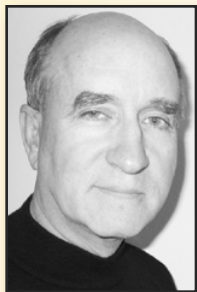


The Bearish Side Of Rice

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For some reason some folks that think I am always bullish on the rice market and that I make it more difficult for some to buy rice or dare I say steal it from the farmers. That is not exactly the case. I was bearish

on the rice market from 1998 until late 2002, about four years. I was bearish on the rice market from May 2004 until I gave a speech at the Rice Outlook Conference in December 2005. I said to the audience at that time that someone should hand out Prozac, everyone looked so depressed at that conference. I was bearish again from October 2008 until August 2009 about 10 months. So it is not true that I am always bullish. But notice that since 2002, the bear markets have been shorter and shorter in duration.

In fact, I really do not care much whether the market is bullish or bearish. I care about getting it generally right. During those broad market cycles, I have seen other rice analysts flip all over the map like beached fish.

But to be honest since 2002, I have steadfastly told our clients the rice market is going to much higher and higher levels. For me that is a no-brainer once you see the water shortage coming and you see water prices geyser upwards in the years ahead.

I have a friend who is absolutely convinced that everyone is naturally bearish or bullish on every market. He is a very smart man, so I have often thought about his insight. I suppose I am patriotically bullish on the stock market but I have no great love of losses. That may be why I make a little money in stocks. I suppose getting out of stocks is kind of being bearish. I believe in the USA but I will not lose my financial shirt sticking with a losing proposition. Sometimes that losing proposition in rice is to buy hand to mouth, no matter what. Sometimes that losing proposition is not selling rice until the end of the marketing year. You would have lost a large section of your rear end if you did that in 2008-2009. Remember I told folks to sell in October 2008 all their rice and go do your favorite hobby.

I have two market rules that precede bullishness or bearishness. Rule number one is don't lose money. Rule number two sort of follows as the day follows the night, don't forget rule number one. I apply that to all I do. I do not wake up thinking how I can turn a cash or futures commission, or shake someone down to sell me rice or how I can hold my rice until some desperate buyer comes to me begging for the rice.

In fact some of my most remunerative trades in rice occur when I become very altruistic. I used to hold onto thousands of rice contracts when I was a rice hedger. Then at a certain point that is difficult to define, I decided I wanted someone else to have my positions as we had made enough money to get by. More often than not it was before the highs in the market. As one great investor once said when asked how he made money, he replied, "I guess I get out too soon."

One of my other rules of thumb, once I have identified the major trend in the rice price is that markets go down when there is very little rice left to buy. If there is no rice left, I get bearish not bullish. I put this rule this way: no rice, no price. How can a short supply be bearish? It is rather simple actually; most rice bull markets are driven by problems in the International Rice trade. When the exporters that buy rice from the US tell their customers we have no rice left, then the demand goes elsewhere and the market price often does a swan dive.

Conversely, when there is too much rice around, I may be bearish or bullish. I have always seen rice markets go higher on large stocks, not lower.

In this way, when others get bullish I sometimes get bearish and when others get bearish I sometimes get bullish. Above all else, I really do not listen to what others say is going to happen to the market. I just ask this simple question: why are they bullish or bearish? Is it to get the market right or drill a hole in my head? If it is the later I do not pay much attention to anything they say, if it is the former I learn all can from them. I am the cumulative result of some very smart clients that stop, look and listen and treat the rice market with the respect a driver should have for a potential locomotive when crossing a railroad tracks. 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.



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