

THE FARM & TRADE REPORT

September 2, 2014

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



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Quote of the Week: James 3:17-18 “The wisdom that comes from heaven is first of all pure; then peace-loving, considerate, submissive, full of mercy and good fruit, impartial and sincere. Peacemakers who sow in peace reap a harvest of righteousness.”

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 – WED. September 17th, 2014 – Yuba City, Harvest Room – 1475 Tharp Rd, Yuba City CA at 11:30am – Lunch Served – No buyers or buyer representative please

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

SELLER INDICATION:

\$21.00 - \$49.00/cwt over loan

Indication: ▲▲— UP/UP/FLAT

BUYERS INDICATION:

\$18.00 - \$23.00/cwt over loan

Indication: ▲▲— UP/UP/FLAT

KNOWN MARKET TRADES:

\$20.00 - \$20.50/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 is clearer with rising prices and crop looking to be very short.
- Farm and Trade / CRE Trading Floor show last sales at +\$20/cwt over for 2014 /15 crop... trade increasing
- Australian down 25% in 2014 with poor growing conditions, while drought conditions put 2015 in question.
- Turkey buys unprecedented +200 TMT of California rice. They are also having 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 ↑

Profitable Industry - Better Communities

CALIFORNIA RICE 2013/14



California Rice Exchange

www.calricex.com

KEY UPDATES: Tightest Local & Global Supply in Recent History... Price Looks Up Toward Record!

Listings on California Rice Exchange (www.calricex.com) soar past 1 million cwt for first time in history!

For the first time in its history, listings of rice for sale exceeded 1 million cwt on the California Rice Exchange (CRE) board, as growers express their interest in selling at various prices. This is viewed as a great achievement for the industry, as we move to more public and active trading. Obviously the tightness of the CA crop (in midst of this severe drought) makes this even more substantial, as supplies are much tighter than most years. We hope to be able to break the 2 million cwts of postings soon and keep moving higher from there.



To learn more and to check on market activity, come join us for the next Farm & Trade Grower Meeting on Wed., Sep 17 starting at 11:30 am at the Harvest Room in Yuba City next to New Earth Market. Lunch will be served and many important topics will be discussed! Please join us!

Let's briefly talk about a few key pieces in the California / Japonica rice market worth noting...

1. **Great Potential:** This is going to be a great year. Tight supplies, strong prices, and good markets. There is clearly much more demand for California rice than supply and this is going to lead to rationing. Price is actually not a very good rationing tool after the first 7% reduction in supply, and the California crop is off 30%.
2. **Tight Supplies:** It is clear that supplies are off 25% to 30% in California, Australia, Turkey and others. Globally Japonica production has fallen over 1 MMT and this issue will become bigger as year progresses.
3. **Other Crop & Water:** In addition to the increased price in rice, other local crops are making massive returns with the tree crops making profits 7 to 10 times per acre more than rice. This is going to affect the overall market and potentially production in years to come. This may be one of the most significant and quiet factors.
4. **Volatile Years Ahead:** With water and supply constraints, you are likely to see the extremes in volatility. California reservoirs are projected to hit dead pool, the drought is still very strong, and global production of medium grain is down. One can only guess if the drought in California will last into next year or years after.
5. **Low Pool Signup:** Low pools sign up is good for the overall industry. You are not going to have certain players go and underbid tenders, like seen last year, and then book in the lowest value to pool rice. We know some players are sensitive about pools, but clearly it simply decreases grower and overall industry profits.
6. **The "What If" Factor:** The key point that our analysts have been talking about: What if water stays tight and then the crop continues to fall (like Australia in 2007/08). Is lack of supply risk being properly managed...

