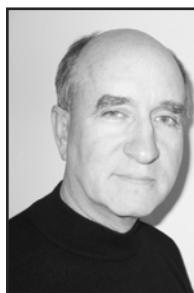


“For All The Tea In China.”



MILO HAMILTON

AUSTIN, TEXAS

Though I am not an expert on the tea trade, and I am more of a coffee drinker than tea drinker, I do prefer to drink tea when I go to the Far East, where I have been to many times over the last three decades.

I do, however, watch the rice market and I would say this: I would not forecast when, where or how China would buy rice from the US for all the tea in China.

That being said, I am obligated through my rice advisory service to anticipate what every rice buying and selling country is likely to do in the marketplace.

So without giving you my price forecast, which is what I include in our advisory service, Firstgrain, I do want to sharpen you up a bit on China.

If your crop is now harvested, dried and stored, you should start to think about China because in 2012/2013 they could begin to buy at least a significant smidgeon of rice from the US.

For the last four years I have been anticipating that China would become the largest importer of rice in the world, my customers are patient with some of my more outlandish thinking because some of it has come to pass; but that particular forecast was hard for many to swallow. It was hard for me to swallow but fortunately some in the rice industry have been trying to develop a market for US rice in China.

The reason it has been so hard for people to wrap their minds around China becoming a big rice importer is due to three mental obstacles. First, China said they would be self-sufficient in rice and wheat until the end of time. Second, China “invented” rice. Third, US rice is pretty expensive now to rice from Asian origins.

There are three reasons buyers buy stuff: fast, cheap and/or good, pick two. Rice from Asian origins is cheap and fast logistically. Rice bought from the US is good, free of some things that are not so good for you. Is it fast? Well, in a way it is fast as it can be shipped cheaply in

containers and it is easy to buy from the US. The US is probably the easiest market to buy rice from, as it has little political or cultural issues for the Chinese to deal with. Also stuff made or grown in the US like pecans or walnuts is considered almost like a brand or something in the grocery chains there.

I think China will buy rice from the US, somewhere and sometime. I also think that China has been importing a lot of rice overland from adjacent countries that has not been officially reported. Think about this one, if China buys corn, beans or wheat, everyone will know it because it generally has to buy from far away origins. It can buy a lot of rice from its neighbors without formally declaring those purchases. This means that if China buys rice from the Western Hemisphere, Uruguay, Argentina or Arkansas, it is a very visible buy. It makes sense to me that if you are going to buy rice, you should buy some from the Western Hemisphere, which exports 5-6 million MT of rice a year.

Also rice prices inside China are 30-40 percent higher than in Stuttgart, Arkansas. Did you know that? If you want to learn more about rice, not tea, just email me at milo@firstgrain.com. Or come see me in San Diego, CA at the Rice Outlook Conference December 8-12. Visit a gorgeous place and stop by to talk with me and I will buy you a cup of tea. Or meet me at the 16th annual NCS cotton & Rice Conference in Baton Rouge, 31 January to 1 February. Δ

MILO HAMILTON: President and Co-founder of the rice market advisory service, The Firstgrain Rice Market Strategist. He has extensive background buying and selling rice from 1981-1999. He established Firstgrain, Inc. in 2000. He has clients from farmers to rice processors, brokers and traders to international concerns involved in human and pet food rice products. With his business partner, Kevin Ries, Milo publishes the online service, www.firstgrain.com that is read by buyers and sellers around the world. His company, Firstgrain, Inc. is focused on rice and believes that “every individual is a market force.” The name, Firstgrain, comes from a Chinese proverb, “The precious things are not pearls and jade but the five grains, of which rice is first.” His email address is: milo@firstgrain.com.



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