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## **Rice Market Report- January 31, 2008**

Since our last report in late December 2007, there was not much change in the US rice market.

***Both long grain and medium grain (Calrose) markets are very firm.*** Prices are high and will remain high. Fundamentally, there is no reason for prices to go down. ***All indications point to a very bullish market.***

After a quite trading period over the holidays, the US rice market took off over the last few weeks. Cash market prices are up. Mills are forced to pay higher prices to the growers to secure rough rice. This is driving the milled rice prices up. Buyers are supporting the higher milled rice prices.

We are continuing to see strong export sales and good domestic demand for US long grain and parboiled rice. Mills are busy with sales through February. New sales made April onwards will keep most mills busy as well.

While it is early to discuss new crop rice plantings in the US, we are worried that we will lose acres to competing crops such as soy beans, corn and wheat. Strong grain prices may result in 10-15% reduction in the US long grain plantings. This can put huge pressure on the prices after the final numbers are known this spring. It is too early to tell. However, acreage reduction and even higher prices are real possibilities...

USDA's trend setting world market price was up again.

After dipping a little last week, ***Chicago Board of Trade (CBOT) rice future prices jumped up and set new highs.*** Attached is the CBOT March futures chart for your review.

In the international markets, ***Thai prices are up sharply.*** Reports coming from Thailand tell us that the exporters are facing difficulties in securing rice supplies to fulfill outstanding contracts. We are hearing that some are expected to incur large losses, particularly for those who have short-sell positions, as domestic prices keep increasing dramatically over the past few weeks.



US agricultural attaché in Thailand is reporting that the local millers and traders are holding stocks to speculate the market. At the moment, most exporters are reluctant to conclude large volume sales due to limited exportable supplies, particularly for parboiled rice, as many parboiled rice mills are reportedly oversold. However, enquiries from regular buyers in the Middle East, African and Asian countries remain strong as they expect tight global supplies this year.

The big news for medium grain (Calrose) rice was the Egyptian export ban. The Egyptian government is trying to stop the increasing domestic rice prices to the consumers. Egypt is one of the largest exporters of medium grain rice to the Middle East and competes directly against California. As a result of the ban, export inquiries are coming to the US in large volumes. Turkey, a large medium grain rice buyer, is trying to secure rice from the US. We expect that the US Calrose prices will go up as a result. ***Expect price increase announcements from California soon...***

The Indian ban for non-basmati type of rice is continuing. Vietnam is not really a player until their main crop harvest comes in line in March. Australia is out of the market. Overall, the international supply of rice remains very tight. Demand from the traditional large buyers is very strong. We expect that the demand for rice will outstrip the supply in 2008/2009.

***Keep on buying rice. Do not be short. Your next purchase price will likely be higher...***

In conclusion, rice markets are very firm. Our view has not changed. Prices will remain firm and go up further. We do not expect any price decreases.

Please feel to contact us should you have any questions or requests.

A & BB Rice Inc.

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