

What Happens To Rice Acreage In 2011?

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That is a question I ask myself daily as I look at 2011/2012 US and world rice balance sheets. It is as important to the US long grain rice price in 2011 as the price of rice in Burma or the value of the US dollar. Or the price of rice in China, for that matter. When I was a kid and I said something that seemed irrelevant to the conversation, my elders would scold me by asking, "What does that have to do with the price of eggs in China?" That used to shut me up but not now. I would now answer, "It has everything to do with the price of eggs in China!" Or the price of rice, or its local currency I might add. Let me explain:

Soybeans and corn are out foraging for acres in 2011 to keep their market prices from totally exploding to the upside. I have had some discussions with market makers in rice especially in North Arkansas and they express to me a "feeling" that a bean price somewhere over \$13 per bushel for cash soybeans will start the giant sucking sound on rice ground. Who knows? There is I believe a price for beans that will switch acreage no matter what the urge is to grow rice. Irrigated beans with a \$13 price on the right soil can grow 50 bushels per acre, which is a gross of \$650 per acre, which used to be a nice amount to grow rice with. At \$15 per bushel soybeans that is \$750 per acre.

Perhaps the dollar will strengthen between now and next spring and perhaps China will find a way to buy less beans. There is still the nagging issue of the strong La Nina producing a less than stellar bean crop in 2011 in South America. Notice how I talk about other row crops when I talk about rice? Until rice planting is done in 2011, you cannot talk the rice price without looking at row crop acreage and where it is heading.

Now back to the price of commodities in China I discussed in the first paragraph. The Chinese currency, the Yuan, is beginning to trade its way into the world market, not in trillions yet, but in millions and soon billions. The Yuan currency someday may be as important as the value of the US dollar or the rice price bid at your local elevator in determining what you get for your rice. Currency trading is estimated to be about 4 trillion per trading day now, which is a value turnover of about one quadrillion per annum. You can measure the entire world rice crop in the hundreds of billions; chump change I would say.

Did you know that the country of China has an exchange that trades long grain rough rice just like ours does in Chicago? It is in the city of Zhengzhou but it handles delivery between the two great rivers of China. It trades millions of contracts per day, not just thousands of contracts.

Did you know that in the Chinese city of Dalian there is an exchange that may soon trade medium grain rough rice? Did you know that 46-50 percent of the rice production in China is medium grain? Did you know that the demand for medium grain rice in China is escalating and that the price of medium grain rough is at about \$18.71 per cwt. and the price of long grain Chinese futures in that country is about \$16.16 per cwt? Did your favorite rice market advisor tell you that? The Chinese long grain price is pretty expensive compared to the current bid, if you can find one, for low milling rice in Arkansas of about \$9.00 per cwt. or lower.

What I am saying to you is that US beans amount to a hill of beans for the US rice price; but, then so does the currency markets and what is happening inside China and in other rice markets across the globe.

When the Chinese rice market awakes the rice world will tremble. China is awakening to rice futures and the world of rice. Soon farmers in China will be able to hedge both long grain and medium rice production.

You will not recognize your little rice market in 12 months, guaranteed and that is a First-grain forecast you can take to the bank.

Now that you have finished this article. I ask you this simple question: who is advising you on the rice market? Have they ever visited the world's most active rice markets, i.e. Asia, South America, the Middle East, and Europe? Were they invited to run a rice conference in Singapore in October? Have they spent decades buying tons of rough and milled rice across the globe for one of the world's largest rice brands? If not, why not? Are they aware of the price of medium grain and long grain rice in China? Did they tell you all that I have told you in this article? If not, why not contact me (milo@firstgrain.com) and ask me a few questions about what we do at Firstgrain, where we put rice first everyday. We are rice advisory professionals to the world rice marketing chain. We connect every client of our service to the world rice marketing chain so they can profit from our rice market insight. 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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