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Rice Market Report- April 9, 2009

Over the past few weeks, both US long grain and medium grain (calrose) rice markets have firmed up. Long grain rice prices finally hit the bottom and prices started going up. Medium grain (calrose) rice prices continue their upward movement.

Long Grain Rice

After many weeks of decline in prices, the US long grain rice prices are up due to strong export demand and depleting stocks. We expect that prices will firm up more.

Over the last few weeks, export demand for US long grain rice and parboiled rice has picked up considerably as US prices have reached its low levels. For example, Nigeria which is one of the largest buyer of long grain parboiled rice in the world, bought 26,000 mt of US parboiled rice. To put things in perspective, Nigeria has not bough any US parboiled rice in over 10 years. This meant that US prices are very competitive with other origins such as Thailand and India.

There were further long grain white rice sales to Iraq and other regular destinations which firmed up the market. The bottom line is that strong export demand for US long grain is very strong and driving the prices up. This is welcomed news for the growers and mills who have been struggling with falling prices and lack of business.

The big news for US long grain rice came this morning from USDA. In its crop production report, USDA reported that the long grain rice ending stocks is projected to be 12.3 million cwt on rough rice basis. The entire decline is attributable to increased exports. This projected number is down 8 million cwt or 39% from the previous month's projection. Moreover, it is 35% below last year's ending stocks (carryover). This is a very significant reduction. There is no doubt that this will stop price decreases we have seen in US long grain prices over the past 6 months. We expect that prices will remain firm and go up over the next few months.

The Chicago Board of Trade (CBOT) long grain rough rice futures are up after setting new lows on March 16, 2009. The trend is definitely up. Attached is the CBOT May rough rice futures chart for your review.

The new crop planting intentions were released by USDA on March 31, 2009. In this report, USDA reported that the new crop long grain planting would be up 7%. Arkansas which is the largest producer of long grain would be up 9%. USDA also reported that the overall medium grain would be up 6%. The medium grain numbers showed that Arkansas would be up 60% and California (calrose) would be down 7%.

We do not agree with the USDA numbers. Our view is that long grain numbers are too high and medium grain numbers are too low. We feel that medium grain numbers will be up significantly both in the South and in California. The increase in the medium grain acres in the South will come from the long grain acres. As such, long grain numbers should come down.

Our recommendation has changed from our previous reports. Prices will go up. Covering your requirements is a prudent move at this point.

Calrose Rice

The situation in California has not changed. Market is very firm. Domestic prices are up more. Export demand is still very strong.

The water situation in California has improved significantly. We expect that new crop planting will be above last year. However, the supplies are very tight between now and new crop in October. Hopefully, we should see lower prices with new crop.

Our concern over the specialty rice varieties continue. High calrose prices will force growers to stop planting specialty variety rice. The spread between calrose and specialty varieties will increase for sure.

Our recommendation to our buyers has changed slightly. Continue buying hand to mouth. However, also consider covering an extra load or two. There is no possibility of price decreases until new crop. We may actually see price increases as we get in to the summer months.

Conclusion

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

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

A & BB Rice Inc.

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