THE FARM & TRADE REPORT

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

Jeremy.Zwinger@FarmAndTrade.com

Phone: **(530) 345-4140**

Fax: **(530) 345-4747**

www.FarmAndTrade.com

Pat.Daddow@FarmAndTrade.com

Ricky.Hayes@FarmAndTrade.com

Mark.Chesini@FarmAndTrade.com

Peggy.Hutsell@FarmAndTrade.com

9287 Midway, Suite 2B, Durham CA 95938

Quote of the Week: Psalm 92:12, "The [uncompromisingly] righteous shall flourish like the palm tree [be long-lived, stately, upright, useful, and fruitful]; they shall grow like a cedar in Lebanon [majestic, stable, durable, and incorruptible].

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. April 8th, 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

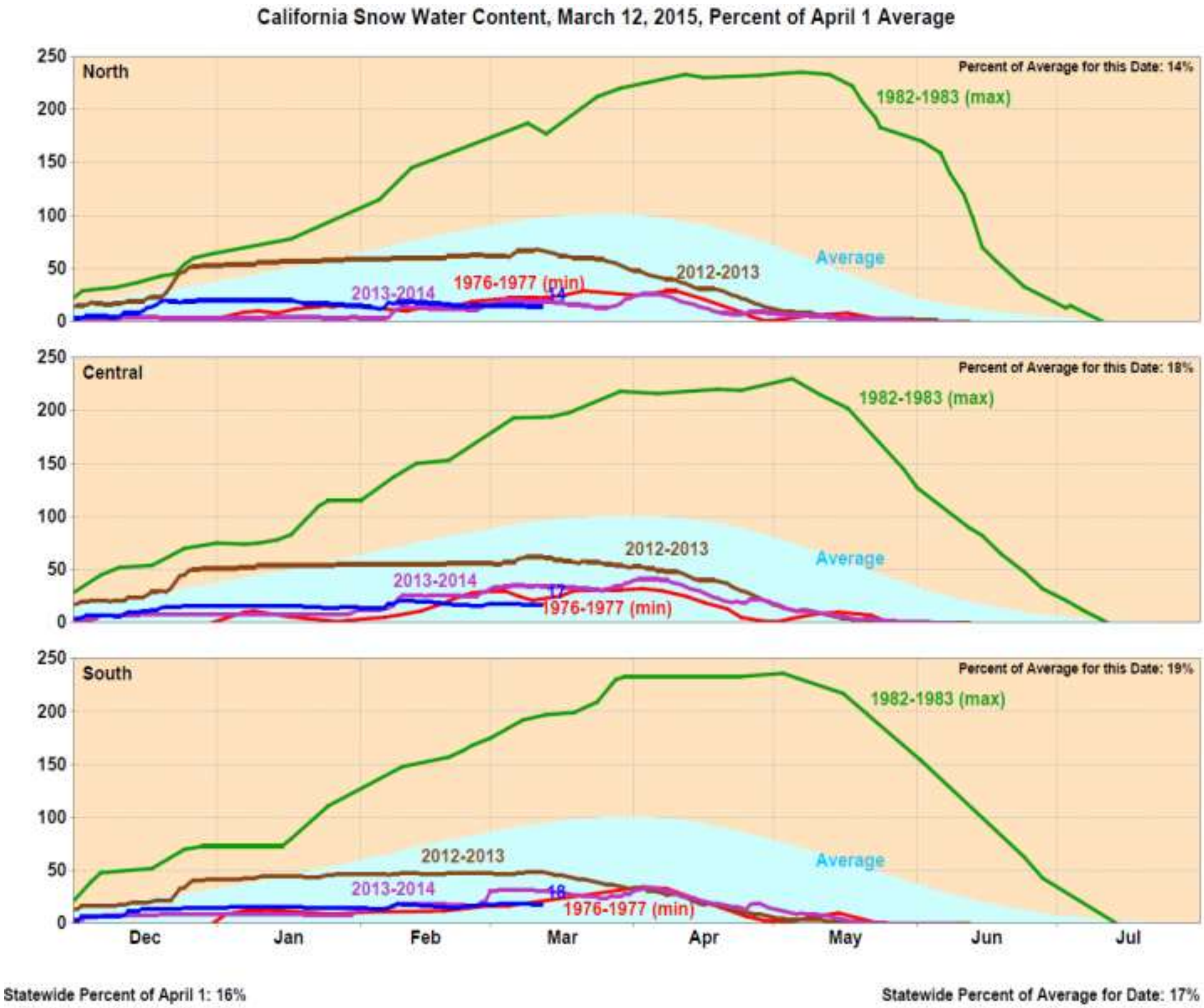
- **California rice acres very short – smallest crop since 1992/93 – Prior to Japan MA markets opening.**
- Farm and Trade / CRE Trading Floor **BREAKS 2 million cwt** setting record… Prices look upwards
- Australian 2015 (May harvest) crop estimated down 15% from last year's crop which was down 25%.
- 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!

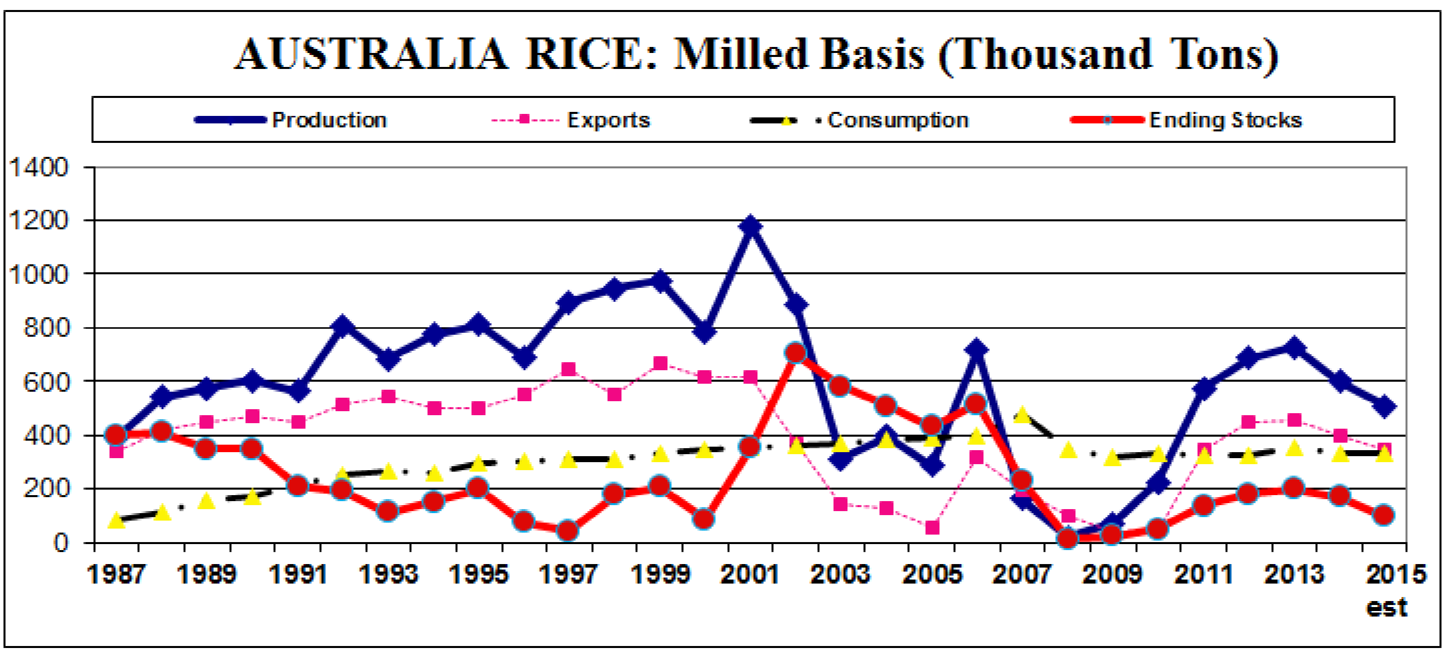
KEY UPDATES: **WATER ALLOCATIONS LOOKING TO BE VERY LOW (0%, 50%, & 75%) AND THE GENERAL BELIEF IS CA ACRES WILL ONLY BE ABOUT 300,000 - 350,000 ACRES !**

CALIFORNIA RICE INDUSTRY: There has been a great amount of talk lately about where the industry is going and it seems prudent to share our thoughts. We believe in a strong and successful industry for all parties. It would be just as wrong for millers or warehouses to not make profits as it is for the grower community to lose ground by producing a crop. We believe in aggressively defending the profitably of the whole industry and that all parties need to work together. NO system can work if any of the parts are neglected. We believe in the quality of California's Calrose rice. With 100 years of self-funded variety research, an amazing warehouse system allowing a #1 grade product as a standard, professional high quality milling, and unique climatology, we have one of the highest quality rice products in the world. We believe Calrose rice is a special premium product and this was shown in the industry winning the "World's Best Rice" in 2013. There is a great difference between low and high quality rice. This is shown throughout the world in Basmati, Fragrant rice and in Calrose, with prices going from $375 per ton on low quality 5% rice to $1,375 per ton for high quality premium rice. We believe California has great inherent value and while there are challenges here, our industry has a bright future. We want all players to be successful & profitable…

WEATHER AND WATER UPDATE: The water situation in California is probably worse than is really being talked about today. Clearly, the state is in the midst of dealing with there not being nearly enough water for all parties, while at the same time having to respect long held land / water rights. Without showing any signs of abating, the California drought continues to show its long and intense run. The snow pack in the state is just 16% of normal (down a huge 84%), which is basically the worst level in recent history. A key source of storage for water in California has been the natural source of snowmelt runoff and the effect on water supply created by the lack of this resource is 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 there will largely be no water (0%) for players without senior rights, which is dramatic. Add to this, the Feather River pre-1914 right holders will likely get 50% allocations; this takes things to a level they are lower for many. The Sacramento River contractors are expected to receive 50%-75% allocation, although there seems to also be a question how the feds will deal with blast flows for fish, and how to protect the situation towards September, and potential for future drought comes into play in actual allocations. Added to this, new water sales were booked at a historic $700 per AF and talks of even higher numbers being thrown around. This is $2,100 per acre going to the grower and for the most part the water district is taking $210 to manage the organization. While it is questionable if water can be transferred with so little in the system, we are hearing that Southern water transfers are being done at $6,000 per acre and therefore a dramatic move. Obviously, this is one of the key issues as a grower making over $2,000 per acre without taking risk is going to create a massive amount of growers pushing to sell water rather than take the risk of chaotic market action in Calrose. Most believe acres in California will be 300,000 - 350,000, but frankly we worry as California as a state may now have to deal with the potential that there will not be water for key uses if we face another year of dryness.

JAPONICA SUPPLY AND DEMAND: There remains a discussion on what water allocations and therefore acres will be for next year. While some are saying a low of 300k acres and the rare few saying 400k, the conservative guess is that you will have about 350,000 acres or just an exceptionally tight 28 million cwts crop; which is about 18 million cwts down from normal. To put in perspective, this is more than the whole Australian crop. This alone would be traumatic as this is only enough to do extreme rationed domestic and Japan with NO other sales to ANY region. The next 15 days of weather will be critical as the real decision for allocations comes from the April 1 survey, but the current weather forecast is rather negative. Clearly, there is high risk of lower than expected allocations for many reasons. 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 situations 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. We also believe the several international and domestic players expected the drought to end and now dealing with being wrong on this assumption. Overall, we expect to see a major run in prices on tightness and players hoping to manage supply risk.


California Snow Water Content, March 12, 2015, Percent of April 1 Average
North
Percent of Average for this Date: 14%
1982-1983 (max)
Average
2012-2013
1976-1977 (min)
2013-2014
14
Central
Percent of Average for this Date: 18%
1982-1983 (max)
Average
2012-2013
2013-2014
17
1976-1977 (min)
South
Percent of Average for this Date: 19%
1982-1983 (max)
Average
2012-2013
2013-2014
18
1976-1977 (min)
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Statewide Percent of April 1: 16%
Statewide Percent of Average for Date: 17%


AUSTRALIA RICE: Milled Basis (Thousand Tons)
Production
Exports
Consumption
Ending Stocks
2015 est