mr John Culleton (Board Chair), Ms Victoria Taylor (Deputy Chair), Mr Adam Boyton and Ms Su McCluskey. Nominated member Ms Robyn Clubb AM resigned from the Board effective March 2020 and Ms McCluskey was subsequently appointed in March 2020. The grower-elected members are Mrs Gillian Kirkup, Mr John Bradford and Mr Ian Mason. An election for the three grower-elected members will be held in late 2021.

The Board Secretary is employed by the Board and is responsible for providing high level analysis, opinion and recommendations on a range of matters impacting the Board, as well as the management of finance, administration and compliance. The current Secretary is Ms Carol Chiswell, CPA, M.Com., B.A.

Charter, legislation and function

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 *Rice Marketing Regulation 2015* and the *Rice Marketing Amendment (Rice Marketing Board) Regulation 2019* are the subordinate legislation.

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*.

The Board's Charter is available from the website www.rmbnsw.org.au.

Objects

The Board's objects, as gazetted on 23 May 2009, are:

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.

To meet its first object, the Board continues to encourage a competitive domestic market for rice by facilitating participation in the market in the following ways:

- Reviews licence holders annual returns;
- Regularly reviews the fee schedule for Authorised Buyers;

- Meets with Authorised Buyers;
- Provides information to rice growers and buyers, for example on the provision of rice seed supplies; and
- Manages an annual audit of the NSW rice crop to ensure compliance with the Act.

As at 30 June 2020 there were eleven licensed Authorised Buyers. The Board has issued licences to all parties who have applied for an Authorised Buyer Licence, have met the required conditions, and have signed the Authorised Buyer Licence Agreement. A list of Authorised Buyers is available from the website www.rmbnsw.org.au.

To meet its second object, ensuring the best possible returns on rice sold outside Australia, the Board primarily uses measures called the 'export price premium' and 'freight scale advantage', as calculated by the Sole and Exclusive Export Licence (SEEL) holder SunRice. For 2018-19, the Export Price Premium was \$25.8million (2017-18: \$21.7million) and the Freight Scale Advantage was \$4.4million (2017-18: \$7.8million). These figures have been verified by an independent consultant engaged by the Board. The 2019-20 measures will be published once they have been independently verified.

Other ways the Board meets its second object are:

- Conducting annual crop audits to ensure that all NSW grown rice is sold to an Authorised Buyer; and
- Monitoring rice exports to ensure they are consistent with the Act.

To meet its third object, 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 and Conference;
- Supporting industry activities including the RGA Annual Conference and rice field days;
- Sponsoring and assisting in the facilitation of the RGA Leadership Program;
- Attending other regional rice meetings and the rice field days;
- Providing information on the Board's website, including Annual Reports, regular news updates, Authorised Buyers' contact details, Board policies and the Charters of the Board and Committees;
- 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
- Providing support to NSW rice industry development activities.

Governance

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

CHARTERS

The Board's activities are guided by a Charter. The Board Charter and Committee Charters are available from the Board's website at www.rmbnsw.org.au.

BOARD SUB-COMMITTEES

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 Licensing Committee;
- Governance, Nominations and Remuneration Committee; and
- Audit and Risk Committee.

The Authorised Buyer Licensing Committee's responsibilities include to:

- Consider applications for Authorised Buyer Licences;
- Consider issues raised by or in relation to Authorised Buyers;
- Review annual returns from Authorised Buyers;
- Review the performance of the Sole and Exclusive Export Licence holder; and
- Consider any other commercial-in-confidence matters that arise.

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

- Review Board composition, induction program and charters;
- Review Board policies, procedures and practices to ensure compliance with policy, legislative and other regulatory requirements;
- Review the composition and role of the Board's Committees;
- Establish and review the Board's nomination process;
- Consider potential candidates for the position of Secretary of the Board;
- Monitor changes to the Classification and Remuneration Framework for NSW Government Boards and Committees; and
- Review the Secretary's remuneration.

The Audit and Risk Committee's responsibilities include to:

- Review the risk management framework and ensure emerging risks are properly managed;
- Ensure an appropriate control framework is maintained;
- Monitor external accountability including completeness, accuracy and compliance of financial statements and oversee external audit engagement; and
- Review financial management objectives and planning.

BOARD PROCESS

The Board generally holds eight 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 Chair. 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. 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, economics, business administration, communications and stakeholder engagement to the Board. The Chair and Deputy Chair are selected from the Board's nominated members.

REMUNERATION

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 NSW rice industry through licence fees. The Board approves the remuneration of its employees.

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 Chair, 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 subcontracted the audit to Nexia Consulting for the year 2019-20.

HUMAN RESOURCES

The Board employs a Secretary who is responsible for providing high level analysis, opinion and recommendations on a range of matters impacting the Board, as well as the management of finance, administration and compliance. The Board also employs a part time administration officer.

Full time equivalent staff	2019-20	2018-19	2017-18
Secretary	1.0	1.0	1.0
Administration Officer	0.2	0.2	0
Total staff	1.2	1.2	1.0

There have been no exceptional movements in wages, salaries or allowances in 2019-20.

Employees are required to comply with the Code of Conduct Policy, Staff Development Policy, Gifts and Benefits Policy, and also the Travel, expense reimbursement and entertainment policy. Performance reviews are conducted annually.

DIVERSITY

The Board is committed to actively developing and maintaining diversity where it has influence, ensuring it operates free of discrimination and reflecting the New South Wales community in which it functions.

The Board employs 1.2 FTE's in the following diversity groups:

Women	100%
Aboriginal people and Torres Strait Islanders	0%
People whose first language spoken as a child was not English	17%
People with a disability	0%
People with a disability requiring work-related adjustment	0%

No changes to the workforce are anticipated for 2020-21. As a small-employee organisation, the Board has not developed or implemented workforce diversity strategies.

DISABILITY PLANS

The Board is committed to the principles of disability inclusion to remove physical, communication and attitudinal barriers. The Board is not required to develop or implement a Disability Inclusion Action Plan under the *Disability Inclusion Act 2014 [NSW]*.

WORK HEALTH AND SAFETY

The Board had no injuries or prosecutions under the *Work Health and Safety Act 2011 [NSW]* during the year.

SUSTAINABILITY

The Board is conscious of the need to maintain a sustainable environment that meets the needs of the present without compromising for future generations. Waste is reduced through recycling within the office, the use of an online Board portal to reduce printing and a preference for teleconference meetings to reduce travel when possible. The Annual Report is reproduced at minimal external cost and stakeholders are encouraged to access the report via the Board's website at www.rmbnsw.org.au.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

Rice growers are able to discuss Board decisions and policies with Board members at rice industry meetings, and have the opportunity to question the Board's decisions and policies at the Annual meeting or by contacting the Secretary.

A *Government Information (Public Access) Act 2009* request received in March 2018 was considered at the NSW Civil and Administrative Tribunal in late 2019. The Board appealed the outcome on the basis that release of the information would prejudice the effective exercise of the Board's functions. At the time of writing, the Tribunal had not made its final ruling regarding release of the documents.

The Board did not receive any new access applications in 2019-20 and did not refuse any access applications in 2019-20.

The Board undertakes a regular review to identify the kinds of information that should, in the public interest, be made publicly available without imposing unreasonable additional costs on the Board. Information held by the Board, which is publicly available on the Board's website at www.rmbnsw.org.au includes:

- Board Charter and Committee Charters;
- Annual reports including audited Financial Statements;
- Annual reports to NSW Rice Growers;
- Policies;
- Rice crop statistical information; and
- Research reports including the Rice Industry Expansion Report 2018.

The Board also holds the following historical information which can be accessed by contacting the Secretary:

- Historic records of rice deliveries 1928-1950 and 1953-54;
- Historic Board minutes of meetings 1929 - 2000.

PUBLIC INTEREST DISCLOSURES

There were no public interest disclosures in 2019-20.

PRIVACY

The Board respects the privacy of all its stakeholders and complies with the *NSW Privacy and Personal Information Protection Act 1998*. No complaints regarding breaches of privacy were received and no privacy reviews were undertaken during 2019-20. The Board's Privacy Policy is available on its website at www.rmbnsw.org.au.

MULTICULTURAL POLICIES AND SERVICES PROGRAM

The Board is committed to the principles of Multiculturalism and maintains a multicultural plan in accordance with the Multicultural Policies and Services Plan of Multicultural NSW. 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 employees are sensitive to the cultural, social and religious differences of their clients.

In 2019-20 the Board progressed its Multicultural Plan by continuing to monitor and improve on services provided to people from diverse backgrounds. In 2020-21 the Board intends to focus on targeting programs to address specific needs of its stakeholders.

OVERSEAS VISITS

There were no overseas visits by Board Members or employees in 2019-20.

CONSUMER RESPONSE

No consumer complaints were received by the Board in 2019-20.

INTERNAL AUDIT AND RISK MANAGEMENT

The Board has a risk management framework, a risk register and also identifies emerging risks at each meeting. It has also implemented policies to mitigate risks where possible. The Board has a small agency exemption from the requirements of TPP15-03, 'NSW Treasury Internal Audit and Risk

Management Policy for the NSW Public Sector'.

The exemption will remain in force until any of the following occur:

- Any major change to the Board's structure, or
- The Board receives a direct appropriation, or
- The Board's revenues include taxes, or
- The Board's revenues, expenses, assets or liabilities individually increase by more than 20% from the baseline total/balance at 30 June 2020, or
- The Board's risk profile materially changes.

The Board has reviewed its status and concluded that it continues to qualify for the exemption for the 2019-20 year. However, in accordance with good governance, the Board has complied with two of the three core requirements of TPP15-03, by preparing and maintaining a risk management framework and by establishing an independent Audit and Risk Committee. The Board has not established an internal audit function due to its small size, however it has an internal audit protocol and has mitigated the risk by Board oversight of functions where necessary.

DISCLOSURE OF CONTROLLED ENTITIES AND SUBSIDIARIES

The Board does not have any controlled entities or subsidiaries.

Financial Management

INVESTMENT PERFORMANCE

The Board invests funds on the short-term money market at rates that are comparable to Treasury Corporation cash rates. The annual compound percentage rate of return was 1.6%.

PAYMENT OF ACCOUNTS

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

Accounts paid each quarter to all suppliers (including GST)

QUARTER	DUE FOR PAYMENT (NUMBER)	PAID ON TIME (NUMBER)	ACTUAL PAID ON TIME (% BASED ON NUMBER)	DUE FOR PAYMENT (\$)	PAID ON TIME (\$)	ACTUAL PAID ON TIME (% BASED ON DOLLAR AMOUNT)	NUMBER OF PAYMENTS FOR INTEREST ON OVERDUE ACCOUNTS	INTEREST PAID ON OVERDUE ACCOUNTS
1/7/19-30/9/19	41	41	100%	\$101,548	\$101,548	100%	0	0
1/10/19-31/12/19	41	41	100%	\$ 54,773	\$ 54,773	100%	0	0
1/1/20-31/3/20	27	27	100%	\$ 29,857	\$ 29,857	100%	0	0
1/4/20-30/6/20	23	23	100%	\$ 38,060	\$ 38,060	100%	0	0
TOTAL	132	132	100%	\$224,238	\$224,238	100%	0	0

Small suppliers are defined as those employing fewer than 15 employees.

Accounts paid each quarter to small suppliers (including GST)

QUARTER	DUE FOR PAYMENT (NUMBER)	PAID ON TIME (NUMBER)	ACTUAL PAID ON TIME (% BASED ON NUMBER)	DUE FOR PAYMENT (\$)	PAID ON TIME (\$)	ACTUAL PAID ON TIME (% BASED ON DOLLAR AMOUNT)	NUMBER OF PAYMENTS FOR INTEREST ON OVERDUE ACCOUNTS	INTEREST PAID ON OVERDUE ACCOUNTS
1/7/19-30/9/19	13	13	100%	\$8,692	\$8,692	100%	0	0
1/10/19-31/12/19	24	24	100%	\$8,479	\$8,479	100%	0	0
1/1/20-31/3/20	8	8	100%	\$ 933	\$ 933	100%	0	0
1/4/20-30/6/20	5	5	100%	\$4,639	\$4,639	100%	0	0
TOTAL	50	50	100%	\$22,743	\$22,743	100%	0	0

CREDIT CARD CERTIFICATION

The Secretary and Board Chair hold the only credit cards issued to the Board. All credit card payments are reviewed and approved by the Chair and/or Deputy Chair and ratified at the next Board meeting.

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. The Board is committed to the objectives of the ethical framework as identified in the *NSW Government Sector Employment Act 2013*. 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 2019-20. The Code of Conduct is available from the Board's website www.rmbnsw.org.au.

INSURANCE

The Board holds insurance coverage in management liability, professional indemnity, travel, work cover and business property, theft and public liability.

CONSULTANTS

During 2019-20 the Board did not engage any consultants over the value of \$50,000. Two consultants were engaged during 2019-20, in the following categories:

CATEGORY	COST
Legal	\$46,229
Industry reviews	\$12,000
TOTAL	\$58,229

FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

During 2019-20 the Board provided \$20,000 in sponsorship for the benefit of the NSW rice industry:

AMOUNT	PROVIDED TO	PURPOSE	TARGET CLIENTS
\$10,000	Ricegrowers' Association of Australia	Rice Industry Leadership Program 2017-2020 - To develop a self-replenishing, multi-skilled and diverse leadership cohort, by establishing a rice industry leadership task force, to develop and deliver the leadership program and target key areas of focus for rice industry leadership.	Next generation rice growers, emerging leaders and established leaders in the rice industry.
\$5,000	Ricegrowers' Association of Australia	RGA Annual Conference - To provide information to, and build relationships with, rural professionals.	Delegates include rice growers, irrigators, land managers, government and agribusiness leaders
\$4,000	Ricegrowers' Association of Australia	Rice Industry Co-ordination Committee Secretariat	Rice growers
\$1,000	Rice Extension	Rice Industry Awards - to promote the success of innovative rice growers using new technology and adopting the latest research, inspire higher productivity by improving yields and increasing water use efficiency, adoption of new technology and sustainable management, to encourage and recognise significant contribution to the rice industry and to encourage and recognise pride and passion for the industry.	Rice growers

PREPARATION OF ANNUAL REPORT

This Annual Report was prepared and printed in-house.

Statement by Members of the Board

Under Section 41C of the New South Wales *Public Finance and Audit Act 1983*, we state that, in our opinion, the accompanying financial statements and notes thereto present fairly the financial position, financial performance and cash flows of the Rice Marketing Board for the State of New South Wales, at 30 June 2020.

We further state:

- (a) That the financial statements and notes thereto have been prepared in accordance with Australian Accounting Standards, the New South Wales *Public Finance and Audit Regulation 2015* and the New South Wales Treasurer's Directions; and
- (b) That we are not aware of any circumstances which would make any details in the financial statements materially misleading or inaccurate.



J Culleton
(Board Chair)



G Kirkup
(Chair, Audit and Risk Committee)

Dated: 12 October 2020

**THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$'000	2019 \$'000
Continuing operations			
Expenses excluding losses			
Employee-related expenses	2(a)	(186)	(167)
Operating expenses	2(b)	(370)	(388)
Depreciation and amortisation	2(c)	(3)	(2)
Total expenses excluding losses		(559)	(557)
Revenue			
Issue of licences	3(a)	335	364
Investment revenue	3(b)	22	39
Other income	3(c)	1	10
Total Revenue		358	413
Operating result		(201)	(144)
Net result from continuing operations		(201)	(144)
TOTAL COMPREHENSIVE INCOME		(201)	(144)

The accompanying notes form part of these financial statements.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	1,024	1,426
Receivables	5	142	168
Total Current Assets		<u>1,166</u>	<u>1,594</u>
Non-Current Assets			
Property, Plant and Equipment			
- Plant and Equipment	6	11	10
Total Non-Current Assets		<u>11</u>	<u>10</u>
Total Assets		<u>1,177</u>	<u>1,604</u>
LIABILITIES			
Current Liabilities			
Payables	7	56	66
Contract liabilities			
- Prepaid Sole and Exclusive Export Agreement	8	221	221
Provisions	9	11	11
Total Current Liabilities		<u>288</u>	<u>298</u>
Non-Current Liabilities			
Contract liabilities			
- Prepaid Sole and Exclusive Export Agreement	8	221	443
Provisions	9	11	5
Total Non-Current Liabilities		<u>232</u>	<u>448</u>
Total Liabilities		<u>520</u>	<u>746</u>
NET ASSETS		<u>657</u>	<u>858</u>
EQUITY			
Accumulated funds	10	657	858
TOTAL EQUITY		<u>657</u>	<u>858</u>

The accompanying notes form part of these financial statements.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
Equity at the beginning of the financial year		858	1,002
Net result for the year		(201)	(144)
Equity at the end of the financial year		657	858

The accompanying notes form part of these financial statements.

THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(180)	(167)
Suppliers for goods and services		(345)	(409)
Total Payments		(525)	(576)
Receipts			
Sale of goods and services - licences		138	345
Interest received		1	45
Other receipts		1	10
Total Receipts		140	400
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	(385)	(176)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5)	(11)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(5)	(11)
CASH FLOW FROM FINANCING ACTIVITIES			
Other - Equity redemptions		(12)	(1)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(12)	(1)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(402)	(188)
Opening cash and cash equivalents		1,426	1,614
CLOSING CASH AND CASH EQUIVALENTS		1,024	1,426

The accompanying notes form part of these financial statements.

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 2020

NOTE 1 Statement of significant Accounting Policies

(a) Reporting entity

The Rice Marketing Board for the State of New South Wales (the Board) is a NSW government board and is controlled by the State of New South Wales, which is the ultimate parent. The Board is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. These financial statements for the year ended 30 June 2020 have been authorised by the Board on 22 September 2020.

The Board was created by proclamation on 9th November 1928 under the repealed *Marketing of Primary Products Act [NSW]*, now replaced by the *Rice Marketing Act 1983 [NSW]*. Its office is located in Leeton, New South Wales. The Board's objects are 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 grown rice, and to liaise with and represent the interests of all NSW rice growers in relation to the Board's functions and objects.

(b) Basis of preparation

The Board's financial statements are general purpose financial statements, which have been prepared on an accruals basis and in accordance with:

- Applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- The requirements of the *Public Finance and Audit Act 1983 [NSW]* (the Act) and *Public Finance and Audit Regulation 2015 [NSW]*; and
- Treasurer's Directions issued under the Act.

Certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise. Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Board's presentation and functional currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities

Administered activities are activities that the Rice Marketing Board administers, but does not control, on behalf of the Crown Entity. The Board does not have any administered activities.

(e) Accounting for Goods and Services Tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

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

(f) Foreign currency translation

The Board did not have any transactions in foreign currencies in 2019-20 (2018-19: nil).

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 2020

NOTE 1 Statement of significant Accounting Policies (continued)

(g) Comparative information

Except where an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(h) Changes in accounting policies, including new or revised AAS

i) Effective for the first time in 2019-20:

The Board applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* for the first time in 2019-20. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the Board.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

AASB 15 applies to licences issued by not-for-profit public sector licensors irrespective of whether the licences are contracts with customers. The Board receives revenue from the Sole and Exclusive Export Licence and Authorised Buyers Licences.

The performance obligation for the Sole and Exclusive Export Licence is the right to sell and supply NSW-grown rice to overseas buyers. The benefits provided by the Sole and Exclusive Export licence are simultaneously consumed by the licence holder over the licence period. In accordance with AASB 15, the Board satisfies its performance obligation over time and recognises revenue over the term of the licence period. The Sole and Exclusive Export Licence fee received in 2017 in respect of future accounting periods was not recognised as revenue immediately, but rather was deferred to a liability called 'Sole and Exclusive Export Licence received in advance' which remains in line with AASB 15. AASB 15 requires a revision of this treatment if and when another Sole and Exclusive Export Licence fee is received.

The Authorised Buyers Licence fee is a variable fee applied on a per tonne basis charged in arrears annually. The performance obligation for the Authorised Buyers licences is the right to buy NSW-grown rice. These fees are recognised when the right is provided, which is when the fees are received or become receivable in accordance with Authorised Buyers Licences conditions.

The adoption of AASB 15 did not have an impact on the Board's Financial Statements for the financial year 2019-20 (2018-19: nil).

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities. AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services.

The Board did not have any contributions by owners, administrative arrangements or liabilities of government departments assumed by other entities, donations or volunteer services. The adoption of AASB 1058 did not have an impact on the Board's Financial Statements for the financial year 2019-20 (2018-19: nil).

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 2020

NOTE 1 Statement of significant Accounting Policies (continued)

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the substance of Transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Board has one lease contract for rental of its serviced office. The Board has elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of twelve months or less and do not contain a purchase option (short-term lease).

ii) Issued but not yet effective:

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise. The following new AAS have not been applied and are not yet effective:

- **AASB 1059 *Service Concession Arrangements: Grantors***. This standard applies to service concession arrangements where an operator provides public services related to a service concession asset on behalf of a grantor and the operator manages at least some of those public services under its own discretion, rather than at the discretion of the grantor.
The Board does not have any service concession assets and does not grant an operator the right to provide or manage any public service assets.
- **AASB 17 *Insurance Contracts***. This standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. Insurers are required to distinguish groups of contracts expected to be profit making and those expected to be loss making.
The Board does not issue any form of insurance contracts.

It is considered that the implementation of these issued but not yet effective standards, will not have a material impact on the Board's financial statements.

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 2020

NOTE 2 Expenses excluding losses

2(a) Employee-related expenses

	2020 \$'000	2019 \$'000
Salaries and wages (including annual leave)	165	150
Superannuation	16	14
Long service leave	5	3
	186	167

No employee-related expenses were capitalised in 2019-20 (2018-19: nil).

2(b) Other operating expenses include the following:

	2020 \$'000	2019 \$'000
Auditor's remuneration		
- Audit of the financial statements	18	17
Operating lease rental expense		
- Minimum lease payments		36
Expense relating to short-term leases	36	
Insurance	21	20
Consultants		
- Probity advisor fees	-	5
- Independent experts report – verification export price premium and freight scale advantage	12	22
Legal fees		
- Government Information (Public Access) Act	46	38
Members fees	150	149
Members superannuation	14	14
Travel	26	39
Rice industry sponsorships	20	22
Other sundry operating expenses	27	26
	370	388

Maintenance expense

Day to day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The Board's insurance activities are conducted through Marsh Pty Ltd insurance brokers. The Board is currently in negotiations to transfer its insurance activities to the NSW Treasury Managed Fund Scheme of self-insurance for Government entities, if the Treasury Managed Fund Scheme offers equal or better coverage at an equal or better price.

Lease expense (up to 1 July 2019)

The Board leases a serviced office at a fixed fee. The Board's lease agreement has a clause that states that the lease may be terminated upon giving not less than two months' notice in writing. There are no other lease contracts held by the Board either as lessee or lessor. *AASB 16 Leases* replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019.

Until 30 June 2019, the lease payments for the Board's serviced office were recognised as an operating lease in the Statement of Comprehensive Income on a straight-line basis over the lease term, because the risks and rewards incidental to ownership were not substantially transferred to the Board.

Lease expense (from 1 July 2019)

From 1 July 2019, the Board recognises the lease payments for rental of the Board's serviced office as an expense on a straight-line basis, instead of recognising a right-of-use asset and lease liability. A short-term lease has a lease term of twelve months or less at the commencement date and the lease term is defined as the non-cancellable period of the lease. The Board had total cash outflows for leases of \$36,000 (excluding GST) in FY2019-20 (2018-19: \$36,000).

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 2020

NOTE 2 Expenses excluding losses (continued)

2(c) Depreciation expense

	2020 \$'000	2019 \$'000
Depreciation		
Office and computer equipment	3	2
	<u>3</u>	<u>2</u>

Refer to Note 6 for recognition and measurement policies on depreciation.

NOTE 3 Revenue

3(a) Sale of licences:

	2020 \$'000	2019 \$'000
Sole and Exclusive Export Licence fee	221	221
Authorised Buyers' licence fees	114	143
	<u>335</u>	<u>364</u>

In accordance with AASB 15, the Board satisfies its performance obligation for the Sole and Exclusive Export Licence fee over time and recognises revenue over the term of the licence period. The Board recognises this revenue on a monthly basis over the licence term. The revenue is measured according to the licence fee plus consumer price index, as agreed in the Sole and Exclusive Export Agreement executed on 30 June 2007. That Agreement has been extended until 30 June 2022. Five years' revenue from the Sole and Exclusive Export Licence was received when the licence term was renewed in 2017 and is held as a liability, with one-fifth of the fee being transferred to Revenue each year until 2022. No element of financing is deemed present as payment is due when the licence is granted, at the commencement of each renewal term. Refer Note 8 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the Board expects to recognise the unsatisfied portion as Revenue.

Revenue from Authorised Buyers' Licences is recognised when the performance obligation of the right to purchase NSW rice is reliably measured. The Board levies authorised buyers annually in arrears based on the percentage of the total rice crop each authorised buyer has procured during the reporting period. As the amount of the fee is not determined until the end of the reporting period to which the licence applies, the Board recognises the licence revenue on an annual basis at the end of each financial year. No element of financing is deemed present as payments are due when the revenue can be reliably measured.

For the 2019-20 year, the Board agreed to recover \$112,016 (2018-19: \$136,928) from Authorised Buyers and to record a deficit of \$187,081 (2018-19: \$144,029).

3(b) Investment Revenue

	2020 \$'000	2019 \$'000
Interest income from term deposits	22	39
	<u>22</u>	<u>39</u>

Interest revenue from receivables is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. The Board receives interest revenue from term deposit investments in major banks.

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 2020

NOTE 3 Revenue (continued)

3(c) Other Income

	2020 \$'000	2019 \$'000
Reimbursement of travel expenses	1	-
Reimbursement of legal fees	-	10
	1	10

NOTE 4 Current Assets – Cash and Cash Equivalents

	2020 \$'000	2019 \$'000
Cash at bank	114	71
Term deposits	910	1,355
	1,024	1,426

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and term deposits at major banks subject to an insignificant risk of changes in value. No cash is held on hand.

	2020 \$'000	2019 \$'000
Cash and cash equivalents (per Statement of Financial Position)	1,024	1,426
Bank Overdraft	2,500	2,500
	3,524	3,926

Refer Note 15 for details regarding credit risk and market risk arising from financial instruments.

The Board has a bank overdraft facility of \$2,500,000 with Westpac Banking Corporation. This facility was not utilised in 2020 (2019:nil).

NOTE 5 Current Assets – Receivables

	2020 \$'000	2019 \$'000
Trade receivables from contracts with licensees	123	-
Issue of authorised buyer licences	-	137
Accrued interest on term deposits	7	16
Other receivables	12	15
	142	168

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 15 (Financial Instruments). Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Board holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

The Board does not expect any credit losses in 2019-20 (2018-19: nil).

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 2020

NOTE 6 Non-Current Assets – Property, Plant and Equipment

(a) Property, Plant and Equipment held and used by the Board:

	Plant and Equipment \$'000	Total \$'000
At 1 July 2019		
Gross carrying amount	81	81
Accumulated depreciation and impairment	(71)	(71)
Net carrying amount	<u>10</u>	<u>10</u>
	Plant and Equipment \$'000	Total \$'000
At 30 June 2020		
Gross carrying amount	76	76
Accumulated depreciation and impairment	(65)	(65)
Net carrying amount	<u>11</u>	<u>11</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the reporting period is set out below:

	Plant and Equipment \$'000	Total \$'000
Year ended 30 June 2020		
Net carrying amount at beginning of year	10	10
Purchases of assets	4	4
Depreciation expenses – asset owned	(3)	(3)
Net carrying amount at end of year	<u>11</u>	<u>11</u>

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. Property, plant and equipment costing \$500 and above individually are capitalised.

Depreciation of property plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Board.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 *Leases* requires a lessee to recognise a right-of-use asset for most leases. However, the Board continues to recognise the lease payments for rental of the Board's serviced office as an expense on a straight-line basis because the office lease is a short-term lease which is exempt from the requirements of AASB 16.

Revaluation of property, plant and equipment

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The only classes of assets held by the Board are Office Equipment and Software. As these are non-specialised assets with short useful lives, they are measured at depreciated historical cost, which for these assets approximates fair value. The Board has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

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 2020

NOTE 6 Non-Current Assets – Property, Plant and Equipment (continued)

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB136 *Impairment of assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

NOTE 7 Current Liabilities – Payables

	2020 \$'000	2019 \$'000
Creditors	39	44
GST payable	6	(1)
PAYG withholding	6	6
Unclaimed grower equity repayments	5	17
	56	66

Details regarding liquidity risk are disclosed at Note 15 (Financial Instruments).

Payables represent liabilities for goods and services provided to the Board and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. The above amounts include GST where applicable. This is because an event has occurred that will give rise to a GST receivable in the future. 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.

Unclaimed grower equity payments relate to the Board's Capital Equity Rollover Scheme that operated as a means for rice growers to self-fund the construction and maintenance of rice storage facilities across the Riverina. The final repayment to growers was made in July 2016. The unclaimed grower equity repayments represent amounts in dispute or where the grower cannot be contacted.

NOTE 8 Current Liabilities – Contract Liabilities

Contract liabilities relate to consideration received in advance from Ricegrowers Limited, trading as SunRice, in respect of the Sole and Exclusive Export Licence Agreement.

	2020 \$'000	2019 \$'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	664	885
Revenue recognised from performance obligations satisfied in the current period	(221)	(221)
Transaction price allocated to the remaining performance obligations from contracts with customers	443	664

The transaction price allocated to the remaining performance obligations relates to the Sole and Exclusive Export Agreement fee. The Sole and Exclusive Export Agreement fee expected to be recognised in the 2020-21 financial year is 50% (\$221,200) of the remaining performance obligation and 50% (\$221,200) in the 2021-22 financial year.

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 2020

NOTE 9 Current / Non-Current Liabilities – Provisions

	2020 \$'000	2019 \$'000
Employee benefits and related costs		
- Annual Leave	11	11
- Long service leave	9	5
	20	16
Aggregate employee benefits and related on-costs		
- Provisions – current	11	11
- Provisions – non-current	11	5
	22	16

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits. Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB119 *Employee benefits* (although short-cut methods are permitted). Actuarial advice obtained by NSW Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. The Board has assessed the actuarial advice based on the Board's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Board does not expect to settle the liability within twelve months as the Board does not have an unconditional right to defer settlement. Unused sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Superannuation expense is based on the superannuation guarantee contribution rate of 9.5% of ordinary earnings, and is paid into employees' superannuation fund of choice.

Consequential on-costs

Consequential on-costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax. The Board does not pay payroll tax or fringe benefits tax.

NOTE 10 Equity – Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

NOTE 11 Commitments

	2020 \$'000	2019 \$'000
Within one year	6	6
Total	6	6

The only commitments owing by the Board relate to the lease of the serviced office. Two months' rental cost is committed. Refer to Note 1h for details. There were no capital commitments at 30 June 2020 (2019:nil) other than that disclosed above.

NOTE 12 Contingent Liabilities and Contingent Assets

No contingent liabilities or contingent assets are known to exist at the time of signing these statements (2019:nil).

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 2020

NOTE 13 Budget review

The Board provides the Statement of Comprehensive Income budget to Parliament as an appendix to the Financial Statements each year. Major variances between the original budgeted amounts and the actual amounts for the year ended 30 June 2020 are explained below.

The actual net result was lower than budgeted by \$199,082. Normally the Board fully recovers its costs by charging a variable fee to Authorised Buyers. For 2019-20, the Board made the decision to reduce the variable fee and instead utilise cash reserves, because to charge a higher fee in a year of low rice production would place an additional burden on growers.

NOTE 14 Reconciliation of Cash Flows from Operating Activities to Net Result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2020 \$'000	2019 \$'000
Net cash used on operating activities	(385)	(176)
Depreciation expense	(3)	(2)
(Increase)/decrease in Provisions	(6)	(4)
(Decrease)/increase in prepayments and other assets	(26)	(171)
(Increase)/decrease in payables	(2)	209
Decrease/(increase) in contract liabilities	221	
Net result	(201)	(144)

NOTE 15 Financial Instruments

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance the Board's operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a continuous basis.

a) Financial instrument categories

	2020 \$'000	2019 \$'000
Financial Assets		
- Cash and cash equivalents	1,024	1,426
- Receivables	142	168
Financial Liabilities		
- Payables	44	66

The Board also has a bank overdraft facility of \$2,500,000 with Westpac Banking Corporation. This facility was not utilised in 2020 (2019:nil).

The Board determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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 2020

NOTE 15 Financial Instruments (continued)

b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial assets or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire. In 2020 the Board did not transfer any rights to receive cash flows from a financial asset or assume an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement (2019:nil).

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. In 2020 the Board did not replace an existing liability by another from the same lender on substantially different terms, or modify the terms of an existing liability (2019:nil).

c) Offsetting financial instruments

In 2020 the Board did not offset any financial assets and financial liabilities (2019:nil).

d) Financial risks

i) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets. Credit risk arises from the financial assets of the Board, including cash, receivables and term deposits. No collateral is held by the Board. The Board has not granted any financial guarantees. Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Cash on hand and term deposits are held at major banks and are guaranteed by the Financial Claims Scheme.

Collectability of receivables is reviewed on an on-going basis. The Board has no expected credit losses as at 30 June 2020 (2019: nil). The Board is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2020 and 2019.

Due to the size and fixed nature of the term deposits at balance date the Board's exposure to credit risk is considered immaterial to the overall profitability of the entity.

ii) Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. During the current and prior year, there were no borrowings. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers are paid not later than 30 days from date of receipt of a correctly rendered invoice. No interest was applied to any invoices for the 2020 year (2019:nil)

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, primarily market interest rates. The only exposure the Board has to interest rate risk is in its term deposit investments. The Board is not exposed to any cash flow sensitivity relating to interest rate risk on borrowings.

e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management has assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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 2020

NOTE 16 Related party disclosures

The Board's key management personnel compensation are as follows:

	2020 \$'000	2019 \$'000
Short term employee benefits	295	299
Post-employment benefits	28	28
	323	327

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the 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 Board.

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 17 Events after the Reporting Period

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

End of audited financial statements



INDEPENDENT AUDITOR'S REPORT

Rice Marketing Board for the State of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rice Marketing Board for the State of New South Wales (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2020, 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 (including Independence Standards)' (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.

Other Information

The Board's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Members of the Board.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities 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 are responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities 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.

The scope of my audit does not include, nor 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.



Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

14 October 2020
SYDNEY

Budget

Actual 2019/20 \$000's	Budget 2019/20 \$000's		Budget 2020/21 \$000's
INCOME			
114	375	Authorised Buyers' Licence Fees	353
221	221	Sole & Exclusive Export Licence Fee	221
22	18	Interest Received	5
1	-	Miscellaneous Income	-
358	614		579
EXPENDITURE			
(1)	(2)	Advertising	(2)
(18)	(17)	Audit Fees	(18)
(2)	(1)	Bank Charges	(2)
(46)	(60)	Legal & Consultancy Fees	(40)
(3)	(3)	Depreciation	(3)
(15)	(14)	Information Systems	(17)
(21)	(25)	Insurances	(22)
(150)	(150)	Members' Fees	(150)
(14)	(14)	Members' Superannuation	(14)
(1)	(1)	Postage & Couriers	(1)
(36)	(36)	Rent of Premises	(36)
(186)	(181)	Staff Employment Costs	(189)
(5)	(4)	Telephone	(5)
(26)	(40)	Travel - Members & Staff	(40)
(2)	(5)	Sundry Charges	(5)
(20)	(22)	Grower Relations	(20)
(1)	(9)	Training	(2)
(12)	(30)	Verification Export Price Premium	(13)
(559)	(614)		(579)
(201)	-	Operating Surplus/(Deficit)	-
-	-	Capital Expenditure	-

Statistical Summary

New South Wales Only

		2020 Crop	2019 Crop	2018 Crop	2017 Crop	2016 Crop
Number of farms producing rice	MIA	56	62	307	382	220
	CIA	18	11	136	201	87
	MV	26	27	488	596	101
	Nth NSW*	4+	7+	7+	7+	4
	TOTAL	104+	107+	938+	1,186+	412

Production (tonnes)	MIA	28,878	36,665	233,478	308,511	152,951
	CIA	4,236	3,939	71,871	109,316	39,849
	MV	11,699	14,167	316,606	381,016	51,384
	Nth NSW	1,362	540	3,857	833	603
	TOTAL	46,175	55,311	625,812	799,676	244,787

Harvested Area (hectares)	MIA	2,471	3,222	20,953	29,134	13,382
	CIA	462	400	7,396	11,795	3,980
	MV	1,287	1,471	31,241	39,158	4,884
	Nth NSW*	-	-	-	-	220
	TOTAL	4,220+	5,093+	59,590+	80,087+	22,466

Average Yield (Tonnes/Hectare)	MIA	11.69	11.38	11.14	10.6	11.4
	CIA	9.18	9.85	9.72	9.27	10.0
	MV	9.09	9.63	10.13	9.7	10.5
	Nth NSW	-	-	-	-	2.7
	AVERAGE	10.9 est.	10.9 est.	10.5 est.	10.0 est.	10.9

*Some information not available for Northern Rivers



The Rice Marketing Board

FOR THE STATE OF
NEW SOUTH WALES

**8th Annual Report to NSW Rice Growers
For the 2018-19 year
October 2020**

A 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.

Introduction

The Rice Marketing Board for the State of NSW (the Board) is pleased to present the eighth 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).

This report covers the year 2018-19. In early 2018, the Board received an access application under the *Government Information (Public Access) Act 2009* (GIPA Act). This case has resulted in a delay to the verification process. The assessment of the SEEL holder for 2019-20, including the verification of the 2019-20 calculations of the Export Price Premium and Freight Scale, is currently underway and a report will be provided on the Board's website in the near future.

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 NSW rice within Australia. In 2017 the Board re-appointed Ricegrowers Limited, trading as SunRice, (SunRice) as the holder of the SEEL for the next five years, subject to an annual review.

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

- (a) To encourage the development of a competitive domestic market for rice;
- (b) To ensure the best possible returns from rice sold outside Australia based on the quality differentials or attributes of Australian rice; and
- (c) 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. Section B provides an assessment of the performance of SunRice as the SEEL holder, based on the independent verification of the export price premium and the freight scale advantage by Syneca Consulting Pty Ltd.

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

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:

- Reviews licence holders' annual returns;
- Regularly reviews the fee schedule for authorised buyers;
- Meets with Authorised Buyers;
- Provides information to rice growers and buyers; and
- Manages an annual audit of the NSW rice crop to ensure compliance with the Act.

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 2018-19 export price premium and freight scale advantage as calculated by the SEEL holder SunRice. The commencement of the 2018-19 verification process was delayed due to circumstances beyond the control of the RMB and the independent consultant. The verification of the 2018-19 calculations has concluded and work has commenced on verification of the 2019-20 data.

The Board also assesses the performance of the SEEL holder through regular discussions with the SunRice Chairman and an annual review of SunRice's business performance.

Other ways the Board meets its second object are:

- Conducting annual crop audits to ensure that NSW grown rice is sold through Authorised Buyers; and
- Monitoring rice exports to ensure they are consistent with the Act.

(c) The members of the Board liaised with NSW rice growers during 2018-19, in relation to its objects and activities, through the following means:

- Attending the Ricegrowers' Association of Australia (RGA) Central Executive meetings;
- Attending RGA branch meetings;
- Supporting industry activities including the RGA Annual Conference, the Rice Industry Leadership Program and the Rice Industry Awards;
- Attending other regional rice meetings and the rice field days in the Murray-Riverina and Northern Rivers regions;
- Providing information on the Board's website, including Annual Reports, regular news updates, Authorised Buyers' contact details, Board policies and the Charters of the Board and Committees;
- 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"; and
- Inviting all NSW rice growers to the Board's Annual Meeting held every November.

Section B

Summary of SunRice's Performance as SEEL Holder

SunRice bought approximately 97% of the 2018 NSW rice crop, which was then milled and marketed during 2018-19. SunRice achieved a net profit after tax of \$32.8million.² In 2018-19 SunRice, through an appropriate application of the vesting arrangements, achieved an export price premium of \$25.8million.

(a) Independent verification of the 2018-19 Export Price Premium

International rice markets are subject to various government interventions including tariffs, quotas and world trade obligations. In addition, overseas markets have specific preferences as to the variety of rice they prefer³. SunRice's five year strategy is to maintain NSW rice in the premium markets while supplying high volume, low value markets with globally traded rice, for example from Vietnam.⁴

The export price premium is a measure of the performance of SunRice in adding value for NSW rice growers by exporting NSW rice to overseas markets. The export price premium calculation is the difference between the price achieved by SunRice and a benchmark for competitor prices in that market.

Syneca Consulting Pty Ltd was engaged to perform an independent review of the calculation of the export price premium and freight scale advantage for the year ending 30 April 2019.⁵

The verification process is divided into three steps:

- Assessment of the soundness of the methodology adopted by SunRice;
- Verification of the assumed values of the inputs that go into the calculations; and
- Checking the accuracy of the calculations.

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 significant benefits to growers as a result of SunRice holding the SEEL.

The Syneca Consulting report highlighted the following:

- An export price premium delivered to growers of \$25.8million, up from \$21.7million in the previous year;⁶
- A freight scale advantage of \$4.39million (2017-18: \$7.81million) in addition to the export price premium;⁷

² Ricegrowers Limited 2019 Annual Report, p. 51

³ Syneca Consulting Pty Ltd. Verification of the calculations of the export price premium and freight scale advantage report, 2019, Commercial-in-confidence, p.iii.

⁴ Ricegrowers Limited 2019 Annual Report. p. 8

⁵ SunRice's financial year is from 1 May 2018 to 30 April 2019.

⁶ Syneca Consulting Pty Ltd. Verification of the calculations of the export price premium and freight scale advantage report, 2019, Commercial-in-confidence, p. 17

⁷ Ibid, p. 33.

- After a slight fall in crop year 2017, average rice prices achieved by SunRice reached a maximum in crop year 2018, while the trend in the benchmark competitor price has been a steady rise since 2013.⁸
- There has been substantial movement in the export price premium for the various markets since 2011. On balance, the export price premium shows no dramatic changes from year to year, and the conclusion drawn by the independent reviewer is that, while the market factors underlying the observed changes are complex, the movement does not throw doubt on the export price premium as a valid measure for the performance of SunRice under the SEEL.⁹

(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 2018-19 year

An export price premium of \$25.8million for the 2018-19 year (2017-18: \$21.7million) was achieved by SunRice as the current holder of the SEEL.¹⁰ 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.

ii. Developments in key markets as reported by SunRice

SunRice grew its international rice business in 2018-19 by acquiring and developing a rice mill in Vietnam's Mekong Delta and signed a memorandum of understanding with two Mekong Delta provincial governments to grow sustainably sourced rice to a quality and specification tailored to SunRice's end markets¹¹. Thirty percent of SunRice's NSW rice revenue was generated in the Middle East, 18% in Asia, 3% in the Pacific countries and 4% in other countries. The remaining 45% of NSW rice revenue was generated from within Australia. A record 6,800 tonnes of Australian grown koshihikari short grain rice was sold, including to new markets in Japan, Europe and North America, delivering NSW growers higher returns.¹² SunRice also commenced trading in Libya and re-established distribution relationships in Syria.¹³

iii. Demonstration of Freight Scale Advantage to Rice Growers

This benefit of the SEEL refers to freight savings that SunRice obtains as a result of the current volumes of rice exports and the pattern of trade during the year, and that would not be available to individual rice growers or smaller consortiums. 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.

⁸ Ibid. p.24

⁹ Ibid. p.26

¹⁰ Ibid. p ii-iii.

¹¹ Ricegrowers Limited Annual Report 2019, p.8

¹² Ibid p.14

¹³ Ibid p.3

SunRice produced a total freight scale advantage of \$4.39million (2017-18: \$7.81million) in 2018-19. The calculation by SunRice of the freight scale advantage was estimated based on discount ranges/indications of the volume discounts provided by freight companies, and is not based on a specific analysis of actual discounts received.

The freight scale advantage for 2018-19 is significantly lower than in the prior year and will be investigated by the consultants when the 2019-20 calculations are reviewed.

iv. 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 to the Board on its milling capacity management.

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 \$48million in 2018-19, a decrease in profit compared to 2017-18.¹⁴
- iii. Contribution to Research and Development
 - The majority of SunRice's investment in research and development is managed through their Australian Rice Partnership with AgriFutures and NSW Department of Primary Industries and focuses on rice breeding.¹⁵
 - SunRice continues to provide funding for rice research and development to its subsidiary, Rice Research Australia Pty Ltd.
- 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.
 - SunRice has an unbroken record of paying the indicated returns, or better, to growers on or before scheduled payment dates.

¹⁴ Ricegrowers Limited Annual Report 2019, p. 51

¹⁵ Rural Industries Research and Development Corporation (now AgriFutures) Rice Program Five Year RD&E Plan 2016/17 to 2021/22, p.15.

- SunRice again offered fixed price contracts and varietal premiums to Riverina rice growers in 2018-19.¹⁶
- v. Operating a transparent pool and regularly updating growers on price trends and payment dates
- vi. 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.
- vii. Provision of rice storage
 - Paddy storage is provided by SunRice through its subsidiary, Australian Grain Storage Pty Ltd.
- viii. Pure Seed production and supply to rice growers
 - SunRice operates a quality assured Pure Seed Program to supply registered seed for commercial rice varieties to growers
 - Rice Research Australia Pty Ltd produces breeders' seed for SunRice's Pure Seed Program.
- ix. 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 continues 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 and nuts, is adding to the impact.¹⁷

4. Financial Performance of SunRice¹⁸

SunRice was admitted to the Official List of the Australian Securities Exchange in April 2019.

The SunRice financial statements indicate a strong performance in 2018-19, however there was a relatively small decrease in rice pool revenue from \$440M in 2017-18 to \$410M in 2018-19. The Riverina crop size was over 54,000 paddy tonnes. Despite this, SunRice growers received a record pool price of \$411.19 per tonne.

¹⁶ Ricegrowers Limited Annual Report 2018, p.14

¹⁷ Ricegrowers Limited, SEEL Annual Review response, September 2018, Commercial-in-Confidence, p. 12.

¹⁸ The information in this section is taken from Ricegrowers Limited's Annual Report 2019 including the audited Financial Statements.

i. Income Statement

- Revenue from continuing operations totaled \$1.19billion in 2018-19 (2017-18: \$1.18billion)
- Expenses were \$1.1billion (2017-18: \$1.12billion)
- Net Profit After Tax was \$32.8million (2017-18: \$45million), a decrease of 27%
- Dividend paid to B Class shareholders was 33 cents (2017-18 33 cents)
- Earnings per share was 54.5 cents in 2018-19 compared to 75.9 cents in the prior year.

ii. Balance Sheet

- Net Assets were \$463million in 2018-19, an increase of \$29million (2017-18: \$434million)
- Retained earnings increased to \$307million, from \$294million in 2017-18.

iii. Cash Flow

- SunRice's cash and cash equivalents at year end totaled \$10.4million (2017-18: \$123million).

iv. Other relevant financial matters for the year to 30 April 2019

- Total liabilities have decreased from \$600million in 2017-18 to \$367million in 2018-19
- 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: seasonal borrowing facilities of \$267M to meet grower payments increased by \$32M compared to the prior year.
- 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.
- Fixed Asset Management: Capital investments by SunRice during 2018-19 totaled \$million (2017-18: \$22million).
- Gearing ratio increased to 19% (2017-18: 9%).

5. Changes of Board of SunRice

During the 2018-19 year, Mr Grant Latta AM retired from the SunRice Board. Ms Luisa Catanzaro and Dr Andrew Crane were appointed in September 2018.

6. Risk management

SunRice lists the following risks in its 2018-19 Annual Report:

- The global rice price which fluctuates as a result of local and international changes in supply and demand which are themselves influenced by weather conditions, levels of global stockpiles, tariffs and other trade barriers.

- The supply of NSW rice which is a factor of available water at an affordable price and the competitiveness of rice compared to alternative crops.
- Fluctuations of foreign exchange rates where no hedge exists, particularly in countries where foreign currencies are not freely traded or available and no or limited hedging opportunities exist.
- Sovereign and political risk in the countries where SunRice operates.
- The physical and transitional risks and opportunities induced by climate change.

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.