



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

www.abbrice.com

Rice Market Report- January 8, 2009

Rice markets were very quiet over the holidays. The outlook for long grain market is bearish. The outlook for medium grain (calrose) market is bullish.

Long Grain Rice

Long grain rice market is soft. Prices are down. Lack of fresh new export demand, widening gap between US and Asian rice prices and the domestic economic situation are to blame. There is not much positive news in the market to force prices up. We expect that prices will remain flat for the foreseeable future.

Everyone in the industry is waiting for the January 12th USDA release of the supply numbers. Most experts expect that the USDA has to revise the supply downward. If that happens, we will see the long grain market stabilize and maybe even edge up slightly. We will keep you informed next week on this issue.

The Chicago Board of Trade (CBOT) long grain rough rice futures have rebounded over the holidays on speculative buying. Attached is the CBOT January rough rice futures chart for your review.

Our recommendation to buy hand to mouth has not changed.

Calrose Rice

The situation in California has not changed much. Market is very firm. Domestic prices are edging up slowly based on higher export prices paid by the Japanese. There are rumors in the market that some of the California mills will announce price increases in mid-January anywhere from US\$ 1.50 to US\$ 4.00/cwt.

Domestic and export demand for California Calrose rice is still strong. Mills are very busy with domestic and export orders. The absence of major exporters such as Egypt, China and Australia is leaving California as the only source in the world.

Interestingly and to our surprise, Egypt has still not opened its doors to exports. Egypt has a lot of rice that they can export. However, the government is worried about rising domestic food prices and civil unrest. As such, they are keeping the doors closed.

We feel that California will not be able to maintain such high prices in the world market if and when Egypt and China start exporting. Speculations will continue about the lifting of the Egyptian export ban. All we know at this point is that the ban will be lifted in April. Until that time, we do not see any reason for the California prices to back off.

Over the holidays, California received much needed rain and snow. However, the reservoirs are still well below normal levels. Water shortage for 2009/2010 crop year is still a major concern. California needs more rain and snow over the next 3 months.

We are starting to have a major concern in California with respect to specialty rices. High calrose prices is forcing the growers to stop planting specialty variety rices such as short grain sweet rice, new variety rice (premium sushi rice) and organic rice. Growers are much better off growing less risky calrose crop instead of the riskier specialty varieties. As a result, we are seeing a major shortage of sweet rice this year. The situation may get worse next year, if the growers don't plant sweet rice, new variety rice and organic rice. The premium paid for the specialty varieties will have to be more than normal in order to get these varieties grown next year.

As we said before many times, it will be very tough to predict calrose prices this year. If and when the market collapses, decreases can be big. For now, prices are edging up...

Our recommendation to our buyers is that they should buy hand to mouth until the spring.

International Markets

Asian markets are very quiet. Asian prices are steady to firm.

Conclusion

Our view for long grain and parboiled rice is *soft*. Our view for calrose rice is *firm*.

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

A & BB Rice Inc.

Ali Bilgen