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Rice Market Report-July 25, 2007

There was not any major news to report on US rice over the past few weeks. Markets are relatively quiet over the summer period and not much trading is taking place. Much of the attention continues to focus on new crop.

In the international market, the major news came from Australia. Australia's 2007/08 crop (to be harvested in April-May 2008) was lowered from 262,000 mt to 70,000 mt, the smallest crop in over 45 years!!! This reduction was the result of several years of severe drought. Traditionally, Australia's production ranged from 800,000 to 1.3 million mt medium grain rice.

Most domestic buyers are covered until new crop in September. There is not much new export business. The spot prices for old crop long grain, parboiled and calrose rice remain unchanged since our last report.

The latest USDA numbers indicate that the new crop long grain rice production will be down fractionally by 5% compared to last year. Previously in June, USDA reported that the decline in production would be 8%. All the upward revision came from increase in planted acres in Arkansas.

For long grain rice, new crop prices will be determined by: 1. Unsold and mostly un-usable GE tainted rice, 2. Opening up of the European market, 3. Sales to Iraq and Cuba and 4. Final production numbers after harvest. Currently, no new crop prices have been released. Early indications point to higher prices. However, we have to see what happens to the issues listed above before making a determination.

Medium grain production in Arkansas and California is projected to be up by 6%. The consensus for California planting is about 530 thousand acres. The California acres are up slightly 1-2% compared to last year. However, with the early planting and excellent growing conditions, we will see much better field yields in California. In short, we should have more calrose rice available in California this year.

It is important to note that we are starting to change our market view on medium grain rice.

So far we have been some what bearish on new crop medium grain prices. However, recent developments are pointing to a stronger market and potentially higher prices. While we agree that California and Arkansas will have more medium grain rice, we feel that strong domestic and export demand will keep the values high in 2007/08 crop year.





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From the supply side we have to consider the lower than expected production in Australia, potential water availability issues in California for 2008/09 crop and China's ability supply short and medium grain rice to traditional Australian export markets.

The Chicago Board of Trade (CBOT) rice futures have gone down over the past few weeks on concerns that there is more new crop production and larger old crop carry over rice. Attached is the CBOT long grain rough rice September (new crop) futures chart for your review.

Our view for long grain rice has not changed. Market will remain steady to firm. There are no reasons for prices to go down. New crop prices should be higher. As for medium grain (calrose) rice, prices will remain steady until new crop. However, we now see some firmness for new crop.

Please do not hesitate to call us should you have any questions or requests.

Ali Bilgen