THE FARM & TRADE REPORT

Mar 2, 2015 **#372-261**

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

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Quote of the Week: Philippians 2:3-4 “Do nothing out of selfish ambition or vain conceit, but in humility consider others better than yourselves. Each of you should look not only to your own interests, but also to the interests of others.”

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. March 4th, 2015 – Farm & Trade – 9287 Midway, 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:	**$19.75 - $50.00/cwt over loan**	**Indication: ▲▲▬**	**UP/UP/FLAT**
BUYERS INDICATION:	**$16.00 - $20.00/cwt over loan**	**Indication: ▲▲▬**	**UP/UP/FLAT**
KNOWN MARKET TRADES:	**$17.00 - $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 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
- Australian 2015 (May harvest) crop estimated down 15% from last year’s crop which was down 25%.
- 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!

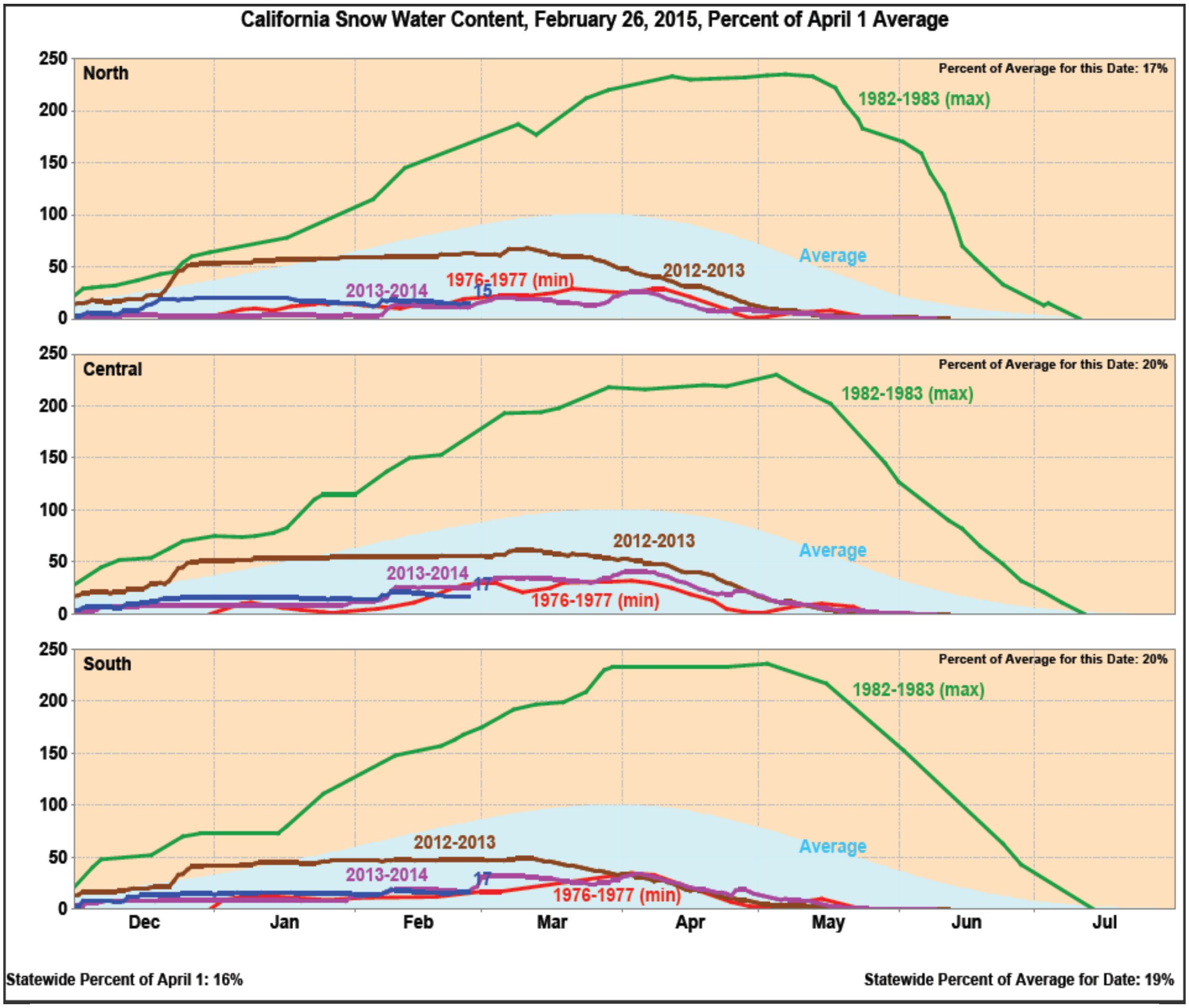
KEY UPDATES: **SUPPLY VERY TIGHT AS THE 30% CA REDUCTION IN 2014/15 IS ADDED TO MUCH LOWER AUSTRALIAN PLANTINGS & QUESTIONABLE 2015 CALIFORNIA POTENTIAL!**

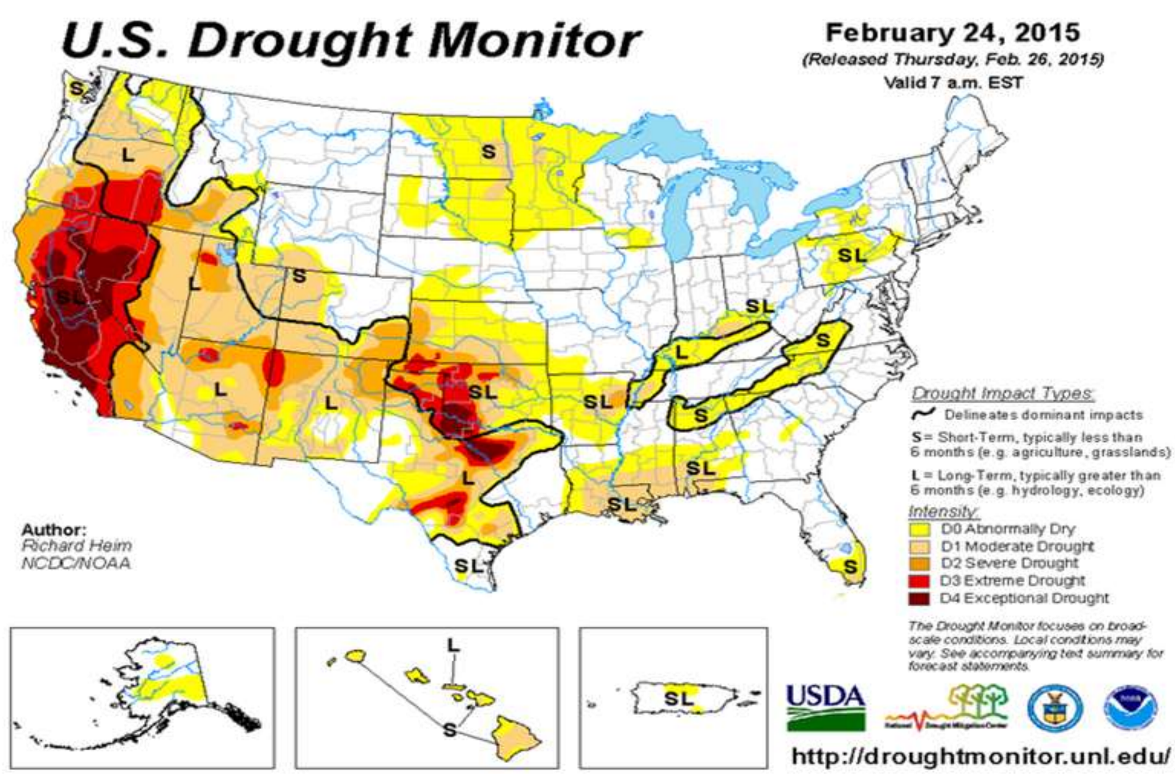
RAILCARS OF RICE IN CA: As many know, there was a report of a mill bringing in small quantities of southern milled rice into California for what appears to be blending. In reality, this is largely a philosophical issue when looking at the potential effects to the industry. Our stance has been the California industry must work together to protect the purity of its premium product and not go down the quality questioning path of the Basmati industry over the last several years. We believe the Calrose industry is a special premium product and this was shown in the industry winning the "World's Best Rice" in 2013. Whether it be on certain Japan tenders or on an issue like this, we have seem players act with the industries best interest at heart, which should be commended, On the other hand, we have seen those that are short term profit motivated and have little care for longer term strategy or the effects on the industry. Our view remains that one should greatly reward good actions and exceptionally punish bad behaviors you do not want to see occur. This is what should be clearly communicated, as we work to build a strong industry.

WEATHER AND WATER UPDATE: The California drought continues to show its long and intense run. The snow pack in the state is just 19% of normal (down 81%), which is basically the worst level in recent history. The key storage for water in California has been this natural source of snowmelt runoff and the effects of the lack of this resource are not well understood. The reservoirs are a bit better than last year as this time, but there was 22 inches of rain in Feb-Mar last year to barely push water allocations over key measures and get planting to around 400,000 acres. What allocations will be for the coming year is then the key question and it seems there is simply not yet complete clarity of what this will be. The general "belief" today is that the Feather River pre-1914 right holders will get 50% allocations and that the Sacramento River players will receive 50%-75% allocation. Clearly, the state is also in the midst of how to deal with there not being enough water for all parties, while at the same time having to respect long held land / water rights. It is a dire situation and if one looks at what is happening in San Pablo Brazil, where there is often no running water in a major city, you can see the fears or what-if questions if the drought continues.

Added to this, new water sale were booked at a historic $700 per AF and talks of even higher numbers being thrown around. This is $2100 per acre going to the grower and for the most part the district is taking $210 to manage the organization. Obviously, this is one of the key issue as grower making over $2000 per acre without taking risk is going to have a massive amount of growers pushing to sell rather than take the risk of chaotic market action in Calrose. In another major issue, we have heard that a major district on the West side of the valley has been talking about taking 1/3 of the grower/s money under the auspice they can as managers. This would be about $770 per acre, which is WELL ABOVE than current land rents and more than 3 times what the normal district is taking. To put in perspective, a 20,000 acre sale was sale would generate $15.4 million dollars of to the district and would be higher by more than double of the whole rice industries association budget alone. There is also talk of selling water to local growers at a reduced rate, which appears to have rice growers again subsidize tree crop growers. This is clearly a land rights and local politics issue, but we believe in the importance and preservation of land right as it is a basic tenant of a successful economy (also the American way). It seems that certain parties want their actions not talked about as well and have decisions made in a more closed door fashion. As in the case of many things, we believe growers should aggressively express their thoughts on the issue and destroy any perceptions of apathy.

JAPONICA SUPPLY AND DEMAND: There is a great discussion on what water allocations and therefore acres will be for next year. The conservative guess is that you will have about 400,000 acres or the same as last year. This alone would be traumatic as this is only enough to do rationed domestic and Japan with no other sales to any region. Others are indicating that in the current hydrology you could see more like 300,000. The next 30-40 days of weather will be critical as the real decision for allocations comes around April 6th. Clearly there is high risk of lower than expected allocations for many reasons. The key would be that most of the state is in the midst of the LOWEST snowpack in recent history and the hopes the drought would be over, have moved to wonder how many more years the drought will continue. Add this to Australia dropping their crop to just 500 TMT, which is about 350 TMT below their core brand demand. Taken together, this is one of the most bullish situation by far for high end Japonica rice (differentiated from low quality Egyptian, Chinese, & Jupiter). So the question would come, if so why is the market not running today? The answer is simply that shipments in 2014/15 were deferred on the slower shipment on Japan tenders and the container port slowdown on the near strike. If you take in booked but not yet milled business, the crop is sold, but growers have yet to see offers and therefore it is a psychological game rather than anything.


California Snow Water Content, February 26, 2015, Percent of April 1 Average
North
Percent of Average for this Date: 17%
1982-1983 (max)
Average
2012-2013
1976-1977 (min)
2013-2014
15
Central
Percent of Average for this Date: 20%
1982-1983 (max)
2012-2013
Average
2013-2014
17
1976-1977 (min)
South
Percent of Average for this Date: 20%
1982-1983 (max)
2012-2013
Average
2013-2014
17
1976-1977 (min)
0
50
100
150
200
250
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Statewide Percent of April 1: 16%
Statewide Percent of Average for Date: 19%


U.S. Drought Monitor
February 24, 2015
(Released Thursday, Feb. 26, 2015)
Valid 7 a.m. EST
Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)
Intensity:
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought
Author:
Richard Heim
NCDC/NOAA
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.
USDA
http://droughtmonitor.unl.edu/