

SunRice update

June 2007 Number 67

A letter from our Chairman

Dear Member

The global demand for rice is growing whilst at the same time worldwide production continues to decline. There will be a significant impact on food production in the future with ongoing urban development encroaching on farmland, biofuels replacing the production of food crops and climate change affecting water availability.

Growing the business for your benefit means we have to recognise these challenges and skilfully position SunRice to capitalise on our strengths as the best rice growers and the best branded marketers of rice and rice foods in the world.

SunRice Business Strategy Review

The SunRice Board and Corporate Management Team spent two days in April analysing and reviewing our business strategy going forward.

We agreed that future Australian rice production will be lower than in the past – probably averaging 800,000 tonnes per annum - and with more variability than in the past.

We developed an infrastructure plan that will see throughputs at our existing mills flexed up or down to suit production and we looked at ways to utilise our grain storage infrastructure in years when rice production is lower.

We considered the need to make global sourcing a permanent and strategic part of our business and looked closely and individually at all our complementary businesses – which are continuing to grow and deliver excellent profits.

I can assure you that the future for SunRice is bright.

The 2007 crop

At approximately 166,000 tonnes, the 2007 crop delivered to SunRice represents the lowest production since 1965.

Strategic initiatives implemented to mitigate the impact of this low crop included:

- Carry over of 260,000 tonnes of the 2006 crop to combine with 2007 production to maintain supply of high quality Australian rice to important domestic and export markets.
- We have reconfigured our milling operations to keep the

three mills operating, albeit at lower throughput rates and reduced shift arrangements.

- We will be procuring a significant volume of rice from a number of international suppliers to service our most important branded markets around the world.

The Board and management will constantly monitor our environment over the next twelve months and will formulate strategies to limit the impact any issues or uncertainties may have on the business and to ensure it continues to prosper.

Business Update

I am pleased to report that our business is tracking to plan as well as getting ready to deal with the challenges of a drought constrained C07 year.

Our various businesses are doing very well, particularly the SunRice brand where we continue to register growth in table rice and rice foods, including meals and snacks. CopRice is also growing in dairy stock feed as well as extruded pet foods. Riviana Foods is also experiencing solid growth in its "Always Fresh" categories.

Water Announcements

In April, the Prime Minister highlighted the serious shortage of water resulting from the prolonged drought. He stated that unless significant inflows to storage dams occur soon, water availability for irrigation in 2007/08 may be jeopardised. Unfortunately we all knew this was the case. The Prime Minister was outlining the worst case scenario. We have all seen low or no water availability at the start of a season with improvement over late winter and spring. We are all hoping this occurs again.

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It is of serious concern, however, that Governments may be unwilling to announce **any** availability of irrigation water until dams are well stocked, which may be late in the season. To accommodate a late announcement, SunRice will have good stocks of shorter season rice varieties available. This will mean growers will still have the option to grow a rice crop even if there is no allocation at the start of the sowing season.

We are encouraging Government to be responsible with water announcements and to recognise the impact their decisions/statements will have on food production in our valleys. SunRice is in dialogue with the NSW Department of Water and Energy and our Irrigation Corporations to ensure general security irrigators are treated fairly under whatever water availability scenarios eventuate.

Ricegrowers Limited Share Trading to Commence Soon

You will have received a letter announcing that SunRice will be listing on the National Stock Exchange of Australia (NSX) on 18 June 2007. This will provide the mechanism for all existing B Class Shareholders of SunRice to trade shares with other B Class Shareholders.

In July, all B Class Shareholders will be eligible to receive a dividend payment. The final dividend rate will be announced before the July payment and will be payable to all B Class Shareholders who are registered as Shareholders as at 30 June 2007. As outlined in the Prospectus dated October 2006, it is anticipated that the dividend payment will be at least 21.5 cents per share.

Capital Raising

In October 2006 SunRice issued a Prospectus which initiated a 5-year strategy aimed at maximising the conversion of maturing Rice Bonds into permanent share capital. Shareholders subscribed \$7.7 million in this initial offer.

In July 2007 another \$12.5 million of Rice Bonds will mature, and SunRice will again offer the opportunity to convert Rice Bonds into share capital. All Rice Bond holders will be again given the opportunity to extend the maturity date of these Rice Bonds beyond the 30th June 2007 maturity date. Also, as in prior years, there will be an offer to subscribe for additional shares by paying cash, or by committing the proceeds of RMB Equity, maturing in July 2008. Full details of the capital raising terms and conditions will be covered in the Prospectus relating to the issue of B Class Shares and anyone who wants to acquire B Class Shares will need to complete the application form that will accompany the Prospectus.

Director Elections

Director elections will be held this year for four Directors who hold an A Class Share. A person can be elected if they are a Director whose term of office is concluding; or written notice of his/her nomination (signed by 2 or more A Class Shareholders) has been received by the specific closing date.

Director Election Timetable

Advertisements calling for nominations	Friday 29 June
Nominations close	Friday 13 July
Ballot Papers posted	Friday 20 July
Ballot closes	Tuesday 21 August
Announcements of results	Friday 24 August

More details on the election process will be presented at the RGA Branch Meetings in June.

Thank you to our 2007 Crop Growers

While 2007 production was low, it was nevertheless critically important for the business. I want to sincerely thank the growers who persevered to grow rice in the most difficult circumstances ever experienced. Thankfully the yields have been strong and combined with the record paddy return, the value of the rice stubble and the profile of moisture for the following cereal crop, the effort will be worthwhile.



Bruce Barber retires from SunRice Board after 23 years of service

Bruce Barber, Warrawidgee rice grower, has advised the SunRice Board that he will not be seeking re-election at the 2007 Director elections.

Bruce has held a number of significant positions in the rice industry over the last three decades. Of particular note is Bruce's extraordinary contribution as Chairman of Solomon's Rice Company and Director of Trukai Industries.

These two companies are very successful subsidiaries of SunRice and Bruce has always demonstrated unwavering interest and passion in ensuring their ongoing success.

Bruce also took an active interest in the financial performance of the business as a member of the Finance and Audit Committee and in research and development. He also served as a Director of Rice Research Australia Pty Ltd.

Commenting on Bruce's retirement, SunRice Chairman Gerry Lawson said, "Bruce's wisdom, counsel and support over the past twenty-three years have been invaluable to SunRice. We extend our best wishes and sincere thanks."



Bruce Barber

2007 Rice Production - the lowest since 1965

Very dry conditions in winter and spring of 2006 led to the lowest inflows on record to the Murray and Murrumbidgee Valleys storage dams. With 0% allocation in the Murray Valley and 15% in the Murrumbidgee Valley at rice planting time, rice production prospects were not good. Many growers were counting on the water they carried over from 2005/06 to enable a small crop to be sown.

The continuing dry conditions after sowing saw reductions in water availability in both Valleys.

This forced most Murray Valley growers and some Murrumbidgee Valley growers to abandon their rice crops - around 7,000 ha was dewatered with growers losing millions of dollars of input costs and the waste of around 40,000 megalitres of water.

Growers who were able to keep their crops going had to battle extremely high evapotranspiration rates that led to many growers having to buy additional very expensive water to finish crops. They also endured a period of cool nights in January that could have caused sterility damage. Thankfully, yields were excellent and to date 166,647 tonnes paddy have been delivered to SunRice.

Coleambally region growers showed their resilience and support by producing around half of the total tonnage. Despite the battle to produce a crop, most rice growers regard it was a very worthwhile effort. Good yields and a record rice price provided an excellent return. Rice straw was keenly sought at record prices and the cereal crops planted after rice will have a moisture profile advantage over most other crops.



Keenly sought rice straw provided additional benefit to growers

2007 Crop Early Payment Option

To assist growers wanting to accelerate receipt of 2007 crop pool payments, SunRice has made improvements to the early payment facility which will deliver more money at an earlier time. Growers using the facility can access around \$100/tonne at a discount, at a time of their choosing from May to October, rather than at the scheduled time from November 2007 to July 2008. The first payment date in May has now passed, but application can be made for later payment dates, as indicated below;

<i>Closing Date For Application</i>	<i>Payment Date</i>
<i>Friday, 15th June 2007</i>	<i>Tuesday, 26th June 2007</i>
<i>Friday, 20th July 2007</i>	<i>Tuesday, 31st July 2007</i>
<i>Friday, 17th August 2007</i>	<i>Tuesday, 28th August 2007</i>
<i>Friday, 14th September 2007</i>	<i>Tuesday, 25th September 2007</i>
<i>Friday, 19th October 2007</i>	<i>Tuesday, 30th October 2007</i>

For more details, see Circular 2007/06 or contact Grower Services on 1800 654 557 or 02 6953 0568.

Fertiliser for winter and summer crops

SunRice, through its partnership with ABB Fertiliser Division, can provide a range of fertilisers for members' farming programs - both winter and summer crops.

When contemplating a fertiliser purchase, contact Grower Services on 1800 654 557 or 02 6953 0454 for current prices.

C2007 PAYMENT SCHEDULE (TRADITIONAL POOL)

(Guaranteed Minimum Price Exclusive of GST)

	Amaroo Reiziq Quest Jarrah	Illabong	Langi Doongara	Opus	Kyeema	Koshi	Organic/ Bio
1st Payment (paid)	192.00	186.00	210.00	204.00	235.00	257.00	70.00
2nd Payment (20 Nov 2007)	31.00	30.00	33.00	33.00	38.00	41.00	30.00
3rd Payment (19 Feb 2008)	15.00	14.00	17.00	17.00	19.00	21.00	30.00
4th Payment (22 Apr 2008)	12.00	11.00	14.00	13.00	15.00	17.00	20.00
Appraisal (ave) (22 Apr 2008)	8.00	8.00	8.00	8.00	8.00	8.00	
5th Payment (20 May 2008)	12.00	11.00	13.00	13.00	15.00	16.00	30.00
Final Payment (22 July 2008)	50.00	50.00	50.00	50.00	50.00	50.00	
TOTAL RETURN	\$320.00	\$310.00	\$345.00	\$338.00	\$380.00	\$410.00	\$180.00

RICEGROWERS LIMITED DIRECTORS

Gerry Lawson (Chairman)
Mark Robertson (Deputy Chairman)
Noel Graham
Norm McAllister
Gillian Kirkup

Alan Walsh
Bruce Barber
Grant Latta - External Director
Russell Higgins - External Director
Gary Helou - Executive Director

CORPORATE MANAGEMENT

Chief Executive Officer : Gary Helou
Operations : Graham Harvey
Company Secretary : Mandy Del Gigante
International & Domestic Consumer Markets : David Keldie
Grower Services : Mike Hedditch

International Commodity & Trading : Milton Bazley
Chief Financial Officer : Claude Cassar
Finance : Brad Hingle
People & Culture : Claude Cassar (Acting)

MANUFACTURING FACILITIES

Leeton Rice Mill
Leeton Convenience Rice Plant
Deniliquin Rice Mill
Coleambally Rice Mill
CopRice Feed Mills
Trukai Industries Limited, PNG
Aqaba Processing Company, Jordan

Mike McLeod
Court Sayer-Roberts
Michael Keenes
Paul Maytom
Wayne Preston
Phil Franklin
Russell Heffernan