RiceBran Technologies
Form 10-K
March 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to

Commission File Number 0-32565

RiceBran Technologies
(Exact name of registrant as specified in its Charter)

California (State of Incorporation)	87-0673375 (I.R.S. Employer Identification No.)
6720 N. Scottsdale Road, Suite # 390 Scottsdale, AZ (Address of Principal Executive Offices)	85253 (Zip Code)

Registrant's Telephone Number, Including Area Code: (602) 522-3000

Securities registered under Section 12(b) of the Exchange Act:

NONE
Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended). YES o NO x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No o

As of June 30, 2013, the aggregate market value of our common stock held by non-affiliates was $13,826,116.

As of March 25, 2014, there were 2,869,274 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Definitive Proxy Statement for its annual meeting of shareholders, which Definitive Proxy Statement will be filed with the Commission not later than 120 days after the registrant's fiscal year ended December 31, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. Words such as “believes,” “anticipates,” “expects,” “intends” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements are not guarantees of future performance and concern matters that could subsequently differ materially from those described in the forward-looking statements. Actual events or results may also differ materially from those discussed in this Annual Report. These risks and uncertainties include those described in “Risk Factors” and elsewhere in this Annual Report. Except as required by law, we undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Annual Report.

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PART I

ITEM 1. BUSINESS

Overview

History and Our Corporate Structure

We are a human food ingredient, nutritional supplement and animal nutrition company focused on value-added processing and marketing of healthy, natural and nutrient dense products derived from raw rice bran (RRB), an underutilized by-product of the rice milling industry.

Using our bio-refining business model, we apply our proprietary and patented technologies and intellectual properties to convert RRB into numerous high value products including stabilized rice bran (SRB), rice bran oil (RBO), defatted rice bran (DRB), RiBalance (a complete rice bran nutritional package derived from further processing of SRB), RiSolubles (a highly nutritious, carbohydrate and lipid rich fraction of SRB), RiFiber (a fiber rich derivative of SRB), ProRyza rice bran protein-based products and a variety of other valuable derivatives extracted from these core products.

Our target markets are natural food, functional food, nutraceutical supplement, cosmetic and animal nutrition manufacturers, wholesalers and retailers, both domestically and internationally.

In February 2008, through our Delaware subsidiary Nutra S.A., we acquired 100% ownership of Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), our rice bran oil processing plant in Pelotas, Brazil. During 2011, we sold a minority interest in Nutra SA, to AF Bran Holdings-NL LLC and AF Bran Holding LLC.

We have two reportable operating segments in 2013: (i) USA segment, which manufactures and distributes SRB in various granulations along with Stage II products and derivatives and (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products for horses, cows, swine, sheep and poultry and a number of valuable human food and animal nutrition products derivatives and co-products. In addition we incur corporate and other expenses not directly attributable to operating segments, which include costs related to our corporate staff, general and administrative expenses including public company expenses, intellectual property, professional fees, and other expenses. No Corporate allocations, including interests, are made to the operating segments.

The combined operations of our USA and Brazil segments encompass our bio-refining approach to processing RRB into various high quality, value-added constituents and finished products. Over the past decade, we have developed and optimized our proprietary bio-refining processes to support the production of healthy, natural, hypoallergenic, gluten free, and non-genetically modified ingredients and supplements for use in human meats, baked goods, cereals, coatings, health foods, nutritional supplements, nutraceuticals and high-end animal nutrition and health products.

On January 2, 2014, we acquired H&N Distribution Inc., an Irving, Texas based company (H&N) which has a blending and co-packaging facility in Irving, Texas, where it manufactures products for the human nutrition market. See Note 19 to the consolidated financial statements for further discussion of the terms of the acquisition.

We incorporated under the laws of the State of California on March 18, 1998. From July 2003 until October 2012, our corporate name was “NutraCea.” Our common stock is currently trading on NASDAQ Capital Market under the symbol “RIBT.” Certain of our warrants are currently trading on the same exchange under the symbol “RIBTW”.

In November 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The bankruptcy proceeding did not include any of our subsidiaries. We managed our assets and operated our business as debtor-in-possession under the jurisdiction of the bankruptcy court from November 2009 until we successfully exited Chapter 11 proceedings in November 2010, under an amended plan of reorganization. In January 2012, we made the final payments to our unsecured creditors under the amended plan of reorganization. All creditors under the amended plan were paid all amounts due to them, including interest.

USA

In 2013, the USA segment produced SRB inside two supplier rice mills in California and one owned facility in Louisiana. A facility located in Lake Charles, Louisiana has been idle since May 2009 and the operating equipment from that plant has been sold. The USA segment also includes our Dillon, Montana Stage II facility which produces our Stage II products RiSolubles (a highly nutritious, carbohydrate and lipid rich fraction of SRB), RiFiber (a fiber rich derivative of SRB), RiBalance (a complete rice bran nutritional package derived from further processing SRB) and ProRyza (protein based products). Stage II refers to the proprietary processes run at our Dillon, Montana facility and includes products produced at that facility using our patented processes. The manufacturing facilities included in our USA segment have proprietary processing equipment and patented technology for the stabilization and further processing of rice bran into finished products. In 2013, approximately 55% of USA segment revenue is from sales of human food products and approximately 45% is from sales of animal nutrition products. We lease a 28,000 square foot facility in West Sacramento, California that houses a laboratory, warehouse and production facilities. Two rice bran stabilization facilities are co-located within supplier rice mills in Arbuckle and West Sacramento, California.

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Brazil Segment

The Brazil segment consists of the consolidated operations of Nutra SA, whose only operating subsidiary is Irgovel, located in Pelotas, Brazil. Irgovel manufactures RBO and DRB products for both the human ingredient and animal nutrition markets in Brazil and internationally. In refining RBO to an edible grade, several co-products are obtained. One such product is distilled fatty acids, a valuable raw material for the detergent industry. Irgovel also produces rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2013, approximately 45% of Brazil segment product revenue is from sales of RBO products and 55% is from sales of DRB products.

Our Irgovel subsidiary is comprised of several facilities on approximately 19 acres in Pelotas, Brazil. These facilities include a plant for extraction of RBO from raw rice bran, RBO refining processes, compounded animal nutrition manufacturing, consumer RBO bottling, distilled fatty acid manufacture, lecithin manufacture, and support systems including steam generation, maintenance, administrative offices and a quality assurance laboratory.

Ownership Interest in Nutra SA

In December 2010, we entered into a membership interest purchase agreement with AF Bran Holdings-NL LLC and AF Bran Holdings LLC (collectively, the Investors) and sold a minority interest in Nutra SA to the Investors. The Investors initially purchased a 35.6% interest in Nutra SA. The Investors ownership percentage in Nutra SA averaged 49.0% in 2013 and 2012. Following the closing of the underwritten public offering in December 2013 and completion of the private placement offering in March 2014, we invested an additional $4.9 million in Nutra SA. As of March 25, 2014, we own 56.7% of Nutra SA with the remaining 43.3% held by the Investors.

The Investors have the right to force the sale of all Nutra SA assets on or after January 1, 2015, or upon the failure to process a certain level of rice bran in the second and third quarters of 2014. The right terminates upon the occurrence of certain events (a $50.0 million Nutra SA initial public offering or a change of control, as defined). We may elect to exercise a right of first refusal to purchase the Investors' interest instead of proceeding to a sale.

Under the limited liability company agreement for Nutra SA (LLC agreement), as amended, any units held by the Investors beginning January 1, 2014, accrue a yield at 4% (the Yield). Commencing with the first quarter of 2014, Nutra SA must make distributions to the Investors quarterly in the amount equal to the previously accrued and unpaid Yield plus any additional distributions owed to the Investors, to the extent there is distributable cash, as defined in the LLC agreement.

Following the payment of the Yield, Nutra SA must distribute all distributable cash (as defined in the LLC Agreement) to the members on March 31 of each year as follows: (i) first, to the Investors in an amount equal to a multiplier (Preference Multiple) times the Investors' capital contributions, less the aggregate amount of distributions paid to the Investors, (ii) second, to us in an amount equal to two times the capital contributions made by us, less the aggregate amount of distributions paid to us; and (iii) third, to us and the Investors in proportion to our respective membership interests. The Preference Multiple is currently 2.3.

Under an October 2013 amendment, in November 2013, the Investors contributed an additional $0.9 million for units in Nutra SA. We agreed to pay to Nutra SA ninety percent of any funds received from the escrow account in excess of the sum of (i) $1.0 million and (ii) our contributions to Nutra SA made after March 25, 2014, with no resulting change in our Nutra SA voting rights (see Note 14 to the consolidated financial statements.). In the second and third quarters of 2013, we transferred $0.7 million and $0.1 million in cash to Nutra SA. In exchange, title was returned to us for certain equipment contributed to Nutra SA in December 2012 with an historical cost of $0.2 million.

Under the LLC agreement, the business of Nutra SA is to be conducted by the manager, currently our CEO, subject to the oversight of the management committee. The management committee is comprised of three of our representatives and two Investor representatives. Upon an event of default or a qualifying event, we will no longer control the management committee and the management committee will include three Investor representatives and two of our representatives. In addition, following an event of default or a qualifying event, a majority of the members of the management committee may replace the manager of Nutra SA.

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Background

Consistent with our mission to convert feed to food, our greatest opportunities are in the functional food, nutritional supplement, nutraceutical and human food ingredient markets.

Functional Foods, Nutritional Supplements and Nutraceuticals

The US nutraceutical and functional foods market is projected to reach $75.3 billion in 2017 and grow at a compounded annual growth rate of nearly 6% between 2013 and 2017. Premium ingredient manufacturers are in high demand and we are strategically positioned to take advantage of this growing and sustainable market opportunity as discussed below in “Our Growth Strategy”.

Nutraceuticals covers a range of products including botanical extracts, dietary supplements, isolated nutrients and medical foods. Our products can be used as functional ingredients in nutraceutical products to provide certain specific nutrients or food components (including antioxidants, oryzanols, vitamin E, vitamin B, and fiber) and general nutritional supplementation. Our ingredient products are primarily sold to consumer nutrition and healthcare companies, nutritional supplement retailers, and multi-level personal product marketers. In August 2013, we entered into a multi-year agreement to sell certain of our Stage II products to a rapidly growing direct marketing company. Pursuant to that agreement, that company will purchase a minimum of $7.7 million in products during the term of the agreement which expires in December 2016. We will seek additional long-term supply agreements with similar companies in the future. As part of this strategy, we have been working with co-packaging and fulfillment companies to expand our presence in these markets.

Human Food Ingredients

Our SRB, DRB, RBO and derivatives are nutritional, economical and beneficial food products that contain a unique combination of oil, protein, carbohydrates, vitamins, minerals, fibers, and antioxidants that enhance the nutritional value of popular consumer products. Foods that are ideally suited for the addition of our SRB and DRB to their products include processed meats, cereals, baked goods, breading and batters. The inclusion of DRB in breading and batters can result in a reduction in oil uptake, higher moisture retention, improved nutritional profiles, and reduced costs.

In 2008, we received USDA/FSIS approval to market rice bran as an ingredient to be used as a filler in comminuted meat products, such as meat and poultry sausages that contain binders, nugget-shaped patties, meatballs, meatloaf, and meat and poultry patties. Our products replace functional ingredients like soy protein isolate, soy protein concentrate, modified food starch, pea protein and mustard flour at a significantly reduced cost. With strong application benefits such as reduced cost per unit, increased product yield, and reduced purge, our SRB has a strong marketing position in the US meat market and an even stronger position outside the US where non-meat ingredients make up a larger percentage of meat products.

Animal Nutrition

Our SRB and DRB are marketed as feed ingredients in the US and international animal nutrition markets. We will continue to pursue high margin sales opportunities in those markets. Our SRB and DRB are used as equine feed ingredients and have been shown to provide health benefits. Show and performance horses represent the premium end of the equine market and are a key target for our animal nutrition products. In our Brazil segment, we also blend DRB with other ingredients to produce a variety of feed formulations targeted to animal species such as horses, beef cattle, dairy cows, pigs, sheep and poultry.

About Rice Bran

Rice is the staple food for over half of the world's population and is the staple food source for several of the world's most populous countries. Asia accounts for roughly 90% of global rice production and China is the world's number one rice producer. Globally, Brazil and the United States rank about 9th and 10th, respectively, in production of rice at approximately 11 million metric tons annually.

When harvested from the field, individual rice kernels are stored in common receiving locations such as farm silos for future delivery to grain dryers or area rice mills. At this stage, large quantities of individual rice kernels are collectively called "paddy rice," or "rough" rice. In this form, the rice kernel is fully enveloped by the rice hull, which serves as a protective cover, shielding the inner rice kernel from damage.

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After storage and drying, if necessary, paddy rice is cleaned of foreign material (scalping, de-stoning and aspiration) just before it enters the first stage of milling, or paddy husking. In the paddy husker, the hull is removed from rough rice by differential speed rubber rollers. Loosened hulls are carried off by aspiration. After husking, a paddy separator uses a reciprocating motion to separate normal brown rice kernels (caryopsis) from unhusked kernels which are returned to the paddy husker.

In the second stage of milling, the outer brown layers of bran are removed from the inner white starch endosperm by an abrasive or frictional milling process which produces a milled, white rice kernel. After milling, white rice is typically sorted by size to remove broken pieces of rice kernels from whole kernels, as well as color sorting to remove discolored kernels. Additional stages may be required (per customer specifications) to polish the white rice to a smooth surface.

Raw rice bran collected from the milling process is composed of rice germ and several sub-layers (pericarp, testa, nucellus and aleurone) surrounding the white starchy endosperm. Commercial rice bran makes up approximately 10% of rough rice by weight. Rice germ, an especially nutrient rich material, makes up approximately 10% of commercial rice bran by weight.

As brown rice is milled into white rice, the oils present in raw rice bran come into contact with native lipase enzymes that are naturally present in the rice kernel. These lipase enzymes initiate a rapid enzymatic hydrolysis of the oil, converting oils (triglycerides) into monoglycerides, diglycerides and free fatty acids (FFA). As the FFA content builds in raw rice bran, the bran becomes unpalatable and off flavors (rancidity) develop. If left unchecked, enzymatic degradation at normal room temperatures can increase the FFA levels to 5-8% within 24 hours and can continue at a rate of approximately 4-5% per day thereafter. Enzymatic degradation is the most serious form of degradation of raw rice bran. Rice bran stabilization is the process of carefully deactivating native enzymes to prevent the increase of FFA otherwise caused by lipase enzyme activity. Proper stabilization is critical in the preservation of the nutritional value of the bran, an important nutrient source that is largely used as animal feed or otherwise wasted.

Historically there have been a number of attempts to develop rice bran stabilization techniques, including the use of chemicals, microwave heating, or variations of existing extrusion technology. Many of these approaches have had limited success in part because they have produced rice bran with limited shelf life or with significant degradation of nutrients.

Our Technologies

Our Proprietary Rice Bran Stabilization Technology

Our stabilization process uses proprietary innovations to create a combination of temperature, pressure and other conditions necessary to thoroughly deactivate enzymes without significantly damaging the structure or nutrient content of raw rice bran. This means that higher value compounds in bran, such as oils, proteins and phytonutrients are left undamaged and are available for utilization. Our process does not use chemicals to stabilize raw rice bran.

Our stabilizers are designed to be installed adjacent to, on the premises of or in near proximity to any conventional rice mill so that freshly milled raw rice bran can be quickly delivered to our proprietary stabilizers. Process logic controllers maintain exact process conditions within the prescribed pressure/temperature regime. In case of power failure or interruption of the flow of fresh bran into the system, the electronic control system is designed to purge the equipment of materials in process and resume production only after proper operating conditions are re-established.

SRB leaving our system is then discharged onto cooling units specifically designed to control air pressure and humidity. Cooled SRB can be loaded into bulk hopper trucks for large volume customers or sent by pneumatic conveyor to a bagging unit for packaging into 50 pound or 2,000 pound sacks.

Each stabilization module can process approximately 2,000 pounds of bran per hour and has a capacity of over 7,200 tons per year. Stabilization production capacity can be doubled, tripled or further multiplied by installing additional units sharing a common conveyor and stage system, which we believe can handle the output of the world's largest rice mills. We have also developed and tested a smaller production unit, with a maximum production capacity of 840 tons per year, for installation in countries or locations where rice mills are substantially smaller than those in the United States.

Additional patented and proprietary processes involve enzyme treatment of SRB or DRB to produce fractions enriched in one or more macronutrients, including proteins, fibers, lipids and micronutrients such as vitamins, minerals and phytosterols, among others. In these processes SRB or DRB, in an aqueous slurry, is treated with one or more enzymes, centrifugally separated and the fractions dried on drum driers.

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Our Bio-Refining Process

Rice bran is hypoallergenic and a valuable source of protein with a balanced amino acid profile for human nutrition and is rich in healthy oil, vitamins, antioxidants, dietary fiber and other nutrients. The approximate composition and caloric content of our SRB is as follows:

Fat (oil)	18-23%
Protein	12-16%
Total Dietary Fiber	20-30%
Moisture	4-8%
Ash	6-14%
Calories	3.2 kcal/gram

Rice bran contains approximately 18-23% oil, which has a favorable fatty acid composition and excellent heat stability. Rice bran oil contains essential fatty acids and a broad range of nutraceutical compounds that have been demonstrated to have therapeutic properties.

In the bio-refining process, raw rice bran is obtained from a number of rice mills and transported to a facility within which it is first stabilized via extrusion and then solvent extracted to produce crude RBO and DRB. Crude RBO is subsequently processed in a number of steps designed to sequentially capture constituents of value and to remove and discard impurities. The final outcome of these steps is a highly refined, edible RBO that has superior flavor and functional properties. In addition, the various co-products of crude RBO processing, distilled fatty acids for example, are refined and sold as products in their own right. DRB is finely ground and packaged for use as a versatile food ingredient in many applications. DRB may also be compounded with other ingredients such as a vegetable proteins, carbohydrates, vitamin premixes and minerals to produce an array of nutritionally targeted animal feeds for various species. The DRB can also be further processed to extract and concentrate protein and dietary fiber. Our bio-refining process and related technologies are being continuously improved and optimized as we examine the technical and commercial feasibility of producing additional products derived from both RBO and DRB.

DRB contains many of the same nutritional and functional benefits as SRB, except that the oil has been removed. This is important for several ingredient applications where SRB's oil content could present food formulation challenges. By removing oil from SRB, nutritionists have greater options to formulate DRB into breakfast bars, low-calorie foods, low-fat baking applications and batter and breading for frying applications. Additionally, DRB is ideally suited for downstream enzymatic processing, transforming DRB into an ideal feedstock for protein concentrates and fiber concentrates.

RBO as extracted from stabilized rice bran can be utilized in a variety of edible and industrial oil applications. With proper processing, RBO becomes high quality cooking oil possessing beneficial high temperature frying characteristics. RBO has a unique fatty acid content that imparts improved oxidative stability as compared to other vegetable oils such as soy or cottonseed giving it advantages when used in food applications. The RBO extraction process utilized at our Brazilian facility uses a conventional solvent extraction process to separate oil from raw bran, resulting in crude RBO available for sale to industrial markets or other processors. Additional refining processes done in Brazil can involve degumming, neutralization, bleaching, de-waxing and deodorizing. A bio-refining process approach results in numerous marketable co-products in addition to the actual end product.

Our Growth Strategy

With the proceeds from our recent financing efforts, we are positioned to capitalize on specific market conditions that we believe will increase market acceptance of our products and lead to increased growth and profitability. These

market conditions are:

1. Increasing global demand for vegetable oil – Our Brazil segment currently sells all of the rice bran oil it can produce in our oil extraction and refining plant in Pelotas, Brazil. Following the capital expansion project at this plant, we expect raw rice bran processing capacity to increase by approximately 50% in early 2014.

2. Increasing demand for new protein sources – We have co-developed proprietary technologies with DSM Innovation Center, a subsidiary of Royal DSM N.V., that enables the extraction of protein from DRB and SRB feed-stocks that we produce in both of our Brazil and USA segments. We recently launched new protein products from our US operations based on these technologies and plan to produce protein from DRB in our Brazil segment in the future. In addition, we have entered into a series of agreements with various affiliates of Wilmar International Limited (collectively, Wilmar) to develop and commercialize rice bran products, including protein, for the China market. Wilmar currently operates 12 large rice mills in China and is a leading producer of raw rice bran that is available for further processing into higher value products such as protein and fiber.

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3. Demand for "clean" labels on food products – The market for healthy and nutritious foods is rapidly expanding in the US, Europe and other global markets with increasing demand for healthy, natural and minimally processed ingredients that are hypoallergenic, non-genetically modified, and produced in a sustainable fashion. The regulatory need to add front-of-label warnings on food items is driving food companies to replace standard food ingredients like soy and wheat with "cleaner" ingredients such as rice bran which is non-allergenic, non-genetically modified, natural and minimally processed. Incorporation of our food ingredients by major global food companies into meats, baked goods and cereals has steadily increased in the past year helping drive sales. We expect this growth to continue as more food companies adopt rice bran as a standard food ingredient. This trend is not limited to human foods as we are finding a similar transition to "clean" ingredients among high-end animal nutrition companies.

4. The value of proprietary, evidence-based functional ingredients for nutraceuticals and functional foods – With increasing medical costs associated with doctor visits and medications, consumers are becoming more proactive in adopting and maintaining healthier lifestyles through exercise, balanced nutrition and increased consumption of functional foods and nutraceuticals. Associated with this trend is higher demand by marketers of nutraceuticals and functional foods for novel functional ingredients and particularly for proprietary and patented ingredients that provide barriers to competition in the marketplace, therefore commanding higher premiums. We currently develop and commercialize proprietary rice bran ingredients and derivatives from our Stage II facility in the USA segment.

Expand Our Nutraceutical and Functional Foods (NFF) Business

The US nutraceutical and functional foods market is projected to reach $75.3 billion in 2017 and grow at compound annual growth rate of nearly 6% between 2013 and 2017. We have invested significant resources on research and development of rice bran extracts with health-related applications. Functionalities for a subset of these products were validated through scientific studies and human clinical studies. Our portfolio of functional ingredients includes rice bran extracts that demonstrate beneficial properties in areas of cardiovascular health, weight management, glucose balance, inflammatory response and gastrointestinal health. Premium ingredient manufacturers are in high demand and we are strategically positioned to take advantage of this growing and sustainable market opportunity. We believe our proprietary technology and patents represent valuable assets for achieving strategic leverage in this industry segment particularly in the nutraceuticals, functional foods and functional beverages sectors.

In late 2009, we ceased further development of our NFF business as we repositioned our overall business. We are now well positioned to expand our NFF business by adopting the following strategy:

Direct marketing to formulators and co-packers. We believe that marketing our active ingredients directly to formulators and co-packers who manufacture turnkey finished products for direct to consumer marketing companies (i.e. multi-level marketing (MLM), web, radio, retail) and to active ingredient distributors will reduce new product development cycles and drive sales of our functional ingredients. Co-packers and distributors of healthy and natural products have established credibility with multiple marketing companies who rely on these businesses to develop and manufacture new turnkey products. In our experience, working with formulators and co-packers to sell finished products to marketing and distribution companies can shorten the product development cycle and increases sales quickly.

In December 2010, we began working with H&N, a company specializing in filling and packaging healthy and natural products for NFF markets to develop turnkey products for a MLM company. This resulted in sales of approximately $0.1 million of certain Stage II products in 2011. Sales in 2012 increased to approximately $0.3 million and through August 2013 were approximately $0.6 million. In August 2013, we entered into a multi-year agreement to sell one of our Stage II products to a rapidly growing direct marketing company. Pursuant to the agreement, that company will purchase a minimum of $7.7 million in products during the term of the agreement which expires in December 2016. In January 2014, we purchased H&N.

In September 2013, we entered into an agreement with a Taiwanese marketing and distribution company to supply them with another of our Stage II products for exclusive distribution in Taiwan. The agreement is renewable based on annual minimum purchases. In 2014, we entered in an additional agreement with the Taiwanese company to supply Stage II products for Malaysia.

We believe that focusing our marketing efforts on distributors, formulators and co-packaging companies will increase sales of our Stage II products in both the short- and long-term as new functional ingredients are added to our portfolio of products.

Acquisition of formulating and packaging company that serves the NFF. In January 2014, we acquired H&N. By incorporating H&N's formulating and packaging capabilities into our business model, we expect to drive sales of our Stage II products into multiple NFF channels allowing us to capture not only single ingredient sales but also sales of blended finished products consisting predominantly of our ingredients blended with other products and sold as a finished product on a business to business basis.

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Increase production capacity of our Stage II products. Production of certain Stage II products at our Dillon, Montana facility is projected to grow by over 400% by 2016, as compared to current production levels. The Dillon plant can accommodate the growth in production through early 2015 but will require additional production capacity during 2015. As part of our growth strategy, we plan to use part of the proceeds from our recent fund raising efforts to double production capacity at our Dillon plant. Expansion efforts are projected to begin in the second quarter of 2014 with completion targeted for the end of 2014.

Develop novel proprietary functional ingredients. As part of our long-term strategy to grow the NFF business, we will continue to develop functional ingredients and packaged, compounded finished products from rice bran and to validate their functionality through evidence-based scientific studies and human clinical trials.

Increase Global Distribution Network

Our growth strategy includes increasing sales of our products in overseas markets. As part of this strategy, in July 2013 we amended our exclusive distribution agreement with Beneo-Remy, a 100% owned subsidiary of Sudzucker AG, a German public company, under which Beneo-Remy will exclusively distribute our SRB product and non-exclusively distribute our other products to more than 40 countries in Europe, Middle East, Africa and other geographies. As previously described above, in September 2013, we also entered into an exclusive distribution agreement with a Taiwanese company to market our rice bran derivatives in Taiwan. We plan to add additional distributors to our network in Canada, Mexico, Central/South America, Asia and other global markets.

Complete Expansion of our Rice Bran Bio-Refinery in Brazil

Our Irgovel facility is in the final stages of a major expansion that is expected to be completed at the end of the first quarter of 2014, and fully operational by the end of the second quarter of 2014. This expansion should increase RRB processing approximately 50% from current capacity of 6,000 metric tons per month to approximately 9,000 metric tons per month of processed RRB resulting in higher revenues and profitability.

Co-Research and Development and Investment in New Wilmar Businesses

We will continue to collaborate with Wilmar's research and development and commercialization groups to develop and market rice bran derived products in China. Under the agreements, we obtained the right to purchase 45% of the capital stock of any entity Wilmar establishes to develop new products relating to rice bran or its derivative, as defined in the agreement, using the intellectual property licensed to Wilmar. If we decline the right to purchase 45% of the capital stock of any such new entity, we have the option to purchase 25% of the entity within two years of the entity's formation. The exercise price for this option will equal 25% of the capital investment made in the entity, plus interest, as defined in the agreement. We believe this strategic partnership represents a significant opportunity for us to participate in the Asia food market and to increase the overall value of our business.

Continue to Generate Evidence-Based Functionality of Our Proprietary Ingredients

A 57-subject clinical trial conducted by Advanced Medical Research, with our funding, suggested that consumption of our RiSolubles nutritional supplements may lower blood glucose levels of type 1 and type 2 diabetes mellitus patients and may be beneficial in reducing high blood cholesterol and high blood lipid levels. If warranted, we may develop products which address the use of SRB products as medical foods for, and to potentially make health benefit claims relating to, the effects of dietary rice bran on overall health and well-being and as it may relate to maintaining balanced sugar and lipid levels.

We have maintained relationships with several medical institutions and practicing physicians who may continue to conduct clinical trials and beta work for our products. Some of these previous clinical trials are reviewed in an article

entitled “Effects of Stabilized Rice Bran, its Soluble and Fiber Fractions on Blood Glucose Levels and Serum Lipid Parameters in Humans with Diabetes Mellitus Types I and II” published in the Journal of Nutritional Biochemistry (March 2002, 175-187). The trial produced positive results by showing that the levels of blood lipids and glycosylated hemoglobin were reduced. Subsequently, three domestic and six international patents were issued to us on the strength of this clinical trial.

In December 2007, we formed Rice Science, LLC (Rice Science), a Delaware limited liability company, with Herbal Science Singapore Pte. Ltd. (Herbal Science) to develop nutraceutical extracts and pharmaceutical chemistries from our SRB. Herbal Science utilized sophisticated methodologies in the identification and isolation of specific biologically active compounds that have been tested for effectiveness against specific disease conditions. In March 2011, our partnership with Herbal Science ended with us acquiring the membership interest formerly owned by Herbal Science, leaving Rice Science as our wholly owned subsidiary. We are hopeful that the research performed by Herbal Science will result in biologically active SRB extracts for use in the nutraceutical and functional food industry.

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In 2008, Rice Science conducted research regarding the development of extracts from SRB that would be effective in addressing inflammation and pain. A number of SRB extracts have been tested with two identified as having significant in vitro activities. A blend of these two extracts was created to produce a third extract that exhibits a high level of in vitro inhibition of Cox 1, Cox 2 and Lox 5 enzymes (Journal of Medicinal Food (2009) 12, 615-623). This extract was used in a pharmacokinetic study to determine uptake kinetics of key bioactives into human serum. Results indicated that the bioactive compounds were rapidly assimilated. The next step would be to conduct a human clinical trial if funds were available. A number of active compounds were identified and modeled.

Late in 2007, the Cancer Biomarkers Group in the Department of Cancer Studies and Molecular Medicine, University of Leicester in Leicester, UK published a research paper evaluating the effect of our SRB in ApcMin mice (British Journal of Cancer (2007) 96, 248-254). The mice were genetically modified to serve as models for mammary, prostate and intestinal carcinogenesis. They reported that consumption of SRB (30% in the diet) reduced the numbers of intestinal adenomas in these mice by 51% compared to the same mice on a control diet.

Intellectual Property

From 2011 to March 2013, we engaged in a joint research project with DSM Innovation Center, a subsidiary of Royal DSM N.V., to develop methods for extracting and concentrating high quality vegetable protein from rice bran. Combined spending on research and development related to that project totaled $3.0 million. In March 2013, we announced the development of an improved fiber protein product and a separate water soluble rice bran protein product which have been commercialized under the ProRyza mark. We will continue to support internal as well as external R&D efforts that improve on existing technologies or lead to the development of new technologies relating to rice bran processing and applications.

We hold eight U.S. patents relating to the production or use of rice bran and rice bran derivatives. In addition to the issued U.S. patents, we have been issued fourteen additional foreign patents covering the subject areas. We intend to apply for additional patents in the future as new products, treatments and uses are developed.

Our bio-refining and related stabilization activities are an adaptation and refinement of standard food processing technology applied to rice bran. We have chosen to treat certain of our methods and processes as a trade secret and not to pursue process or process equipment patents on the original processes. However, as we develop improvements we intend to periodically review whether we should seek patent protection for them. We believe that certain unique products, and their biological effects, resulting from our SRB may be patentable in the future. We also hold a number of U.S. registered trademarks and trade names and have applied for additional marks.

Government Regulations

In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the United States, and at all levels of government in foreign jurisdictions, including regulations pertaining to the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our products. In addition, we are subject to regulations regarding product claims and advertising.

USA Segment

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of our products are subject to regulation by one or more federal agencies, primarily the FDA, the FTC, and the USDA. Our activities are also regulated by various governmental agencies for the states and localities in which our products are manufactured and sold, as well as by governmental agencies in certain countries outside the United States, such as Brazil as discussed below, in which our products are manufactured and sold. Among other matters, regulation by the FDA and FTC is

concerned with product safety and claims made with respect to a product's ability to provide health-related benefits. Specifically, the FDA, under the Federal Food, Drug, and Cosmetic Act (FDCA), regulates the formulation, manufacturing, packaging, labeling, distribution and sale of food including dietary supplements. The FTC regulates the advertising of these products.

Federal agencies, primarily the FDA and the FTC, have a variety of procedures and enforcement remedies available to them, including initiating investigations, issuing warning letters and cease-and-desist orders, requiring corrective labeling or advertising, requiring consumer redress such as requiring that a company offer to repurchase products previously sold, seeking injunctive relief or product seizures, imposing civil penalties or commencing criminal prosecution. In addition, certain state agencies have similar authority. These federal and state agencies have in the past used these remedies in regulating participants in the food and dietary supplement industries, including the imposition of civil penalties.

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The Dietary Supplement Health and Education Act (DSHEA) was enacted in 1994, amending the FDCA. DSHEA establishes a statutory class of "dietary supplements," which includes vitamins, minerals, herbs or other botanicals, amino acids and other dietary ingredients for human use to supplement the diet. Dietary ingredients marketed in the United States before October 15, 1994, may be marketed without the submission of a "new dietary ingredient" (NDI) premarket notification to the FDA. Dietary ingredients marketed in the United States after October 15, 1994, may require the submission, at least 75 days before marketing, of an NDI notification containing information establishing that the ingredient is reasonably expected to be safe for its intended use. Among other things, DSHEA prevents the FDA from regulating dietary ingredients in dietary supplements as "food additives" and allows the use of statements of nutritional support on product labels and in labeling. The FDA has issued final regulations under DSHEA and has issued draft guidance on NDI notification requirements. Further guidance and regulations are expected.

The FDA issued a final rule on current good manufacturing practices (CGMPs) for dietary supplements on June 25, 2007. The CGMPs cover manufacturers and holders of finished dietary supplement products, including dietary supplement products manufactured outside the United States that are imported for sale into the United States. Among other things, the new CGMPs require identity testing on all incoming dietary ingredients; call for a "scientifically valid system" for ensuring finished products meet all specifications; include requirements related to process controls, including statistical sampling of finished batches for testing and requirements for written procedures; and require extensive recordkeeping.

On December 22, 2006, Congress passed the Dietary Supplement and Nonprescription Drug Consumer Protection Act, which went into effect on December 22, 2007. The law requires, among other things, that companies that manufacture or distribute nonprescription drugs or dietary supplements report serious adverse events allegedly associated with their products to the FDA and institute recordkeeping requirements for all adverse events.

The FDA Food Safety Modernization Act (FSMA), enacted January 4, 2011, amended the FDCA to significantly enhance FDA's authority over various aspects of food regulation including dietary supplements. The FSMA granted FDA mandatory recall authority when the FDA determines there is a reasonable probability that a food is adulterated or misbranded and that the use of, or exposure to, the food will cause serious adverse health consequences or death to humans or animals. One of the FSMA's more significant changes is the requirement of hazard analysis and risk-based preventive controls (HARBPC) for all food facilities required to register with the FDA, except dietary supplement facilities in compliance with both CGMPs and the serious adverse event reporting requirements. Failure to comply with both CGMPs and the serious adverse event reporting requirements may subject dietary supplement manufacturers to the HARBPC requirements.

As required by Section 113(b) of the FSMA, the FDA published in July 2011 a draft guidance document clarifying when the FDA believes a dietary ingredient is an NDI, when a manufacturer or distributor must submit an NDI premarket notification to the FDA, the evidence necessary to document the safety of an NDI and the methods for establishing the identity of an NDI. The draft guidance, if implemented as proposed, could have a material impact on our operations. It is possible that the FDA will begin taking enforcement actions consistent with the interpretations in the draft guidance before issuing a final version.

The new FSMA requirements, as well as the FDA enforcement of the NDI guidance as written, could require us to incur additional expenses, which could be significant, and negatively impact our business in several ways, including, but not limited to, the injunction of manufacturing of any dietary ingredients or dietary supplements until the FDA determines that such ingredients or products are in compliance and the potential imposition of fees for reinspection of noncompliant facilities. Each of these events could increase our liability and could have a material adverse effect on our financial condition, results of operations or cash flows.

In general, before any substance can be added to food, its safety must be assessed in a stringent approval process. When an additive is proposed for use in a meat, its safety, technical function, and conditions of use must also be

evaluated by the USDA. Because the USDA retains jurisdiction over meat products and food ingredients intended for use in meats, the use of our SRB and DRB meat enhancers is regulated by this agency. Both SRB and DRB have USDA approval for use in meat products.

Brazil Segment

The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA), one of the Federal administrative bodies, is the primary regulator of agricultural products in Brazil, which main activity is the management of public policies to encourage agriculture, the promotion of agribusiness and the regulation and standardization of services related to the sector. Amongst other activities, MAPA is responsible for the regulation and control of pharmaceuticals, biological products and medicated feed additives for animal use. MAPA is organized into departments, each one responsible for different sectors of the nation's agribusiness. Amongst these departments, the Secretary of Agricultural Defense (SDA) is responsible for implementing the actions of the State which aims at the prevention, control and eradication of animal diseases and plant pests. The SDA also contributes to the formulation of the national agricultural policy by planning, regulating, coordinating and supervising the activities of agricultural defense throughout the country, being responsible for the coordination of the Department of Inspection of Livestock Products. In order to fulfill its mission, the SDA provides central management and regulatory bodies as well as projections within the states for the implementation and coordination of those activities for which it is responsible. Furthermore, ANVISA, a regulatory agency which operates in all those sectors related to products and services that affect the health of the population, and with expertise that covers both sanitary regulation and the economic regulation of the market, contributes to the enforcement of most of the regulations regarding processed food products, including vegetable oils, fats and vegetable creams.

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In addition to the foregoing, our operations will be subject to federal, foreign, state, and local government laws and regulations, including those relating to zoning, workplace safety, and accommodations for the disabled, and our relationship with our employees are subject to regulations, including minimum wage requirements, anti-discrimination laws, overtime and working conditions, and citizenship requirements.

Sales and Marketing

Both of our USA and Brazil segments use internal sales staff, outside independent sales representatives and third party distributors to market our portfolio of products domestically and internationally. In 2013, three customers accounted for 38% of USA segment revenues. In our Brazil segment, three customers accounted for 35% of segment revenues. In 2012, three customers accounted for approximately 40% of USA segment revenues and in our Brazil segment, three customers accounted for approximately 38% of segment revenues. We continue to diversify our customer base in an attempt to mitigate the concentration of customers. We have recently signed multi-year contracts with two customers who we expect to grow significantly. In addition, we have recently initiated new ingredient sales to large international consumer products companies that we expect to further diversify our portfolio risk.

Our Strategic Alliances

In 2011, we entered into an agreement with DSM Innovation Center, a subsidiary of Royal DSM N.V., with the goal of developing technology to extract and concentrate protein from rice bran. In March 2013, the agreement was mutually terminated under terms whereby we each received (i) the right to separately develop, modify and improve the jointly developed technology owned by the partner and (ii) a nonexclusive, royalty free, perpetual license to that technology.

RBT PRO, LLC (RBT PRO) was a wholly owned subsidiary whose only asset was the license acquired in March 2013. In April 2013, we entered into a series of agreements with Wilmar. In connection therewith, we sold a 50% membership interest in RBT PRO to Wilmar for $1.2 million. RBT PRO granted an exclusive, royalty free, perpetual sublicense of the license to Wilmar for use throughout China and to us for use worldwide, excluding China.

We also entered into a cross license agreement with Wilmar. We agreed to license to Wilmar all of our intellectual property with respect to processing of rice bran and its derivatives for use in China. Wilmar agreed to license to us (i) its intellectual property with respect to processing of rice bran, and its derivatives, based on the intellectual property licensed to Wilmar under the license for use worldwide, excluding China and (ii) its other intellectual property with respect to processing of rice bran, and its derivatives, for use worldwide, excluding certain countries in Asia.

Under the agreements, we obtained the right to purchase 45% of the capital stock of any entity Wilmar establishes to develop new products relating to rice bran or its derivative, as defined in the agreement, using the intellectual property licensed to Wilmar. If we decline the right to purchase 45% of the capital stock of any such new entity, we have the option to purchase 25% of the entity within two years of the entity's formation. The exercise price for this option will equal 25% of the capital investment made in the entity, plus interest, as defined in the agreement.

Our Competition

There are a number of companies that have invested significant resources to develop stabilizing technologies for stabilizing and further processing rice bran and who market rice bran products with varying levels of stabilization into multiple markets around the world. We believe that we have best of breed technologies for stabilizing rice bran and, as such, have developed significant brand recognition in the animal feed and human food ingredient sectors both domestically and internationally. Together with our decades of application technology know-how and patented processing methods, we believe that we have a first-to-market advantage over the competition with respect to our SRB products

We are aware of several new producers of rice based animal nutrition and food ingredient products in the US, Europe and Asia. We believe that our major nutritional supplement competitors include producers of isolated soy protein, wheat bran and oat bran, particularly in the functional food ingredients market segment.

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We compete with other companies that offer products incorporating SRB as well as companies that offer other food ingredients and nutritional supplements. We also face competition from companies providing products that use oat bran and wheat bran as nutritional supplements as well as for health and beauty aids. Many consumers may consider such products to be a replacement for the products we manufacture and distribute.

Beginning in 2008 with the purchase of Irgovel, we also began to compete in the world's edible oil market. Our competition for exports of rice bran oil resides primarily in Southeast Asia. Our branded rice bran oil “Carreteiro” competes with other bottled oils such as soy, palm, canola, peanut and others in the Brazilian market. In addition, our exported rice bran oil competes with those same oils from other grains, seeds and plants in markets around the world.

Our Employees

As of December 31, 2013, the USA and Corporate segments had 40 employees located in the U.S. The Brazil segment had 220 employees. Our employee count may change periodically. From year to year we experience normal variable labor fluctuation at our production facilities. We believe relations with our employees are good. None of our U.S. based employees are covered by collective bargaining agreements. All of the employees at our Irgovel facility in Brazil are represented by a labor union and are covered by a collective bargaining agreement.

Securities and Exchange Commission Reports

We maintain an Internet website at the following address: www.ricebrantech.com. We make available on or through our Internet website certain reports and amendments to those reports that we file with the Securities and Exchange Commission (SEC) in accordance with the Securities Exchange Act of 1934 (Exchange Act). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The contents of our website are not incorporated by reference in this report on Form 10-K and shall not be deemed “filed” under the Securities Exchange Act of 1934. The public may also read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on the SEC website (www.sec.gov).

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Investors or potential investors in our stock should carefully consider the risks described below.

RISK FACTORS

Risks Relating to Our Business

We have not yet achieved positive cash flows.

Our net cash used in operating activities was $5.2 million in 2013 and $4.8 million in 2012. We may not be able to achieve revenue growth, profitability or positive cash flow, on either a quarterly or annual basis, and that profitability, if achieved, may not be sustained. If we are unable to achieve or sustain profitability, we may not be financially viable in the future and may have to curtail, suspend, or cease operations, restructure existing operations to attempt to ensure future viability, or pursue other alternatives such as re-filing for bankruptcy, pursuing dissolution and liquidation, seeking to merge with another company, selling all or substantially all of our assets or raising additional

capital through equity or debt financings. Because of our recurring losses and negative cash flows from operations, the audit report of our independent registered public accountants on our consolidated financial statements contains an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern.

We have generated significant losses since our inception in 2000, and losses in the future could cause the trading price of our stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due and on our cash flows.

Since we began operations in February 2000, we have incurred an accumulated deficit in excess of $200 million. We may not be able to achieve or maintain profitable operations if achieved. If our losses continue, our liquidity may continue to be severely impaired, our stock price may fall and our shareholders may lose all or a significant portion of their investment. If we are not able to attain profitability in the near future our financial condition could deteriorate further which could have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment. Further, we may be unable to pay our debt obligations as they become due, which include obligations to secured creditors.

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We may need to raise additional funds through debt or equity financings in the future to achieve our business objectives and to satisfy our cash obligations, which would dilute the ownership of our existing shareholders and possibly subordinate certain of their rights to the rights of new investors.

We may need to raise additional funds through debt or equity financings in order to complete our ultimate business objectives. We also may choose to raise additional funds in debt or equity financings if they are available to us on reasonable terms to increase our working capital, strengthen our financial position or to make acquisitions. Our board of directors (the Board) has the ability, without seeking shareholder approval, to issue convertible debt and additional shares of common stock or preferred stock that is convertible into common stock for such consideration as the board of directors may consider sufficient, which may be at a discount to the market price. Any sales of additional equity or convertible debt securities would result in dilution of the equity interests of our existing shareholders, which could be substantial. Additionally, if we issue shares of preferred stock or convertible debt to raise funds, the holders of those securities might be entitled to various preferential rights over the holders of our common stock, including repayment of their investment, and possibly additional amounts, before any payments could be made to holders of our common stock in connection with an acquisition of us. Such preferred shares, if authorized, might be granted rights and preferences that would be senior to, or otherwise adversely affect, the rights and the value of our common stock. Also, new investors may require that we and certain of our shareholders enter into voting arrangements that give them additional voting control or representation on our board of directors.

Any material weaknesses in our internal control over financing reporting in the future could adversely affect investor confidence, impair the value of our common stock and increase our cost of raising capital.

Any future failure to remedy deficiencies in our internal control over financial reporting that may be discovered or our failure to implement new or improved controls, or difficulties encountered in the implementation of such controls, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could, in turn, affect the future ability of our management to certify that internal control over our financial reporting is effective. Inferior internal control over financial reporting could also subject us to the scrutiny of the SEC and other regulatory bodies which could cause investors to lose confidence in our reported financial information and could subject us to civil or criminal penalties or shareholder litigation, which could have an adverse effect on our results of operations and the trading price of our common stock.

In addition, if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in our financial statements and harm our share price. Furthermore, deficiencies could result in future non-compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Such non-compliance could subject us to a variety of administrative sanctions, including review by the SEC or other regulatory authorities.

There are significant market risks associated with our business.

We have formulated our business plan and strategies based on certain assumptions regarding the size of the rice bran market, our anticipated share of this market, the estimated price and acceptance of our products and other factors. T