

Looking Back At The Long Rice Road



MILO HAMILTON

AUSTIN, TEXAS

Sometimes we are bullish and sometimes we are bearish on the price of rice. I tell my clients that it is rare to pick a bottom or a top in the market each year but we have some rear view mirrors to see those lows and highs and project a trend or two. One rear view mirror is the price of rice relative to a lot of other things. A year ago rice was very expensive to soybeans, this year it is cheap as dirt and not worth a hill of beans. Last year at this time, looking in the mirror behind us at the 2009 growing season, rice bore up under the rain better than beans. That was two strikes in favor of rice and we were on our way to a record yield and a record acreage. We had the acreage but the crop got fried as in fried rice.

This year we look back in our rice rear view mirror and the rice crop was terrible in 2010 and the bean crop less terrible. In fact, in 2010 we had perhaps the first rice crop failure since 1954 according to farmers that are even older than I am. So, guess what? Rice acreage is draining out into other row crops. Let's hope that we have good yields and good markets. Not another year of bad yields and somewhat slow export demand of late.

I suspect we will have pretty good demand for the 2011 crop. However, I do not measure the market in terms of ending stocks and demand. I look at the market in terms of total supply this coming year versus total demand the year prior and I measure the difference and then look back in my rear view mirror at the change between the two. This measure of market tightness shows the momentum in the market. Last year this metric projected a huge oversupply of rice. I correctly forecasted the upsurge in futures and the over supply but cash did not follow futures higher. It was a short crop and now it has a long tail. That means that the price goes high into harvest and trails off after that for a while.

Now as we come around the bend as rice goes into the ground, I look ahead and see a sizable rice carryover but not all of it of high milling rice. We have a parking lot for rice, there are rusted jalopies and a few good Cadillacs for sale in August. If the market needs rice then all

these cars will be marketed but the jalopies we be driven off more slowly than the good cars and by car buyers that want a deal steal.

Whatever you think this market is going to do, I advise sellers to do two things: Be grateful when the market rallies and sell a little bit. Now if you have not sold a grain of rice, you have at least two choices, grow less rice next year and bed down your rice if you have the storage. The second choice is to draw a line on your calendar and chunk out a little bit at points in between. What you do not want to do is to hold your rice until the last day and call up a buyer and ask if your rice is worth anything. You may win big with that tactic; but you might also win \$200 million on the State Lottery. Again, that tactic implies you can call the tops and bottoms based on when you must sell or fail to have sold.

As you drive your remaining rice load into the summer, keep that rear view mirror unobstructed and clean. If you want to find out more about new ways to drive your rice into the market, give me a call or email me as you plant your rice. When you harvest that rice, you still need to harvest its price. That is what we do at Firstgrain, we help you harvest the price and remind you when something is there in your rear view mirror you need to pay attention to. Driving alone with four other things on your mind can lead to a market price wreck. Do you need a trusted rice economist at your back and in your operation? Give me a digital jingle at milo@firstgrain.com. Δ

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.



Link Directly To: **VERMEER**