

THE FARM & TRADE REPORT

July 7, 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. July 15, 2015 – Colusa Golf & Country Club, 2224 Hwy 20, Colusa CA at 11:30am – Lunch Served – No buyers or buyer representatives 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 – Snow Gone – Reservoirs Draining!
- USDA estimates acres will be 380,000, with industry thinking more like 350,000. Supply 28-32 million cwts
- California rice acres very short – smallest crop since 1991 – Prior to Japan MA markets opening.
- 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: IN EXTREMELY TIGHT MARKET... IT'S REALITY VS. MARKET PERCEPTION!

**You are cordially invited to attend the:
2015 TRT Americas Conference – ‘A Focus on Quality’
August 24-26, 2015 in Sacramento California
Rice industry leaders and buyers from around the world will be there!**

We get a lot of perspectives from all sides of the industry when we talk about price, size of the crop, timing of market moves, etc. It continues to be that the lateness of shipment on the Japan tenders combined with the port slowdown and California historic drought that gives us a rather unique situation. Differing views are what makes markets exciting and it is good to look at what people are saying based on varying perceptions. Every year is surely different and a challenge in itself.

Is the Market Bullish Or Bearish?

The Bull (Price Higher): Yes... Prices will go up and exceptionally undervalued.

The Bear (Price Lower): No... Prices will be flat and price is what it is.

Experts Thoughts: Yes and No... Market is surely more positive than negative overall due to the epic drought. The problem is timing and if price moves will happen before growers must make second season storage decisions. Next year prices could go to record levels, but we clearly have to get there. Market probably rewards those with patience as delayed demand and the drought continuing to add together really make a tight supply situation.

Is There Too Much Or Too Little Supply?

The Bull (Price Higher): Supplies are super tight and next year is going to be a complete shock.

The Bear (Price Lower): June USDA Stocks report did not show this. If supplies are tight, demand is a question.

Experts Thoughts: There is too little rice and this will all come as a shocking surprise to the market. There are also international problems coming “if” El Nino is real. It is interesting the number of buyers openly saying next year the market will completely run out of CA rice and it is going to be a real difficult year. With only about 28-32 million cwts on the market in 2015/16, compared to a normal crop of about 44-46 million cwts, the tightness can easily be seen in the numbers.

Has Market Demand Shifted and Changed Dynamics?

The Bull (Price Higher): Market demand had to shift in CA as the crop was down -30% last year and -40% next year.

The Bear (Price Lower): Yes... and millers having tough time selling.

Experts Thoughts: Yes and No... Market is surely more positive than negative overall due to the epic drought. The demand did need to shift as supply cannot be down this far and not have major changes. Economics says that price is not a great rationing tool after incremental customers fall away and you are probably there. **Calrose is also a true premium rice therefore price will not effectively ration demand against 40% lower supplies...**

How Many Acres Will Be Harvested In 2015/16 In California?

The Bull (Price Higher): Probably 350,000 acres, but many talking lower numbers (like supply of 27 million cwts).

The Bear (Price Lower): Expect 365,000 to 380,000 acres (like a supply of 32-33 million cwts).

Experts Thoughts: Call it 360,000 as you are going to have less harvested than planted and risk is clear. This is only about 31 million cwts with record yield and yield is a real question right now with army worms and water cutbacks.

How Much Rice Will Be Carried Over In 2015/16 In California?

The Bull (Price Higher): Carry out will be really zero and just timing of USDA reports that is causing questions.

The Bear (Price Lower): Look at USDA reports, California is up by 6 million cwts June 1... that is huge.

Experts Thoughts: USDA stated that there was 21 million cwts in warehouses on June 1. While this seems a bit high from what we are hearing, let's use USDA's data. By all accounts, this is one of the biggest supplies at this time but this is also one of the latest shipping periods by far in history with unshipped milled rice 4 times higher than last year (See table on page 3). If you take demand from June, July, Aug, Sep, and a bit of Oct, it seems that the real new crop carry is more like 3-4 million, which would be down on the year. Supplies are tighter than numbers show, but timing is a clear issue.

What Does the Future Look Like For California Rice?

The Bull (Price Higher): Prices have to move higher or the industry will be changed in its makeup forever.

The Bear (Price Lower): Farmers will always grow rice, things will be fine. The issues of today are a bump in the road.

Experts Thoughts: Many experts (including bankers) are telling us that they are fearful for the survival of the rice, especially as the water asset is too valuable to use on rice if the return per acres does not move higher. You will see more tree crops and water transfers if we move forward without any changes. This follows the volatile times we are now seeing.

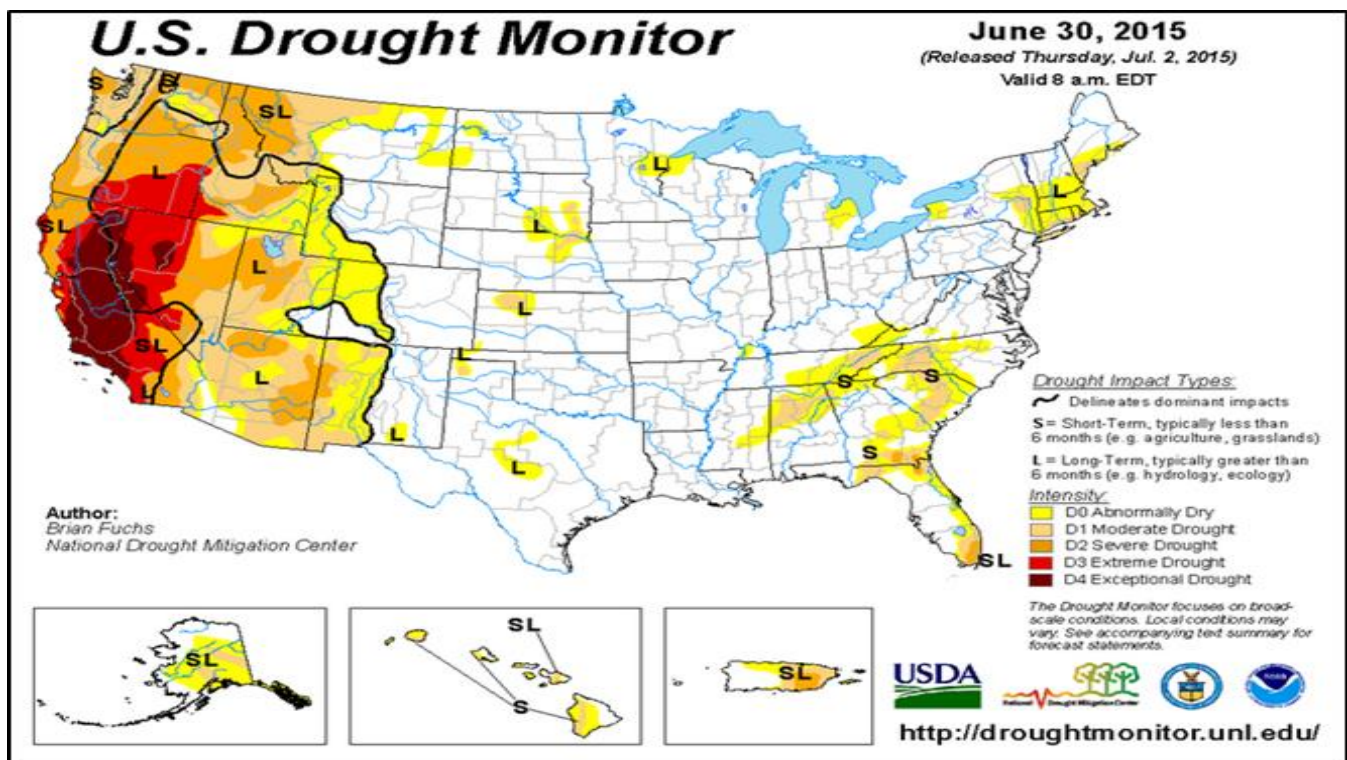
U.S. RICE DEMAND COUNTER (Exports & Sales)

June 26 2015 - July 03, 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 | | |
| Rough: Long Grain | 253.6 | 71.9 | 1105.4 | 974.1 | 1,359.0 | 1,046.0 | 29.92% | 29,960,813 |
| Rough: Medium, Short Grain | 62.7 | 35.7 | 161.5 | 207.0 | 224.2 | 242.7 | -7.62% | 4,942,763 |
| Brown: Long Grain | 0.3 | 3.0 | 18.1 | 12.1 | 18.4 | 15.1 | 21.85% | 405,650 |
| Brown: Medium, Short Grain | 47.5 | 0.0 | 46.5 | 74.6 | 94.0 | 74.6 | 26.01% | 2,072,345 |
| Milled: Long Grain | 88.5 | 95.0 | 1029.5 | 836.9 | 1,118.0 | 931.9 | 19.97% | 24,647,674 |
| Milled: Medium, Short Grain | 227.7 | 53.0 | 472.4 | 670.6 | 700.1 | 723.6 | -3.25% | 15,434,559 |
| TOTAL | 680.3 | 258.6 | 2,833.4 | 2,775.3 | 3,513.7 | 3,033.9 | 15.81% | 77,463,803 |
| | 163.07% | | 2.09% | | 15.81% | | | |

*Based on USDA data

*Puerto Rico Not Included



Rough Rice Stocks by Length of Grain in All Positions – States and United States: June 1, 2014 and 2015

| State | Long | | Medium | | Short | | Total | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) | (1,000 cwt) |
| California | (D) | (D) | 14,309 | 20,431 | (D) | (D) | 15,999 | 21,694 |
| Other States ¹ | (D) | (D) | 2,985 | 7,557 | (D) | (D) | 34,352 | 49,646 |
| United States | 31,622 | 42,295 | 17,294 | 27,988 | 1,435 | 1,057 | 50,351 | 71,340 |

(D) Withheld to avoid disclosing data for individual operations.

¹ Other States include Arkansas, Louisiana, Mississippi, Missouri, and Texas.

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Listen to the Experts

What is El Nino expected to do? How can we set up a better warehouse system? How do we ensure better quality? All of this and much more will be discussed. Make plans to join us today!

Join Us For Our Networking Events

We specialize in networking events! Join us for our Welcome Reception and Durham Dinner Event. Watch the 'Lord of the Rice' competition or better yet, have your favorite chef apply to compete! Learn and network on our California Crop Tour and visit to the Rice Experiment Station's 'Field Day'.



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