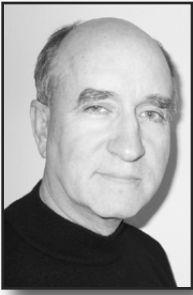


The Rice Market Is Complicated

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Unfortunately, most rice analysts are understandably amateurs who do that task with their left hand so to speak. I do not. I have fun looking at the world rice market and have done it for about 30 years non-stop. Since I have bought rice from almost every sales point in the US and most foreign countries, the rice world does not seem all that big to me but it is certainly getting complicated because so many forces now impact the rice price. So, I watch a lot of stuff besides the next up or down tic in Chicago where I have traded thousands of contracts in my previous job as global rice risk manager for Uncle Ben's Inc. Now I am a full time rice analyst for many clients across the globe and have been such since 2000.

Most analysts focus on the rest of the grains and a bunch of other markets and only cover rice because there is demand for that analysis from farmers. Most of my commercial clients pay not much attention to these folks because they know the rice market so much better than brokerage houses that serve them. These folks at brokerage houses are basically regurgitating what they garner from reports and are spoon fed from the US Department of Agriculture (USDA).

USDA leaves something to be desired in their timeliness on the rice market in 2009. Most of their outlook seems a bit nostalgic at times. This year its outlook seems a bit more like "lookback." During the worst monsoon failure in India in the last 30-50 years, no changes were made to the Indian balance sheet for 90 days as that country weathered record floods and drought. The silence was deafening. I ask one question: would that happen with the US corn crop? I think not.

In contrast at my company we focus on rice and try to relate everything else to the rice market. Rice is a very specialized profession with a much smaller audience than the rest of the grains.

I maintain that the rice market is actually rather complicated.

Rice looks and tastes like a grain but in Asia it is treated as almost a military secret that no one outside the country needs to know about. I need to know about it because my clients need to know. So I try to find out.

By intent when I started up our service I tried to serve both the buyer and the seller. As a re-

sult, I have a good cross section of the marketing chain for rice. That allows us to see into the trading of the rice from rough to the retail box. I would be surprised if there is another service that serves all elements of the rice market. I am not a professional bear serving just the buyers of rice or a professional bull serving only farmers.

If someone is going to pontificate on rice, he should be aware of the prices of rice in different countries, not just milled export offers but rough rice as well. As I began my rice experience as a rough rice buyer, I see things a little differently than others in the industry, particularly the milled rice traders. My rice thinking begins in the rice field, not the offices and trading floors that buy and sell rice. I am not trying to earn commissions so my task it not to get my clients to do something but rather to learn what to look for in their trading.

My basic belief is that fundamentals in the market are interesting but so is the price. They say that a picture is worth a thousand words. I would say the price is worth a thousand items of statistical data on demand and supply. To put it bluntly when dealing with foreign forecasts, watch what they do, not what they say.

So maybe rice is not as simple as part-time rice analysts make it seem to be. After all if you do not know someone very well, it is easy to simplify who a person really is. The rice market is an old friend of mine and if nothing else, I have probably eaten more rice dishes than most rice commentators. You need to savor the world rice market to get it right and not just on Tuesdays but 24/7 for 365 days a year. Do you know someone that your rely upon that does that for a living? △

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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