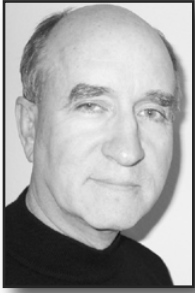


The Bullish Side Of Rice

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Some folks just want to know if I am bearish or bullish. Then they know what to do. If a farmer knows I am bullish then he just holds on to his rice for dear life. Why would he pay me a dime? Actually I do not advocate holding on to your rice

for dear life, I advocate selling your rice if you are bullish. The market only knows gratitude and the only way to say thanks to the market is to sell some rice. You can lose a lot more dimes not having a market coach and holding on to your rice for dear life.

If you are bullish and someone you respect convinced you to be that way, then you need more not less coaching. A bull market is like a snake it can bite you if you are inattentive. You need to watch the price differences between your local cash market and the Chicago rice futures contract. That relationship "breathes" over time. When you cash price is narrow or at a smaller discount historically to the futures market, you want to sell your cash rice and maybe step over into the futures market. Now rice has a history of huge sweeping up moves. So then take on a small position to comfort yourself in futures or options. I call that position "sleeping medication."

The greatest market fear that a farmer has is that he will sell his rice too cheaply or at least cheaper than his neighbor. There is only one way to overcome that fear and that is to sell in chunks and sell and hope you sold too cheaply. Until you take market action you have done nothing at all with your rice. Rice options can be an alternative if you get stomach distress at putting up margin positions. Most rice markets top out by January to April so options strategies set during that period at harvest can help you let go of your rice.

If you do not get a grip on your market fear then sometime you will sell your rice in disgust

normally at much lower prices. Marketing is like learning to swim. You start out in the shallow end of the pool and then go out until you are over your head. Once you are over your head you can discover how to really swim.

In a market you can be in "over your head" but by the same token you can learn to swim with the trend. The key to managing paper rice versus real rice is to keep your positions small. In commodities nothing generally moves in just one direction. If your position is too large, you do not get a good night's sleep and you end up dumping when you should be adding and you end up holding when you should be selling.

So you have been reading patiently through this article and you want to know if I am bullish now and how high the price will go and when. Well, I appreciate you hanging in with me through all these words and I make this promise to you. In my next and last article, I will give you my outlook for the price of rice in 2010 and onwards. If you still have questions come and see me at the Tunica, Mississippi conference in January. I would like to meet someone who has read all my articles on rice. I hope my words have made you think about your farming and marketing maybe in a new light. 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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