



1033 Bay Street, Suite 209
Toronto, Ontario M5S 3A5
Canada
Tel No: 416-929-7423
Fax No: 416-929-7438
e-mail: ali@abbrice.com

Special California Calrose Rice Market Report-August 30, 2007

As we have been mentioning in our last few reports, new crop calrose rice prices are firming up. It is very likely that US\$ 2.00 to US\$ 3.00 per 100 lb price increases will be implemented through out the industry starting with new crop shipments in September. To understand the reasons for higher calrose prices, we need to look at following:

1. Crop size in California

According to the USDA, while the planted acres in California will be down 1%, the crop is forecasted up 4%. The reduction in planted acres is surprising because the industry was expecting them to be up 5-10%. A reduction was not expected. Luckily, the reduction in planted acres will be offset by the better projected yields. In both 2005/06 and 2006/07, the California rice-growing area experienced an excessive cool and wet spring that reduced area and delayed planting. So far this year, the planting and growing conditions have been excellent. The crop is doing well. Harvesting should start in a few weeks time.

2. International Supply

International supply of calrose rice is very tight. The main competitor of California calrose rice is Australia. Due to successive droughts, Australia's calrose crops are reduced by 80-90% each year. This year is no exception. The markets that used to buy Australian calrose rice are now forced to buy from California. This increased demand is pushing the prices up.

3. Water Situation in California

Water availability continues to concern the industry experts in California. It will be very important to see how much winter snow pack will be accumulated in California. This will affect the 2008/09 crop. Until we know that there is ample water supply for next year, prices will remain firm.

4. Competing Crops

We all heard the high wheat, corn, soy bean prices. Rice has to compete against these crops. As such, we have to pay higher return to the growers to plant rice instead of these alternative crops. Some players in California are guaranteeing returns that are very high in order to entice planting and supply. This is driving the prices up.

5. Overall Demand

Demand for California calrose rice is strong both from domestic and international buyers. We do not see the demand subsiding at all

Conclusion

There is no doubt that the new crop California medium grain (calrose) rice prices will be at higher at new crop. We believe that the price increase will be somewhere between US\$ 2.00 to US\$ 3.00 per 100 lbs.

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

Ali Bilgen

