



# Rural Funds Management Limited (RFM)

2007 Macgrove Project

1.30pm AEDT Wednesday, 26 October 2016

***Audio dial-in:*** 1800 190 906 or (02) 9091 7604

***Access code:*** 552 475 592

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1. Industry update
2. 2016 harvest overview
3. 2016 distributions
4. Key projects and outlook
5. Questions

## RFM attendees



**Andrea Lemmon**  
*Executive Manager,  
Funds Management*



**James Powell**  
*RFM Investor Relations &  
Distribution Manager*



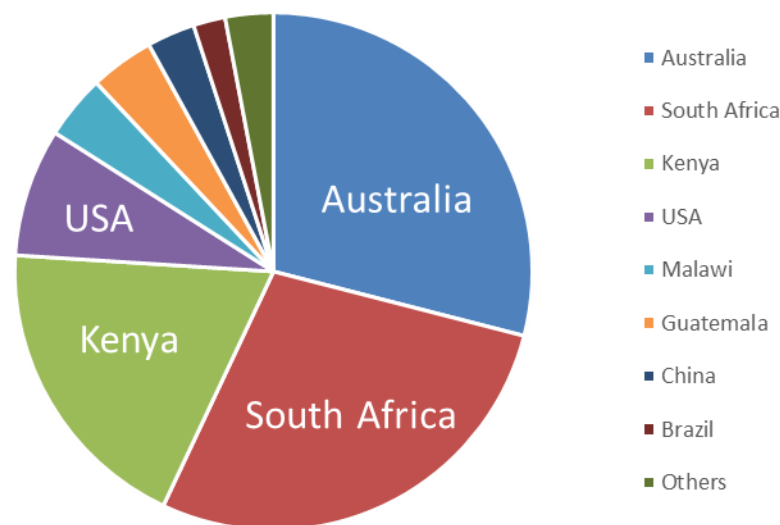
**Scott Norval**  
*RFM National Manager -  
Macadamias*

# Industry update

## Global demand is outstripping supply

- Global consumption increased from 29.3 million tonnes of kernel in 2010 to 46.6 million tonnes in 2014<sup>1</sup>
- Consumer demand for tree nuts is being driven by growing demand from middle income economies, particularly in Asia, and the growing recognition of nuts as a protein source and health food
- South Africa experiencing drought and expected to further reduce production
- Chinese plantings are increasing, future production capacity uncertain
- The Australian crop expected to increase 4% in 2016 reaching 46,750 tonnes nut-in-shell (NIS)<sup>2</sup>
- Bundaberg region now largest macadamia producing region (40% of Australian production), ahead of NSW northern rivers and other Qld producing regions

**Global macadamia production estimate 2015<sup>1</sup>**



### Notes

1. Source: International Nut & Dried Fruit Council (INC)

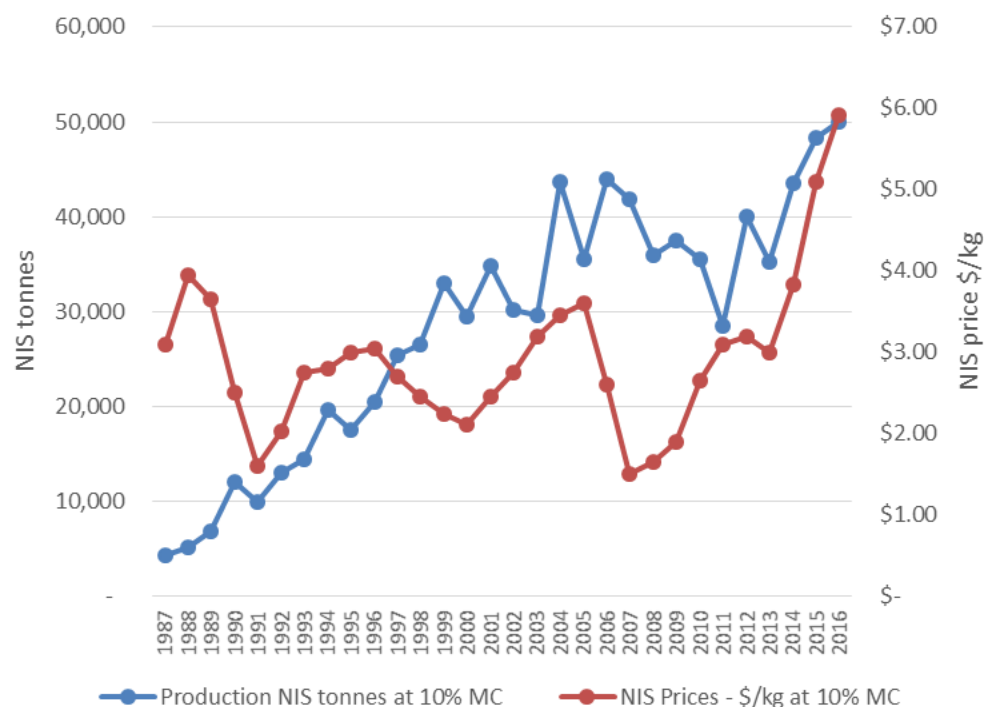
2. Source: Australian Macadamia Society. 46,750 tonnes NIS @ 3.5% moisture (50,000 tonnes in-shell @ 10% moisture)

# Industry update (cont.)

## Prices remain buoyant for Australian macadamia growers

- Prices remain above \$5/kg for producers
- AUD down against the USD last 2 years, providing exchange rate benefits for exporters
- Free Trade Agreements signed between Australia, Japan, Korea and China include tariff reductions
- Latest MPC price \$5.20/kg at 33% kernel recovery
- Macgrove Project received \$5.89/kg at 37.4% kernel recovery in 2016

Australian macadamia price and production data<sup>1</sup>



### Notes

1. Source: Australian Macadamia Society. The 2016 production figure is an AMS estimate and 2016 price of \$5.89 is based on average Macgrove Project price received

# 2016 harvest overview





# 2016 harvest overview

## 2016 harvest was challenging but delivered positive results

- Machinery failures & limitations of the dehusking shed:
  - additional harvesting equipment necessary for larger crop
  - dehusking shed upgrade required to overcome capacity constraints
- Dry weather throughout season, although wet June caused some harvest delays
- Higher prices changed crop management (i.e. no mulching of lower quality nuts)
  - 50 tonne of lower value nuts sent to the processor resulting in ~\$250K financial benefit to Growers
  - increased reject level to 2.89%, higher than historical averages

### Record haul

- Single b-double loaded with 36.6 tonnes of nuts
- 46.5% sound kernel recovery, and only 1.5% rejected (unsound)
- Received \$7.09 per kilogram
- Delivered \$261,000 in one truckload





# 2016 harvest overview (cont.)

## Maturing orchards and improved farm program resulted in 62% increase in yield

- 2016 harvest completed in September:
  - Harvested 650 tonnes nut-in-shell (NIS)
  - Achieved 2.78 tonne/ha NIS
  - Average 37.4% kernel recovery
  - 1.06 tonne/ha improvement on 2015 (62% increase)
  - Season average price very high at \$5.89/kg
  - Overall results ahead of expectations
- Yield improvement due to:
  - Maturing orchards
  - Improved irrigation practices and nutrition program; higher inputs led to greater orchard output



*'B-double' truck being loaded with macadamias*

# 2016 distributions



# October 2016 distribution

## Growers will receive \$661 per Macgrove in the October 2016 distribution

<b>INCOME</b>	<b>\$/Macgrove</b>
Harvest proceeds	\$1,364
Interest	\$2
<b>TOTAL INCOME</b>	<b>\$1,366</b>
<b>EXPENSES</b>	
Operating expenses	(\$963)
Licence fees	\$0
RE cost recovery	(\$199)
<b>TOTAL EXPENSES</b>	<b>(\$1,162)</b>
<b>NET CASHFLOW FOR THE PERIOD</b>	<b>\$204</b>
Plus cash on hand at transition date	\$457
<b>Net amount payable to growers</b>	<b>\$661</b>
GST Refund	\$64
<b>NET BENEFIT TO GROWERS</b>	<b>\$725</b>

- The distribution relates to the period from RFM appointment on 29 February 2016 to 30 June 2016
- Distribution amounts are based on harvest proceeds received from processors and the management fee balance received by Huntley, less expenses incurred during FY16 (see next slide)

# Growers net cash position 2016

## Total benefit of \$860 per Macgrove (with GST refund)

Distributions paid to Growers by Huntley	\$/Macgrove
Aug-15	\$1,153
Sep-15	\$1,127
Dec-15	\$530
Feb-16	\$602
<b>Total distributions paid to Growers by Huntley</b>	<b>\$3,412</b>
<b>Total invoiced to Growers by Huntley</b>	<b>(\$3,584)</b>
<b>Distribution to be paid by RFM</b>	
Oct-16 (includes cash on hand at transition date)	\$661
<b>Growers' net cash position</b>	<b>\$489</b>
GST refund	\$371
<b>TOTAL BENEFIT TO GROWERS</b>	<b>\$860</b>

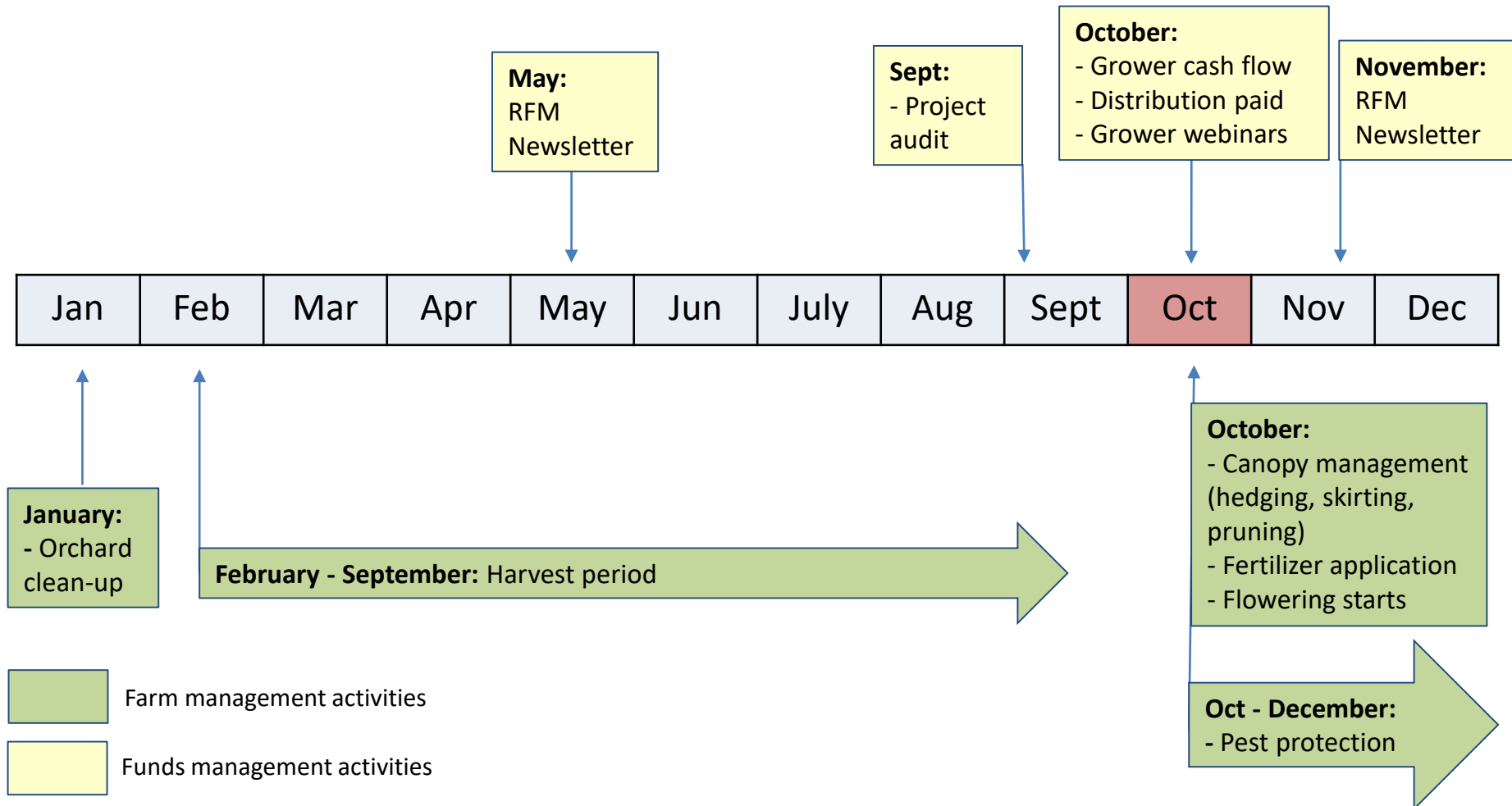
- The table summarises RFM's understanding of the Growers' net position during FY16 on a per Macgrove basis
- In total, Growers will have received \$489 per Macgrove and have a \$371 GST credit
- Total benefit \$860 per Macgrove

## **RFM has streamlined the distribution process**

- The next distribution for the Project is scheduled to be paid on or around 28 October 2016
- Growers are not expected to receive future invoices in respect to the Project and instead will receive an annual distribution, net of expenses
- This 'netting-off' was one of the benefits RFM communicated to Growers in early 2016 to streamline administration and reduce costs

# Macgrove Project - management timeline

RFM is responsible for both farm and fund management activities



# Key projects and outlook





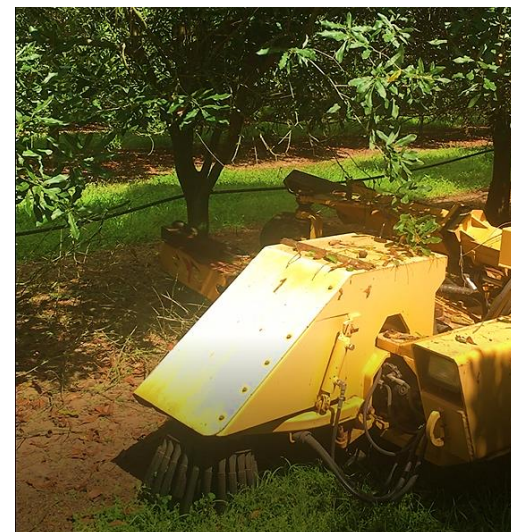
# Key activities 2016

## Projects aim to improve yield and efficiency in the orchards

- **Automated irrigation**
  - improve accuracy of water application
  - higher yields and cheaper running costs. Estimated to save 320 man hours per year
  - Ability to use off-peak water
- **Tree shaking trials**
  - Leveraging almond experience
  - Improved harvesting efficiency
- **Starch / carbohydrate research**
  - Funded by RFM
  - Group of 12 growers involved
  - Will provide information on tree starch levels and nutrient requirements to maximise flowering
- **Ongoing upgrades of machinery and infrastructure to:**
  - address capacity constraints as orchard matures and
  - Improve harvesting practices



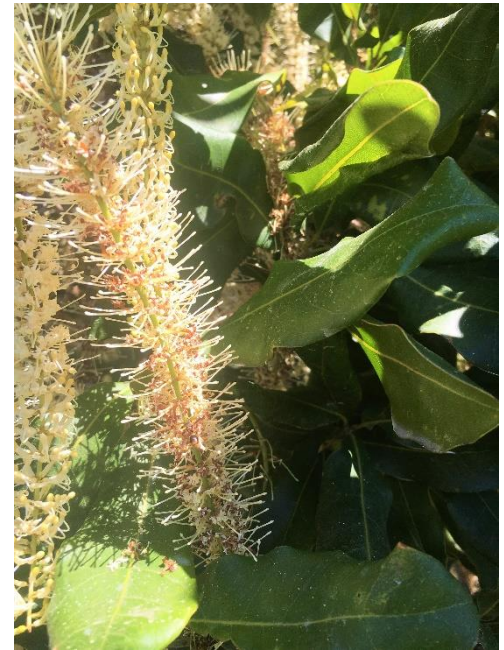
*Computer screen image of automated irrigation system monitoring and controls*



*Tree shaking to harvest nuts has been tested, building on RFM's almond orchard experience*

## Early positive signs for 2017 crop

- Flowering for 2017 season is now finished
- Strong flowering across all varieties
  - Condensed flowering period (all orchards flowered at same time)
- Pressure from pests was low
  - Pest pressure now rising, preventative spraying underway
- Good early nutset in all varieties across both orchards



*Early macadamia flower,  
Moore Park, September 2016*

# Corporate information



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