

RFM Almond Funds: 2015 Investor update

Presented by: James Powell
July 2015

RFM attendees

RFM Almond Funds: 2015

1. Investor & Adviser update

- Industry update
- 2014 harvest overview
- 2015 distributions
- 2015 harvest overview
- Key projects
- Conclusion

2. Californian Drought

- Californian production, drought and implications



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- Positive conditions continue for Australian almond growers, with good growing conditions and high prices
- Australian almond industry “coming of age” measured by production, export sales and domestic consumption growth
- Global demand continues to exceed supply
- Californian 2015 crop estimated 1.8 billion pounds, nuts per tree and kernel weight both down. 2015 and 2016 Californian crops are expected to be impacted by the shortage of water in the current growing season
- Higher prices do not appear to be deterring major consumers of Californian almonds such as USA, India and Asia

Almond price AUD



Notes:

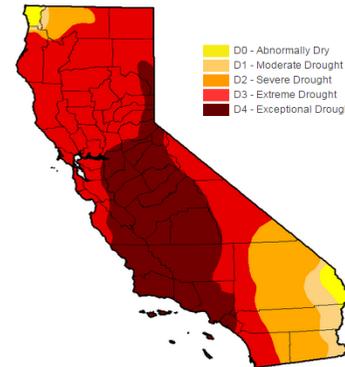
1. Data sourced from Almondco
2. Average almond price is calculated using the \$US average price data for Nonpareil, Carmel and Price 23-25 almonds per ounce category almonds, converted into AUD
3. Almond prices are based on the average monthly Landed Price (Import Parity)
4. Prices are a "domestic" market pricing guide only and may not reflect actual market conditions.
5. Exchange rate used is the average AUD v USD rates based on average FX rate from 15th day of each month to the 15th day of the next month

Industry update

Three key factors provide a promising outlook for the Australian almond industry:

1. Difficult conditions for Californian growers, source of 80% of the world's almonds;
2. Declining AUD, favourable for Australian growers as almonds traded in USD; and
3. Long term demand continues to increase whilst supply is constrained by limited natural resources

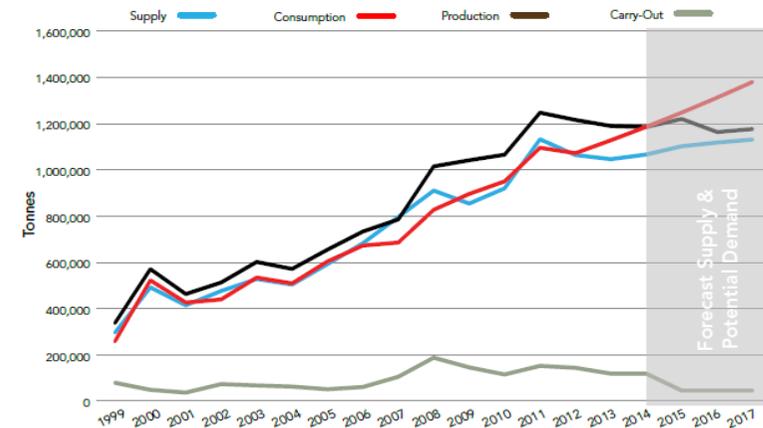
1. Exceptional Californian drought



2. Declining AUD



3. Improving supply and demand outlook



Sources: USDA Drought Monitor (accessed January 14 2015), Almond Insights 2013-2014, Almond Board of Australia, Reserve Bank of Australia

2014 harvest overview

Almond Fund	2006	2007	2008
Project year	8	7	6
Yield - t/ha	3.16	3.41	3.06
Almond price - (\$/kg)	\$8.79	\$8.99	\$8.83

- **Observations**

- Smaller crop following large 2013 crop (biennial bearing)
- High yield compared to industry standard for 2014
- Costs affected by higher water usage, due to a dry growing season, and a significantly extended harvest due to wet weather
- Wet harvest also resulted in kernel downgrades, although Growers benefited from pooled results

2015 distribution

Almond Fund	2006	2007	2008
Harvest proceeds from 2014 crop	\$6,950.15	\$6,616.11	\$5,826.76
Interest revenue	\$32.96	\$14.19	\$10.71
Less estimated operating costs for 2015 crop:			
Management Fee	(\$226.17)	(\$245.92)	(\$245.92)
Licence Fee	(\$1,438.42)	(\$1,250.79)	(\$1,250.77)
Operating Costs	(\$4,343.08)	(\$4,012.17)	(\$3,754.86)
Performance fee	n/app	(\$0)	(\$0)
Total costs (inc. GST)	(\$6,007.67)	(\$5,508.88)	(\$5,251.55)
Total per Grove (inc. GST)	\$975.44	\$1,121.42	\$585.92
GST refund	\$575.55	\$525.00	\$502.62
Total benefit to growers^	\$1,550.99	\$1,646.42	\$1,088.54

^Note: figures are unaudited and therefore estimates only

2015 harvest update

Almond Fund	2006	2007	2008
Project year	9	8	7
Groves size (ha)	0.25	0.2158	0.2158
Estimated yield - t/ha	4.10	4.20	4.20

■ Observations

- Larger crop for all varieties following smaller 2014 crop (biennial bearing), with approx. 80% hulling and shelling completed
- High yield compared to industry standard for 2015
- Kernel quality better than last year, due to predominantly dry conditions
- Harvest commenced earlier than 2014 but required several ‘shakes’ in some areas
- Higher yield required greater inputs including water, fertiliser and additional labour

Key projects

- FY15 projects included:
 - Frost fans installation
 - Drip tube upgrade (see Fig 1)
 - New bores
 - Harvest equipment
- FY16 projects:
 - New bores and bore replacement
 - Fences
 - Harvest equipment
 - Scientific equipment

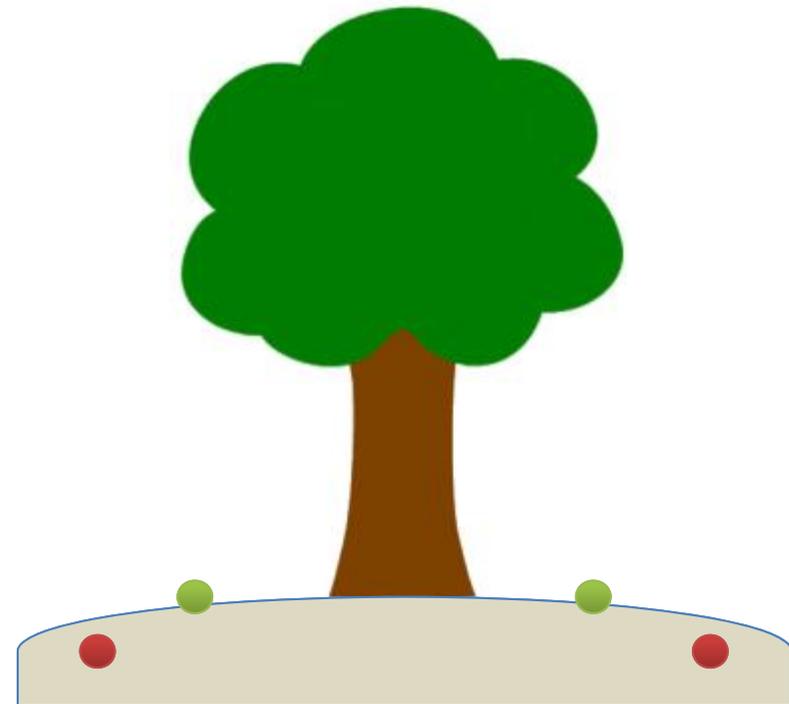


Figure 1: Drip tube irrigation depiction

Conclusion

- Continuing positive industry fundamentals for Australian almond growers
 - Distributions for the crop harvested in 2014, for all projects, to be processed in October following project audits
 - 2015 crop is ~80% processed and the expectation is for a significant crop (above 4t per hectare), coupled with a strong almond price (revenue for 2016 distribution)
 - Bud counts have already commenced for 2016 crop, while expected to be lighter than 2015 crop (biennial bearing) RFM remains optimistic around price levels
-



Californian drought

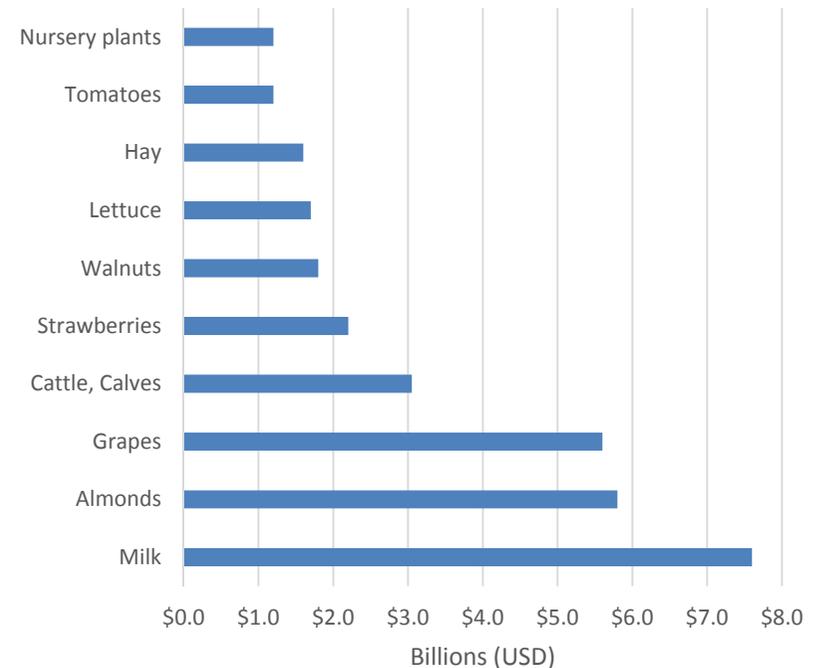
Presented by: Daryl Winter
July 2015

Image:
Lucy Nicholson/Reuters

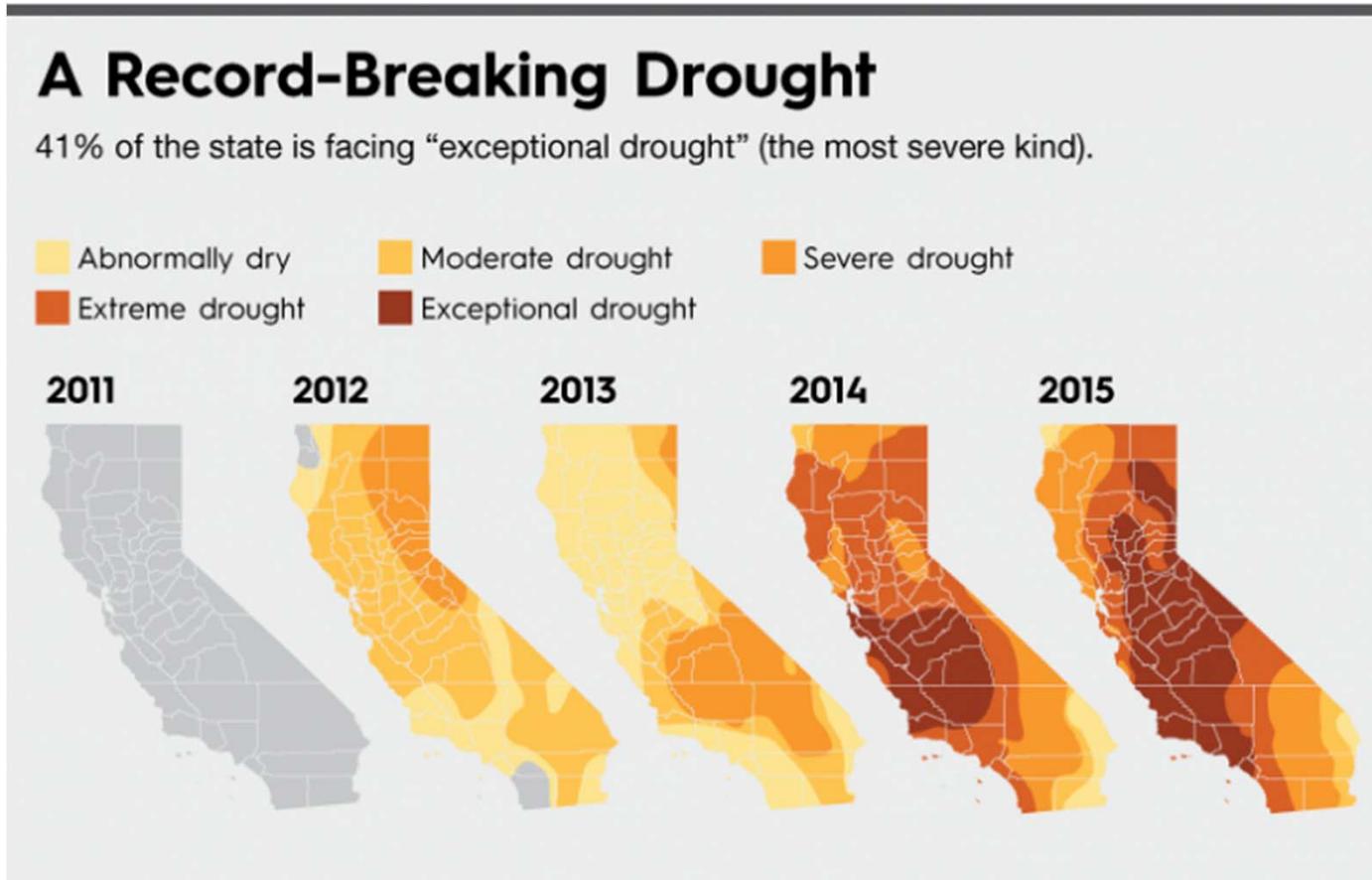
Californian agricultural production

- California is the country's largest agricultural producer and exporter, produces more than 400 agricultural commodities
- Produces nearly half of US-grown fruits, nuts and vegetables
- US consumers regularly purchase several crops produced solely in California
- California's value of agricultural output was \$46.7 billion in 2013 vs a total U.S. output valued at \$269.1 billion in the same year

California's top 10 valued agricultural commodities (2013)

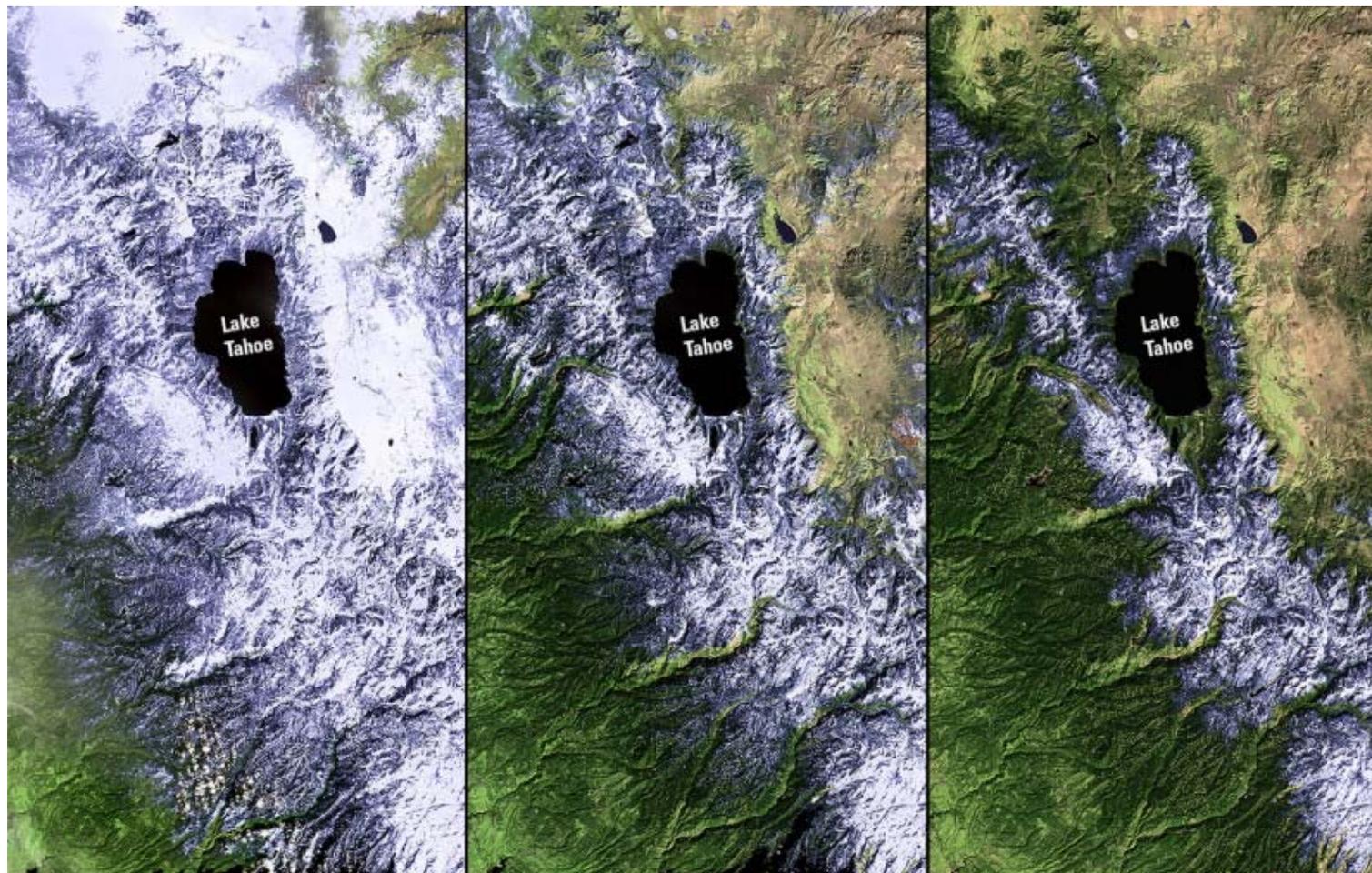


Sources: California State Assembly, CDFA Statistics



Source: Visual News / US Drought Monitor

Diminishing snowpack - Lake Tahoe region



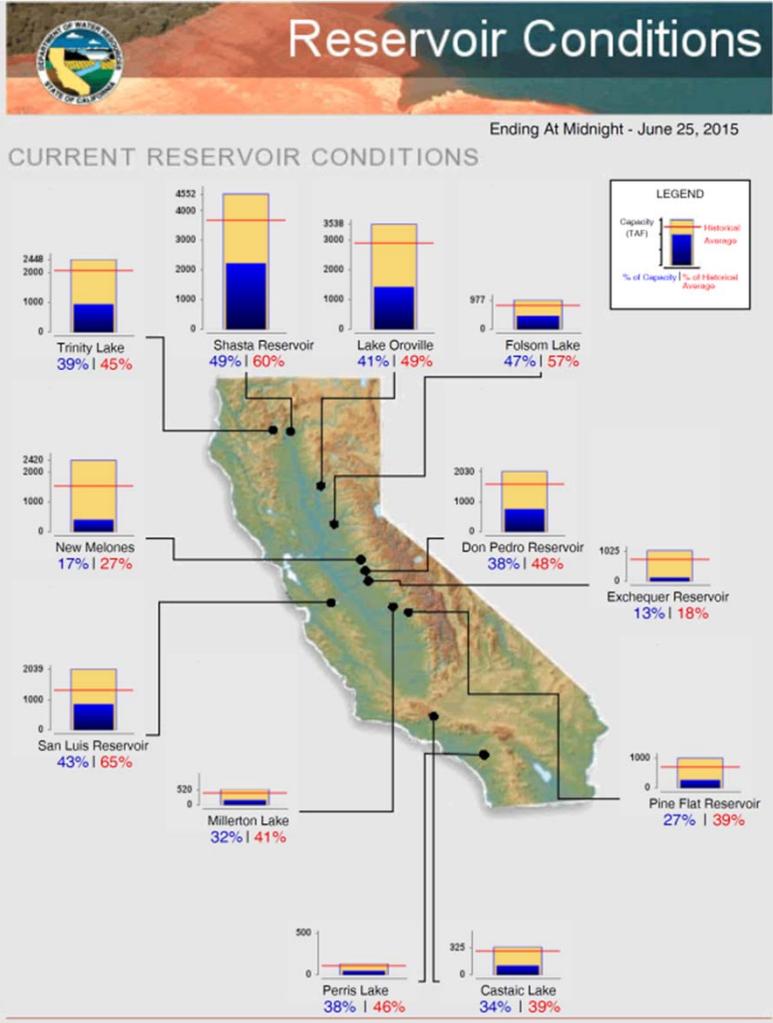
February 2011

February 2012

February 2014

Source: NASA

Reservoir conditions



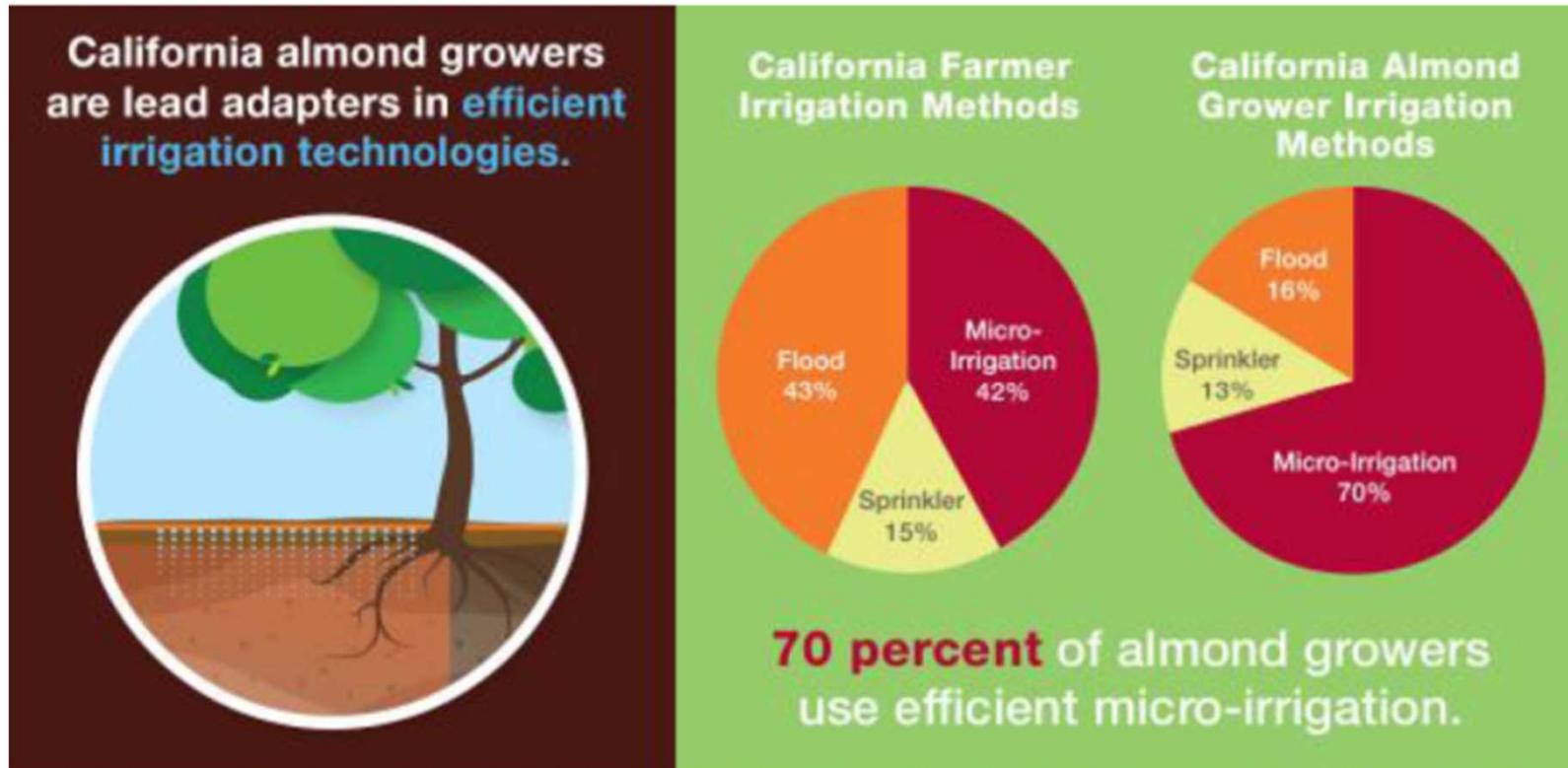
Source: CDSE

Reservoir conditions



Folsom Lake, north of Sacramento, California
Source: DMCSEE

Combating perception



Source: California Almond Sustainability Program, California DWR

What are the implications?

- 6.6 million acre-foot reduction in surface water
- \$2.2 billion economic cost
- Loss of 17,100 seasonal and part-time jobs
- \$810 million in lost crop revenue, \$203 million in dairy and other livestock value and additional groundwater pumping costing up to \$454 million
- Residential water access
- Increased threat of bushfires
- Water reform

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