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Rice Market Report- June 6, 2008

After the crazy run up in prices, rice markets have stabilized to some degree. Prices are still firm and availability is scarce.

Over the last 4 weeks, our attention has turned from prices to getting rice to the customers. The pipeline has not been fully filled yet. Mills are running 24/7 to meet the increased demand. There are major shipment delays. However, mills are slowly catching up. We are long way away from getting back to normal shipping schedule. Getting the rice to the consumers has become a serious challenge due the shortage of trucks, railcars and containers.

Regardless of the price, nearby supply is an issue...

Long Grain Rice

US long grain and parboiled rice prices have stabilized. Markets are firm. Supply is limited. Demand is very strong.

The CBOT rice futures were down substantially over the last few weeks due to speculators taking profits. The cash market has not reacted to the falling futures prices. There is very little long grain rough rice left in the South. The carry over from old crop to new crop will be very minimal. Today, cash prices (i.e. price paid to the farmers for the actual rough rice) are at a premium over the CBOT prices. At the moment, it is misleading to look at the futures prices only and think that prices are coming down. They are not...

Our attention is turning to new crop rice due to be harvested in the fall. The new crop is approximately 2 weeks late. This is adding more pressure to the small supply left over to carry us in to the fall. Also, when the crop is late, there are generally field yield issues. We will need to monitor this carefully for next year. We need a good growing and harvest season. If there are any weather issues, we can be in serious trouble. Also, we no longer agree with the earlier predictions that the new crop would be up 10%. We think the crop size will be similar to the current crop.

The bottom is that we are not out of the woods yet...



Calrose Rice

Prices in California have gone up tremendously over the last 4 weeks. Mills are sold out for the rest of the crop year based on their traditional business. Every mill is only servicing their existing customer and not taking on additional business. The supply of calrose rough rice is very limited. Every customer is on strict allotment based on historical purchases regardless of the price paid. Prices are still going up weekly. Mills are very busy. We feel that we will see another US\$ 5-8 per 100 lb increase before the new crop arrives in October. Finally, there are transportation issues from California as well. Getting trucks and containers are proving to be a challenge to say the least.

The new crop in California is looking good. We are hearing new crop calrose rough rice sales at very high prices. As such, we are not expecting any price decrease even at new crop. We hope that the allotments will end with new crop from California.

International Markets

As you know, Egypt had an export ban in place until October 2008. This week Egypt, one of the largest exporters of medium grain rice in the world, extended the export ban until April 2009. This is very bullish news. Buyers have been counting on Egypt to supply large volumes of medium grain rice starting in October. It seems that this will not happen. This will put extra pressure on California calrose prices and keep prices firm.

The other rumor/news of significance was that Japan would release some of its imported calrose stocks to the world as a humanitarian gesture. We will need to monitor this. The world needs rice so this is welcome news.

Long grain prices in Thailand have backed off a little. However, Thai long grain prices are still quite high. Thai exports are on pace to run out of rice before new crop. We expect a lot of volatility in Thailand until early 2009.

In Vietnam, there are rumors that the government may lift the export ban with a minimum export price and tax. We have to monitor this development.

In India, government is considering lifting the export ban due to heavy pressure from nations needing rice. Again, even if the export ban is lifted, there will be a minimum export price.

In conclusion, our recommendation has not changed:

Keep on buying rice based on your needs and do not be short. Your next purchase price may be higher. Worst yet, you may not be able to get the rice regardless of the price...

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

A & BB Rice Inc.

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