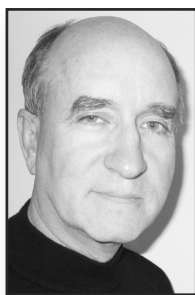


# Understanding The Rice Market



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Part Two In 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.

We no longer make our GPS devices in a garage, although a lot neat stuff has been invented there. Do you still make your marketing plan in your garage or on the spur of the moment? I would advise you not to do that anymore.

The last two years have been an interesting experiment in "I told you so." First in 2007 and then in early 2008, the price of rice went very high and some folks got very bullish first in the spring of 2008 and then in September/October of 2008. We told our customers to get ready for it in 2007. We told our farmers to sell one grain at a time and our buyers to get covered in 2007. Both buyers and sellers profit from sound marketing advice. I have both as customers.

About this time a year ago, we told everyone to sell into the hurricanes. A lot of our clients did so because they took the trouble to learn about the financial collapse in the economy and the giant sucking sound of buyers with no money to buy stuff. Some were telling them to hold and they did not charge a fee. That advice became very expensive, for some it cost them thousands and thousands and thousands of dollars. You get what you pay for. If the advice is free, it can cost you a bundle.

In August 2009 I became bullish for a number of reasons. I change my mind on the market maybe only once or twice a year or maybe only every other year. I was a big bull from 2005 until 2008. I was a grizzly bear in 2008 and 2009. I read about a lot of folks that change their mind on the rice price sometimes twice a week. I think with good discipline you can control how much you change your mind on the market. The less you keep changing your mind, the more you can control stomach ulcers.

Now there are folks out there that make a living telling you they know what will happen to the rice price and they change their minds frequently. If someone is advising you and he

makes money by changing his mind a lot, ask yourself this simple question: "Is this person changing his mind all the time to make me money or make himself money?"

I believe of course that you can forecast the rice price, that the data is there to make a sound decision and that marketing is much more important than producing the crop in the first place. For example, if record rains in May kept you from growing part of your crop, you can grow the returns on that crop through the futures and options market. Did you know that?

The next time someone sneers at you and implies, "A farmer is too stupid to make sound rice marketing decisions," just ask yourself, "what is that person's little game?" Are they trying to manage your money or your rice for a fee or their salary? Are they trying to make brokerage fees? Are they trying to buy your rice? Are they just feeding their own egos?

Never accept market advice from anyone without asking this simple question, "Is his advice to make me money or him money?" That is such a simple, clarifying question. A lot of folks are asking me now, "Are you bullish on the rice price?" I tell them to be grateful that the market price is going up. Gratitude is selling a little rice and hoping you are wrong, that is another simple action that can clean a lot of cobwebs out of your stomach and your garage, where you perhaps have been concocting this year's marketing plan on the spur of the moment. Chance favors the prepared mind.

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. 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](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).