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Rice Market Report- August 14, 2008

The world wide panic due to lack of rice supply has subsided and the markets around the world have stabilized over the last 4 weeks.

Long Grain Rice

Old crop prices for US long grain and parboiled have gone down slightly. Markets are slightly soft due to lack of demand. Everyone is waiting for the new crop rice. Old crop supply is still limited. Most buyers are covered until new crop.

The CBOT long grain rice futures were continued to go down over the last few weeks. The cash market prices have gone down as well. However, cash market prices have not gone down anywhere near the CBOT future prices. Again, we would like to remind buyers that it is misleading to look at the futures prices only and think that prices are coming down. They are not...

At the moment, all attention has turned to new crop. The new crop price indications are lower than old crop. The new crop is still 2 weeks late.

Latest USDA figures released this week shows that the overall US rice crop will be up 4% compared to last year. Major producing states such as Arkansas is projected to be up 2.5%, Louisiana is projected to be unchanged and California is projected to be down 6.5%

The bottom is that there is not much change compared to last year in terms of supply. Again demand will drive this market up or down.

Calrose Rice

Old crop prices in California are very firm. New crop price indications are even firmer. Old crop is sold out for intents and purposes. Mills are still on allotment to their existing customers and are not taking on any new customers. The supply of old crop calrose rough rice is very very limited. Export demand is still very strong due to lack of supply and/or selling from Australia, China and Egypt.



Transportations costs are out of control especially from California. Average trucking costs to the East cost and Canadian destinations have gone up over US\$ 4200.00-5,200.00 per load. Getting trucks and containers are still a challenge.

The new crop in California is looking good. The crop size should be about the same as last year. We have to wait and see the field and milling yields before we can make this conclusion. Regardless, we do not see any major change in terms of supply. New crop prices will remain the same and possible go up.

The questions we have to ask ourselves for new crop calrose are: 1. What will happen in the rest of the world? 2. Will Egypt lift its export ban prior to April 2009? 3. Will Australia have a crop for 2009? 4. Will China allow the export of rice and relax its export restrictions in terms of quotas? 5. Will California have enough water for the 2009/2010 crop year?

Our analysis of the situation is that if Egypt and China allow regular exports to resume, this will put downward pressure on California calrose rice prices. If the export ban/restrictions continue, we can not see any reason for new crop calrose prices to go down. It will be a tough year to predict prices. We may see some wild swings in both directions.

International Markets

As we mentioned above, in terms of medium grain rice, the export ban in Egypt is continuing, China has serious restrictions and Australia has no rice to sell.

Long grain prices in Thailand and Vietnam have gone down to more realistic levels in light of the new crop harvests and due to lack of fresh demand. Supply of long grain rice from international destinations is adequate.

In conclusion, with old crop rice is virtually sold out and buyers covered until new crop, we have to watch the new crop rice carefully. Supply is adequate and price indications are lower for long grain. However, please do not forget that until the crop is all harvested and in the bin, there are always risks. At this point, our recommendation for long grain is to book some new crop as insurance and buy more after harvest. For calrose rice, it is tricky. We have to advise that waiting a little longer to see some more signals is probably the prudent choice.

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

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