

How The World Rough Rice Markets Really Work

Part 1 Of A 3 Part Series



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In the US, “should I grow rice?” is a great question to ask, especially after three years of climate and market adversity. Crop weather in the South seems to have singled out rice as its punching bag. A lot of rice farmers in the Delta have said, “That’s it. I want out!” That is how we lost nearly a million acres of rice since 2010.

Rice does not have a lot of acres to give up before it loses its export markets altogether. But farmers must focus on profit, not exports, that is the job of the rest of the marketing chain.

Profitability equals price sold minus cost of production, adjusted for weather. That adjustment can make or break a farmer, even if he gets his costs down right and markets his crop well. Rice crop insurance doesn’t work really well for many. Farmers must contend with Father Market AND Mother Nature. They must also contend with rice policies in other countries around the world.

Here is my big point to you in this article. In the Western Hemisphere rice is focused on commodity markets. In Asia it is all about subsistence and getting enough to eat. Just because the rice price does not pay to grow it does not mean Asian farmers will grow something else. In most places something else is not an option because rice is a subsistence crop and those who grow it, eat it, a lot of it.

Rice for Asia is more than just another grain. Our company, Firstgrain, comes from the Chinese proverb, “The precious things are not pearls and jade but the five grains of which rice is first.” I know this to be true. I have been trading and analyzing the rice market for over thirty years. I have more than half a million miles on

more than one airline.

Armies are fed on rice in Asia and it is rice and rice hull ash that is the actual cement that holds the Great Wall of China together, literally. In Asia, rice is not just financial and cultural; it is almost a military strategy. For eons, rice has been social cement for entire Asian societies. Rice is almost not a commodity in Asia; but it is a commodity in the Western Hemisphere, at least certainly within the regional trade group of South America, Mercosul, and the US. You could say that the Chicago rice futures contract is in the Americas, not just an American rice contract.

If you want to know more about how rough rice trades in other societies that directly impact the price you will get in Arkansas, drop me an email line at milo@firstgrain.com. I also will be speaking in Tunica in February at the Tillage Conference. This is the first of three articles on how the rough rice markets of the world really work. △

Be sure to read Part Two in next week’s issue.

Milo Hamilton is 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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