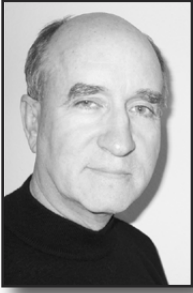


The Magic Of Rice Paddy Spreads

MILO HAMILTON

AUSTIN, TEXAS



In Asia rough rice means paddy rice. Why, I do not know but I watch rough rice prices and I watch paddy rice prices, every day of the year. Let me explain myself a bit.

Other than my company, Firstgrain.com, I am not aware of any rice services that watch the spread between US rough rice and other rough rice origins. Lots of folks do it in wheat, zero in rice or minus zero.

Everybody watches the price spreads between various exporters of milled rice but not rough or paddy rice. When I started out in the rice business in 1981, none of the international traders watched rough or paddy prices. Rough rice in 1981 was something that millers and local merchants did for them. I made millions by watching the paddy price. A guy on a motorbike helped me out in Thailand. If you know the paddy price, you know more than they used to know in London, trust me.

In Asia, rough rice is called "paddy" rice, which refers to where it is grown, in impounded pools of water held in by levees. A lot of folks in non-rice cities that watch the rice price and pontificate about where the price is headed only watch it as a part time activity. I think there are benefits from watching it daily and nightly was well. Most just look at a futures price over their shoulder on a screen, read some wire stories and tell you what they think is going to happen. A lot of them do it for free with little effort on their parts. You get for what you pay for.

In July I was in a minority saying that the rice price had bottomed. I did not say that because of an Elliott Wave or oscillators or the fact that rice futures are cheap to wheat or corn or soybean futures which is what they were; but that rough rice in the US was bid at \$8.88 per cwt, about \$3.00 per cwt. cheaper than Asian origins at the time. I also said the rice price had bottom because it did in 2005 and the world was on anti-depressant tablets until 2006. I was rather enthusiastic about that market early that fall. In fact, I swore that the next 2005 we had I would catch it sooner. I do so, in August 2010. I mean the low in July.

Now after a run up since July that has been fairly vertical, is the market fairly priced? That is a very good question. The US market did not have a crop problem in July but now it does. A farmer friend put it this way, "a rice crop is like a child, you do not know what you have until it grows up." Isn't that the truth? This one has not grown up very well in the field in 2010, you would agree.

Now before you get depressed again because

the price will not pay your bills, think about this one. As of October 1, the price of rice, rough rice that is, is at the following price levels: \$10.46 in Arkansas, \$14.04 per cwt in Brazil, \$12.81 per cwt in Vietnam, \$11.06 in India and \$13.69 in China. These prices are \$.05 to \$.46 higher than last week.

Let me ask you this. Who advises you on the global rice market? Is it a broker who advises you for free and commissions? When was the last time he was in the Mekong Delta? Or Cambodia or Singapore?

This market has a tag hanging off the US price and it reads, "Made in Asia." Was your rice market sage there when China made its presentation on its grain situation? Better still did he give you the weekly price change in rough rice prices across the globe on 1 October 2010? If he did, not ask him why not? He may respond, "it doesn't matter. I have a rice oscillator in my pocket." It matters in equities, debt instruments and crude oil, why not know world paddy prices relative to Delta rough rice? Now that is a very good question.

If the Chinese currency is revalued upwards by 20 percent, what might be the price of rice in China? Would you believe \$16.50 per cwt? What does the price of rice in China have to do with the price of rice in Stuttgart, Arkansas? Not much if you do not know it.

Those who tell do not know, and those who know do not tell. I try to know and tell about rice everyday. A \$1.00 per bushel change in the price of rice is worth about \$130,000 on 1000 acres of rice with a 130 per bushel yield. Now that you have harvested your rice and the yield is bad, you need to put a "p" on rice and harvest the price.

No one does your wallet better than you do, especially if you have a few bins in which to store it. Know the paddy rice market and you can grow more dollars even when your yields are down by 20 percent. 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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