

CHAIRMAN'S ADDRESS

I would now like to present the Chairman's Address.

Who would have, and more importantly, who could have picked the world today?

INTRODUCTION

As current shareholders of SunRice, **we own a great company** – one that has continued to evolve decade after decade to meet the changing needs of consumers and adapt to the ever-changing environment in which we operate.

Over the last 50 years we have become successful through a deliberate path of innovation and change. We have evolved beyond the growing, processing and marketing of an agricultural commodity, to a global business that distributes value-added rice food products around the world.

Our heritage of change traces back to the 1950's when Ricegrowers Co-operative Mills was formed and packaged Sunwhite branded rice was launched nationally on a marketing platform of quality, consistency and nutrition.

That part of our heritage never changed.

Then in the 1970's, SunRice responded to the needs of a more cosmopolitan Australia and expanded into a new range of rices. It was at this time that Australia opened up to immigration from Asia and cuisines available changed almost overnight.

We saw then, and continue to see today, consumers' tastes becoming more diverse than ever before.

In the 1980's, we rationalised our structure and changed our name to Ricegrowers' Co-operative Limited (RCL).

A decade later we launched the highly recognised, award winning rice 'sculpture' campaign, **driving domestic rice consumption up by a record 17%**.

And in this decade SunRice became our new trading name, we opened our specialty rice food plant in Leeton and more recently, we converted to a company structure.

In the last 5 decades SunRice's product range, brands, markets, operations and structures have undergone momentous change.

Our product range, for example, now includes world rices, 90- second rices, rice cakes, flavoured rice cakes, rice in bottles, rice with flavours, medleys and more recently corn cakes. These new products and categories position SunRice very well to anticipate and respond to new consumer preferences, both domestically and in consumer markets around the world.

I believe we are well prepared to do what we do best – to innovate and market great rice food brands.

Winston Churchill once said, *“To improve is to change. To be perfect is to change often”*. By Churchill's benchmark, I believe we are striving for perfection.

Today, you own **one of the worlds leading rice food companies**.

OVERVIEW OF RESULTS

At the start of the 2007 financial year, we were very optimistic about the year ahead; we had just harvested the largest crop in over three years - totalling approximately 1.04 million tonnes.

We were feeling very confident that the drought was behind us. Unfortunately, my elation quickly turned to disappointment as we returned to severe drought conditions for the 2006/07 growing season.

However, I am pleased to report that SunRice recorded a solid earnings performance for the 2007 Financial Year. Our consolidated revenue increased 22% from the previous year to \$738 million. This is despite an appreciating Australian dollar, which

had a significant impact on the overall results of many Australian agricultural businesses with export markets.

Market share in key product categories remained solid during the year. A remarkable job was done at keeping our brands on supermarket shelves around the world through our global trading program. This has been a very successful strategy for our business.

Our complementary businesses performed very well this year with Riviana and CopRice delivering record sales and profits.

In light of business performance, the Board was pleased to be able to deliver to shareholders a dividend of 21.5 cents per B Class Share, which was paid on the 16th July. This dividend represented approximately \$6 million of the profit for the business.

FOOD SECURITY

Today I am going to cover a few issues of significance to SunRice but before I do, I would like to address the issue of food security. This is an issue very close to my heart.

When I stood here twelve months ago, I highlighted a fundamental change that was happening worldwide – massive population **growth** - and the impact it was having on food production.

It is predicted that 9.3 billion people will inhabit our planet by 2050 – but they will be eating as much food as 13 billion at today's nutritional levels. They will also live in major cities and will try to consume a large proportion of the world's fresh water and consequently try to divert this water from food growing areas.

According to a study by the UN Food and Agriculture Organization (FAO) and the United Nations Population Fund (UNFPA), the effects of population changes worldwide, will mean a 75 percent increase in food supply needs by 2050.

This is immensely significant.

The issue of food security and human sustainability **has been** lost in our country for sometime and particularly during these last 4 years of drought. It never ceased to amaze me that as an irrigator and food producer I was being labelled a 'vandal' and my practices were specifically targeted as 'inappropriate'.

In the last twelve months it has astounded me that throughout this drought Australians have not formed the view that feeding people is the number one priority.

It also astounds me that it takes 1400 GL of water, at source, to deliver 300 GL of water to South Australia.

I have mentioned on numerous occasions that in many countries around the world, water has three main uses: to drink, to wash and to grow food.

Notwithstanding all the criticism that the rice industry and irrigators have had to endure over the past four years, I am pleased to say that I believe the tide is changing.

If there is one good thing that this drought has achieved...it is the slow recognition of the importance of food and food production. I think we have finally woken up to the importance of food security and human sustainability.

We all must eat....and what we do as rice farmers is to facilitate this.

Global rice stocks are at a near 40-year low and we must remember that although stocks were this low in the 1970's, there are now 3 billion extra mouths to feed.

Production for the coming season in the northern hemisphere is shaping up to be challenging. There have been severe floods in India and Bangladesh, significant drought in major rice producing areas of China, and heat waves in Vietnam.

For SunRice this provides some opportunity...and of course, some challenges.

As the most efficient rice growers in the world, we have a crucial role to play. We have beautiful soils, no major pests or disease, a magnificent climate and we are very efficient at utilising all our resources to feed people. It is only logical that

Federal and State governments and our communities continue to support the growing of rice in Australia.

I am delighted that leaders of the water policy debate, such as Mike Young and Peter Cullen, are now supporting the rice industry when once they were very strong detractors. They now agree that rice is particularly well suited to the Australian climate.

...The best way we can assist in the issue of global food security is by continuing to produce the cleanest and greenest rice in the world.

DIRECTOR ELECTIONS

Now turning to Board matters, I am delighted to announce the results of the 2007 Director Election Ballot that closed on Tuesday 21 August.

Our Deputy Chairman Mark Robertson, Alan Walsh and Norm McAllister were re-elected as Directors on the SunRice Board.

Mark Robertson has been a Director on the SunRice Board since 1996, Alan Walsh has been a Director since 2000 and Norm McAllister has been a Director since 1997. All three Directors have made an outstanding contribution to the SunRice business.

I am equally pleased to announce that we have a new member joining the SunRice Board, following on from Bruce Barber's Retirement. I will formally thank Bruce later in my speech.

As most of you by now are aware our newly elected Director is Laurie Arthur, who I am sure is known to you all through his involvement with the RGA.

Laurie grows rice in the Moulamein and Barham areas and has been on the RGA Central Executive for 11 years with 5 as President. Laurie also sits on the NFF policy council and is the Chairman of the NFF Water Taskforce. He is also a Board Member and Deputy Chairman of the NSW Irrigators Council and sits on advisory committees to Snowy Hydro, The National Water Commission and The Living Murray.

On behalf of the Board of SunRice I would like to welcome Laurie and congratulate him on his election success.

I want to commend Scott Hogan, Nayce Dalton and Ian Mason, outstanding candidates who offered themselves for election.

Thank you to all A Class Shareholders of SunRice who participated in this year's Director Elections.

Director Elections are currently held as a postal ballot however, the Board has the option to hold elections at our Annual General Meetings. As a Board we intend to further consider if this option may be suitable for our shareholders for future elections and we may raise this with you again at a later time.

CORPORATE GOVERNANCE

The Board considers sound corporate governance practices to be of vital importance.

The Annual Report contains commentary on governance issues generally and provides information on the responsibilities of the Board, how the Board operates and on our Board Committee structures.

During the year, and more importantly leading up to our listing on the NSX, further work was undertaken to refine compliance and improve the quality and transparency of disclosure.

LISTING ON NSX

We marked an important milestone in the fifty-seven year history of SunRice on the 18th June by listing on the National Stock Exchange of Australia, the NSX.

Listing on the NSX gives shareholders the ability to trade their B Class Shares amongst themselves. This has provided shareholders with the opportunity to unlock some of the value of their investment or increase their investment in SunRice.

Independent research, by ABN Amro, indicated that the shares have a value between \$2.93 and \$3.13, based on the 2006 NTA discounted by 20-25%.

In conjunction with listing on the NSX, the Board gave an undertaking to the NSX that it would put a special resolution to the annual general meeting to increase the maximum B class shareholding limit to 5% (including Associates' shareholdings). At present, maximum B Class shareholding limits of 1% for individual shareholders and 2% for individual shareholders and their Associates are in place.

In the formal part of the meeting today, I recommend you vote in favour of the special resolution to increase the B Class shareholding limit to 5%.

CAPITAL RAISING STRATEGY

We have a strong focus on maintaining grower ownership of the business and believe that giving our shareholders the option to increase their investment in the business is the best mechanism to increase capital.

Last year, the Board commenced communicating the details of a 5-year Capital Raising Strategy to all shareholders. Maximising the conversion of maturing Rice Bonds into permanent capital is the key objective of this strategy.

In November 2006, we issued a Prospectus to shareholders and they took up \$7.7 million of new capital which is a great result considering the hardship caused by the drought.

Shortly, we will be issuing a second Prospectus that outlines the details of phase two of our 5-year strategy.

RICE PROCUREMENT

We need rice!

To ensure we can procure as much rice as possible, SunRice recently called for Expressions of Interest from rice growers to produce 50,000 tonnes of rice.

SunRice is offering contracts for specific areas of specific varieties and to ensure our offer is competitive, we will be offering prices above those guaranteed last year. For the limited tonnages, \$404/t is the minimum price offered for medium grain with varietal premiums taking the prices much higher for niche varieties. For example, \$520 per tonne will be offered for Koshihikari.

The opportunity is available to any grower who wishes to express interest but all growers will have to provide evidence they have the water available to grow the hectares they want to contract.

I strongly encourage those growers who have water available to grow rice in the upcoming season. These are record times and we are offering record prices.

AUSTRALIAN GRAIN STORAGE FACILITIES

As I am sure you are aware, SunRice completed the purchase of paddy storage sheds from the RMB in June 2006. SunRice's subsidiary, Australian Grain Storage, known as AGS, owns and operates the facilities.

Given, the ongoing drought and in the interest of utilising idle assets to generate extra income, we will be providing storage services for Non - Rice Grains this upcoming season. We will be providing more information on this proposal to all growers shortly.

FUTURE DIRECTIONS

In closing, I would like to outline the Board's priorities for the coming year.

The Board's primary objective is to continue to provide a strong return to Australian rice growers and shareholders of SunRice.

Our aim is to achieve recognition for SunRice as a premium investment, capable of returning strong cash flow and maintaining high dividend yield. As a Board we would like to continue to deliver a dividend of at least 21.5 cents per B Class Share.

The Board's focus is on overseeing successful business execution. This involves:

- Establishing SunRice as the premier Global Medium Grain Rice Marketer
- Expanding our range of Long Grain and Fragrant Rices into our traditional domestic and overseas markets
- Continued growth of Rice based Convenience Meals and Nutritional Rice Snacks
- Growth of our strong investments in Riviana, Trukai and CopRice to continue diversification of our group portfolio

I would like at this point to extend my thanks to retiring Board Member Bruce Barber who departs the SunRice Board after twenty-three years.

Of particular note is Bruce's extraordinary contribution as Chairman of Solomon's Rice Company and Director of Trukai Industries. Thanks to Bruce's unwavering interest and passion, these are both very successful subsidiaries of SunRice.

We extend to Bruce our best wishes and sincere thanks.

And my speech would not be complete without thanking my fellow Board members and in particular my Deputy Chairman Mark Robertson. What a magnificent group.

I congratulate them all on their commitment to leverage SunRice's skills and knowledge for the benefit of our shareholders and rice growers.

I also thank our Chief Executive Officer, Gary Helou, who continued to provide a strong and effective leadership in 2006/07 and the Corporate Management Team and all SunRice employees for their passion and commitment to the business.

I would also like to thank Noel Graham, Chairman of the Rice Marketing Board, and Laurie Arthur, President of the Ricegrowers' Association of Australia Inc., for their significant contribution to the industry.