THE FARM & TRADE REPORT

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

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: 2 Timothy 2:6-7, “The hardworking farmer should be the first to receive a share of the crops. Reflect on what I am saying, for the Lord will give you insight into all this.”

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:	**$17.00 - $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:	**$16.00 - $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 2015 ACRES DOWN TOWARDS 350,000, TRENDING LOWER

- **California Snow Pack on April 1 Lowest on Record – Survey finds bare ground!**
- 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 gets worse 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: **AS EXPECTED, USDA BLOWS KEY REPORTS… THIS IS BY FAR THE WORST SNOWPACK IN CA HISTORY, WHICH SEVERELY QUESTIONS POTENTIAL RICE ACRES!**

WEATHER AND WATER UPDATE: The CA governor has just instituted mandatory water restrictions of 25%. It is clear we are in a place of unprecedented action, which puts our critical farming and overall agriculture industry at risk, in a time where it needs to be protected. To be fair, April 1st snowpack, which is the normal peak of the snow season, is at the lowest point in history by a massive margin. Being only 5% of normal (or -95%), saying we are at the lowest in history does not do the above statement justice, as the reality is that you destroyed the previous record by 25%. We believe that the dryness in the water system is not fully realized as of yet and that it will take much more water than normal in these conditions to make a crop. Looking at what this means, 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 40%-75% allocation. We had heard of talks of 20% of mandatory paid transfers, which effectively would give Sacramento players just 55% allocations. 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. Supply risk is MUCH greater than understood in our view and those holding supplies will see some great price appreciation.

USDA REPORT & CROP UPDATE: Unfortunately, as expected, USDA TOTALLY BLEW the key acreage and stocks report this week. This has become more the norm and a sad reality of the state of some government agencies. As one of our analyst quipped, "It would have been better to just have had a 1st grader guess, as they would have clearly been more accurate than our official folks apparently have become." With most in the trade saying CA total acres for the upcoming 2015 crop will be 350,000 cwts (some rather key industry leaders saying at or below 300,000 and a rare few say 375,000), USDA illogically indicated acreage would be 408,000. This follows USDA's horrible trend of overestimating supply through the marketing year and then coming back at the end to correct their bad numbers. While USDA will say that this data came about from survey's conducted at the end of February, this is illogical and now you will have this bad data used for the next 6 to 9 months, as we move into the marketing year. USDA could easily be over 50,000-100,000 acres off which basically makes this a useless estimate by them, which will also make the WASDE numbers through the coming year completely unusable as well. Interestingly, USDA estimated just a small increase in the South, which led USDA to estimate total MG/SG acres down just 14,000 acres. This backs up market talk that contracts in the South were not there and acres retracted. USDA also had long grain acres unchanged in a period where growers are not making money and soybeans are a much better option. Take this to the bank, USDA will drop acreage estimate dramatically in the coming months.

California Rice Supply Review 2014 - 2015

		Crop 2014/15	37,800,000
		Carry (Sep)	8,800,000
		Total Supply	**46,600,000**
Month	USAGE		
Sep-14	2,100,000		44,500,000
Oct-14	2,100,000		42,400,000
Nov-14	3,000,000		**39,400,000**
Dec-14	3,500,000	**First 6 months**	35,900,000
Jan-15	6,750,000	Actual Usage	29,150,000
Feb-15	3,000,000	**20,450,000**	**26,150,000**
Mar-15			
Apr-15			
May-15			
Jun-15		**2nd Half**	
Jul-15		Estimated Usage	
Aug-15		**20,500,000**	**5,650,000**
Sep-15			
Oct-15		**Real Carry**	**950,000**

While the acreage number was very poor, the USDA stocks estimate looks completely illogical at best and rather manipulated at worst. We put proof together (although using larger supply for crop and carry numbers than most think to prove a point) to show how illogical the numbers are and how they conflict with USDA's own data. With data proving that usage from the Dec 1 stock report to March 1 took stocks to about 26 million cwts, USDA said that our supply was a laughable 31.8 million cwts on March 1. This means that UDA made the case that our industry only used 8 million cwts since Dec 1 (in 3 busy months) even though Rice Research Board and Rice Commission numbers show 13 million cwts was used. Even more interesting, we show just 20 million cwts of demand in the first half (as about 2/3 of Japan was carried to after Mar 1 and the port slowdown), while in 2010 to 2014 the usage in million cwts was 30.0, 29.7, 30.5, 25.9, and in 2014 it was 32.1 in the first six months. Many buyers told us they though usage in the first half was even better and this means second half is much higher. To get to a real carry out, you can take your Japan, domestic of 1.8-2 million cwts a month, and some additional export business to get at least 20 million cwts of demand. This take you to just 5.6 million in August and this is just pipeline rice to new crop. So while some are talking about big stocks, the data does not show this at all. The above proof is **VERY SOLID!**

U.S. Drought Monitor
California

March 31, 2015
(Released Thursday, Apr. 2, 2015)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.15	99.85	98.11	93.44	66.60	41.41
Last Week 3/24/2015	0.15	99.85	98.11	93.44	66.60	41.41
3 Months Ago 12/30/2014	0.00	100.00	98.12	94.34	77.94	32.21
Start of Calendar Year 12/30/2014	0.00	100.00	98.12	94.34	77.94	32.21
Start of Water Year 9/30/2014	0.00	100.00	100.00	95.04	81.92	58.41
One Year Ago 4/1/2014	0.00	100.00	99.81	95.21	68.76	22.49

Intensity:

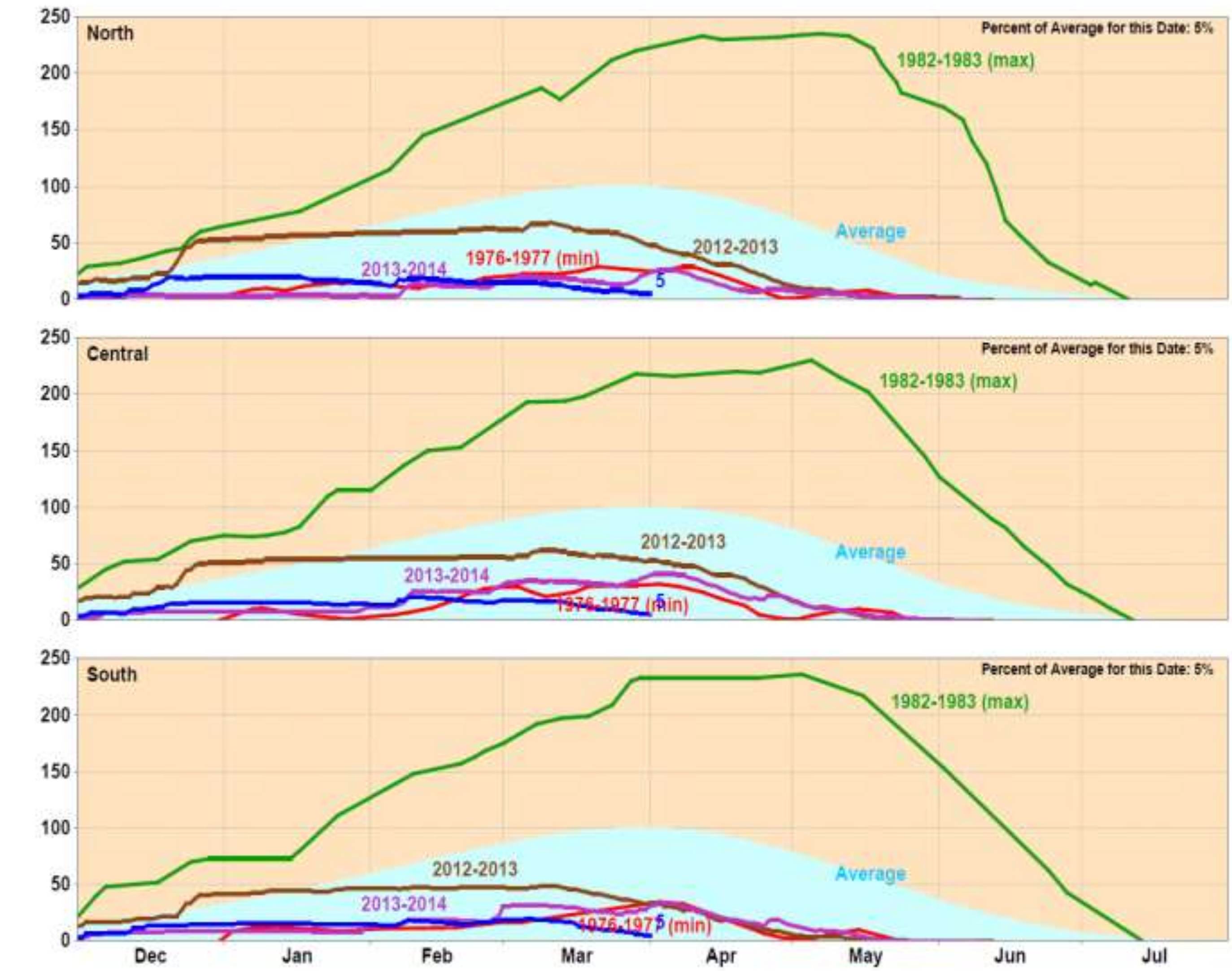
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Eric Luebehusen
U.S. Department of Agriculture

http://droughtmonitor.unl.edu/

California Snow Water Content, April 1, 2015, Percent of April 1 Average



Statewide Percent of April 1: 5%

Statewide Percent of Average for Date: 5%