

# THE FARM & TRADE REPORT

June 29, 2015

#373-269

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



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**Quote of the Week: Isaiah 40:31:** "But those who hope in the Lord will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they will walk and not be faint."

**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. June 17<sup>th</sup>, 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:** \$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 2015 ACRES DOWN TOWARDS 350,000, TRENDING LOWER**

- California Snow Pack on April 1 Lowest on Record – Snow Gone – Reservoirs Draining!
- California rice acres very short – smallest crop since 1976/77 – Prior to Japan MA markets opening.
- Farm and Trade / CRE Trading Floor **BREAKS 2 million** cwt listings setting record... Prices look upwards.
- Australian 2015 crop estimated down 10% 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, and others stay under drought watch.
- Extreme drought gets worse in California. Water supply for agriculture in 2015/16 is very, very questionable.
- AgriFin IS NOW PAYING **\$11/CWT OVER** LOAN UPFRONT; grower retains control of selling!



## **KEY UPDATES: NOW IS THE TIME TO COME BACK TO BULLISH REALITY OF THE MARKET**

As we expected late May would be near ideal timing in the current environment, we waited nearly two months to write our next open F&T report. With this in mind, it is time to revisit the situation in the CA market and reveal some key facts that we have been more tempered than normal in showing. Related to this, there was an analyst a month or so ago that stated that if this market was bullish, then players are surely hiding it very well. This analysis was completely right in that the shortness of supply and that the upcoming issues have been well hidden!

The summary to all players would be, this market remains **EXCEPTIONALLY BULLISH** and supplies are historically tight, but the deferred shipping has masked how bad the issue truly is. This was shown in the recent \$17/cwt and higher trades in the market, which are clearly trending higher, as buyers attempt to wait till the longest possible time to make purchases. Our recommendation is for local or international buyers to be very aggressively buying, as the tightness in supplies are going to become intently clear as the historically unique deferred business is shipped out. The Japanese showed great intelligence in the last year in increasing the speed of tendering upon the weather going dry, after slow playing in Dec when it was wet. This was a key signal that the direction had changed.

It is also very clear that certain parties massively bet on the weather turning wet after a strong December storm, while in fact it has been historically dry and by far having the worst snowpack in recorded history. The reality is that we all make mistakes in life, marketing, love, and etc. It is human nature to not want to accept our errors, which we see so much in the reflection of watching our children grow up. Clearly, it is always best to accept responsibility for actions and move forward, as this leads to positive growth. On the other hand, this does not excuse these players' actions; as attacking the perception of the market strength is an attack on the industries profitability and our future. It has effects in the short and long run, which is why we are so adamant on this point. Overall, we want the mills, growers, warehouses, equipment dealers, service industries, local communities and all to all be profitable. With water and orchard earnings being several times better than profits in rice, this truth should be clearly understood, as to the effects to the future. For those in an organization that works for grower owners, we find certain actions exceptionally questionable in trying to PR the market to justify lower pool returns coming. Normally the players that perform this mouthpiece function do so with impunity, but we are aiming right now to change this. It goes without saying that we do not accept these actions as they are simply an attack on the industry, along with illogical in the current extreme short supply situation which is coming. We believe in a great and positive future for the California rice industry, which comes with strong pricing to make sure healthy acres are maintained for the industry.

Looking at data, let's show how deferred the business truly is and how this is going to greatly effect things in the coming year. First, with the 400,000 acres that were planted in 2014/15, the crop size is expected to be about 36-37 million cwts if one makes the assumption yields massively broke the record. Usage September through April (using RR or CRC data) shows about 27 million cwts used so far this year. If you take just 2.5 million cwts for the next four months of the year, you would logically have same stocks as the prior year, but average usage is much higher than 2.5 so clearly stocks are GOING DOWN and this is just looking to the end of Aug and not even the deferred vessels. Anyone who questions this truth only needs to pull out the data as it is clear.

**BUT WAIT A MOMENT**, let's asked how much is yet to ship out as exports this year verses last year. On first look, there is an unprecedented 10 Japan vessels to still ship and many Korean shipments. Our demand counter from USDA weekly registered sale, presented below, clearly shows **milled medium grain unshipped sales are 145% larger (massive +150 TMT) this last year!** This is a particularly scary prospect in a short supply market heading into a even shorter year! This low level of supply is also seen in Australia where additional dry weather is expected to take their production down even further. The lack of price action has also actually already drawn down 2015 plantings with many believing less than 350,000 acres have been planted in California, which is a near unheard of low level of supply coming. On paper the question is **not if** the market is oversold but how oversold is it?... This will hit the market, but it will be tough to perceive as some of these vessels ship in Sep/Oct. Therefore, there is truth coming and this truth cannot be avoided that supplies are tight and prices should appreciate!

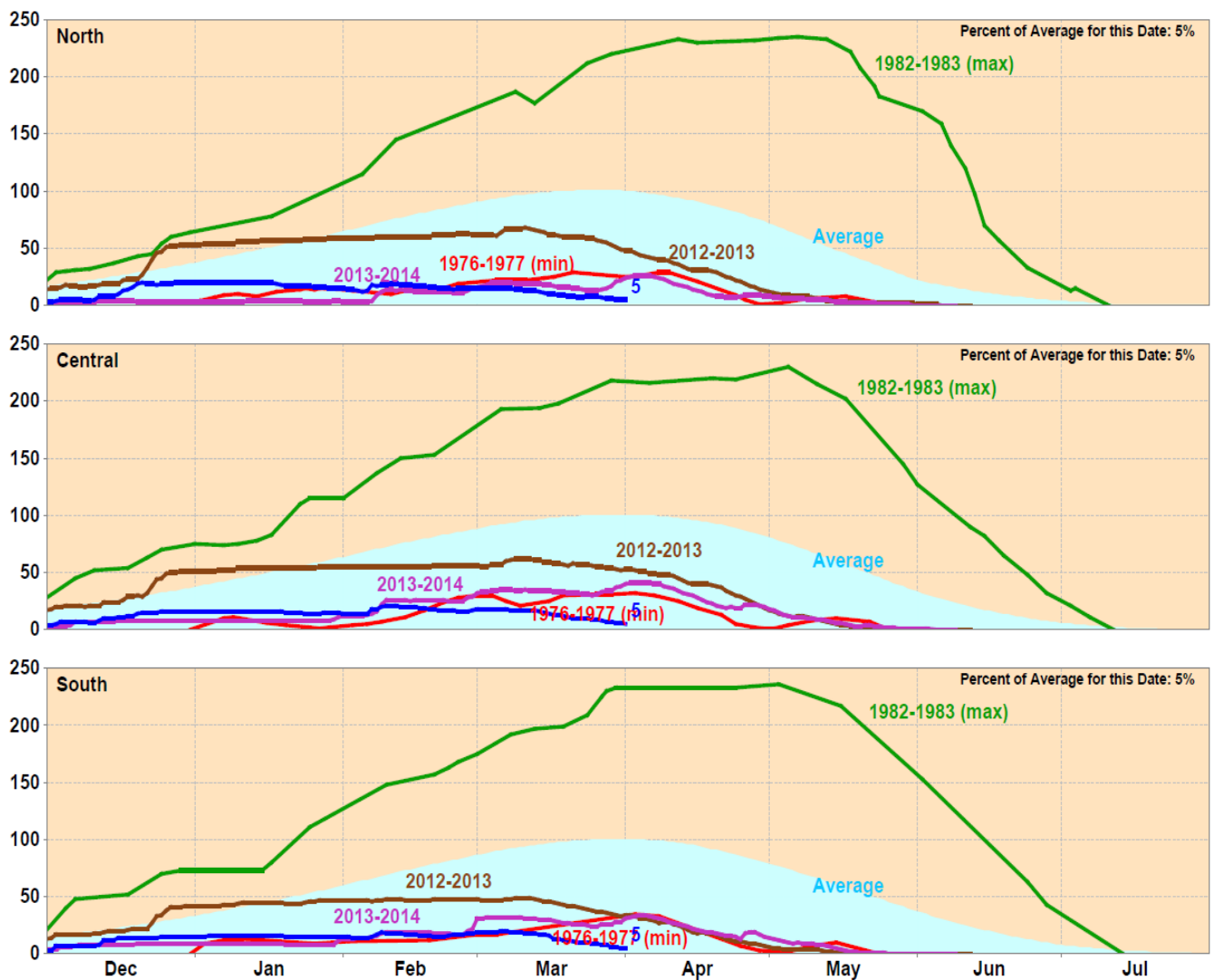
Lastly, upon hearing the news of his passing this last week, we wanted to send out our prayers to Kevin Keeley and his family. He will be missed by many and it was a pleasure to have gotten to know him. Kevin always showed integrity and honesty in his dealings, which is a true testament to his legacy. We feel he would have wanted to have all the above stated simply, plainly, and honestly, which is really the way he liked to see things done.

## U.S. RICE DEMAND COUNTER (Exports & Sales)

May 15, 2015 - May 22, 2015 (MARKETING YEAR 08/01 -07/31)

(1,000 TONS)	SALES (unshipped)		EXPORTS		TOTAL DEMAND		% Chg	'14/ '15 CWTs
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14		
<b>Rough: Long Grain</b>	214.3	124.0	956.8	888.5	1,171.1	1,012.5	15.66%	25,818,328
<b>Rough: Medium, Short Grain</b>	76.5	16.5	146.5	205.2	223.0	221.7	0.59%	4,916,307
<b>Brown: Long Grain</b>	7.6	3.0	9.9	9.7	17.5	12.7	37.80%	385,809
<b>Brown: Medium, Short Grain</b>	48.2	6.9	37.9	67.5	86.1	74.4	15.73%	1,898,180
<b>Milled: Long Grain</b>	101.2	95.3	895.3	722.9	996.5	818.2	21.79%	21,969,058
<b>Milled: Medium, Short Grain</b>	254.8	103.8	391.9	582.6	646.7	686.4	-5.78%	14,257,290
<b>TOTAL</b>	702.6	349.5	2,438.3	2,476.4	3,140.9	2,825.9	11.15%	69,244,972
	101.03%		-1.54%		11.15%			

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%