

# THE FARM & TRADE REPORT

May 1, 2014

#369-256

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



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**Quote of the Week:** John 15:4,5 “Abide in me, and I in you. As the branch cannot bear fruit by itself, unless it abides in the vine, neither can you, unless you abide in me. I am the vine; you are the branches.”

**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 June 25<sup>th</sup>, 2014 – Colusa Golf Course

2224 HWY 20, Colusa 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:** \$23.00 - \$50.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

**BUYERS INDICATION:** \$15.00 - \$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. They have drought concerns also.
- 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 375,000 acres... Snowpack is clearly worst in history.
- AgriFin: Get Cash, Keep Control... An amazing success story !



**Farm & Trade, Inc**

**++\$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..!**

**FIRST OFF**... We want to congratulate the industry on the most profitable water sale in history (+\$500-\$600 per acre feet, or a minimum of \$1500 per acre with no risk to the grower), which is already having significant effects on the financial fortitude of our region and the overall strong pricing of Calrose. In large and wide spread fashion, both sides of the valley have now been able to book in the +\$500 per acre foot sales, which is up from initial offers of just \$165 per acre feet. F&T and many key players worked on this very hard over the last year, under the idea that there was a small chance of water transfers coming into play. It has become our understanding that the lack of competitive factors on water transfers became a critical variable affecting the price of rice and decreasing your industry's strength. The F&T team is very happy for the benefits these efforts have brought to the growers and industry. While many wanted change to occur, the secret is that we must change for there to be change, or things stay the same.

**MARKETING THOUGHTS**: In marketing your crop, remember the players that cost you "dollars", especially when they come back in the coming year and offer you "cents". Sometimes the cents do not add up to a lot of sense and the proof of an organization or individual is in their actions rather than words. Those who show integrity, leadership, and market expertise should be the partners that you choose to work with. As you all know, we are adamantly against pool rice, as the data clearly shows it leads to lower price/less profits for the grower and a weaker overall industry when looked at over time. The clear exception to this is a well-run co-op with significant grower involvement, as this leads to some very positive industry benefits. Though we have said it before, clearly a grower owned co-op is not a pool, and in fact one could look at it as the opposite of a for profit pool. For most other growers, the cash market is a much better option and the secret is that over the last several years F&T has beat the pool player's average by \$2-\$3/cwt, year in and year out. For those growers out there that would like to learn more, we are in the midst of setting one on one training session for growers and also doing a complete overview of how to trade your rice electronically on CRE. Please contact the office for more information, as our team is here to help the individual grower and overall industry. The phone number is (530) 345-4140.

**USDA shows California acres at lowest point since 1993, at just 450,000 acres, Industry thinking 400 or less:** Even using the exceptionally high guess of 450,000 acres USDA posted, our market discussion should end here as it is the lowest production in 21 years, with a great increased demand in California should lead to record pricing, but in the California rice market things are not always simply as they should be. So please hear this clearly, we cannot know for certain what growers or marketers are going to do, but we can show the potential of what should happen and do so in a way that is backed up by data rather than emotion. Saying this, let's look at some factors that are critical and can help add some clarity to the market price discussion.

1. **CA Acres and Production**: Water sales have really tempered the production capabilities and added to many districts getting no water. The worries of late water deliveries are also hitting the market and many see more than normal June planting ahead of us. Many in industry think that we will have tough time breaking 400,000 acres level (seed sales down 25%-30%). Biggest buyer / contractors says that southern acres are 225,000 (15 million cwts) and a lot of justified fears that the quality is not of the same as California (more like Egyptian low quality). We are a bit surprised by the smallness of the number, but understand as Southern players keep getting burned growing this lower quality material. Saying this, at 425k CA & 230k acres from south, you only have 50.3 million cwts in the U.S. CA will have lowest acres since 1993, even at 450,000 acres and supplies are going to be very tight. This would lead to the lowest carryout and this is after we reduce usage in the U.S. by about 12 million cwts. The reality is that after the first 5-7% reduction in supply, price is not a great tool in rationing demand, and demand needs to be rationed !!!

2. **Pool Sign Up**: The lower amount of pool sign ups the more potential for higher price the industry has. We expect lower production, low guarantees, and strong cash values, you could be looking at very, very low signup.

3. **AUSTRALIA**: The current crop is down 25% and there are great concerns of drought brewing in Australia. Those in California trying to paint a picture of large supplies there simply need a lesson in market analysis or honesty. The 2015 prospects are very worrisome as El Nino issues started last year, seen in reservoir numbers, and you could see major water cutbacks like seen in 2007 again. In addition, the AU organization has actually been rather strong in the commendable belief Australia & California are high value markets that have the ability to sell at premium. We see them working hard to protect supplies so they can provide rice to their key customers in 2015.

# THE RICE TRADER

*Presents The 7th Annual*

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

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



- Trade Networking
- Up-to-date Information



- Dynamic Speakers
- Grain & Rice Market Analysis



***Mark your calendar now***  
***Additional details coming soon!***

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