



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](mailto:ali@abbrice.com)

[www.abbrice.com](http://www.abbrice.com)

### **Rice Market Report- September 8, 2008**

Since our last report, all attention has turned to new crop rice in the South and in California.

New crop prices are *stable* for long grain/parboiled rice and *stable to firm* for calrose rice.

It should be noted that there is a lot of uncertainty surrounding the new crop long grain and calrose rice pricing. There are many factors that could drive the prices up or down.

#### **Long Grain Rice**

New crop long grain prices are firmer compared to 3-4 weeks ago.

Harvest in Texas and Louisiana are well on their way. About 90% of the crop in Texas and 75% of the crop in Louisiana has been harvested. Arkansas, the largest producer of long grain rice, has just started harvesting.

The biggest concern for new crop long grain rice has been the reduced yield potential due to the recent hurricanes to hit the Gulf Coast. Heavy rains and flooding have affected the Texas and Louisiana crops. In Arkansas, heavy winds and rain have pushed the rice plants down. This will make the harvesting of the rice more difficult. If the damage from the hurricanes is worse than expected, we can see prices go up. We have to monitor this situation very carefully. The final damage will not be known for sometime.

As a result, sellers have turned very defensive for new crop long grain rice. Sellers are refusing to quote long term pricing or attaching a large premium to spot pricing.

Over the last 4 weeks, Chicago Board of Trade (CBOT) long grain rice futures have rallied up substantially due to the weather issues. We have seen the November future contract price go up by 20%. This represents approximately US\$ 5.00 per 100 lbs. ***Don't just panic yet!!!*** The cash market has not reacted to these future price increases. However, if CBOT prices remain at these firm values, farmers will demand higher prices for their cash rice. This will undoubtedly force the mills to increase their milled rice prices.

## **Calrose Rice**

In California, prices are firm for both old and new crop. There is very little old crop remaining in the market. New crop is about 2 weeks away. There are varying opinions on where the new crop prices should be at. Some mills are talking about price increases and others talking about leaving prices as they are now. It is very tough to predict calrose prices. We can see large increases or decreases. It is 50/50... Our recommendation to our customers is to keep buying on a regular basis and to average your cost up or down.

The problem for calrose rice is that the supplies are very tight around the world. There is an export ban in Egypt, China is not issuing export permits, Australia has no rice to sell and the South has reduced its medium grain planting by 30%. So California is the only game in town. If the situation in Egypt and China does not change, we can see some serious price increases in California. On the other hand, if Egypt and China start exporting, we can see major price decreases. However, we do not see these countries opening their doors to export for a while.

Last but not least, we have to consider the water issues in California. We need good snow pack and rains over the winter in California for a good 2009 crop. Until the water situation is fully known, mills will be defensive and not sell at aggressive prices.

As such, nearby, we do not see any possibility for calrose prices to go down. Market will remain strong and edge up based on demand.

## **International Markets**

There is not much different to report from international markets. Asian prices are stable. Asian exports are still well ahead of schedule. There is adequate supply and demand.

In conclusion, our view for long grain and parboiled rice has turned slightly bullish due to the recent weather problems. Our recommendation is to cover 75% of your requirements until the end of the year.

Our view for calrose rice has not changed. Market is firm now. It can get firmer or softer depending on factors discussed above. This one is tricky. Don't be too long or short...

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

A & BB Rice Inc.

Ali Bilgen