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Rice Market Report-August 13, 2007

There have been a few developments since our last report on July 25th.

First of all, the much awaited US long grain white rice sale to Iraq has been concluded. Iraq has purchased 90,000 mt of US long grain white rice. This will certainly give some boost to the US rice milling industry. However, the industry needs more sales.

Secondly, the Philippines has announced that they will take bids for 50,000 mt US long grain milled rice on September 12th under the PL480 program.

The third development which requires further analysis was the crop production figures and the supply/demand numbers released by the USDA on August 10th.

In its production forecast, the USDA stated that the planted acres in Arkansas will be down 7.5%, Louisiana will be up 11.5%, Missouri would be down 8% and Texas would be virtually the same (down 0.5%). California which is the main supplier of medium grain calrose rice would be down 1%.

In its second new crop supply demand forecast, the USDA revised its long grain supply numbers upward by 2 million cwt. The result is still a 4% decrease in production compared to last year. USDA revised its medium grain supply number downward 1.6 million cwt which basically gives us the same crop size as last year. ***In summary, the USDA numbers point to steady to slightly firm for long grain and steady to firm for medium grain.***

The Chicago Board of Trade (CBOT) rice futures have rallied up slightly over the past two weeks after a soft spell. Attached is the CBOT long grain rough rice September (new crop) futures chart for your review.

Based on the recent developments, we see all market classes steady to firm. There are no reasons for prices to go down. ***New crop rice prices will be higher.***

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

Ali Bilgen

