Rogers Sugar Income Fund

INTERIM REPORT FOR THE 1st QUARTER 2010 RESULTS

ADJUSTED GROSS MARGIN RATE HIGHER BY $18.32 PER METRIC TONNE AS COMPARED TO LAST YEAR'S COMPARABLE QUARTER.
ADJUSTED NET INCOME AND DISTRIBUTABLE CASH HIGHER THAN LAST YEAR'S COMPARABLE QUARTER.

Message to Unitholders: On behalf of the Board of Trustees, I am pleased to present the unaudited consolidated financial results of Rogers Sugar Income Fund (the "Fund") for the three months ended December 31, 2009.

Volume for the first quarter was 156,413 metric tonnes, as opposed to 185,732 metric tonnes in the comparable quarter of last year, a decrease of approximately 29,300 metric tonnes. Export volume was lower by approximately 12,500 metric tonnes as fiscal 2009 benefited from over 18,000 metric tonnes of shipments to the U.S. under special sugar quotas opened in August 2008. Liquid volume decreased by approximately 8,000 metric tonnes for the quarter, as one major HFCS substitutable account was lost earlier this calendar year. Industrial volume was lower by 6,300 metric tonnes due mainly to a reduction of sugar containing production in Canada and timing in deliveries. Consumer volume was lower by 2,500 metric tonnes due to competitive market activities that took place early in calendar 2009.

With the adoption of new accounting policies October 1, 2006 for derivative financial instruments, the Fund's operating results may now be subject to significant fluctuations. These fluctuations are due to the mark-to-market of all derivative financial instruments and embedded derivatives in non-financial instruments at the end of the reporting period. This accounting income does not represent a complete understanding of factors and trends affecting the business. We therefore prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Fund during the reporting period. These adjusted results are comparable to the earnings reported in previous periods. All these non-GAAP adjustments are explained in detail in the Management's Discussion and Analysis prepared for the quarter ended December 31, 2009. We will therefore discuss adjusted gross margins, which reflect the operating income without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. At the end of the first quarter, a mark-to-market gain of $2.4 million before income taxes was recorded, thus increasing earnings before income taxes by that amount. Most of this gain is due to the higher price of raw sugar that currently prevails in the marketplace. These mark-to-market charges are non-cash amounts and have therefore no impact on distributable cash.

For the quarter, adjusted gross margin decreased by approximately $1.6 million, when compared to the same quarter of last year. On a per metric tonne basis, adjusted gross margin was $169.26 compared to $150.94 for the comparable quarter of last year. The increase in the adjusted gross margin rate is due mainly to a favourable sales mix, with lower volume of low margin liquid sales, and higher values of raw sugar prices which is positive for domestic beet sugar sales.

Adjusted EBIT of $19.7 million was $0.5 million higher when compared to the same quarter last year. The lower adjusted gross margin income, due to the lower volume, was offset by lower distribution costs. Additional distribution costs of approximately $2.3 million were incurred in the first quarter of fiscal 2009 due to large shipments to the U.S. against special U.S. sugar quotas.

For the quarter, adjusted distributable cash was $18.8 million, as compared to $18.0 million in fiscal 2009. The increase was due to the higher profitability at the operational level. During the first quarter, the Fund distributed $10.0 million.

The Taber beet sugar production will be lower than anticipated due to an early freeze in October 2009. The harvest continued on a reduced basis until late November, but due to severe deterioration of the sugar beets not yet harvested, and to the negative impact caused by these beets in the refining process, harvest was stopped, leaving almost 25% of the total beets in the ground. We are now estimating total sugar beet production at 67,000 metric tonnes, some 13,000 metric tonnes higher than last year, but 30,000 less than expected.

The higher raw sugar prices that currently prevail on the # 11 world raw sugar market will continue to benefit Lantic for all beet sugar sold to the domestic market, which represents approximately 10% of our total volume.

Further to an invitation for offers by the Receiver and Manager of Sucor Limited made to interested parties in December 2009, we were advised on January 25, 2010, that our bid for the plant and office equipment was accepted. This acceptance is subject to the Receiver and Manager of Sucor Limited meeting certain obligations of our bid by March 1, 2010.

We are investigating corporate structures as an alternate to our current income trust structure. Whether we convert to a corporation and as a result pay corporate income taxes or continue with our income trust structure beyond 2010 and become subject to distribution tax, we currently anticipate paying dividends or distributions at levels that would provide an after tax distribution equivalent to that currently enjoyed by our Canadian taxable Unitholders.

FOR THE BOARD OF TRUSTEES,

(Signed) Stuart Belkin
Stuart Belkin, Chairman
Toronto, Ontario – February 2, 2010

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MANAGEMENTS' DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements and notes thereto in this quarterly report. The quarterly consolidated financial statements and any amounts shown in this MD&A were not reviewed or audited by our external auditors.

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with generally accepted accounting principles (GAAP), with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the MD&A.

This report contains certain forward-looking statements which reflect the current expectations of the Fund and Lantic Inc., (collectively the "Company") with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved. Forward-looking statements are based on information available at the time they are made, assumptions made by management, and management's good faith belief with respect to future events, and are subject to the risks and uncertainties outlined in this report that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

Additional information relating to the Fund and Lantic Inc., including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at www.sedar.com.

This Management's Discussion and Analysis is dated February 2, 2010.

Internal disclosure controls

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer in a timely manner.

In addition, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and the Chief Financial Officer have evaluated whether or not there were any changes to its ICFR during the three month period ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. No such changes were identified through their evaluation.

Results of operations

Consolidated Results	For the three months ended December 31	
(In thousands of dollars, except for volume and per trust unit information)	2009 (Unaudited)	2008 (Unaudited)
Volume (metric tonnes)	156,413	185,732
Revenues	$ 143,456	$ 138,397
Gross margin	28,463	14,669
Administration and selling	4,746	4,484
Distribution	1,867	4,194
Depreciation and amortization	143	100
Earnings before interest and provision for income taxes (EBIT)	$ 21,707	$ 5,891
Interest, net of interest income and other charges	2,779	8,800
Provision for (recovery of) income taxes	2,376	(3,763)
Net earnings	$ 16,552	$ 854
Net earnings per trust unit – basic	$ 0.19	$ 0.01

In the normal course of business, the Fund uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Fund's operating company sells refined sugar to some clients in US dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not US dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of operations with a corresponding offsetting amount charged to the balance sheet.

Management believes that the Fund's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives for which adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

Management uses the non-GAAP adjusted results of the operating company to measure and evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performances to our past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the operating Board of Directors, the Fund's Board of Trustees, analysts, investors, banks and other interested parties.

The results of operations would therefore need to be adjusted by the following:

Income (loss) (In thousands)	For the three months ended December 31 2009 (Unaudited)	2008 (Unaudited)
Mark-to-market adjustment (excluding interest swap)	$ 5,354	$ (11,979)
Timing in recognition of liquidation income (loss) for sugar inventories, sales and purchase contracts, natural gas futures swaps and options and foreign exchange futures	(3,365)	(1,387)
Total adjustment to cost of sales	$ 1,989	$ (13,366)

A significant part of the above mark-to-market adjustment relates to the movement in the price of raw sugar, which increased significantly during the quarter. In addition, the Fund recorded a mark-to-market gain of $0.4 million for the quarter, as compared to a loss of $5.5 million last year, on the mark-to-market of an interest swap under short-term interest expense, as a result of movement in overall interest rates.

Therefore, the total adjustment to net earnings before income taxes and distributable cash for the quarter was a gain of $2.4 million.

Adjusted financial information (non-GAAP reconciliation):

Consolidated Results	For the three months ended December 31 2009 (Unaudited)	2008 (Unaudited)
Gross margin as per financial statements	$ 28,463	$ 14,669
Adjustment as per above	(1,989)	13,366
Adjusted gross margin	26,474	28,035
EBIT as per financial statements	21,707	5,891
Adjustment as per above	(1,989)	13,366
Adjusted EBIT	19,718	19,257
Net earnings as per financial statements	16,552	854
Adjustment as per above	(1,989)	13,366
Adjustment for mark-to-market of interest swap	(397)	5,471
Future taxes on above	710	(5,340)
Adjusted net earnings	$ 14,876	$ 14,351
Net earnings per trust unit basic, as per financial statements	$ 0.19	$ 0.01
Adjustment for the above	(0.02)	0.15
Adjusted net earnings per trust unit basic	$ 0.17	$ 0.16

First quarter volume decreased by approximately 29,300 metric tonnes from the comparable quarter in fiscal 2009. Liquid volume decreased by approximately 8,000 metric tonnes due to the loss of a large HFCS substitutable account in March 2009. Export volume decreased by approximately 12,500 metric tonnes due to special increases in the U.S. refined sugar quota in fiscal 2009 against which over 18,000 metric tonnes was sold in the first quarter of fiscal 2009. Fiscal 2010 shipments are mainly against the normal 10,300 metric tonnes Canada Specific quota. Industrial volume decreased by 6,300 metric tonnes due to a general reduction of sugar containing products manufacturing in Canada, and timing in deliveries. Consumer volume decreased by approximately 2,500 metric tonnes due to the loss of volume to competitive activity which occurred early in calendar 2009.

Even though sales volume was lower, revenues for the quarter were $5.1 million higher than the previous year's comparable quarter, due to the higher price of world raw sugar in fiscal 2010 than in the comparable quarter of fiscal 2009. The price of world raw sugar was over 20 cents per pound for the whole quarter, reaching a high of 27.40 cents per pound in December 2009.

As previously mentioned, gross margin of $28.5 million for the quarter does not reflect the economic margin of the Fund, as it includes a gain of $2.0 million for the mark-to-market of derivative financial instruments explained earlier. We will therefore comment on adjusted gross margin results.

For the quarter, adjusted gross margin decreased by $1.6 million, when compared to the same quarter of last year. On a per metric tonne basis, adjusted gross margins were $169.26 compared to $150.94 for the comparable quarter of last year, an increase of $18.32 per metric tonne. Favourable sales mix due to lower liquid volume and higher values of raw sugar prices for domestic beet sugar sales are the major reasons for the increase in the adjusted gross margin rate.

Administration and selling costs were in line with the comparable quarter of fiscal 2009. Lower distribution costs of $2.3 million in fiscal 2010, are due mainly to the large volume of sugar shipped and entered in the U.S. in fiscal 2009 against the U.S. Special quotas.

Interest expense for the quarter includes a mark-to-market gain of $0.4 million as compared to a loss of $5.5 million in fiscal 2009, on the 5-year, $70.0 million interest swap entered into in July 2008. Without this mark-to-market adjustment, interest expense for the quarter was lower by approximately $0.2 million as a result of lower borrowings during the quarter, and lower overall short-term interest rates.

Statement of quarterly results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Fund for the last eight quarters.

QUARTERS

	2010 (Unaudited)	2009 (Unaudited)				2008 (Unaudited)		
(In thousands of dollars, except for volume, margin rate and per trust unit information)	1-Q	4-Q	3-Q	2-Q	1-Q	4-Q	3-Q	2-Q
Volume (MT)	156,413	187,538	167,612	159,700	185,732	190,516	176,062	153,507
Total revenues	143,456	154,596	128,478	121,849	138,397	130,472	115,686	101,834
Gross margin	28,463	40,559	28,236	9,329	14,669	19,672	21,649	20,355
EBIT (loss)	21,707	32,434	20,447	(116)	5,891	11,494	13,433	12,044
Net earnings	16,552	24,004	16,952	727	854	10,743	9,614	9,235
Gross margin rate per MT	181.97	216.27	168.46	58.42	78.98	103.26	122.96	132.60
Per trust unit								
Net earnings								
Basic	0.19	0.27	0.19	0.01	0.01	0.12	0.11	0.11
Diluted	0.17	0.23	0.17	0.01	0.01	0.11	0.10	0.10

Non-GAAP Measures								
Adjusted gross margin	26,474	33,208	24,320	15,985	28,035	25,748	20,994	19,132
Adjusted EBIT	19,718	25,083	16,531	6,540	19,257	17,570	12,778	10,821
Adjusted net earnings	14,876	18,638	12,578	5,732	14,351	15,857	9,236	8,424
Adjusted gross margin rate per MT	169.26	177.07	145.10	100.09	150.94	135.15	119.24	124.63
Adjusted net earnings per trust unit								
Basic	0.17	0.21	0.14	0.07	0.16	0.18	0.11	0.10
Diluted	0.15	0.18	0.13	0.07	0.15	0.16	0.10	0.09

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix of products sold. This is due to the increased sales of baked goods during that period of the year. At the same time, the second quarter (January to March) is historically the lowest volume quarter, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

Liquidity

The distributable cash generated by the operating company, Lantic, is paid to the Fund by way of dividends and return of capital on the common shares of Lantic, and by the payment of interest on the subordinated notes of Lantic held by the Fund, after having taken reasonable reserve for capital expenditures and working capital. The cash received by the Fund is used to pay distributions to its Unitholders.

Standardized Distributable Cash, as per the Interpretive Release issued in July 2007 by the Canadian Institute of Chartered Accountants ("CICA") is defined as the GAAP measure of cash from operating activities after adjusting for capital expenditures, restrictions on distributions arising from compliance with financial covenants, restrictive at the time of reporting, and minority interests.

Standardized distributable cash is as follows:

	For the three months ended December 31		Cumulative amounts for last 5 fiscal years, ended September 30
(In thousands of dollars)	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)
Cash flow from operating activities	$ 659	$ (20,383)	$ 248,094
Capital expenditures	(1,312)	(902)	(37,366)
Financing restrictions	-	-	-
Standardized distributable cash	$ (653)	$ (21,285)	$ 210,728

There were no restrictions on distributions arising from the compliance of financial covenants for the periods shown above.

Cash flow from operations was $0.7 million in the first quarter of 2010, as opposed to negative $20.4 million in the comparable quarter of fiscal 2009. In the first quarter of each year, Taber receives all sugar beets from harvest which significantly increases inventory values at the end of the first quarter. In addition, price of raw sugar closed at 26.95 cents at the end of the quarter, and as a result, inventory value increased by $29.7 million in the first quarter of fiscal 2010. This is the major reason for the low negative cash flow from operating activities at the end of the quarter. Last year's results were negatively impacted by a mark-to-market loss of $18.8 million, while this year we had a mark-to-market gain of $2.4 million.

Total capital expenditures were higher than the previous year, due mainly to timing in projects when compared to fiscal 2009.

Standardized Distributable Cash does not constitute available cash for distribution due mainly to timing factors in the movement of non-cash working capital items, to mark-to-market derivative timing adjustment, to non-cash financial instruments, and to other financing items.

In order to provide additional information that the Fund's administrators believe is appropriate for the determination of levels of cash distribution, the Interpretive Release also allows a measure that includes additional items beyond those included in Standardized Distributable Cash. These additional measures may affect the Fund's distributions and are therefore forming a basis for the actual amount of cash available for distribution. All of these additional measures are separately identified and explained and result in Adjusted Distributable Cash.

Adjusted distributable cash is as follows:

	For the three months ended December 31		Cumulative amounts for last 5 fiscal years, ended September 30
(In thousands of dollars)	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)
Standardized distributable cash as per above	$ (653)	$ (21,285)	$ 210,728
Adjustments:			
Changes in non-cash working capital	21,198	27,099	56,786
Mark-to-market and derivative timing adjustment	(2,386)	18,837	$ 8,786
Financial instruments non-cash amount	656	(6,593)	(18,156)
Investment capital expenditures	-	-	7,858
Net repurchase of trust units	-	(105)	(6,120)
Interest expense on equity portion of convertible unsecured debentures	-	-	(9,390)
Deferred financing charges	-	-	(8,191)
Adjusted distributable cash	$ 18,815	$ 17,953	$ 242,301
Declared distributions	$ 10,042	$ 10,065	$ 189,468

Adjusted distributable cash was $0.8 million higher than the comparable quarter in fiscal 2009. This was mainly due to the higher profitability at the operational level.

Changes in non-cash operating working capital represents quarter-over-quarter movement in current assets such as accounts receivables and inventories, and current liabilities like accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts do not therefore constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facilities of $200.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available cash for distribution.

Mark-to-market and financial instruments adjustments are due mainly to unrealized gains or losses on financial derivative instruments and are therefore non-cash amounts except for margin calls on net sugar positions and natural gas contracts.

In fiscal 2009, 25,100 trust units were repurchased and cancelled during the first quarter under the Normal Course Issuer Bid in place.

Excess cash flow and net income on distributions paid

Cash flow from operating activities includes year-over-year movement in current assets such as inventories and accounts receivable, and current liabilities, like accounts payable. Movements in these accounts are due to, in large part, timing and therefore do not constitute available cash for distribution.

The following table presents excess cash flows from operating activities and net income over distributions paid for the last three years ended September 30, and for the first quarters ended December 31, 2009 and 2008:

	For the three months ended December 31		Years ended September 30		
(In thousands of dollars)	2009 (Unaudited)	2008 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
Cash flow from operating activities	$ 659	$ (20,383)	$ 69,791	$ 23,372	$ 88,607
Net earnings	16,552	854	42,537	48,134	45,127
Distributions paid	10,042	10,065	40,206	40,082	37,728
(Shortfall) excess of cash flows from operating activities over cash distributions paid	(9,383)	(30,448)	29,585	(16,710)	50,879
Excess (shortfall) of net earnings over cash distributions paid	$ 6,510	$ (9,211)	$ 2,331	$ 8,052	$ 7,399

In the first quarter of fiscal 2010, inventories increased by $29.7 million due to the higher price of raw sugar and to the harvest of the Taber beet crop. Every fiscal year inventory will increase as a result of the Taber beet crop being harvested in the first quarter, hence the reason for the cash flow deficiency in the first quarter of both fiscal years. This shortfall was financed from available cash balances and short-term borrowings. In addition, a mark-to-market loss of $18.8 million before taxes was recorded during the first quarter of fiscal 2009. This is a non-cash item.

Contractual obligations

There are no significant changes in the contractual obligations table disclosed in the Management's Discussion and Analysis of the September 30, 2009 Annual Report.

At December 31, 2009, the operating companies had commitments to purchase a total of 865,000 metric tonnes of raw sugar, of which none had been priced at quarter's end.

Capital resources

Lantic has $200.0 million as authorized lines of credit available to finance its operation. At quarter's end, $82.0 million had been drawn from the working capital facility.

At quarter's end, inventories are high compared to the balance at September 30, 2009, as a result of the Taber beet crop which has been harvested and received at the Taber factory, and due to higher value of raw sugar.

Cash requirements for working capital and other capital expenditures are expected to be paid from available credit resources and from funds generated from operations.

Outstanding securities

During the first quarter, $15,000 of the second series convertible unsecured debentures were converted for 2,830 trust units, at the conversion price of $5.30 per trust unit. As at January 27, 2010, there were 87,330,717 trust units outstanding.

Changes in accounting policies and critical accounting estimates

Our accounting policies and critical accounting estimates remain substantially unchanged from those that were disclosed in our Management's Discussion and Analysis of the Annual Report for the year ended September 30, 2009.

International financial reporting standards ("IFRS")

In February 2008, the CICA announced that GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from GAAP to IFRS will be applicable to the Fund's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS.

The Fund began planning the transition from current GAAP to IFRS by establishing a project plan and a project team. The project team is led by senior financial executives that provide overall project governance, management and support. The project team reports quarterly to the Audit Committee the progress made on the project and discusses key findings and future accounting requirements.

The project team is in the process of completing the scoping and assessment phase of the transition. This phase identified a number of topics possibly impacting either the Fund's financial results and/or the Fund's efforts required for the changeover to IFRS. This phase is ongoing, as the Fund will continue to assess future International Accounting Standards Board pronouncements for transitional impact. Consideration of impacts on operational elements, such as information technology and internal controls over financial reporting are integral to this process.

Although the Fund's impact assessment activities are underway and progressing according to the project plan, continued progress is necessary before the Fund can prudently narrow the specificity of the disclosure of pre-and post-IFRS changeover's accounting policy differences.

Risk factors

Risk factors in the Fund's business and operations are discussed in the Management's Discussion and Analysis of our Annual Report for the year ended September 30, 2009. This document is available on SEDAR at www.sedar.com or on one of our websites at www.lantic.ca or www.rogerssugar.com.

OUTLOOK

The total Canadian nutritive sweetener market decreased in fiscal 2009 by approximately 3%, and some of this decrease will start impacting Lantic's overall domestic volume. In addition, the higher raw sugar values that currently prevail will make HFCS substitutable liquid sales more difficult to re-sign in fiscal 2010, as some large contracts were already lost earlier in calendar 2009.

In fiscal 2009, the Fund benefited from additional export sales to the U.S. due to the opening of special quotas in August and October 2008. No such special quotas are currently opened for fiscal 2010, but total estimated U.S. inventories continue to be at historical lows resulting in a tight supply environment for U.S. sugar users. In the event such tightness in refined supplies continues in the U.S. market, it is possible that in the second half of fiscal 2010, the USDA may open some special refined sugar quotas which, as in the past, may benefit Lantic.

Poor crop results in Mexico will allow Lantic to resume some export sales to Mexico. To date, we have contracted some volume for fiscal 2010, which will help mitigate lower volumes of U.S. export sales.

The higher raw sugar prices that currently prevail on the world raw sugar market will be positive to the adjusted gross margin for all domestic beet sugar sales, which represents approximately 10% of our total volume.

In Taber, the beet harvest was stopped in late November due to severe deterioration in non-harvested sugar beets. A severe frost occurred in October 2009, which damaged sugar beets in the ground. The harvest resumed in late October, but at a reduced pace, as all beets needed to be processed within a few days of being harvested. These beets had suffered deterioration further to the severe frost, and were therefore difficult to process due to their poor quality. The daily slice rate was therefore significantly reduced. In late November, harvesting was terminated, which left approximately 25% of the total sugar beet crop in the ground.

As a result, we are now forecasting total sugar beet production of approximately 67,000 metric tonnes, which is an increase from the 57,000 metric tonnes achieved in fiscal 2009. The Vancouver refinery will therefore ship refined sugar to the prairie market to replace Taber's sugar beet production shortfall.

A significant portion of fiscal 2010's natural gas requirement has been hedged at average prices comparable to last year. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase adjusted gross margin rate. In addition, futures positions for fiscal 2011 to 2013 have also been taken. These positions are at prices higher than the current market values, but are at the same or at better levels than what was achieved in fiscal 2009. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

In the current volatile financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plan liabilities, may impact pension plan expenses in future years. The actuarial valuation of one of our pension plans is underway, while the others are not required to be completed until December 2010. Following the results of the current actuarial valuation, the Fund's cash contribution levels may increase in the next quarter from those currently made.

The labour contract for Lantic's Vancouver refinery will expire at the end of February 2010. Negotiations will soon be underway, and management expects this collective agreement to be renewed at competitive market rates.

We are investigating corporate structures as an alternate to our current income trust structure. Whether we convert to a corporation and as a result pay corporate income taxes or continue with our income trust structure beyond 2010 and become subject to distribution tax, we currently anticipate paying dividends or distributions at levels that would provide an after tax distribution equivalent to that currently enjoyed by our Canadian taxable Unitholders.

Rogers Sugar Income Fund

Consolidated Balance Sheets
December 31, 2009 and 2008
(In thousands of dollars)

	December 31 2009	September 30 2009	December 31 2008
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,672	$ 5,367	$ 2,302
Accounts receivable	42,161	49,637	53,083
Inventories	104,807	75,136	97,403
Prepaid expenses	2,046	2,333	2,310
Future income taxes	1,668	3,570	2,802
Derivative financial instruments (Note 3)	1,276	1,302	7,511
	158,630	137,345	165,411
Capital assets	186,220	188,344	192,961
Defined benefits pension plan assets	17,749	17,931	19,509
Derivative financial instruments (Note 3)	22	77	624
Other assets	676	722	1,149
Goodwill	229,952	229,952	229,952
	$ 593,249	$ 574,371	$ 609,606
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	$ 82,000	$ 70,000	$ 121,000
Accounts payable and accrued liabilities	38,560	37,953	39,692
Derivative financial instruments (Note 3)	10,108	10,547	1,673
Current capital lease obligation (Note 4)	21	-	-
	130,689	118,500	162,365
Employee future benefits	29,014	29,073	31,213
Derivative financial instruments (Note 3)	8,690	8,988	12,790
Long-term capital lease obligation (Note 4)	106	-	-
Convertible unsecured subordinated debentures	131,592	131,387	130,724
Future income taxes	19,702	19,495	16,549
	319,793	307,443	353,641
UNITHOLDERS' EQUITY			
Trust units (Note 5)	559,677	559,662	560,944
Contributed surplus	4,715	4,712	4,009
Deficit	(290,936)	(297,446)	(308,988)
	273,456	266,928	255,965
	$ 593,249	$ 574,371	$ 609,606

Rogers Sugar Income Fund

Unaudited Consolidated Statements of Operations
For the three months ended December 31, 2009 and 2008
(In thousands of dollars – except per trust unit amounts)

	2009	2008
Revenues	$ 143,456	$ 138,397
Cost of sales	114,993	123,728
Gross margin	28,463	14,669
Expenses:		
Administration and selling	4,746	4,484
Distribution	1,867	4,194
Depreciation and amortization	143	100
	6,756	8,778
Earnings before interest and provision for income taxes	21,707	5,891
Interest on long-term debt and convertible debentures	1,993	1,993
Amortization of deferred financing costs	267	267
Short-term interest	519	6,540
	2,779	8,800
Earnings before provision for income taxes	18,928	(2,909)
Provision for (recovery of) income taxes:		
Current	267	-
Future	2,109	(3,763)
	2,376	(3,763)
Net earnings and other comprehensive income	$ 16,552	$ 854
Net earnings per trust unit:		
Basic	$ 0.19	$ 0.01
Diluted	$ 0.17	$ 0.01
Supplemental disclosure:		
Employee future benefits expense	$ 1,121	$ 836

Rogers Sugar Income Fund

Unaudited Consolidated Statements of Unitholders' Equity
For the three months ended December 31, 2009 and 2008
(In thousands of dollars – except per trust unit amounts)

(Unaudited)	2009				
	Number of Trust Units	Trust Units	Contributed Surplus	Deficit	Total
Balance, beginning of period	87,327,887	$ 559,662	$ 4,712	$ (297,446)	$ 266,928
Distributions	-	-	-	(10,042)	(10,042)
Stock-based compensation (Note 6)	-	-	3	-	3
Conversion of convertible debentures into trust units (Note 5)	2,830	15	-	-	15
Net earnings	-	-	-	16,552	16,552
Balance, end of period	87,330,717	$ 559,677	$ 4,715	$ (290,936)	$ 273,456

(Unaudited)	2008				
	Number of Trust Units	Trust Units	Contributed Surplus	Deficit	Total
Balance, beginning of period	87,552,987	$ 561,105	$ 3,950	$ (299,777)	$ 265,278
Distributions	-	-	-	(10,065)	(10,065)
Stock-based compensation	-	-	3	-	3
Repurchase of trust units (Note 5)	(25,100)	(161)	56	-	(105)
Net earnings	-	-	-	854	854
Balance, end of period	87,527,887	$ 560,944	$ 4,009	$ (308,988)	$ 255,965

Rogers Sugar Income Fund

Unaudited Consolidated Statements of Cash Flows
For the three months ended December 31, 2009 and 2008
(In thousands of dollars)

	For the three months ended December 31	
	2009 (Unaudited)	2008 (Unaudited)
Cash flows from operating activities:		
Net earnings	$ 16,552	$ 854
Adjustments for items not involving cash:		
Depreciation and amortization	3,459	3,326
Amortization of deferred financing costs	267	267
Future income taxes	2,109	(3,763)
Employee future benefits	123	(342)
Change in derivative financial instruments	(656)	6,593
Stock based compensation expenses	3	3
Gain on sale of capital assets	-	(278)
Other	-	56
	21,857	6,716
Changes in non-cash working capital:		
Accounts receivable	7,476	1,700
Inventories	(29,671)	(26,754)
Prepaid expense	287	(236)
Accounts payable and accrued liabilities	710	(1,809)
	(21,198)	(27,099)
	659	(20,383)
Cash flows from financing activities:		
Short-term (repayments) borrowings	12,000	28,000
Distributions to Unitholders	(10,042)	(10,065)
Repurchase of trust units	-	(105)
	1,958	17,830
Cash flows from investing activities:		
Additions to capital assets	(1,312)	(902)
Net change in cash and cash equivalents	1,305	(3,455)
Cash and cash equivalents, beginning of period	$ 5,367	$ 5,757
Cash and cash equivalents, end of period	$ 6,672	$ 2,302
Supplemental disclosure:		
Interest paid on the debt	4,850	4,997
Income taxes paid	775	166
Capital assets included in accounts payable and accrued liabilities and capital lease obligation	498	266

(In thousands of dollars unless otherwise noted)

Rogers Sugar Income Fund (the "Fund") is an open-ended, limited purpose trust created under the laws of Ontario by an amended and restated declaration of trust dated February 3, 2005 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

Note 1: Basis of presentation

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These interim unaudited consolidated financial statements do not include all disclosures required by the Canadian GAAP and therefore should be read in conjunction with the consolidated financial statements and the notes thereto for the most recently prepared annual financial statements for the year ended September 30, 2009. These quarterly consolidated financial statements were not reviewed or audited by our external auditors.

Note 2: Accounting policies

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended September 30, 2009.

Note 3: Financial Instruments

Details of recorded gains/losses for the quarter, in marking-to-market all derivative financial instruments and embedded derivatives are noted below. For sugar and natural gas futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution which is counter-party to these contracts. The fair value of natural gas contracts, foreign exchange forward contracts and interest swap calculation include a credit risk adjustment for the Fund's or counterparty's credit, as appropriate.

MARK-TO-MARKET	Financial Instrument Assets		Financial Instrument Liabilities		Gain / (Loss) Cost of Sales		Interest Income / (Expense)	
	Short-term	Long-term	Short-term	Long-term	For the three month period ended December 31			
					2009	2008	2009	2008
Sugar futures contracts and options	$ 1,276	$ 22	$ -	$ -	$ 5,005	$ (5,971)	$ -	$ -
Natural gas futures contracts	-	-	3,898	6,553	(47)	(11,657)	-	-
Foreign exchange forward contracts	-	-	2,820	7	321	4,371	-	-
Embedded derivatives	-	-	1,112	-	75	1,278	-	-
Interest swap	-	-	2,278	2,130	-	-	397	(5,471)
	$ 1,276	$ 22	$ 10,108	$ 8,690	$ 5,354	$ (11,979)	$ 397	$ (5,471)

Note 4: Obligations under capital lease

During the quarter, the Company entered into a capital lease of movable equipment in the warehouse, which substantially transfers all the usage benefits of this movable equipment to the Company.

(In thousands of dollars unless otherwise noted)

This lease has an average interest rate of 5.0%. Future minimum lease payments for obligations under capital lease as at December 31, 2009 are as follows:

	2009	2008
2010	$ 20	$ -
2011	29	-
2012	29	-
2013	29	-
2014 and thereafter	36	-
	143	-
Less interest portion	16	-
	127	
Less current portion	21	-
	$ 106	$ -

For the quarter ended December 31, 2009, no interest had been charged to interest expense as the lease was entered in mid-December 2009.

Note 5: Trust units

During the first quarter of 2010, $15 thousand of the second series convertible unsecured subordinated debentures was converted by holders of the securities for a total number of 2,830 trust units. This conversion is a non-cash transaction and therefore is not reflected in this statement of cash flows. During the first quarter of 2009, the Fund repurchased and cancelled 25,100 trust units under its Normal Course Issuer Bid at an average price of $4.1751 per trust unit. At December 31, 2009, 87,330,717 trust units were issued and outstanding.

The Fund received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid to purchase 6,345,898 trust units of the Fund, representing 10% of the public float of the Fund, up to $2.0 million principal amount of the Second Series, 6.0% Convertible Unsecured Subordinated Debentures, and up to $3.0 million principal amount of the Third Series, 5.9% Convertible Unsecured Subordinated Debentures of the Fund. The bid started December 7, 2009, and may continue to December 6, 2010.

Note 6: Stock-based compensation plan

On December 23, 2009, 100,000 trust unit options were granted at a price of $4.70 per trust unit. The following table summarizes information about the Unit Option Plan as at December 31, 2009:

Exercise price per option	Outstanding number of options at September 30, 2009	Granted during the quarter	Outstanding number of options at December 31, 2009	Weighted average remaining life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 3.61	280,000	-	280,000	$ 5.92	$ 3.61	200,000	$ 3.61
4.33	120,000	-	120,000	5.50	4.33	80,000	4.33
4.70	-	100,000	100,000	9.81	4.70	-	4.70

Note 7: Segmented information

Revenues were derived from customers in the following geographic areas:

	For the three months ended December 31	
	2009	2008
Canada	$ 137,732	$ 123,519
United States and Other	5,724	14,878
	$ 143,456	$ 138,397