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Rice Market Report- February 26, 2008

Long Grain Rice

US long grain and parboiled rice prices keep climbing up daily. Markets are very firm. Prices are at all time high. Yet, I feel that we have not seen the end of price increases yet. ***Actually, I think that rice is still too cheap compared to other agricultural commodities...***

In this report, I would like to concentrate on other grains such as wheat, soybeans, and corn. Close analysis shows that from November 1, 2007 to today, the Chicago Board of Trade (CBOT) wheat futures are up 58%, soybean futures are up 45%, corn futures are up 38%. During the same period, long grain rough rice futures are up only 37%.

Generally, the increases in the rice future prices do not get reflected in the cash market as fast as wheat, corn and soybeans. In other words, spot milled rice prices have not gone up as fast as wheat flour, corn meal or soybean oil.

I have attached the CBOT May future charts for wheat, corn, soybeans and long grain rough rice for your review. I have also attached the long grain rough rice future chart from 2002 to 2008. Pictures tell a thousand words...

Finally, we have to accept that there will be food price inflation given the fact that we are looking at \$100 per barrel oil price and government incentives for ethanol and bio-diesel production. ***We have to decide what is more important: grow food for feeding people or grow food to run our cars and SUV's?*** There is not agricultural land to do both. The new reality is that acres for food production has to compete against energy. As long as governments are supporting ethanol and bio-diesel production, we will see high food prices.

Calrose Rice

California rice mills have announced price increases ranging from US\$ 1.00 to 2.00 per 100 lbs. Market is firm. We do not see any downside to this market. Actually, Calrose prices are very attractive now compared to long grain prices. We may see some switch-over to Calrose rice as long grain prices continue going up. This may put some upward pressure on Calrose prices. World market situation for medium grain rice is still very tight. There is good export demand and lack of large supplies. California is in a good position to supply to most customers around the world.

Our recommendation is still the same:

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

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

A & B B Rice Inc.

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