



The Rice Food Experts

21 October 2010

Dear Shareholder,

As set out in the attached NSX release SunRice has entered into exclusive negotiations with Ebro Foods S.A. ("Ebro") in relation to a potential offer to acquire SunRice.

Ebro, which is a leading branded global food company, proposes to pay an attractive price of \$50,000 per share for your A Class shares¹. B Class Shareholders will receive \$5.025 per share and 60.3 cents franking credit¹. Ebro will also commit to purchase paddy at prices benchmarked to California and to continue to invest in SunRice brands and varietal research. This offer is the result of an unsolicited approach from Ebro.

If a definitive proposal is put to shareholders and is consistent with the commercial principles agreed, then in the absence of a better proposal and subject to support from an Independent Expert, each of the Directors will recommend that shareholders accept the Ebro offer and will vote in favour of that offer.

After thoroughly assessing the offer, the Board believes that, more than any other option available, it addresses SunRice's structural constraints on capital raising and the concerns of SunRice and its shareholders that the underlying value of the business is not adequately reflected in its share price.

Some of you would be aware Ebro and SunRice have known and dealt with each other over the last 50 years. We have been partners in two significant business ventures, both of which were enduring and highly successful and have served to provide the Board with confidence in Ebro's capability, integrity and commitment to our industry.

During the five week exclusivity period the Ebro proposal will be formalised. If a final agreement is settled with Ebro, SunRice will commence the procedures required to bring the proposal before all shareholders for their consideration and vote. SunRice, with input from Ebro, will send to you an explanatory statement to explain the transaction. That explanatory statement will be accompanied by the report of an Independent Expert setting out whether the proposal, in the opinion of the expert, is in the best interests of shareholders.

Over the next few weeks, SunRice will keep you informed of developments. A series of special meetings will take place to provide shareholders with important information and an opportunity to ask further questions regarding the proposal. The precise dates of these meetings will be advised shortly.

We have also established a dedicated information line to answer your enquiries regarding the proposal. The toll-free number is 1800 643 604.

I look forward to seeing you at the special shareholder meetings in the near future.

Yours sincerely,

Gerry Lawson
Chairman

Note 1 – This is based on the current number of eligible A Class and B Class shares

21 October 2010

POTENTIAL OFFER FOR SUNRICE

Ricegrowers Limited ("SunRice") announced today that it has entered into an agreement for exclusive negotiations ("Exclusivity Agreement") with Ebro Foods S.A. ("Ebro") from Spain, a world leader in rice marketing and production, in relation to a potential offer for SunRice ("Proposed Transaction"). In addition to the exclusivity arrangements between SunRice and Ebro, the Exclusivity Agreement sets out the key commercial principles that have been agreed between SunRice and Ebro for the purpose of implementing the Proposed Transaction ("Commercial Principles").

Key points for shareholders and growers

If the Proposed Transaction is approved by A Class and B Class shareholders and implemented on the basis of the Commercial Principles:

Global market leader

- An expanded global rice food business will be created.

Material value enhancement for shareholders

- The implied Enterprise Value is approximately \$600m and values the equity of SunRice at \$315m.
- SunRice A Class shareholders will receive \$50,000 per share in cash. B Class shareholders will receive \$5.025 per share in cash together with 60.3 cents per share of franking credits¹.

Strong, tangible commitment to Australian rice growers

- Ebro will make a minimum 5 year commitment to New South Wales rice growers to purchase rice at a price consistent with historic pricing and based on Californian prices for Medium Grain rice.
- Ebro will look to grow international markets for Australian rice through its existing global market network.
- Ebro will maintain SunRice's level of support for research and development on a scale that is not less than the amount expended on average for the last three years, increased annually by the consumer price index.
- Ebro will continue SunRice's support of the Australian rice industry, including support for the RGA and the rice growing communities. Ebro will also investigate the possibility of sourcing Durum wheat and other grains from Australia to supply its global pasta businesses.
- A Grower Advisory Board will be established comprising three grower representatives, an independent non-voting chairperson and three representatives from Ebro.

Note 1 – This is based on the current number of eligible A Class and B Class shares

Further details on the Proposed Transaction are set out below.

Background and overview of Proposed Transaction

As outlined at the time of capital raisings and as part of its role, the Board assesses the level of capital in and the value of the business to its shareholders. This ongoing assessment involves the Board considering a number of potential alternatives, including initiatives to provide additional capital and to realise the intrinsic value of the business to shareholders.

Outside of these considerations, the Board has recently received an unsolicited offer from Ebro.

The Board is of the view that the Proposed Transaction would be likely to produce a superior outcome for shareholders and growers, compared to other potential options, and therefore the Board intends to work with Ebro to develop the Proposed Transaction so that it can be put to shareholders for their vote.

As major players in world rice markets, Ebro and SunRice have enjoyed a close and strategic relationship for over 50 years. Ebro and SunRice were joint venture partners in Anglo Australia (Liverpool UK based Food Ingredients supply company) and Herto (Belgian based Rice Cakes company) and continue to be trading partners in the supply of rice food products to international markets.

Commenting on the transaction, Gerry Lawson, SunRice Chairman said:

“Ebro and SunRice have known and dealt with each other over the last 50 years. We have been partners in two significant business ventures and remain close trading partners today. Our enduring relationship with Ebro gives the Board confidence in Ebro’s capability, integrity and commitment to our industry.”

If successfully negotiated, it is intended that the Proposed Transaction will be implemented by a scheme of arrangement under Part 5.1 of the Corporations Act. As a result, the Proposed Transaction will be subject to the approval of both A and B class shareholders of SunRice and the Australian courts.

If a definitive proposal is put to shareholders and is consistent with the Commercial Principles, each of the Directors of SunRice:

- will recommend that shareholders accept the proposal; and
- intends to vote their shares in favour of the proposal,

in the absence of a superior proposal or the failure of an independent expert to provide an opinion supporting the terms of the Proposed Transaction.

Summary of the Exclusivity Agreement

Under the Exclusivity Agreement, SunRice has granted Ebro a five week period of exclusivity to undertake due diligence and negotiate a Scheme Implementation Agreement which will document the final terms of the Proposed Transaction and incorporate the Commercial Principles. The operation of the exclusivity arrangements are subject to the fiduciary and statutory duties of the Directors of SunRice.

Transaction consideration

Under the terms of the Proposed Transaction, A Class shareholders will receive \$50,000 in cash for every A Class share held by them¹. B Class shareholders will receive \$5.025 in cash for every B Class share held by them as detailed below¹. The split of the purchase price between a capital payment and a dividend (to be funded by Ebro) will be set such that the franking credits are made available to B Class shareholders.

Consideration per share¹

	A Class share	B Class share
Total cash consideration	\$50,000	\$5.025
Franking credits	n.a.	\$0.603
Total consideration plus franking credits	\$50,000	\$5.628

Summary of rice purchasing commitment

- For a minimum of 5 years, commencing with the 2012 rice crop, the paddy price paid to growers will be based on Californian prices for Medium Grain rice. Ebro has also committed to buying up to 100,000 tonnes per annum of other rice varieties grown in NSW at market prices.
- The timing of payments made to rice growers will be consistent with the existing payment structures.
- Transitional pricing arrangements, consistent with the existing pricing methodology, will be put in place for the 2010 and 2011 Medium Grain rice crops.
- The price to be paid for the 2010 rice crop will be in accordance with current arrangements. Details of the 2011 rice crop price will be provided to shareholders prior to the shareholder meeting to consider the Proposed Transaction.
- Further details of the purchasing commitment will be provided to shareholders at upcoming shareholder meetings and details will be released to the NSX.

Grower Advisory Board

A Grower Advisory Board will be established consisting of three representatives from the NSW rice growing community, three representatives from Ebro and an independent non-voting Chairperson. The first grower representatives will be nominated by SunRice.

The role of the Grower Advisory Board will include:

- Considering and making recommendations as to the appropriate price to be paid for NSW Medium Grain rice under the proposed terms of the purchasing commitment set out above;
- Reviewing the price to be paid for the 2011 Medium Grain rice crop to ensure it has been calculated consistently with prior years; and
- Acting as a forum for consideration of issues of interest to growers.

Further details on the Grower Advisory Board will be contained in the information to be sent to shareholders as part of their consideration of the Proposed Transaction.

Note 1 – This is based on the current number of eligible A Class and B Class shares

Conditions precedent

It is intended that the Scheme Implementation Agreement will contain conditions precedent and other terms that are customary for a transaction of this nature. Relevant conditions precedent to the implementation of the Proposed Transaction will include, in addition to the approvals of SunRice A class and B class shareholders, the approval of various governmental and regulatory agencies and of the Australian courts. SunRice and Ebro will be required to make various applications to governmental and regulatory agencies necessary for the Proposed Transaction to proceed.

Timing for implementing the Proposed Transaction

If the Scheme Implementation Agreement is executed on or before the date of the expiry of the five week exclusivity period set out in the Exclusivity Agreement, it is envisaged that an explanatory memorandum for the Proposed Transaction will be sent to SunRice shareholders in February 2011, followed by a shareholder meeting to consider and vote on the transaction in March 2011.

Prior to the shareholder meeting SunRice intends to conduct a series of meetings with shareholders to fully inform them of the Proposed Transaction. The precise dates of these meetings will be advised shortly.

SunRice will seek to conclude negotiations with Ebro as soon as possible. In the meantime, the Board recommends that shareholders take no action in respect of their shares in SunRice pending further announcement. The Board will keep shareholders updated on the status of negotiations.

SunRice is being advised by Rothschild Australia Limited and Chang Pistilli & Simmons.

For media enquiries, please contact:

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A shareholder information line has been set up for all shareholders.

Toll free: 1800 643 604

International callers: +61 2 8256 3383

About SunRice

SunRice is an Australian company that supplies high quality and innovative consumer branded rice food products to approximately 60 countries around the world. Anchored in regional New South Wales, it operates state-of-the-art processing facilities that mill and pack rice and rice flour, and manufacture rice cakes and specialty rice foods.

SunRice's operations extend to the USA, the Middle East, Papua New Guinea and the Solomon Islands. Its strong portfolio of brands include SunRice, SunWhite, Always Fresh, CopRice, Trukai, Roots, Hinode, Harvest and Tumbles.

For more information visit www.sunrice.com.au.

About Ebro

Ebro Foods (www.ebrofoods.es) is the leading Group in the Spanish food sector in terms of turnover, profit, market capitalisation and international presence. Ebro Foods is the world leader in the rice sector and the second largest group in the international pasta sector. It has leading brands in each of these sectors, including: Panzani®, Ronzoni®, Skinner®, Healthy Harvest®, American Beauty®, Saint Giorgio®, Catelli®, Lancia®, Birkel®, 3 Glocken®, Schuele®, Minuto® and Nudel Up® in pastas and sauces; and Mahatma®, Success®, Carolina®, Minute Rice®, Lustucru®, Taureau Ailé®, Oryza®, Bosto®, Reis-Fit®, Riceland®, Danrice®, Risella®, Brillante®, Nomen®, La Cigala® and La Fallera® in the rice sector.