

THE FARM & TRADE REPORT

May 14, 2014

#370-256

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



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Quote of the Week: Psalm 51:10-12 "Create in me a clean heart, O God, and renew a right spirit within me. Cast me not away from your presence, and take not your Holy Spirit from me. Restore to me the joy of your salvation, and uphold me with a willing spirit."

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 25th, 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: CA ACRES LOOK DOWN TOWARDS 400,000, PERHAPS LOWER

- California Calrose Rice brings home coveted "World's Best Rice" award
- The question of CA price and acres remains unknown... this is pushing growers to water sales and insurance
- Farm and Trade / CRE Trading Floor show last sales at \$22/cwt over for 2013/14 crop... slow trading now
- Australian down 25% in 2014 with poor growing conditions, while drought conditions put 2015 in question.
- Turkey buys unprecedented +200 TMT of California rice. Also have their own drought concerns.
- CA water has major problems brewing as extreme drought conditions add to very low reservoir storage.
- AgriFin: Get Cash, Keep Control... An amazing success story !



Farm & Trade, Inc

++ \$23 IN 2013 ↑

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CALIFORNIA RICE 2013/14




California Rice Exchange

www.calricex.com

KEY UPDATES: As CA Drought Loom, production unknown with growers taking water sales and insurance!

As stated in the last F&T report, USDA shows CA 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 (or rather the lowest in 21 years) and this seems to be the best case scenario, which we will discuss below. Since this estimate came out in the March 31st prospective plantings report, USDA followed it up with the first estimate of the crop in the May WASDE report. Below is this USDA report that shows what this means to the CA and U.S. medium grain market with their estimated acres.

(Rough Equivalent million cwt)										
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 Est		2014/15 Proj.	
							APR	MAY	APR	MAY
Area Planted (mil. ac.)	0.70	0.63	0.84	0.80	0.88	-	-	-	-	-
Area Harvested (mil. ac.)	0.70	0.63	0.84	0.79	0.88	0.70	0.7	0.7	-	-
Yield (pounds/acre)	7,924	8,063	8,010	7,580	7,812	7,912	8,272.0	8,272.0	-	-
Production (mil. cwt)	55.2	50.5	67.1	59.8	68.6	55.4	58.0	58.0	NA	52.0
Beginning Stocks	10.0	9.1	8.0	12.0	10.1	14.7	12.2	12.2	NA	9.7
Imports	6.5	5.6	2.3	3.5	3.0	2.1	3.5	3.5	NA	3.0
Total Supply	70.8	61.9	78.6	73.1	81.7	72.2	73.7	73.7	NA	64.7
Exports	25.7	26.9	34.0	34.6	34.2	31.0	32.0	31.0	NA	30.0
Domestic Use	36.1	27.0	32.5	28.3	32.8	29.0	33.0	33.0	NA	27.0
Ending Stocks	9.1	8.0	12.0	10.1	14.7	12.2	8.7	9.7	NA	7.7

To make the numbers work (or rather the Magic Pen math), USDA dropped domestic use by 5 million cwts and exports by 1 million cwts. The issue here is that first, the CA situation is worst hit and so the numbers do not clearly show the situation as even here the ending stocks are one of the lowest on record for the overall medium grain complex. The simple summary is that you would have one of the lowest crops in California (lowest since 1993) and overall it would be rather tight. The offset of this is that there is a rebound in the Southern long and medium grain (probably more like 250,000 acres verses the 225k USDA estimated), but a question of how close the California premium Calrose (who won the “Best Rice in the World” award at the World Rice Conference this year) compares to the rest of the complex. Our analysts continue to see Calrose more like Basmati or Fragrant rice, and therefore there will be higher demand for this premium product. It really could be a tale of two totally different products, like we are seeing in Asian and other markets.

The secondary question is with no real price action in the last 3 months, as players have waited to see what happens in the production game; what will the planted acres be? The general guess has been that with reduction in water allocations and water sales, planted acres will be around 400,000 acres. The issue of the variability in water that is going to push some players out of production and also have them take the preventative planting insurance. This makes us really wonder if even 400,000 acres is too large a number for the CA estimate. A 30% reduction would be 385,000 acres, which seems about right; although in about 3-4 weeks the reality will be fully known, rather than speculating. This would mean a production of about 31-33 million cwts from California (obviously this will depend on yield) or a drop of about 12-14 million cwts from the normal California crop. How will this demand be rationed is not so clear, as this would be the smallest crop we have seen. In addition to this, there is also the question of what will year end stocks be as the players work to try to build back some inventory in for the 2015/16 season. We also continue to hear about problems in the Middle East rice crops which could complicate the equation, although we expect that much of the Southern material will find its way to that region. To look further ahead, there are other questions like pricing for next year, what happens as we start to deplete our reservoirs, will all promised water allocations be delivered, what happens to the situation next year as the reservoirs are going to be depleted, and much, much more. So, there are as many questions as answers today and yet this lack of clarity is greatly affecting things...



Annual TRT Grain & Rice Americas

20 - 22 Aug. 2014, Panama City, Panama

Hosted By:



Co-Host:



The Premier Grain and Rice Event for the Americas

20—22 Aug. 2014, Panama City, Panama

Agenda to Include:

- Panama Canal & it's relevance to the Global Grains Trade
- Changing Global Dynamics
- Risk & Commodity Markets
- Food, Fuel and Fertilizer
- Politics regarding Farm Bill & Global Trade Agreements
- Water as a Commodity
- Investment Opportunity & Finance
- Major Rice Trends
- Weather Regarding Market Direction & its Effects on Crops
- America's Rice compared to Asia—Quality and Price



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

For Exhibitor/Sponsorship opportunities: info@trtamericas.com

For Speaker information: Subra@thericetrader.com

For more information on Panama:
[Panama—The Way](#)

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Please put "TRT Rice & Grains Event" in the subject line

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