SunRice March 2012 Number 74

A letter from our Chairman



New CEO, Rob Gordon (pictured left), has commenced his role with SunRice and a number of growers have had the opportunity to meet him at RGA Branch Meetings.

Rob brings more than 25 years of senior strategic experience to the role, and has been involved in food and agribusiness sectors in Australia, Asia and Europe.

Most recently, Rob was the President South-East Asia and Senior Vice President of Viterra. Prior to that he was the CEO and Managing Director of Dairy Farmers Pty Ltd, and Managing Director of Goodman Fielder Consumer Foods, where he successfully integrated its heritage companies, including Uncle Toby's and Meadow Lea Foods.

Rob will work closely with our senior managers to expand SunRice's Australian and global businesses and drive operational efficiencies, while maximising returns for our shareholders and growers.

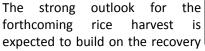
On behalf of the Board, I would like to take this opportunity to welcome Rob to SunRice. We look forward to working with him to strengthen and advance our proud company and the interests of shareholders and growers.

Reiziq – Segregation

Reiziq is now our standard medium grain variety and is priced at the medium grain return. Other medium grain varieties are priced at a \$15 per tonne discount to Reiziq. Growers need to be aware that we have put special identification measures in place (including DNA testing) to distinguish Reiziq from other medium grains. This will ensure the Reiziq price is only paid for verified Reiziq deliveries. If a delivery declared to be Reiziq is shown by testing to be another medium grain variety, a price discount commensurate with the commercial loss caused will be applied - please note the discount will be significant.

When delivering medium grain rice at the forthcoming harvest, please make sure your truck driver knows the variety being delivered. Again, if there is any doubt about the variety it will not be segregated as Reiziq and will not be paid as Reiziq.

2011/12 Crop Outlook



of the Australian rice industry and we are preparing to process 900,000 tonnes of paddy – an even larger crop than we produced in 2010/11.

It has been pleasing to see how many growers answered our call to plant Reiziq, as this medium grain variety is sought by many of our international markets.

We hope the trend of full water entitlements continues during the next 12 months, as we shore up our markets with high quality SunRice products.

However, there have been some disappointments for growers this season, including varying temperatures and the damage to crops from the large number of ducks. It's estimated that the impact of a cooler summer, damage by ducks, snails and wind will more than likely result in about 10% lower production than what would have otherwise been achieved.

Market Update

The Australian dollar continues to trade above parity with the US dollar, exacerbating the pressure on our exports. Every one cent increase in the A\$ can reduce paddy prices by more than \$3.00 per tonne for an 800,000 tonne crop.

There's been a convergence of medium grain and long grain prices, as US medium grain prices continue to soften. Our

latest intelligence is of medium grain prices at sub US\$600 per tonne (white milled, packed, finished product – free



on board).

India's decision to lift its export cap has widespread ramifications for world rice prices. The Indian Government announced last year that it would remove the export ban on non-Basmati rice, and it has since become clear that there is no limit on the quantity that can be exported.

India and Pakistan are also aggressively competing with Vietnam, which had recently increased sales due to flooding in Thailand and the Thai Government's rice mortgage scheme. As a result, Vietnam's prices have slumped in the last month.

SunRice Debt

We remain focused on reducing the company's gearing. To achieve this, we will:

- Retain earnings (including paddy price decreases);
- Reduce future dividends; and
- Continue capital raising.

It is important to highlight that the level of debt at year end (30 April 2012) will be impacted by the timing and size of the 2012 crop paddy receivals and the payment of the 1st advance, which is funded mainly by bank borrowings and only repaid as the crop is processed and sold.

We should also highlight that debt levels can be influenced by the nature of our sales. For example tender markets require large inventory build ups and significant supply chain expenditure prior to payment being received.

Paddy Pricing

As indicated in September last year, the paddy price for the 2011 crop is expected to be in the order of \$230 per tonne for medium grain. This figure is after allowing for the necessary retentions.

The total price for the crop could exceed \$230 per tonne, depending on the business performance in the remaining months of this financial year.

Other factors which will affect SunRice's financial performance include:

- The high Australian dollar;
- Softening of world medium grain and long grain prices; and
- Increased electricity costs for the 2012 crop.

With harvest commencing shortly, the Board will be setting an interim first payment in the coming weeks. SunRice management is preparing a 2012 crop budget for the Board's consideration in late April 2012. If the budget shows that a higher first payment is possible, a top up will be made to the interim payment.

Trukai Industries Ltd

There have been numerous media reports in Papua New Guinea on a proposed agreement which would allow only one company to import and distribute rice in PNG, without tariff.

This would mean all other companies, including SunRice subsidiary - Trukai Industries Ltd - could be subject to tariffs.

The reports indicate the PNG Prime Minister has not supported the establishment of a monopoly, and has requested that the appropriate authorities re-examine the proposed agreement.

Trukai has been proactive in investigating and assessing the likelihood of the proposal being implemented, and has also made strong representations to the PNG Government to ensure Trukai Industries continues to operate as normal.

Gerry Lawson AM Chairman

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| C2011 PAYMENT SCHEDULE (TRADITIONAL POOL \$/TONNE) | | | | | | |
|--|----------------------|----------|----------|----------|----------|----------|
| | Medium & Illabong | Langi | Doongara | Kyeema | Opus | Koshi |
| 1 st Payment (Paid) | \$154.00 | \$178.00 | \$160.00 | \$217.00 | \$172.00 | \$202.00 |
| 2 nd Payment (Paid) | \$21.00 | \$23.00 | \$21.00 | \$28.00 | \$22.00 | \$26.00 |
| 3 rd Payment (Paid) | \$18.00 | \$20.00 | \$19.00 | \$23.00 | \$20.00 | \$22.00 |
| 4 th Payment (24 April 2012) | \$10.00 | \$11.00 | \$10.00 | \$12.00 | \$10.00 | \$12.00 |
| Ave Appraisal (24 April 2012) | \$8.00 | \$8.00 | \$8.00 | \$8.00 | \$8.00 | \$8.00 |
| 5 th Payment (22 May 2012) | \$6.00 | \$7.00 | \$6.00 | \$8.00 | \$7.00 | \$8.00 |
| Est Final Payment (24 July 2012) | \$13.00 | \$23.00 | \$16.00 | \$39.00 | \$21.00 | \$32.00 |
| ESTIMATED TOTAL RETURN | \$230.00 | \$270.00 | \$240.00 | \$335.00 | \$260.00 | \$310.00 |