

SunRice update

February 2011 Number 72

A letter from our Chairman

The improved water situation in the Riverina has delivered a positive impact on people's morale and a renewed confidence that our communities can recover from the drought.

The 2010/11 rice crop will play a big part in the recovery process and we announced late last year that Deniliquin Mill will recommence operations to process the larger crop. This will create around 90 jobs directly plus many more indirectly to supply goods and services to SunRice, as well as the many farms growing rice for the first time in several years. Both the Deniliquin and Leeton Rice Mills will be operating at near capacity from the commencement of harvest.

The devastating floods in Queensland and parts of Victoria have had an enormous impact on agriculture, communities and individuals. We are extremely fortunate here in the Riverina. The well above average rainfall over the last five months has been enormously beneficial but has also caused challenges, particularly with winter crop harvest.

However, we are fortunate to have escaped major flooding and the predicted serious locust damage and to have over 80,000 hectares of rice maturing with good yield prospects. With our dams close to full capacity towards the end of summer and the repayment of "Snowy Borrow" water, we can feel confident about the prospects for next season.

Market Update and Impact on the 2009/10 No 2 Pool

Global rice market conditions continue to be very challenging due to the ongoing impact of the following key factors:

1. Increasing competition from US Medium Grain sources;
2. Cheaper alternative long grain sources; and
3. The rising strength of the Australian dollar.

The above factors mean the 2009/10 No. 2 Pool return will be significantly below the indicative price given at planting time when world market price outlook and the Australian dollar were more favourable.

On current indications, the 2009/10 No 2 Pool return is likely to be in the range \$315 to \$340 per tonne (medium grain). We are doing everything possible to achieve the highest possible return. The 2009/10 Premium Pool return of \$550 per tonne (medium grain) is not impacted.

2010/11 Crop Budget

The 2010/11 crop budget that determines the indicative price for the crop approaching harvest is being prepared.

The indicative price will be released in line with our commitment to provide the price prior to shareholders considering the Ebro offer. At this stage we envisage this will be in April when the Scheme Booklet dealing with the Ebro offer is dispatched to shareholders.



Ebro Offer Update

Thank you to all shareholders who attended the October and December meetings that provided information about the Ebro offer. Your questions and comments were valuable to the process.

The next part of the process for shareholders will be the dispatch of the Scheme Booklet, including the Independent Expert's Report in April, followed by a further round of shareholder meetings. The date for the special shareholder meeting to vote on the offer will be confirmed in the Scheme Booklet, and is likely to be in May. This is later than originally planned due to delays in documentation and approvals, which is not uncommon in transactions of this size and nature, particularly given the Christmas-New Year period. Nothing new has arisen, it is just taking a little longer to obtain necessary approvals than we had initially hoped.

The Directors want to ensure that all shareholders are in a position to make an informed decision on the offer when the vote occurs. It is therefore very important that you carefully read the Scheme Booklet and attend one of the shareholder meetings. In the meantime, if you have any questions or comments about the offer, please contact one of the Directors or call Grower Services on 1800 654 557 or 02 6953 0436.



Gerry Lawson
Chairman



The Rice Food Experts