

NUTRACEA  
Form 424B3  
May 16, 2007

**PROSPECTUS SUPPLEMENT**  
**Dated May 16, 2007**

**Filed Pursuant to Rule 424(b)(3)**  
**Registration No. 333-134957**

**PROSPECTUS SUPPLEMENT**  
**DATED MAY 16, 2007**  
**TO PROSPECTUS DATED**  
**MAY 16, 2007 OF**

**NUTRACEA**

**15,694,894 SHARES**  
**COMMON STOCK**

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This prospectus supplement includes financial and other information derived from NutraCea's quarterly report on Form 10-Q for the quarter ended March 31, 2007 which was previously filed with the Securities and Exchange Commission. This prospectus supplement, together with the prospectus listed above, is to be used by certain holders of the above-referenced securities or by their transferees, pledgees, donees or their successors in connection with the offer and sale of the above referenced securities. This prospectus supplement should be read in conjunction with the prospectus dated May 16, 2007, which is to be delivered with this prospectus supplement. All capitalized terms used but not defined in the prospectus supplement shall have the meanings given them in the prospectus.

**FORWARD LOOKING STATEMENTS**

This prospectus supplement contains forward-looking statements that involve substantial risks and uncertainties. These statements may generally be identified by the use of such words as "may," "could," "estimate," "continue," "expect," "anticipate," "believe," "intend," "plan," "will," or "shall." These forward-looking statements are based on current expectations and entail various risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth below and in our annual report on Form 10-K for the year ended December 31, 2006. We disclaim any obligation to update any forward looking statements as a result of developments occurring after the date of this prospectus supplement.

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The following information is added to the prospectus listed above:

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**PART 1.****FINANCIAL INFORMATION****Item 1.****Financial Statements****NUTRACEA AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS**

	<b>March 31, 2007 (Un-audited)</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 61,769,000	\$ 14,867,000
Marketable securities	368,000	368,000
Trade accounts receivable, net	3,214,000	7,093,000
Inventories	1,343,000	796,000
Notes receivable, net of discount, current portion	4,928,000	1,694,000
Deposits and other current assets	2,061,000	1,383,000
<b>Total current assets</b>	<b>73,683,000</b>	<b>26,201,000</b>
Notes receivable, net of current portion	648,000	682,000
Property and equipment, net	11,139,000	8,961,000
Patents, trademarks, and other intangible assets, net	5,021,000	5,097,000
Goodwill	32,314,000	32,314,000
<b>Total assets</b>	<b>\$ 122,805,000</b>	<b>\$ 73,255,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,399,000	\$ 2,778,000
Deferred revenue	34,000	103,000
<b>Total current liabilities</b>	<b>1,433,000</b>	<b>2,881,000</b>
<b>Commitments and contingencies:</b>		
Convertible, series B preferred stock, no par value, \$1,000 stated value 20,000,000 shares authorized, 0 and 470 shares issued and outstanding	-	439,000
Convertible, series C preferred stock, no par value, \$1,000 stated value 25,000 shares authorized, 2 and 5,468 shares issued and outstanding	2,000	5,051,000
<b>Shareholders' equity</b>		
Common stock, no par value 200,000,000 shares authorized, 134,817,754 and 103,792,827 shares issued and outstanding in 2007 and 2006, respectively	170,844,000	114,111,000
Accumulated deficit	(49,552,000)	(49,305,000)
Accumulated other comprehensive income, unrealized gain on marketable securities	78,000	78,000

Total shareholders' equity	121,370,000	64,884,000
Total liabilities and shareholders' equity	\$ 122,805,000	\$ 73,255,000

The accompanying notes are an integral part of these consolidated condensed financial statements.

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**NUTRACEA AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(Un-audited)

	Quarters ended	
	March 31, 2007	March 31, 2006
<b>Revenues</b>		
Net product sales	\$ 1,987,000	\$ 3,773,000
Royalty	10,000	9,000
Total revenue	1,997,000	3,782,000
<b>Cost of goods sold</b>		
	1,113,000	2,100,000
Gross Margin	884,000	1,682,000
<b>Operating expenses</b>		
Research and development expenses	121,000	98,000
Selling, general and administrative expenses	2,313,000	1,535,000
Professional fees	459,000	308,000
Total operating expenses	2,893,000	1,941,000
Loss from operations	(2,009,000)	(259,000)
Other income (expense)		
Interest and other income	512,000	26,000
Gain on settlement	1,250,000	-
Net loss	\$ (247,000)	\$ (233,000)
<b>Basic and diluted earnings per share:</b>		
Basic loss per share	\$ 0.00	\$ (0.00)
Fully diluted loss per share	\$ 0.00	\$ (0.00)
Weighted average basic number of shares outstanding	111,959,000	67,119,000
Weighted average fully diluted number of shares outstanding	111,959,000	67,119,000

The accompanying notes are an integral part of these consolidated condensed financial statements.

**NUTRACEA AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Un-audited)**

	<b>Quarters ended</b>	
	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Net loss	\$ (247,000)	\$ (233,000)
<b>Other comprehensive loss:</b>		
Unrealized loss on marketable securities	-	(8,000)
Net comprehensive loss	\$ (247,000)	\$ (241,000)

The accompanying notes are an integral part of these consolidated condensed financial statements.

**NUTRACEA AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(Un-audited)

	Quarters ended	
	March 31, 2007	March 31, 2006
Cash flow from operating activities:		
Net loss	\$ (247,000)	\$ (233,000)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	278,000	263,000
Stock-based compensation	438,000	389,000
Recognition of deferred income	(69,000)	-
Net changes in operating assets and liabilities		
Trade accounts receivable	363,000	(541,000)
Inventories	(547,000)	(104,000)
Deposits and other current assets	(678,000)	(33,000)
Accounts payable and accrued liabilities	(1,379,000)	471,000
Net cash provided (used in) provided by operating activities	(1,841,000)	212,000
Cash flows from investing activities		
Proceeds from payments of notes receivable	625,000	-
Issuance of notes receivable	(309,000)	-
Purchases of property and equipment, and other assets	(2,356,000)	(731,000)
Purchases of patents, trademarks, and other intangible assets	(24,000)	-
Net cash used in investing activities	(2,064,000)	(731,000)
Cash flows from financing activities		
Proceeds from private placement financing, net of expenses	46,877,000	-
Proceeds from exercise of common stock options	3,930,000	-
Payment on long-term debt	-	(2,000)
Net cash provided by (used in) financing activities	50,807,000	(1,000)
Net increase (decrease) in cash	46,902,000	(521,000)
Cash, beginning of period	14,867,000	3,491,000
Cash, end of period	\$ 61,769,000	\$ 2,970,000
Supplemental disclosures:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash disclosures of investing and financing activities:		
Accounts receivable converted to note receivable	\$ 3,516,000	\$ -
Conversion of preferred stock to common stock	\$ 5,488,000	\$ 1,375,000

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The accompanying notes are an integral part of these consolidated condensed financial statements.



**NUTRACEA AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION**

The accompanying un-audited interim consolidated condensed financial statements of NutraCea have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in NutraCea’s Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements that would substantially duplicate the disclosures contained in the audited financial statements for 2006 as reported in the 10-K have been omitted.

**2. STOCK-BASED COMPENSATION**

On January 1, 2006, NutraCea adopted SFAS No. 123(R), “Share-Based Payment” (“SFAS 123(R)”). SFAS 123(R) replaced SFAS No. 123 and supersedes APB Opinion No. 25. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition. NutraCea adopted SFAS 123(R) using the modified prospective method which requires the application of the accounting standard as of January 1, 2006. The consolidated financial statements as of and for the quarters ended March 31, 2007 and 2006 reflect the impact of adopting SFAS 123(R).

Stock-based compensation expenses totaled \$438,000 for the quarter ended March 31, 2007, of which approximately \$55,000 related to the issuance of common stock to a former director for services (see Note 11) and a total of \$383,000 related to the vesting of options and warrants issued to employees and consultants for services rendered. In the quarter ended March 31, 2006, stock-based compensation expenditures totaled \$389,000, of which \$15,000 related to the issuance of common stock to consultants and directors and a total of \$374,000 related to the vesting of warrants and options issued to consultants and employees. For all agreements where stock is awarded as partial or full consideration, the expense is valued at the fair value of the stock. Expenses for stock options and warrants issued to consultants and employees are calculated based upon fair value using the Black-Scholes valuation method.

The weighted average grant date fair value of the stock options granted during the three months ended March 31, 2007 and 2006 was \$2.50 and \$1.31 per share, respectively. Variables used in the Black-Scholes option-pricing model include (1) risk-free discount rates from 4.51% to 4.84%, (2) expected option life is the actual remaining life of the options as of each period end, (3) expected volatility is 99.9% to 324.1% and (4) zero expected dividends.

**3. MARKETABLE SECURITIES**

On September 8, 2004, NutraCea purchased 1,272,026 shares of Langley Park Investment Trust, PLC (“Langley”), a United Kingdom closed-end mutual fund that is actively traded on a London exchange. Per the Stock Purchase Agreement, NutraCea paid with 7,000,000 shares of its own common stock.

Per the agreement with Langley, NutraCea may sell 636,013 shares of Langley at any time, and the remaining 636,013 shares of Langley and the 7,000,000 shares of NutraCea are escrowed together for a 2-year period ending October 7, 2006. At the end of the period, Langley’s NutraCea shares are measured for any loss in market value and if so, NutraCea must give up that pro-rata portion of its Langley shares up to the escrowed 636,013 shares.

As of March 31, 2007, the NutraCea shares have not lost any value. However, the Langley shares are marked down to their fair market value of \$368,000, with the entire amount shown as a current asset because the escrow period has passed and we may now sell all 1,272,026 shares at any time.

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Any unrealized holding gains and losses on the marketable securities are excluded from operating results and are recognized as other comprehensive income. The fair value of the securities is determined based on prevailing market prices.

On September 8, 2006, NutraCea commenced a lawsuit against Langley in the United States District Court for the Eastern District of California, Sacramento Division regarding this transaction. The matter was settled on March 27, 2007. Pursuant to the settlement, NutraCea received \$1,250,000 from Langley in March 2007 and NutraCea retained all of the Langley shares. The \$1,250,000 settlement is included in the income statement as other income.

#### 4. INVENTORY

Inventories are composed of the following:

	March 31, 2007	December 31, 2006
Finished goods	\$ 1,131,000	\$ 533,000
Raw materials	64,000	168,000
	148,000	95,000
	\$ 1,343,000	\$ 796,000

#### 5. NOTES RECEIVABLE

At March 31, 2007, we have eight (8) secured promissory notes outstanding to the Company with an aggregate amount of \$5,576,000 (net of note discount of \$3,000); \$4,928,000 is reported as current and \$648,000 as long-term. These secured promissory notes bear interest at annual rates from five (5%) to eight (8%) with the principal and all accrued interest due and payable to us at dates ranging from February 2007 to October 2012. During the current quarter we extended notes to certain strategic customers totaling \$3,832,000 and received payments against existing notes of \$625,000.

In February 2007, we converted \$3,516,000 of one customer's accounts receivable to a note receivable included in the above total, bearing interest at 7% and due in December 2007.

#### 6. PROPERTY AND EQUIPMENT

Land, property and equipment consists of the following:

	March 31, 2007	December 31, 2006
Land	\$ 9,000	\$ 9,000
Furniture and fixtures	1,377,000	916,000
Vehicles	73,000	73,000
Software	389,000	389,000
Leasehold improvements	868,000	430,000
Property, plant and equipment	4,197,000	4,197,000
Construction in progress	5,849,000	4,392,000

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Total property, plant, and equipment	12,762,000	10,406,000
Less accumulated depreciation	(1,623,000)	(1,445,000)
Total property, plant, and equipment, net	\$ 11,139,000	\$ 8,961,000

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Depreciation expense for the three months ended March 31, 2007 and 2006 was \$178,000 and \$228,000, respectively.

**7. PATENTS AND TRADEMARKS AND OTHER INTANGIBLE ASSETS**

Patents and trademarks consisted of the following at: