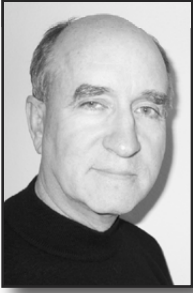


Unusual Facts About Rice

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As you may have gathered with my articles in this publication recently, I love to talk about rice. I also love to make other folks money, particularly farmers, who do not know very much about the rice market and are told they are not capable of

doing so, albeit in a nice, courteous way. I believe that a farmer that will take the time can know the market as well or better than those they sell their rice to. I love to see the rice market playing field leveled a bit. As one commercial client said to me with a sense of humor, "You are the Evil One, you are telling everyone how the rice market really works." That client is a good friend and a very savvy rice buyer. I do not think of myself as Evil but I certainly like to level fields so everyone can play their best. It takes a level playing field to harvest the rice price for everyone's benefit. I guess I am a market egalitarian by inclination.

My business principle is this: "The best customer is a informed consumer." If you want to keep parts of the rice marketing chain in the dark, I probably am not your rice market friend.

I truly find the rice market interesting and I also find that most rice folks only know their local market. It may be buying parboiled rice or selling north of I40 in Arkansas. Or buying rice bran or selling aromatic rices to hungry folks in the Middle East. I try to remain a rice generalist on behalf of my specialist clientele.

Here are a few "did you knows about rice."

Did you know what holds the Great Wall of China together? The wall according to recent archeological evidence is held together in large part with rice and rice hull ash, the burnt remains of the shell that rice comes packaged inside. The entire wall is glued together with rice, more or less. Does that not give you a picture of a strategic material of military value? Large countries in Asia treat rice differently than other grains. They handle it almost like enriched uranium or something. Asia is as secretive about rice as the Arab world is about crude oil reserves.

Did you know that in most of the world the rice price does not trade at all freely? That is the case where state controlled rice departments more or less set the price of rice to meet social goals of feeding the urban poor and keeping farmers from going broke. That was not always the case. More or less prior to 1939, the rice

markets across the globe were freely traded for thousands of years. The last 70 years has been a grand experiment in state run prices for rice. The world rice market is looked as "market failure" which is an academic term for why government intervention is needed to make things work.

For certain a lot more rice has been produced over the last 70 years, perhaps despite the government intervention to prevent a perceived market failure. I met Dr. Norman Borlaug in Mexico in the early 70s, when I was still a young, ignorant agricultural economist. Fortunately, Dr. Borlaug's sister, Palma Behrens, taught our children in Cedar Falls, Iowa. Therefore, he gave me a very special tour of his research facility there. I asked him what he thought his contribution was to world agriculture. I will never forget what he told me, "Our work has bought some time to solve the problems of hunger."

Do you know what the rice world has done with that time plant breeders like Dr. Borlaug gave the world? I would say that not much has happened because of all the constrictions placed on food grain research by various groups that believe they know what is best for everyone. One issue is GMO rice, which has been hammered hard by folks in the EU. You cannot expect to feed the world when feed grains are giving free reign to innovate while food grain research remains hobbled.

Did you know how long it takes for the world to sink back into famine? Not very long once the thing gets out of hand.

My next article I will chat a bit about what I really think the rice business is. I think that the rice business is really in the water business. 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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