

SunRice

update

March 2014 Number 77

A letter from our Chairman

Today several hundred of our growers came together at "Old Coree" for the 2014 Rice Field Day to focus on innovation, market-led research and development and the outlook for the future.

In line with this, I wanted to take this opportunity to update you on progress regarding C2013, the outlook for the pending harvest, global factors impacting rice supply and to provide early price signals around what is likely to be a strong C2014 year for our growers.

2013 Crop

We advised you in late February at the time of the third payment that the outlook for full year paddy price remains at \$280 per tonne for Medium Grain (Reiziq). While it is too early to be certain, we are hopeful of achieving some additional upside.

As you all know, we have faced issues with the high level of brokens in C2013 paddy. As a result we have incurred more than \$30 million in additional milling and product downgrade costs.

2014 Harvest

The crop coming up to harvest appears to be in good shape thanks to the hot conditions in January and early February and the return to cooler to average temperatures as the grain is maturing. These factors should see growers achieve above average yields of good quality paddy.

We expect close to 800,000 tonnes of paddy to be harvested between March and May. This volume will be supplemented by around 120,000 tonnes of C2013 paddy being carried over.

Global Factors and C2014 Outlook

As discussed at today's Field Day, there has been significant improvement in global medium grain prices recently. This movement is aligned with the drought currently being experienced in California, which in early February 2014 was expected to reduce production by 20 - 45%.

While there has been some rain since that assessment, the outlook is still for a lower Californian crop, which bodes well for the price outlook.

There are however some negative factors to play out, including the large stocks of long grain overhanging the market in Thailand, the possibility that Egypt could lift its current export ban and increased exports from India.

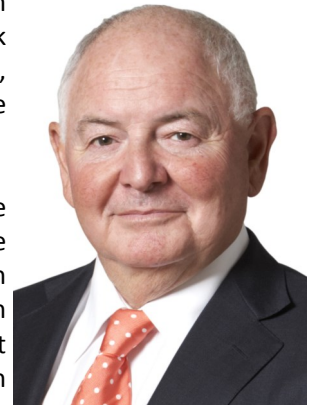
However we believe the overall outlook is very positive and in combination with a weaker Australian dollar, these factors are expected to underpin a strong outlook for C2014.

Accordingly, we are very pleased to advise that at this stage the Board anticipates a C2014 paddy return in excess of \$300 per tonne for Medium Grain (Reiziq) will be achievable. Due to the counter seasonal nature of the Californian crop, the pressures we are seeing could positively influence the paddy price beyond the end of C2014 and potentially into C2015. We will of course continue to update you on the outlook for C2014 and C2015 as the year progresses.

Capital Structure Review

Finally, I want to take this opportunity to provide a brief update on the Capital Structure Review.

As we've said previously, we do not intend to come back to you until we have a potential model that addresses SunRice's unique issues and our shareholders' desires. That includes the ability to preserve grower control on an ongoing basis with the same provisions in place as there are today.



The Rice Food Experts

I can advise you that we are close, but have further work to do before we can come back to you to discuss a potential way forward and seek your feedback in determining next steps.

We wish everyone the very best for the harvest ahead.



GERRY LAWSON AM
Chairman

C2013 PAYMENT SCHEDULE (TRADITIONAL POOL \$/TONNE)

	Reiziq	Sherpa Illabong	Langi	Kyeema	Opus	Koshi	Doongara
1st Payment (Paid)	156.00	145.00	177.00	204.00	185.00	214.00	164.00
2nd Payment (Paid)	25.00	23.00	29.00	33.00	30.00	35.00	26.00
Supplementary Payment (Paid)	15.00	15.00	15.00	15.00	15.00	15.00	15.00
3rd Payment (Paid)	25.00	24.00	28.00	32.00	29.00	33.00	26.00
4th Payment (29 April 2014)	20.00	19.00	23.00	27.00	24.00	28.00	21.00
Average Appraisal (29 April 2014)	8.00	8.00	8.00	8.00	8.00	8.00	8.00
5th Payment (27 May 2014)	13.00	11.00	16.00	21.00	17.00	21.00	14.00
6th Payment (29 July 2014)	18.00	15.00	24.00	30.00	27.00	36.00	20.00
ESTIMATED TOTAL RETURN	280.00	260.00	320.00	370.00	335.00	390.00	294.00

These estimates have been prepared using the information available at the time of publishing. Please be aware that the estimates could be affected by a number of factors, including prevailing market conditions, foreign exchange rates, crop quality and unforeseen events. Therefore the forecast payment schedule should be regarded as an estimate only and the final crop return will depend on the actual conditions that have prevailed throughout the entire crop year.

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The Rice Food Experts