

# THE FARM & TRADE REPORT

April 14, 2014

#368-254

**COMMODITY BUYER & CONSULTANT FOR AG PRODUCTION, RISK MANAGEMENT & TRADE**



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**Quote of the Week:** Revelation 2:3 "I know your works, your toil and your patient endurance, and how you cannot bear with those who are evil, but have tested those who call themselves apostles and are not, and found them to be false."

**Grower Market Discussions & Meetings:** Talk on overall market conditions, current prices, and general direction

**VIP! OPEN MEETING FOR ALL GROWERS / BANKERS IN CALIFORNIA**

Next Grower Meeting, WEDNESDAY April 16<sup>th</sup>, 2014 – Farm and Trade Office

9287 Midway, Durham CA, at 11:30am – Lunch Served – No buyers or buyer representatives

**GROWER NOTE:** We have interest in 2014/15 Calrose rice at **+** cwt over loan, please call us!

**SELLER INDICATION:** \$22.00 - \$50.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

**BUYERS INDICATION:** \$20.00 - \$23.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

**KNOWN MARKET TRADES:** \$22.00 - \$23.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

\*Note the above price is based on information at print and may change depending on market conditions.

## **KEY MARKET HIGHLIGHTS: CALROSE PRICES ON FIRE, DROUGHT CONCERNS LOOM !!!**

- California Calrose Rice brings home coveted "World's Best Rice" award
- Farm and Trade, Inc. and CRE Trading Floor show recent sales at \$22/cwt over for 2013/14 crop.
- Australian down +25% in 2014 with poor growing conditions, while drought conditions put 2015 in question.
- Turkey buys unprecedented +200 TMT of California rice at high prices. Has its own drought concerns.
- CA water has major problems brewing as extreme drought conditions add to very low reservoir storage.
- CA acres are still unknown with most guessing about 350,000 acres... Snowpack is clearly worst in history.
- AgriFin: Get Cash, Keep Control... An amazing success story !



**++ \$23 IN 2013 ↑**

Profitable Industry - Better Communities

**CALIFORNIA RICE 2013/14**




**California Rice Exchange**

[www.calricex.com](http://www.calricex.com)

**KEY UPDATES: CA Prices move to \$22/cwt over loan, Drought looms, near \$2000 per acre water transfers..!**

**USDA shows California acres at lowest point since 1993, at just 450,000 acres:** USDA estimated that California acres would be just 450,000, which would be the lowest acres since 1993 (21 years) & this seems to be the best case scenario. The question really is how much lower than 450,000 the actual acres will be. The general response to the industry survey we conducted a few weeks back was that 350,000 was the more likely number. On the other hand, we know that the Feather River contractors have unimpaired runoff at 640,000 acre feet (AF), which is well above the 600,000 (AF) to get 100% allocation and the state must now follow through with their contractual obligations. This is likely to lead to water transfers to help our friends that are in great need and keep acres about the same (if not lower). We do find it interesting how much water was taken out from Oroville last year and show this in the page 3 graph. The Sacramento side is a bit more complicated and guesses of allocations are all over the board. Many believe that 75% for pre-1914 senior water rights holders is the more likely (with many other districts getting less). Looking at the reservoir levels, one could say that 50% might be the more likely number, even if not as popular guess.

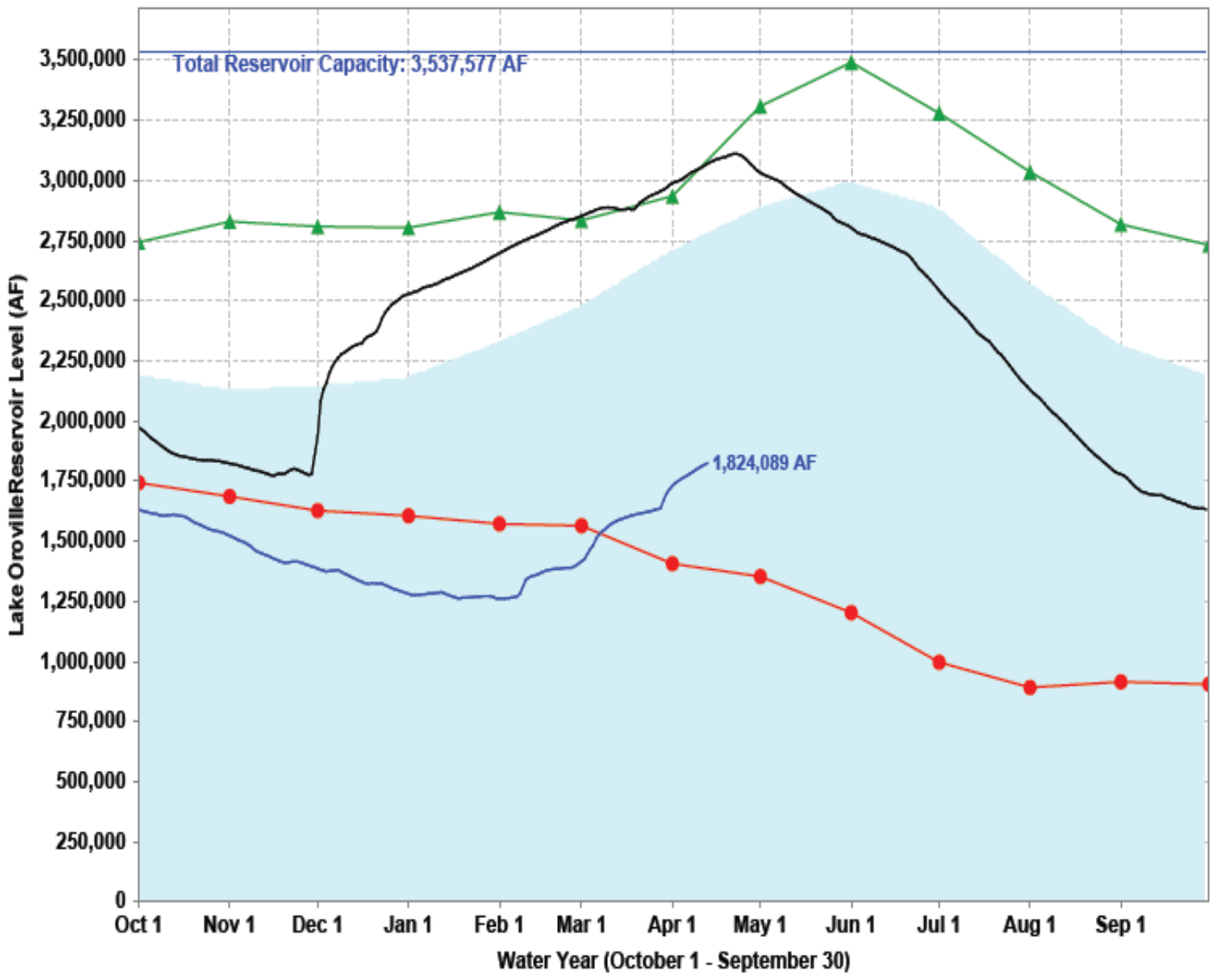
Overall, one should expect rice prices to remain very strong and the potential to top the 2008 record is a real possibility. This is made more likely by Australia being down +25% for the 2014 crop just being harvested and great worries for 2015 with an El Nino drought cycle brewing, along with reservoir levels looking like what was seen in the 2007 extreme type year. This will put pressure on the high quality Japonica rice market, as really only Australia and California are able to make this high end product in exportable quantizes. There are other key pieces like the drought in the Middle East and potential demand from China that could also easily come in play.

**WATER, WATER, & MORE WATER TALK:** As one can see from the above market talk, the water side of the equation is in a very interesting and important place. To take a short walk back in history, many years ago growers came together to combine their water rights into districts and put these important land rights into the trust of their water districts. The idea was that together the growers were stronger in having their rights protected and managed in units/districts, rather than alone. These players then made key agreement with the government to insure their existing rights when dams were build and in brief this is what led to the allocation system our growers now work under. Due to this, there are many players (including many district managers/boards) who have been quietly and respectfully working hard for the industries interests for many, many years. They deserve great credit and we should thank them.

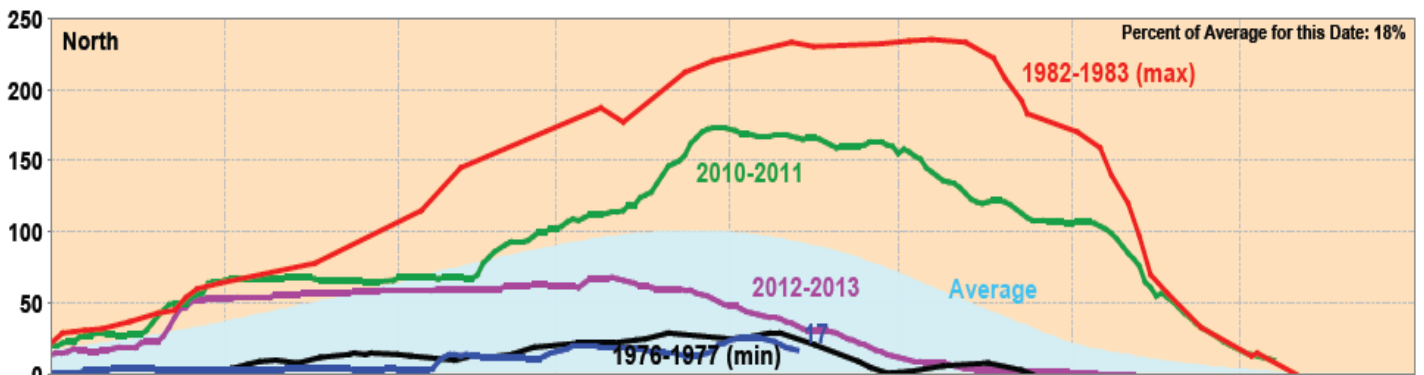
On the other hand, it continues to be my clear observation that there has been a push by some parties to isolate rice from the discussion in the past and this has led to much lower prices for the rice growers. To exemplify this point, we were at a water district meeting this last week, where they were talking about giving the growers the opportunity to sell water (at a rice equivalent of ++\$30/cwt over loan). The shocking part was when district board member stated **that he did not care about the price of rice or if rice growers made any money at all.** His only concern was there would be water for his nuts (i.e. tree crops). Ironically we have seen this type of things happen in much more stealth mode in certain districts, but the board member expressing this in an open public meeting was truly amazing, and greatly calls into question who he is serving as an elected board member. To show equality, we have actually seen the opposite type of activity where certain players are not allowing water to be transferred to fields in other districts and in some of these districts it is the difference between tree crops dying or living. To state the obvious and to be openly fair, it goes without saying many districts are also doing a great job working to be very impartial.

Taken together, our views on this subject remain the same as before. We believe in people and their ability to make great decisions. We believe in the ability for the owners of the rights (the growers) who have formed the districts to be able to make good and logical decisions. People are much smarter than government and certain parties give them credit. When parties take the decision away from the voter/grower, this is not the American way and inhibits economic growth (capitalism's core). The simple truth is the stake holders (growers in this case) get to choose who will represent them and this is the balancing act to keep things in line, as representation can always be changed. If there is a price that makes more sense to sell water, they should be allowed to in order to be able to maximize their own personal return/interest. In the case of tree crops, returns are clearly 10 times higher in profits compared to rice. We also respect those that believe they are here to grow (rice), even if the return to transfer water is higher than the price they can receive by growing rice. These players also should and do have the ability to choose how they express their land rights. The growers, who would like to buy water to keep their crops prosperous, should be able to and that this should happen at true market price to be fair to both sides of the equation. **We simply believe in freedom...**

Lake Oroville Levels: Various Past Water Years and Current Water Year, Ending At Midnight April 13, 2014



California Snow Water Content, April 13, 2014, Percent of April 1 Average



# THE RICE TRADER

*Presents The 7th Annual*

## **Grain and Rice Americas 2014!**

***Panama City, Panama***  
**20 – 22 Aug. 2014**



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- Dynamic Speakers
- Grain & Rice Market Analysis



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***Additional details coming soon!***

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