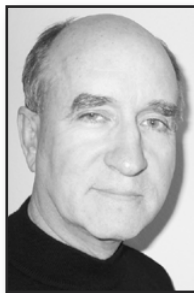


# Understanding The Rice Market

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AUSTIN, TEXAS

Part One Of A Two Part Series



I am here to tell you that you can forecast the rice price. And you need to pay for all your inputs, whether it is fertilizer to raise your crop, insurance to keep from going broke or market advice to raise your returns. Knowledge

is power.

Some farmers claim that you can not forecast the rice price and that there is no information worth anything on the rice market anyway. The rice market is controlled by "others" and it is one giant market failure in the making. They get this viewpoint usually from other people that claim to be experts and claim that markets are either efficient or full of market failures. Some business people also feel this way because it helps fill their wallets. There are two business models out there, one says that money is made in the dark and the more customers that think they are in the dark or plain stupid, the better. Another view is the one I adhere to: An informed consumer is the best customer.

A lot of folks believe that farmers are producers, whose sole job is to grow and harvest their crop. I believe that farmers can learn to market their own rice and that they must be able to harvest the price, not just their rice. This is not just another cute remark. It is fundamental to whether you will survive or fail as a rice businessman. You see, I view farmers as businessmen, not just price takers or lost in the rice market darkness.

I am looking everyday for those few who are tired of being told they are too stupid to understand the rice market. Most people are not stupid on the market; they just do not understand the risk and opportunity they are walking away from. There are many very intelligent folks that have no stomach to learn the markets. You see good marketing needs a strong stomach not just brain power. Just because someone buys a lot of rice from you does not mean that he has the thickness of your wallet as a business objective. Someone in the deal flow for cash rice begins somewhere and that is usually in their own wallet, not yours.

Let me ask the question another way: Is the rice market really harder to anticipate than the weather, where we have extended forecasts for a week or two into the future? if you cannot control something and you cannot forecast it, then why spend any time, money or energy worrying about it? The kinds of people that say this are the kinds of people that believe the purpose of farming is to focus on producing the lowest cost crop and then turning it over to someone else to manage it. That is fine if you have convinced yourself that is all you can do; but I just do not

have much daily communication with such people.

Most of my rice clients want to know what to look for and not be told what to do or when. I spend the better part of each day doing what a lot of people tell me cannot be done. I have been forecasting the rice price for 30 years and I have managed a lot of money doing it, both as a commercial buyer of rice and more recently during the last decade as a market advisor. Laying millions on a market view can sharpen your brain a bit while strengthening your stomach lining.

I find it interesting that folks that say you cannot forecast the rice price are the same ones that get all excited when the rice price makes a big move up or down. Notice how it keeps making those kinds of moves year after year now, big \$200,000 plus per farm moves. When the market starts filling or emptying the wallet, people start wondering if marketing is perhaps not part of being a rice farmer.

The fact is that farmers do worry about the weather and they do worry about the price of rice. Just because you cannot control something does not mean that you do not need to worry about it or more positively spoken, manage it. Life is managing around things you can control and things you cannot control. The rice price is not set near you any more in case no one told you. It is set to some extent in the US. Ten years ago 90% of the US rice price was determined inside the US or at the Gulf Coast. That percentage has gone way down.

Most of your rice price is set in such markets as the crude oil market, the foreign exchange market or the market for equities or even gold. The price of your rice is set in places like Brazil and in Thailand and in the government actions in New Delhi, India. Life does not just come at you fast; it now comes at you fast and complicated.

If you disagree with me, just email me why at: [milo@firstgrain.com](mailto:milo@firstgrain.com) and I will be delighted to share views. If you agree with me, still email me. I promise to respond.

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](http://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](mailto:milo@firstgrain.com). △

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