

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-04-15** | Period of Report: **1993-12-31**
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FILER

ERLY INDUSTRIES INC

CIK: **30966** | IRS No.: **952312900** | State of Incorporation: **CA** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **001-07894** | Film No.: **94522995**
SIC: **2040** Grain mill products

Mailing Address	Business Address
10990 WILSHIRE BOULEVARD SUITE 1800 LOS ANGELES CA 90024	10990 WILSHIRE BLVD STE 1800 LOS ANGELES CA 90024 2138791480

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

FORM 10-Q

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

For the quarterly period ended December 31, 1993 Commission file number 1-7894

ERLY INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	California	<C>	95-2312900
	-----		-----
	(State or other jurisdiction of incorporation or organization)		(IRS Employer Identification No.)

</TABLE>

10990 Wilshire Boulevard, Los Angeles, California 90024-3913

(Address of principal executive offices) (Zip Code)

(213) 879-1480

Registrant's telephone number, including area code

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

As of December 31, 1993, there were 3,605,963 shares of the Registrant's common stock outstanding (including redeemable common stock).

ERLY INDUSTRIES INC.
QUARTER ENDED DECEMBER 31, 1993

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FORM 10-Q

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>

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	December 31, 1993	March 31, 1993
	----- (Unaudited)	-----
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash	\$ 2,507,000	\$ 3,872,000
Notes and accounts receivable, less allowance for doubtful accounts of \$4,516,000 (December 31) and \$3,280,000 (March 31)	44,472,000	35,534,000
Inventories:		
Raw materials	38,864,000	14,817,000
Finished goods	28,313,000	12,908,000
	-----	-----
Prepaid expenses and other current assets	67,177,000	27,725,000
Assets of discontinued business held for disposition (Note 2)	1,144,000	2,524,000
	-----	-----
Total current assets	119,837,000	69,655,000
Long-term notes receivable, net	1,091,000	6,623,000
Property, plant and equipment, net	37,666,000	30,857,000
Assets held for sale, net (Note 4)	26,227,000	4,210,000
Investment in American Rice, Inc. (Note 1)		16,294,000
Other assets	11,999,000	10,651,000
	-----	-----
	\$196,820,000	\$138,290,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable, collateralized	\$ 51,241,000	\$ 62,359,000
Accounts payable	42,866,000	20,106,000
Accrued payroll and other current liabilities	12,561,000	7,298,000
Income taxes payable	1,756,000	1,829,000
Current portion of long-term and subordinated debt	9,096,000	22,531,000
	-----	-----
Total current liabilities	117,520,000	114,123,000
Long-term debt (Note 5)	62,104,000	26,881,000
Subordinated debt (Note 5)	8,407,000	1,094,000
Minority interest in consolidated subsidiary	5,464,000	790,000
Redeemable common stock, 300,000 shares issued and outstanding	1,701,000	1,406,000
Stockholders' equity:		
Common stock, par value \$.01 a share (December 31) and \$1.00 a share (March 31):		
Authorized: 5,000,000 shares		
Issued and outstanding:		
3,305,963 shares (December 31) and 3,186,956 shares (March 31)	33,000	3,187,000
Additional paid-in capital	15,954,000	12,687,000
Retained earnings (deficit)	(13,202,000)	(20,929,000)
Cumulative foreign currency adjustments	(1,161,000)	(949,000)

Total stockholders' equity

-----	1,624,000	-----	(6,004,000)
-----	\$196,820,000	-----	\$138,290,000
=====		=====	

</TABLE>

See accompanying Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>
<CAPTION>

	Three months ended December 31		Nine months ended December 31	
	----- 1993 ----- (Unaudited)	----- 1992 * ----- (Unaudited)	----- 1993 ----- (Unaudited)	----- 1992 * ----- (Unaudited)
<S>	<C>	<C>	<C>	<C>
Net sales	\$99,573,000	\$41,579,000	\$235,324,000	\$173,343,000
Cost of sales	87,813,000	36,371,000	203,530,000	154,061,000
Gross profit	----- 11,760,000	----- 5,208,000	----- 31,794,000	----- 19,282,000
Selling, general and administrative expense	8,339,000	5,159,000	22,661,000	13,968,000
Interest expense	3,241,000	1,800,000	8,671,000	5,823,000
Interest income	(116,000)	(192,000)	(511,000)	(619,000)
Investment income		(1,349,000)	(426,000)	(1,840,000)
Other (income) expense	(43,000)	(316,000)	261,000	(822,000)
Minority interest in earnings of consolidated subsidiary	228,000		556,000	
Writedown of plant facility (Note 3)				4,000,000
	----- 11,649,000	----- 5,102,000	----- 31,212,000	----- 20,510,000
Income (loss) before taxes on income, discontinued operations and extraordinary items	111,000	106,000	582,000	(1,228,000)
Taxes on income (benefit)	(40,000)	(61,000)	480,000	452,000
	-----	-----	-----	-----
Income (loss) from continuing operations	151,000	167,000	102,000	(1,680,000)
Discontinued operations (Note 2):				
Loss from discontinued operations	(1,086,000)	(2,123,000)	(4,552,000)	(2,760,000)
Loss on disposal of discontinued operations	(155,000)		(2,845,000)	
	-----	-----	-----	-----
Income (loss) before extraordinary items	(1,090,000)	(1,956,000)	(7,295,000)	(4,440,000)
Extraordinary income - gain on extinguishment of debt (Note 3)	897,000		15,022,000	4,726,000
	-----	-----	-----	-----
Net income (loss)	(\$ 193,000)	(\$ 1,956,000)	\$ 7,727,000	\$ 286,000
	=====	=====	=====	=====

</TABLE>

* Restated for discontinued operations.

See accompanying Notes to Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

ERLY INDUSTRIES INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
 FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>
<CAPTION>

	Three months ended December 31		Nine months ended December 31	
	1993	1992	1993	1992
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Net income (loss) per common and common share equivalents:				
Primary:				
Continuing operations	\$.04	\$.05	\$.03	\$ (.49)
Discontinued operations	(.34)	(.62)	(2.07)	(.80)
Extraordinary items	.25		4.20	1.37
	-----	-----	-----	-----
	(\$.05)	(\$.57)	\$ 2.16	\$.08
	=====	=====	=====	=====
Fully Diluted:				
Continuing operations	\$.04	\$.05	\$.03	\$ (.45)
Discontinued operations	(.34)	(.62)	(1.92)	(.75)
Extraordinary items	.25		3.90	1.28
	-----	-----	-----	-----
	(\$.05)	(\$.57)	\$ 2.01	\$.08
	=====	=====	=====	=====
Weighted average common and common share equivalents:				
Primary	3,563,000	3,438,000	3,580,000	3,433,000
Fully diluted	3,563,000	3,438,000	3,847,000	3,700,000

</TABLE>

See accompanying Notes to Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

ERLY INDUSTRIES INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>
<CAPTION>

	Three months ended December 31		Nine months ended December 31	
	1993	1992	1993	1992
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Net income (loss)	(\$ 193,000)	(\$ 1,956,000)	\$ 7,727,000	\$ 286,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,902,000	1,125,000	4,869,000	3,014,000
Provision for loss on receivables	456,000	(112,000)	1,896,000	(112,000)
Undistributed earnings of investment in American Rice, Inc.		(1,349,000)	(426,000)	(1,840,000)
Loss on disposition of juice business	155,000		2,845,000	
Extraordinary income on extinguishment of debt	(897,000)		(15,022,000)	
Loss on disposition of rice subsidiary			880,000	
Extraordinary income on				

disposal of rice facility				(4,726,000)
Writedown on rice facility				4,000,000
Other, net	(31,000)			(331,000)

Changes in assets and liabilities:

Decrease (increase) in receivables	(2,919,000)	4,631,000	(6,039,000)	9,987,000
Decrease (increase) in inventories	(27,058,000)	1,681,000	(19,586,000)	17,821,000
(Decrease) in prepaid expenses and other current assets	420,000	(69,000)	717,000	(788,000)
Increase (decrease) in notes payable	4,443,000	(3,998,000)	4,277,000	(13,963,000)
Increase (decrease) in accounts payable and other current liabilities	15,977,000	4,239,000	10,116,000	(5,793,000)
Increase (decrease) in taxes payable	(224,000)	(220,000)	326,000	148,000
	-----	-----	-----	-----

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

(7,938,000)	3,941,000	(7,420,000)	7,703,000
-------------	-----------	-------------	-----------

INVESTING ACTIVITIES:

Proceeds from disposition of juice business	8,400,000		8,400,000
Acquisition of American Rice, Inc.			12,608,000
Proceeds from sale of juice plant			11,838,000
Proceeds from disposition of rice subsidiary			2,092,000

</TABLE>

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992

<TABLE>

<CAPTION>

	Three months ended December 31		Nine months ended December 31	
	1993	1992	1993	1992
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Purchase of property, plant and equipment	(293,000)	(689,000)	(940,000)	(1,981,000)
Disposition of property, plant and equipment	202,000	427,000	405,000	883,000
Decrease (increase) in assets held for sale	(20,000)	(12,000)	(468,000)	358,000
Other, net	(942,000)	(326,000)	(4,083,000)	(995,000)
	-----	-----	-----	-----
NET CASH (USED IN) INVESTING ACTIVITIES	7,347,000	(600,000)	29,852,000	(1,735,000)
FINANCING ACTIVITIES:				
Proceeds from notes and long-term debt			79,458,000	
Repayment on notes and term debt on rice refinancing			(93,736,000)	
Principal payments on long-term debt	(909,000)	(2,242,000)	(9,519,000)	(4,423,000)
Principal payments on subordinated debt		(1,360,000)		(1,361,000)
Proceeds from long-term debt				159,000
Proceeds from sales of stock		131,000		131,000
	-----	-----	-----	-----
NET CASH (USED IN) FINANCING ACTIVITIES	(909,000)	(3,471,000)	(23,797,000)	(5,494,000)
	-----	-----	-----	-----
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(1,500,000)	(130,000)	(1,365,000)	474,000
CASH, BEGINNING OF PERIOD	4,007,000	4,446,000	3,872,000	3,842,000
	-----	-----	-----	-----

CASH, END OF PERIOD	\$ 2,507,000	\$ 4,316,000	\$ 2,507,000	\$ 4,316,000
	=====	=====	=====	=====

Supplemental cash flow information:

Interest paid	\$ 1,922,000	\$ 1,741,000	\$ 6,502,000	\$ 5,262,000
Income taxes paid	196,000	2,000	561,000	675,000

See accompanying Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Additional	Retained	Cumulative	Total
	Shares	Dollars	Paid-in	Earnings	Foreign	Stockholder's
	-----	-----	Capital	(Deficit)	Adjustments	Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE						
April 1, 1993	3,187,000	\$3,187,000	\$12,687,000	(\$20,929,000)	(\$949,000)	(\$6,004,000)
Net income for the period				7,727,000		7,727,000
Common stock issued	119,000	59,000	349,000			408,000
Reclassification to reflect reduction in par value of ERLY common stock		(3,213,000)	3,213,000			-
Foreign currency adjustments					(212,000)	(212,000)
Accretion of redeemable common stock			(295,000)			(295,000)
BALANCE						
December 31, 1993 (unaudited)	3,306,000	\$ 33,000	\$15,954,000	(\$13,202,000)	(\$1,161,000)	\$1,624,000
	=====	=====	=====	=====	=====	=====

</TABLE>

See accompanying Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended December 31, 1993 and 1992

BASIS OF PRESENTATION:

The information furnished is unaudited but reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the

interim periods. Results for interim periods are not necessarily indicative of results to be expected for the entire year.

Reference should be made to the Notes To Consolidated Financial Statements in the Company's 1993 Form 10-K and amended Form 10-K/A for a discussion of accounting policies and other significant matters.

The accompanying consolidated financial statements include the accounts of ERLY Industries Inc. and its subsidiaries (the "Company" or "ERLY"). All significant intercompany accounts, intercompany profits and intercompany transactions are eliminated. As discussed in Note 1, substantially all of the assets and liabilities of ERLY's wholly owned subsidiary, Comet Rice, Inc. ("Comet"), were acquired by American Rice, Inc. ("ARI") on May 26, 1993. Prior to the transaction, ERLY owned 48% of the voting rights of ARI, and its investment in ARI was accounted for using the equity method. ERLY's 48% equity in ARI's net results was reflected as investment income in the consolidated statements of operations. As a result of the transaction, ERLY's ownership increased to 81% of the voting rights of ARI and therefore, beginning in June 1993, ARI's balance sheet and results of operations are consolidated with ERLY's, with appropriate adjustments to reflect minority interest of 19%.

Certain reclassifications have been made to prior periods in the consolidated statements of operations to conform ERLY's report classifications to ARI's.

NOTE 1 - ACQUISITION OF COMET RICE, INC. BY AMERICAN RICE, INC. AND REFINANCING OF ARI

On May 26, 1993, ARI consummated a transaction to acquire substantially all of the assets of Comet and assume all of Comet's liabilities (the "Transaction").

In exchange for the assets acquired (and liabilities assumed) from Comet, ARI issued to ERLY 14,000,000 shares of a newly created Series B Preferred Stock, \$1 par value. Each share of Series B Preferred Stock provides for annual cumulative, non-participating dividends of \$.37, is convertible into two shares of ARI common stock, is entitled to two votes, and has a liquidation preference of \$1.00 per share. The Series B Preferred Stock issued to ERLY carries an aggregate dividend of approximately \$5.2 million per year. Applicable loan agreements contain various restrictions on the ability of ARI to pay such dividends and ARI is precluded from paying the dividends. The Comet assets acquired by ARI did not include the ARI stock previously held by Comet. In connection with the Transaction, Comet transferred the ARI stock held by it to ERLY. Comet's combined holdings of ARI common stock and ARI Series A Preferred Stock prior to the Transaction, represented approximately 48% of the voting rights of the outstanding ARI stock. As a result of the Transaction, ERLY holds 81% of the combined voting rights of ARI stock outstanding after the Transaction.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACQUISITION OF COMET RICE, INC. BY AMERICAN RICE, INC. AND REFINANCING OF ARI (CONTINUED)

ARI also refinanced the combined indebtedness of ARI and Comet ("Refinancing"). Under the Refinancing, ARI received \$47.5 million in credit lines from a new revolving credit lender and loans from new term lenders for \$65.3 million. In addition, ERLY is a guarantor for all of the new ARI debt and the loan agreements contain certain restrictive covenants applicable to ERLY. These agreements also provide the lenders with the option of accelerating repayment of the ARI debt and terminating the agreements under certain conditions related to ERLY's ability to meet its obligations as they come due, and to remain in compliance with its debt agreements. As additional consideration, 13 million shares of ARI Series B Preferred Stock, \$1 par value, were pledged by ERLY for the benefit of the new term lenders. ARI and Comet have capitalized approximately \$4 million of costs associated with the Refinancing at the date of closing. These costs will be amortized over the respective terms of the new ARI debt.

ARI's indebtedness to its former lenders was partially satisfied by ARI's issuance to the former lenders of a combined aggregate of 1,500,000 shares of a newly created Series C Preferred Stock, which carries annual cumulative, non-participating dividends of \$.50 per share, is non-convertible and non-voting, has a liquidation preference of \$1.00 per share, and is callable by ARI at any time at a price of \$5.27 per share less aggregate dividend payments per share. Applicable loan agreements with the new lenders contain various restrictions on the ability of ARI to pay these dividends and ARI is currently precluded from paying the dividends. ARI's former lenders agreed to a debt

discount of approximately \$10.3 million. As additional consideration for the satisfaction of the existing indebtedness of ARI, ERLY issued notes of \$3 million and pledged one million shares of ARI Series B Preferred Stock for the benefit of the former lenders. This \$3 million was offset by ARI against its receivable from ERLY.

NOTE 2 - DISCONTINUED OPERATIONS - DISPOSITION OF JUICE BUSINESS

On December 21, 1993, Eau Claire Packing Company, a wholly owned subsidiary of ERLY Industries Inc. operating in the juice business, sold its manufacturing facility located in Eau Claire, Michigan, together with the inventory, accounts receivable and certain trademarks associated with the plant facility, to Seneca Foods Corporation ("Seneca"). Seneca paid approximately \$5.1 million for the plant facility and the related assets. ERLY Juice Inc., a wholly owned subsidiary of ERLY Industries, also sold trademarks, inventory and accounts receivable to Seneca for approximately \$3.3 million. The purchase price was paid in cash at the closing. The net proceeds from both sales were used to pay down the State of Michigan Retirement System ("SMRS") and ING Capital as required by each Company's respective secured loan agreements.

In connection with the payment on the ING Capital debt, ING Capital agreed to a \$6 million write-down in the amount of total debt. In exchange, ERLY guaranteed the remaining balance of the obligations owed by ERLY Juice Inc. to ING Capital. The amount of the ERLY Juice obligation to ING Capital immediately prior to the transaction was approximately \$17.9 million and, after application of the write down and amounts paid, the current amount of the debt is approximately \$8.4 million (which is included in notes payable in the Company's consolidated balance sheets). Under the terms of the guarantee, ERLY is required to pay down the remaining \$8.4 million of debt within one year or else ING Capital may declare a default with the right to foreclosure on ERLY's subsidiary, Chemonics Industries, Inc.

ERLY INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - DISCONTINUED OPERATIONS - DISPOSITION OF JUICE BUSINESS (CONTINUED)

As a result of the sale of the above assets, ERLY has no operating assets remaining in the packaging, sales and marketing of citrus beverage products. It is ERLY's intention to liquidate the remaining assets of ERLY Juice for the benefit of the ERLY Juice creditors.

In July 1993, ERLY Juice sold its primary orange juice processing plant in Lakeland, Florida to Florida Juice, Inc. for \$11.9 million. This transaction resulted in a loss of \$2.7 million. ERLY Juice had access to the facility for processing and packaging its retail and food service business through December 1993 under a co-pack agreement. This sale was intended in part to reduce operating losses. One of ERLY Juice's primary creditors agreed to discount term debt and accounts payable obligations in exchange for cash. This resulted in a gain of \$5.6 million which is reflected as extraordinary income as described in Note 3.

The results of ERLY Juice have been reported separately as discontinued operations in the consolidated statements of operations. Prior period consolidated financial statements have been restated to present ERLY Juice as a discontinued operation. Summarized results of ERLY Juice for the three and nine month periods ended December 31, 1993 and 1992 are as follows:

<TABLE>
<CAPTION>

	Three months ended December 31,		Nine months ended December 31,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Net sales	\$5,025,000	\$23,016,000	\$31,275,000	\$67,095,000
Costs and expenses	(5,677,000)	(24,223,000)	(34,051,000)	(67,153,000)
Interest expense	(434,000)	(916,000)	(1,776,000)	(2,702,000)
Loss from discontinued operations	(\$1,086,000)	(\$ 2,123,000)	(\$ 4,552,000)	(\$ 2,760,000)
Loss on disposal of discontinued				

operations	(\$ 155,000)	\$ -	(\$ 2,845,000)	\$ -
	=====	=====	=====	=====

</TABLE>

At December 31, 1993, remaining ERLY Juice assets of \$4.5 million have been classified as "assets of discontinued business held for disposition" in the consolidated balance sheet. In addition, the December 31, 1993, consolidated balance sheet includes liabilities of the juice business as follows:

<S>	<C>
Current liabilities:	
Notes payable	\$ 8,397,000
Accounts payable	6,747,000
Other current liabilities	662,000
Income taxes payable	28,000
Current portion of long-term debt	484,000

	\$16,318,000
	=====

</TABLE>

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 ERLY INDUSTRIES INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - EXTRAORDINARY INCOME

The Company had the following extraordinary items for the three and nine months ended December 31, 1993 and 1992:

<TABLE>	Three months ended		Nine months ended	
<CAPTION>	December 31,		December 31,	
	1993	1992	1993	1992
	-----		-----	
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Gain on extinguishment of debt related to State of Michigan Retirement System	\$897,000	\$ -	\$ 897,000	\$ -
Gain on extinguishment of debt related to ERLY Juice			5,625,000	
Gain on extinguishment of debt related to ARI			8,500,000	
Gain on extinguishment of debt on rice facility				4,726,000
	-----	-----	-----	-----
	\$897,000	\$ -	\$15,022,000	\$4,726,000
	=====	=====	=====	=====

</TABLE>

In December 1993, the Company exchanged various debt obligations to the State of Michigan Retirement System for a note receivable with a net book value of \$3.8 million, 60,000 shares of ERLY Industries common stock, \$100,000 cash and a new note for approximately \$800,000. This resulted in extraordinary income on debt extinguishment of \$897,000 in the quarter ended December 31, 1993.

During the quarter ended September 30, 1993, ERLY Juice settled approximately \$6.3 million of term debt and trade payables with a primary creditor in exchange for \$650,000. This resulted in a gain of \$5,625,000 which is reflected as extraordinary income.

Results for the first quarter ended June 30, 1993 included extraordinary income of \$8.5 million. This represents ERLY's interest in debt discounts of approximately \$10.3 million by ARI's former lenders.

Due to continuing operating losses resulting from low margins and uncertainty about future U.S. rice exports, Comet ceased payments in January 1992 on a \$16 million non-recourse obligation secured by its rice plant in Greenville, Mississippi. In July 1992, the facility was sold through foreclosure sale and

in conjunction therewith, the Company eliminated debt of \$16 million and the related property, plant and equipment. The disposition of the facility was accounted for in accordance with: (1) Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," and (2) Emerging Issues Task Force Issue No. 91-2, "Debtor's Accounting for Forfeiture of Real Estate Subject to a Nonrecourse Mortgage."

These guidelines require a two-step approach in accounting for the disposition. Prior to the disposition, the plant was written down by \$4,000,000 to its estimated fair market value. This writedown was included in results of operations prior to taxes on income and extraordinary items in the consolidated statements of operations for the quarter ended September 30, 1992. Secondly, the difference between the estimated fair market value of the facility and the amount of debt extinguished (net of estimated shut-down and relocation expenses) resulted in a gain of \$4,726,000 on the extinguishment of debt which was recorded as extraordinary income in the second quarter of the prior fiscal year.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ASSETS HELD FOR SALE

The consolidated balance sheets include assets held for sale of \$26 million at December 31, 1993. This includes property held for sale in Houston, Texas (\$22 million) and the remaining net assets of the Company's discontinued wine business (\$4 million).

NOTE 5 - LONG-TERM AND SUBORDINATED DEBT

A schedule of outstanding long-term and subordinated debt at December 31, 1993 follows:

<TABLE>
<CAPTION>

	December 31, 1993

<S>	<C>
Long-term debt:	
Term loan due 1997, interest at bank prime rate plus 3%	\$32,000,000
Term loan due 1997, interest at bank prime rate plus 5%	17,200,000
Term loan due 1996, interest at bank prime rate plus 3%	13,300,000
Notes payable due 2008, interest at 6%	3,000,000
Term loan due 1993, interest at bank prime rate plus 2.25%	1,000,000
Note payable to officer, due 1994, interest at bank prime rate plus 2%	1,000,000
Various obligations with maturities to 2000, interest rates ranging from 10% to 15%	2,133,000
Less current portion of long-term debt	(7,529,000)

	\$ 62,104,000
	=====
Subordinated debt:	
12-1/2% subordinated sinking fund debentures, maturities through 2002	\$ 8,880,000
Note payable on rice facility, maturities through 1997, non-interest bearing	1,094,000
Less current portion of subordinated debt	(1,567,000)

	\$ 8,407,000
	=====

</TABLE>

The Company's 12-1/2% Subordinated Sinking Fund Debentures (the "Old Debentures") with an outstanding principal balance of \$8,880,000 matured on December 1, 1993. The Company has offered to exchange \$8,880,000 12-1/2% Subordinated Sinking Fund Debentures due 2002 (the "New Debentures") for

the Old Debentures. As of April 8, 1994, holders of approximately 94% of the Old Debentures have agreed to the exchange. The Company expects that most of the remaining debentureholders (having debentures with a face value of approximately \$567,000) will also agree to exchange and has left open the exchange offer until April 29, 1994 for the remaining debentureholders to do so. The Company is in the process of paying the December 1, 1993 interest to all of the debentureholders. The Company does not currently have adequate cash reserves to redeem the principal amount of all of the Old Debentures which have not agreed to the exchange but is exploring ways to deal with those debentureholders who will not exchange.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM AND SUBORDINATED DEBT (CONTINUED)

There is no assurance that the Company will be able to satisfactorily refinance the remaining debentures. Management, however, believes that the exchange offer can be completed.

In accordance with Statement of Financial Accounting Standards No. 6, "Classification of Short-Term Obligations Expected to be Refinanced", the classification of the 12-1/2% Subordinated Debentures in the consolidated balance sheet at December 31, 1993, reflects the payment schedule of the New Debentures which have agreed to the exchange described above.

Certain of the Company's and subsidiaries' long-term debt agreements require maintenance of minimum amounts or ratios related to working capital, long-term debt and net worth, in addition to the observance of other covenants. These restrictions also preclude the payment of cash dividends. The Company's Chemonics subsidiary is in violation of certain debt covenants and did not make the final \$1.0 million principal payment on its long-term debt. This is included in "current portion of long-term debt" in the consolidated balance sheets at December 31, 1993. Negotiations are in process with Chemonics' lender, ING Capital, to provide a waiver to allow the Company additional time to make the final payment on its term debt. This negotiation is expected to be completed during the next 90 days.

As part of the Comet and ARI Transaction, ARI received \$47.5 million in credit lines from a new revolving credit lender and loans from new term lenders for \$65.3 million. The \$47.5 million credit line expires in May 1995, carries an interest rate of prime plus 2%, and is collateralized by receivables, inventory, cash and junior liens on ARI assets pledged to the new term lenders.

The \$65.3 million term loans mature on December 31, 1997 with annual principal repayments required of \$4.2 million, \$5.9 million, \$5.9 million, \$5.9 million and \$43.4 million in 1994, 1995, 1996, 1997 and 1998, respectively. Interest rates range from prime plus 3% to prime plus 5% through May 1995, increasing to a range of prime plus 6% to prime plus 8% by 1997. Terms of the loans restrict dividend payments, investments, capital expenditures and require maintenance of certain working capital levels, leverage and net worth. These loans are collateralized by substantially all of ARI's fixed assets and trademarks and have junior liens on collateral for the credit lines. At December 31, 1993, ARI was not in compliance with certain of the required financial ratios included in the original debt covenants. Due to the unexpected 58 percent increase in raw product inventory costs of rice during the third quarter, working capital leverage (current liabilities divided by working capital) exceeded the requirement in the financial covenants. Subsequent to the end of the quarter, the term lenders agreed to a waiver of the existing default and adjusted the working capital leverage covenant upward.

A comparison of the current ARI financial covenants and ARI's actual financial ratios is presented below:

<TABLE>
<CAPTION>

	Financial Covenant	Actual as of December 31, 1993
<S>	<C>	<C>
Net book value (greater than)	\$25,461,000	\$30,883,000
Working capital (greater than)	\$ 8,468,000	\$11,584,000
Financial leverage (less than)	4.8 to 1	4.4 to 1
Working capital leverage (less than)	8.0 to 1	7.47 to 1
Coverage ratio (greater than)	1.0 to 1	1.21 to 1

</TABLE>

These loans are collateralized by substantially all of ARI's fixed assets and trademarks, and have junior liens on collateral for the credit lines.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM AND SUBORDINATED DEBT (CONTINUED)

In addition, ERLY is a guarantor for all of the new ARI debt and the loan agreements contain certain restrictive covenants applicable to ERLY. Consequently, the new ARI debt contains cross default provisions with the debt of ERLY. ARI has capitalized approximately \$4 million of costs in connection with the Refinancing.

Principal maturities on ERLY's long-term and subordinated debt are as follows: 1994--\$9,096,000; 1995--\$8,255,000; 1996--\$20,417,000; 1997--\$32,724,000; 1998--\$1,231,000; thereafter--\$7,884,000.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED DECEMBER 31, 1993 AND 1992

For the quarter ended December 31, 1993, the Company reported a net loss of \$193,000 compared to a net loss of \$2.0 million for the comparable quarter of the prior fiscal year. Results for the quarter include income on continuing operations of \$151,000, losses of \$1,241,000 related to the Company's Juice business which was discontinued in December 1993, and extraordinary income of \$897,000.

CONTINUING OPERATIONS

For the quarter ended December 31, 1993, the Company reported income on continuing operations of \$151,000 on sales of \$100 million compared to income from continuing operations of \$167,000 on sales of \$42 million for the comparable period last year. Consolidated sales for the third quarter were up by \$58 million from the third quarter of the prior fiscal year due to increased sales by the Company's Rice Division.

Prior to the May 1993 combination of Comet Rice, Inc. and American Rice, Inc. ("ARI"), the Company had a 48% investment in ARI which was accounted for on the equity method of accounting. ERLY's 48% interest in ARI results for the quarter ended December 31, 1992 resulted in income of \$1,349,000. ERLY's 48% equity in ARI's net results is reflected as investment income in the consolidated statements of operations. Subsequent to the May 1993 combination, ERLY owned 81% of the voting interest in the combined rice operations and its results from that time are therefore consolidated with ERLY's, with appropriate adjustments for minority interest.

Rice Operations

Sales for the three months ended December 31, 1993 of \$89.1 million increased \$58.1 million or 188 percent from the prior year due to \$30.6 million in export sales increases and \$27.5 in domestic sales increases. Estimated ARI sales included in 1993 as a result of the Transaction amounted to \$43.2 million, including \$21.3 million export sales and \$21.9 million domestic sales.

Export sales increased due to higher volume and higher average prices. Total export sales volume increased approximately 2.4 million equivalent rough rice hundredweight ("cwt."), a 56 percent increase, due to increases of 1.6 million cwt. as a result of the Transaction and higher export volume from the Stuttgart, Arkansas facility. Total average milled rice prices increased 24 percent due to a higher proportion of branded sales as a result of the Transaction and higher prices on unbranded commodity sales.

In addition to sales added by the Transaction, domestic sales increased due to higher average prices. Average domestic milled rice sales prices increased 55 percent due to the higher retail sales from the ARI customers.

Market prices of rough rice approximately doubled in the three month period ended December 31, 1993. In response to this increase in raw material costs, ARI increased prices in some markets during the quarter. In other markets, however, forward sales commitments delayed price increases until late in the quarter.

Gross profit was 10 percent of sales for the three months ended December 31, 1993, and 4 percent of sales for 1992, increasing \$7.5 million from the prior period. ARI sales contributed approximately \$4.6 million. Gross profit on other domestic sales increased \$1.3 million, while gross profit on other export sales increased \$1.6 million.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED DECEMBER 31, 1993 AND 1992
(CONTINUED)

Rice Operations (continued)

The overall effect of the increase in rough rice prices on ARI's gross profit is thought to be small as the higher rough rice prices were mitigated by substantial inventories acquired at lower price levels and increases in prices in some markets offsetting the negative impact from forward sales commitments at lower price levels in other markets.

General

Interest expense totalled \$3.2 million for the quarter ended December 31, 1993 compared with \$1.8 million for the same quarter of last year. The increase reflects the increase in long-term debt resulting from the combination of Comet Rice and ARI. Long-term and subordinated debt (including current portion) at December 31, 1993 totalled \$80 million compared to \$51 million at December 31, 1992.

DISCONTINUED OPERATIONS

In December 1993, the Company discontinued its operations in the juice business (see Note 2). For the quarter ended December 31, 1993, the Company recorded a loss from discontinued operations of \$1,086,000 compared to a loss of \$2,123,000 for the comparable quarter of the prior year. Revenues for the quarter were \$5 million, compared to \$23 million for the third quarter of the previous fiscal year. The Company also recorded a loss on disposal for the quarter of \$155,000. This represented a loss on the sale of trademarks, partially offset by a gain on the sale of plant facilities, gains on settlements with trade creditors and a gain on the discount of bank debt.

EXTRAORDINARY INCOME

As discussed in Note 2, the Company exchanged various debt obligations to the State of Michigan Retirement System for a note receivable with a net book value of \$3.8 million, 60,000 shares of ERLY Industries common stock, \$100,000 cash and a new note for approximately \$800,000. This resulted in extraordinary income on debt extinguishment of \$897,000 in the quarter ended December 31, 1993.

RESULTS OF OPERATIONS - NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992

For the nine months ended December 31, 1993 the Company reported net income of \$7.7 million compared to net income of \$286,000 last year. Results for the current nine month period include income on continuing operations of \$102,000, losses on the Company's discontinued juice operations of \$7,397,000 and extraordinary income of \$15,022,000. Sales for the nine months were \$62 million higher than a year ago due to increased sales by the Rice Division of \$63 million, offset by reduced sales of \$1 million by the Company's subsidiary, Chemonics Industries.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992
(CONTINUED)

CONTINUING OPERATIONS

For the nine months ended December 31, 1993, the Company reported income on continuing operations of \$102,000 on sales of \$235 million compared to a loss on continuing operations of \$1.7 million on sales of \$173 million last year.

Rice Operations

Sales for 1993 of \$196.2 million increased \$62.9 million or 47 percent from the prior year due to \$41.1 million in export sales increases and \$21.8 million in domestic sales increases. Estimated ARI sales included in 1993 as a result of the Transaction amounted to \$89.6 million, including \$46.6 million export sales and \$43 million domestic sales.

Export sales increased due to higher volume and higher average prices. Total export sales volume increased approximately 4 million equivalent rough rice cwt., a 62 percent increase, due primarily to increases of 3.7 million cwt. as a result of the Transaction. Total average milled rice export prices increased 4 percent due to a higher proportion of branded sales as a result of the Transaction partially offset by price declines of 13 percent on unbranded commodity sales.

Domestic sales added by ARI in 1993 included \$2 million in rough rice sales versus none in the prior year. The increase in domestic sales from the Transaction is partially offset by lower sales from the Greenville, Mississippi facility disposed of in July 1992. Average domestic milled rice sales prices increased 24 percent due primarily to the higher sales from the ARI customers.

Gross profit was 11 percent of sales for 1993 and 5 percent of sales for 1992. Gross profit increased \$14.8 million, more than doubling the 1992 level. ARI sales contributed approximately \$14.9 million. Gross profit on other domestic sales increased \$1.0 million, while gross profit on other export sales declined \$1.1 million.

Chemonics Industries, Inc.

The Company's Chemonics Industries division reported operating profits of \$9.9 million for the nine months ended December 31, 1993, a decrease of \$2.2 million from last year. Revenues for the period were down by 12% in Chemonics' fire retardant business and 1% in Chemonics' international consulting business.

General

Interest expense for the nine months ended December 31, 1993 was \$8.7 million compared to \$5.8 million last year reflecting the increase in long-term debt due to the combination of Comet Rice and ARI. Term debt (both long-term and current portion) was \$79.6 million at December 31, 1993 compared to \$53.7 million at December 31, 1992, an increase of \$25.9 million.

For the nine months ended December 31, 1993, the Company reported investment income of \$426,000 under the equity method of accounting for April and May 1993 when its investment in American Rice, Inc. was 48%. This compares to income of \$1.8 million for the nine months ended December 31, 1992, which was recorded on the equity method for the entire period.

ERLY INDUSTRIES INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992
(CONTINUED)

DISCONTINUED OPERATIONS

In December 1993, the Company discontinued its operations in the juice business (see Note 2). For the nine months ended December 31, 1993, the Company recorded a loss from discontinued operations of \$4,552,000 compared to a loss of \$2,760,000 for the comparable period of the prior year. Revenues for the nine months ended December 31, 1993 were \$31.3 million, compared to \$67.1 million for the comparable period of the previous fiscal year. The Company

also recorded a loss on disposal for the period of \$2,845,000. This represented a \$2.7 million loss on the Company's Lakeland, Florida plant in the second quarter ended September 30, 1993 and a loss in the current quarter on the sale of trademarks, partially offset by a gain on the sale of plant facilities, gains on settlements with trade creditors and a gain on the discount of bank debt.

EXTRAORDINARY INCOME

For the nine months ended December 31, 1993, the Company has recorded extraordinary income of \$15,022,000. This consists of a gain on the discount of ARI debt (\$8,500,000); a gain on the discount of ERLY Juice trade payables in the second quarter of fiscal 1994 (\$5,625,000); and, a gain on discount of debt with the State of Michigan Retirement System in December 1993 (\$897,000).

LIQUIDITY AND CAPITAL RESOURCES

ERLY's management believes the Transaction which combined Comet Rice and American Rice, as described in Note 1, will allow better utilization of both companies' operating assets, improve cash flow and working capital through operating efficiencies, and increase the overall financial strength of the combined rice business through debt reduction. The intended result includes the ability of the combined rice operations to provide sufficient cash flow to permit the payment of dividends to ERLY in future years, which in turn will be used by ERLY to service its debt obligations, including new debt of \$3 million to former ARI term lenders which was required as part of the Transaction. No debt service on the \$3 million debt is required unless preferred dividends are declared by ARI to ERLY. The revolving credit agreement with Congress Financial Corporation ("Congress") prohibits the payment of any dividends. ARI could request a waiver of this covenant, but based on ARI's current financial condition, there is no reason to believe such a waiver would be granted and there are not any guidelines in the loan agreement which would indicate on what basis Congress would approve a dividend.

At December 31, 1993 consolidated working capital amounted to \$2.3 million compared to a negative \$44 million and negative \$15 million at March 31 and September 30, 1993, respectively. The increase from September 30 was due to the sale of the ERLY Juice assets and the successful exchange of 94% of the Company's 12-1/2% subordinated debentures. The increase from March 31 was due to those factors plus the combination of Comet Rice and ARI in May 1993.

Inventory at December 31, 1993, was \$67 million compared to \$28 million at March 31, 1993, an increase of \$39 million. This increase is due primarily to a 71 percent increase in raw product inventory costs of rice and the increased rough rice inventory levels from the Transaction.

Stockholders' equity was \$1.6 million at December 31, 1993, essentially unchanged from September 30, 1993.

ERLY INDUSTRIES INC. AND SUBSIDIARIES ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - NINE MONTHS ENDED DECEMBER 31, 1993 AND 1992 (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The Company's 12-1/2% Subordinated Sinking Fund Debentures (the "Old Debentures") with an outstanding principal balance of \$8,880,000 matured on December 1, 1993. The Company has offered to exchange \$8,880,000 12-1/2% Subordinated Sinking Fund Debentures due 2002 (the "New Debentures") for the Old Debentures. Management of the Company is of the opinion that if the Old Debentures are exchanged for New Debentures, the Company will be able to meet its interest and sinking fund payment obligations under the New Debentures. Holders of the New Debentures will receive a return of the principal amount of the debentures (pursuant to annual sinking fund payments) either on or prior to their maturity in 2002 with the same 12-1/2% interest rate.

As of April 8, 1994, holders of approximately 94% of the Old Debentures have agreed to the exchange. The Company expects that most of the remaining debentureholders (having debentures with a face value of approximately \$567,000) will also agree to exchange and has left open the exchange offer until April 29, 1994 for the remaining debentureholders to do so.

The Company is in the process of paying the December 1, 1993 interest to all of the debentureholders. The Company does not currently have adequate cash reserves to redeem the principal amount of all of the Old Debentures which have not agreed to the exchange but is exploring ways to deal with those debentureholders who will not exchange.

There is no assurance that the Company will be able to satisfactorily refinance the remaining debentures. Management, however, believes that the exchange offer can be completed.

In accordance with Statement of Accounting Standards No. 6, "Classification of Short-Term Obligations Expected to be Refinanced", the classification of the 12-1/2% Subordinated Debentures in the consolidated balance sheet at December 31, 1993, reflects the payment schedule of the New Debentures which have agreed to the exchange described above.

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ERLY INDUSTRIES INC. AND SUBSIDIARIES
 ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The Annual Meeting of Shareholders was held on November 22, 1993.
- (c) At the November 22, 1993 Annual Shareholders Meeting, a vote was passed to amend the Articles of Incorporation of the Company to decrease the par value of Common Stock from \$1.00 per share to \$.01 per share. 2,450,634 votes (96%) were cast for the proposal, 73,827 votes (3%) were cast against the proposal and 34,460 abstentions (1%) were received.

ITEM 6.(B) REPORTS ON FORM 8-K

On December 29, 1993, the Company filed a Form 8-K to report the disposition of the Company's juice business in December 1993.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ERLY INDUSTRIES INC.
 (Registrant)

April 14, 1994

By /s/ Richard N. McCombs

 Richard N. McCombs
 Vice President and
 Chief Financial
 Officer

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EXHIBIT I
 ERLY INDUSTRIES INC. AND SUBSIDIARIES
 CALCULATION OF PRIMARY INCOME (LOSS)
 PER SHARE
 (UNAUDITED)

<TABLE>
 <CAPTION>

	Three months ended December 31,		Nine months ended December 31,	
	1993	1992	1993	1992
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Income (loss) from continuing operations	\$ 151,000	\$ 167,000	\$ 102,000	(\$1,680,000)

Loss on discontinued operations	(1,241,000)	(2,123,000)	(7,397,000)	(2,760,000)
Income from extra-ordinary items	897,000	-----	15,022,000	4,726,000
	-----	-----	-----	-----
Net income (loss)	(\$ 193,000)	(\$1,956,000)	\$ 7,727,000	\$ 286,000
	=====	=====	=====	=====
Average number of shares of common stock and common stock equivalents outstanding:				
Average number of shares of common stock outstanding	3,563,000	3,438,000	3,511,000	3,433,000
Common stock equivalents:				
Dilutive effect of stock options and warrants based on application of treasury stock method	(a)	(a)	69,000	(b)
	-----	-----	-----	-----
Total	3,563,000	3,438,000	3,580,000	3,433,000
	=====	=====	=====	=====
Primary income (loss) per common share:				
Income (loss) from continuing operations	\$.04	\$.05	\$.03	(\$.49)
Income (loss) on discontinued operations	(.34)	(.62)	(2.07)	(.80)
Income from extra-ordinary items	.25	-----	4.20	1.37
	-----	-----	-----	-----
Primary income (loss) per common share	(\$.05)	(\$.57)	\$ 2.16	\$.08
	=====	=====	=====	=====

</TABLE>

- (a) A net loss is reported for the period. Therefore, exercise of stock options and warrants is not assumed as the computation would be anti-dilutive.
- (b) The dilutive effect of stock options and warrants was less than 3%; therefore, none are shown above.

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EXHIBIT I
ERLY INDUSTRIES INC. AND SUBSIDIARIES
CALCULATION OF FULLY DILUTED INCOME (LOSS) PER SHARE
(UNAUDITED)

<TABLE>
<CAPTION>

	Three months ended December 31,		Nine months ended December 31,	
	1993 ----	1992 ----	1993 ----	1992 ----
<S>	<C>	<C>	<C>	<C>
Income (loss) from continuing operations	\$ 151,000	\$ 167,000	\$ 102,000	(\$1,680,000)
Loss on discontinued operations	(1,241,000)	(2,123,000)	(7,397,000)	(2,760,000)
Income from extra-ordinary items	897,000	-----	15,022,000	4,726,000
	-----	-----	-----	-----
Net income (loss)	(\$ 193,000)	(\$1,956,000)	\$ 7,727,000	\$ 286,000
	=====	=====	=====	=====
Average number of shares of common stock and common stock				

equivalents outstanding:				
Average number of shares of common stock outstanding	3,563,000	3,438,000	3,511,000	3,433,000
Common stock equivalents:				
Dilutive effect of stock options and warrants based on application of treasury stock method	(a)	(a)	69,000	(b)
Common stock issuable upon conversion on note payable	(a)	(a)	267,000	267,000
Total	<u>3,563,000</u> =====	<u>3,438,000</u> =====	<u>3,847,000</u> =====	<u>3,700,000</u> =====
Fully diluted income (loss) per common share:				
Income (loss) from continuing operations	\$.04	\$.05	\$.03	(\$.45)
Loss on discontinued operations	(.34)	(.62)	(1.92)	(.75)
Income from extra- ordinary items	.25		3.90	1.28
Fully diluted income (loss) per common share	<u>(\$.05)</u> =====	<u>\$.57</u> =====	<u>\$ 2.01</u> =====	<u>\$.08</u> =====

</TABLE>

- (a) A net loss is reported for the period. Therefore, exercise of stock options and warrants is not assumed as the computation would be anti-dilutive.
- (b) The dilutive effect of stock options and warrants was less than 3%; therefore, none are shown above.