

# THE FARM & TRADE REPORT

Dec 17, 2014

#372-260

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



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**Quote of the Week:** Ephesians 3:20-21, "Now to him who is able to do immeasurably more than all we ask or imagine, according to his power that is at work within us, to him be glory in the church and in Christ Jesus throughout all generations, for ever and ever! Amen."

**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. January 14<sup>th</sup>, 2015 – Farm & Trade – 9287 Midway, Suite 2B, Durham 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:** \$20.00 - \$50.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

**BUYERS INDICATION:** \$18.50 - \$19.00/cwt over loan Indication: ▲▲— UP/UP/FLAT

**KNOWN MARKET TRADES:** \$18.50 - \$22.00/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**

- CA rains come, but an inch every other day needed through rainy season to get decent Calrose production
- California rice acres very short – smallest crop since 1992/93 – Prior to Japan MA markets opening.
- Farm and Trade / CRE Trading Floor **BREAKS 2 million** cwt setting record... Prices look upwards
- We just finished helping facilitate the first water trades for 2015 at \$600 per ac. ft. = **+\$1800 per acre!**
- Worldwide medium grain production down +1 MMT – California and Australia down +25% this year.
- The 2015/16 market is big question as California, Australia, Turkey and others stay under drought watch.
- Extreme drought continues in California. Water supply for agriculture in 2015 is very, very questionable.
- AgriFin IS NOW PAYING **\$11/CWT OVER LOAN** UPFRONT; grower retains control of selling!



**KEY UPDATES: USDA CERTIFIED ACRES AT JUST 393K, DOWN BY OVER 30% FOR YEAR !!!**

**MERRY CHRISTMAS:** It is with the greatest of pleasures for us to be able to again wish all of our friends, clients, family and those in the industry a wonderful Christmas season. This is a time of remembrance and thanksgiving for the blessings we have received both physically and spiritually. We wish you all the greatest of holiday times and pray for immense blessings going into the New Year.

**UPDATE #1: USDA CERTIFIED ACRES SHOWING THE CALIFORNIA RICE CROP IS 30% LOWER:**

Understandably, there had been a great number of thoughts on the what the acres were going to be with the water cutbacks, water transfers, and the incentives in the new Farm Bill all coming into play at one time. With the final data basically in, California plantings were down by more than 30% to be under 400,000 acres, which is well below what most in the industry were expecting. This would be the lowest acreage in over 20 years, going all the way back to 1993 when the Japanese business first started. With record yield, this would only give the industry 34 million cwts to sell and this would keep supplies exceptionally tight moving into the coming year. There are a few million cwts more than normal strategically carried in, so we call supplies more like 36 verses a norm of 45 million cwts, which is very tight indeed.

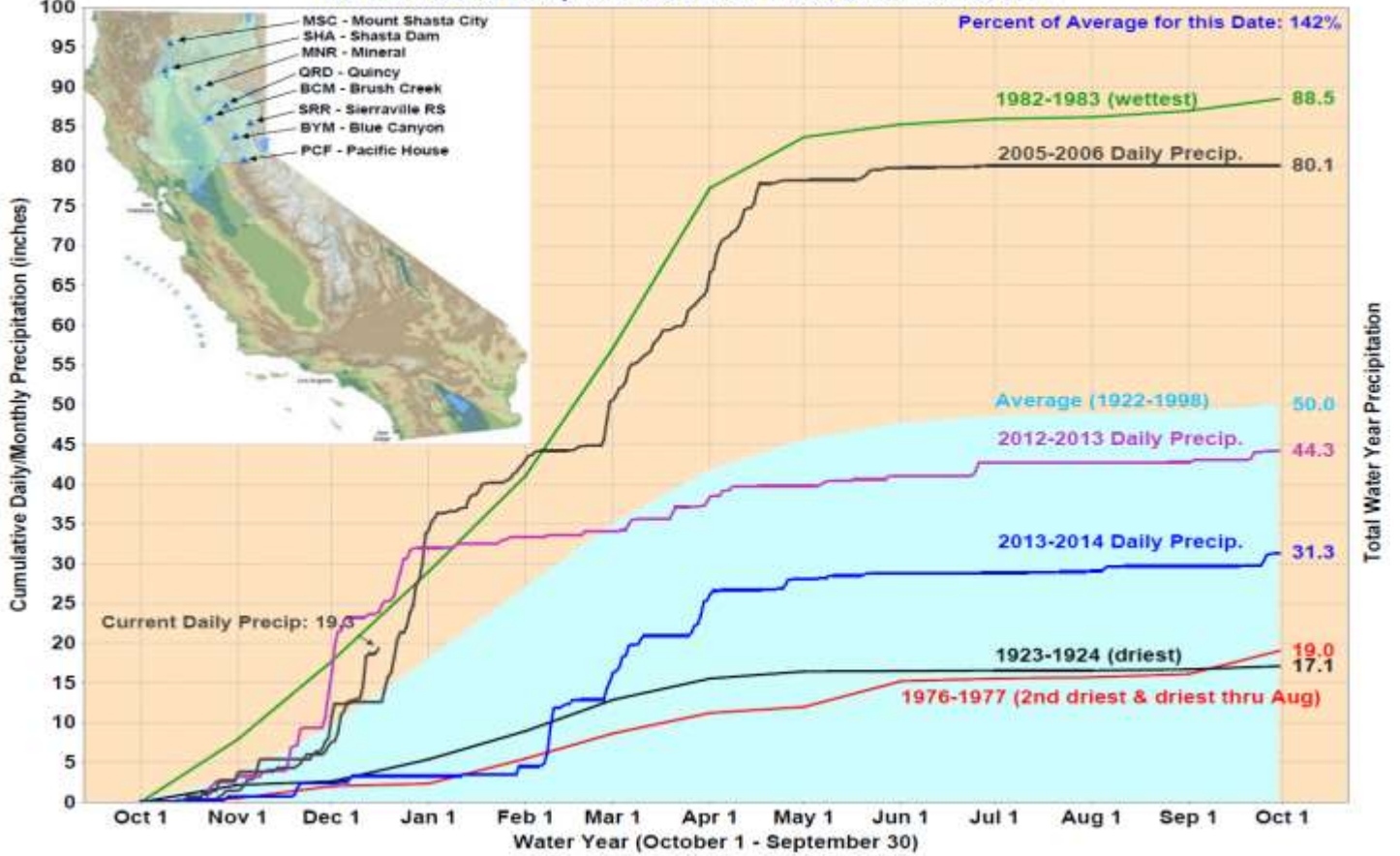
<b>California Rice Acreage Analysis</b>			
USDA/FSA Certified Acres			
<u>Crop Year</u>	<u>Dec Acreage</u>	<u>Final Acreage</u>	<u>% of Final</u>
2012	556,209.84	556,388.94	100.0%
Less Prevented Planting	(826.00)		
<b>2012</b>	<b>555,383.84</b>		
2013	566,196.91	566,196.91	100.0%
Less Prevented Planting	(1,556.00)		
<b>2013</b>	<b>564,640.91</b>		
2014	420,608.81		
Less Prevented Planting	(28,251.00)		
<b>2014</b>	<b>392,357.81</b>	(1) <b>393,142.53</b>	<b>2013 -v- 2014</b> <b>(173,054.38)</b> <b>-30.6%</b>

(1) Projected final acreage based average % of Dec Report to Final

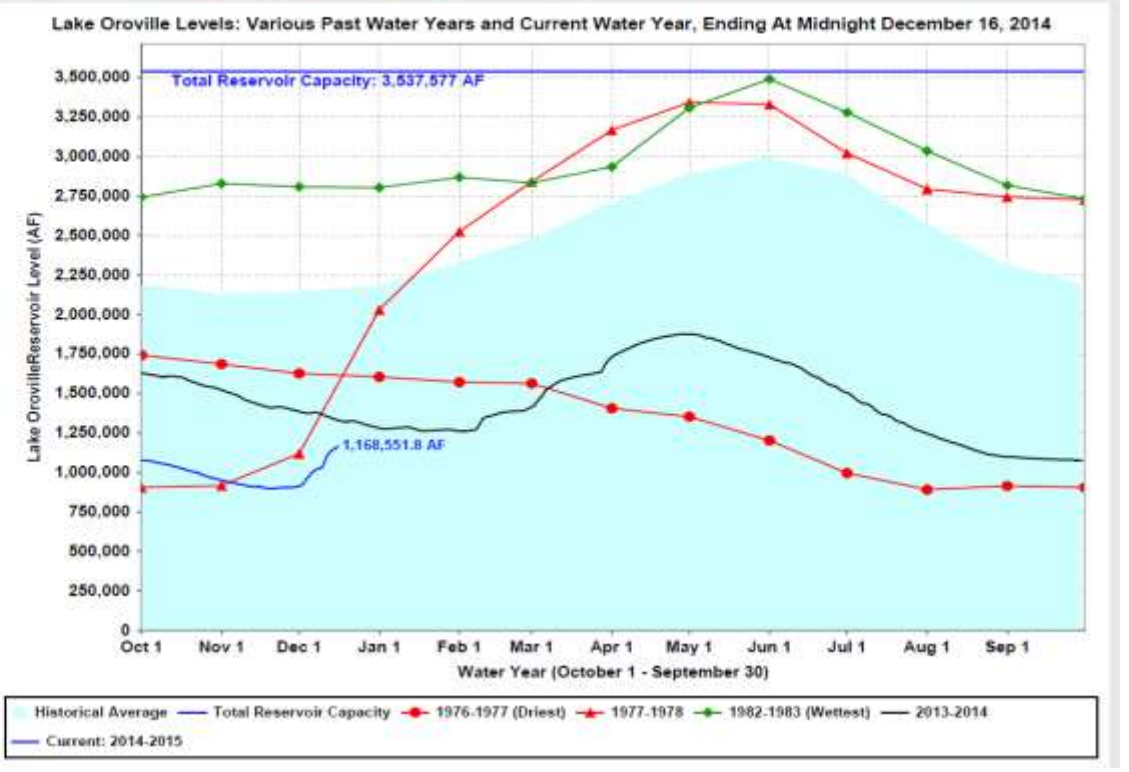
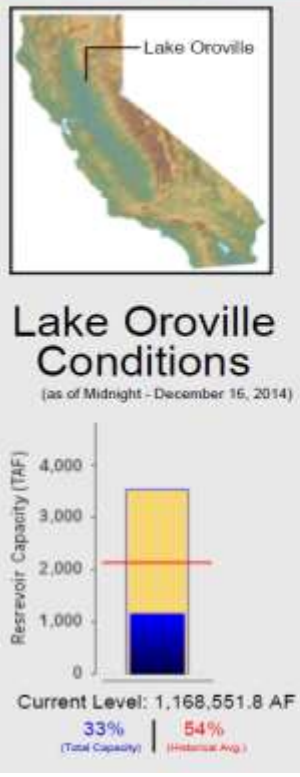
**UPDATE #2: WATER, WATER SALES, PRICE PR, AND ALL IN BETWEEN:** Clearly there is heavy PR going on that with a few storms the historic drought issue was somehow magically solved. This is a game long played as players work to get growers in the pools and, while detrimental to the overall industry, it sometimes is an effective strategy. Coming back to the factual reality, we still need over 30 inches of rain to be at average and over 50 more inches to get to full water allocations. This being said, late-Dec and January look rather dry and it may be that things are much tighter in water than understood when final allocations come out. The reality remains that we need an inch of rain every other day to get to even average allocations in 2015. The probability of full water allocation is extremely low and while it could happen (only God controls the weather) the likelihood is very low. As we reported in the last open F&T report a few weeks ago, there is a water transfer contract in the market at \$600 AF (per acre foot) with a \$425 AF floor, which effectively puts new crop pricing at \$20/cwt on the low end, which without any real market price pressure will greatly enhance water sales in the coming year. This is an unfortunate simple fact of the California situation where other products (especially the nut tree crops) are making more and can pay for the water asset with exceptional profits still being made.

We always suggest that all players step back and look at things analytically rather than with the emotion of the day. There are even some analysts, with questionable association to marketers, that have tried to instantly PR our market without an understanding (or perhaps care) of what the truth is. Remember some aged wisdom that the market rewards patience, harvest is almost always the worst time to sell for price, Calrose is a high value product much like almonds or Basmati rice, and with the lowest acres since 1993 the market has great potential to go to record prices. We continue to believe California Calrose is a high value product and that there are great financial and strategic goals in being one of the best rice products in the world. This market is looking a great amount like last year and perhaps there is a great amount of wisdom in that thought when one sits backs to ponder all that this means.

### Northern Sierra Precipitation: 8-Station Index, December 16, 2014



## Reservoir Conditions - Lake Oroville



# THE RICE TRADER 6th Annual TRT WORLD RICE CONFERENCE

Phnom Penh, Cambodia

18 - 20 November 2014



## THE RICE TRADER

like to thank the Cambodian Rice Federation for allowing companies for sponsoring the Gala Dinner on the evening of the 19<sup>th</sup> of November 2014

At The Sofitel Phnom Penh Phoksaetra Hotel

### Supporting Organizations



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