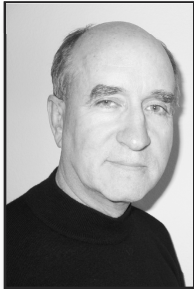


# Skittish On Rice



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**W**e are excited about the next annual Conservation Systems Cotton and Rice Conference in January 2009 in Marksville, Louisiana. I plan to be there for the rice side of the event and answer questions in some breakout sessions about rice such as: should I even plant a single grain of it in 2009? That is a very realistic question. We have been hit in the head so many times this fall that rice outlook has turned to “rice... look out!”.

So what is my outlook for the rice price in a month, in six months? Am I bullish or bearish on the rice price? Let me give you a hint : I am skittish.

Now there are a lot of instant experts on the rice market. At the Rice Outlook meeting in Little Rock, I understand there was an “expert” forecast of \$16.00 rice (per hundredweight, not per barrel or per bushel) in the next two months made on Monday, 8 December 2008. The one who gave this forecast is a good friend of mine. Here is something interesting. One of my clients called me and told me he got \$16 per hundredweight for his rice today in Texas (8 December 08) while my expert friend in Arkansas was giving his “expert” forecast. Darn, if forecasts don't come to pass quickly in this world!

My point is simple. Rice experts that sort of look at a rice chart can do a disservice to your wallet. You see, they might not have clue about what is going on inside the local rice markets in the US, much less outside the US.

You should ask yourself questions and demand an answer from someone who tosses up a rice price forecast on a screen. Ask yourself, what is your local cash price doing? What is the futures telling us and, most important of all, what is the difference between futures and cash telling us?

For you that might be interested, here is what we told folks for the last 12 months, up until now. From November 2007 I was a raging bull on the rice price for the 2007 crop. I urged farmers to focus on \$7 plus for the 2007 crop and many got \$8 to \$10.50 per bushel. The average for the futures for the last crop year was \$7.20 per bushel. If you did not get at least that average, you should take your rice money manager to task, whoever that might be. We also told our folks to sell slow on 2008 rice all the way through the April high and down the other side of that market. Notice that new cash prices did not budge much from April 2008 until recently.

Since September 2008 I have been skittish on rice and the speed at which things can happen in this world now. I asked our folks, why not sell some? Some sold a lot at \$8.00 per bushel or \$17.78 per cwt, which looks pretty good for now at least in the Delta if not Texas or along the Gulf Coast.

I have not been bearish on rough rice export demand to Colombia or Venezuela, that is a hopeful development on the export demand side. Nor do I accept the current rice production estimate because of the destruction done to the rice crop in Arkansas by various weather events. The rice yield is probably worse than what the US Department of Agriculture is re-

porting so far.

No, I was “price skittish” since September 2008 because of demand destruction. If demand is being destroyed more quickly than supply is being destroyed, the market has a problem. Notice it has had price problems since September 24, 2008. It is difficult to write an outlook piece for any grain right now that may not reach the reader's hands for a week or two like the article you are reading right now. Things are moving very quickly, they are global and they can put money out of or put money into your wallet. Life today comes at you fast as the insurance ad points out.

I am not just bullish or bearish but skittish. I am skittish on my clients getting paid, finding a nice safe bank to put the money in and then ringing the register in the cash rice market.

Ask yourself this one, if you will. Is there demand destruction going on? Can there be supply destruction going on as well? Over the next two years this market will be wild and wooly for the bear and the bull. Demand destruction meets supply destruction. When does one destructive force overcome the other? Or the two kill your wallet somewhere in between.

Remember Jurassic Park and the little guy with the big gun pointed at a vicious little dinosaur that spit? What killed the big game hunter? The other Raptor killed him dead. Beware of the second destroyer up ahead on your blind side.

On a less scary note, I would watch the price differential between your local price and the rice futures. Whenever your cash market is gaining on futures, sell a little bit. You can always replace on the futures or options market, either long or short as you so desire. If you understood what I just said, come by and visit with me at Marksville. If you did not understand what I just said, you really should come by and talk to me in January

One more question: Where do you get your rice market advice now? Is it from a free expert with a futures chart at some big meeting? Is it from your neighbor? It is probably not the Wall Street Journal, they call me for a forecast.

If you want an example of what we do, just email me at: [milo@firstgrain.com](mailto:milo@firstgrain.com) or call me in Austin, Texas at 512-345-0497. Information and more importantly insight on the rice market may not be as hard to get ahold of as you might think it is. Δ

*Milo Hamilton is President and Co-Founder of Firstgrain, Inc., which publishes The Firstgrain Rice Market Strategist and the website, [www.firstgrain.com](http://www.firstgrain.com). For 18 years, Milo ran rice buying and risk management at Uncle Ben's, Inc., an affiliate of Mars Incorporated. In that rice buying capacity, he gained extensive experience in market and weather analysis, cash buying, rice hedging, contract design and government/exchange regulation.*

*Milo helped establish and develop the rice futures and options contracts. He has put that experience to work in Firstgrain, Inc., which was established in 2000. His company serves the entire rice marketing chain from farmer to processing entities and brokerage firms to international trading houses and Fortune 500 milled rice buyers. His company is a no-spin zone for rice that believes every individual can become a market force.*