

The Rice Advocate



US RICE PRODUCERS ASSOCIATION

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General Market Update

This week has not been significantly different from those in the past. The positive news is the purchase of rice by Iraq, which will probably be followed by some of the other major buyers. The bad news is the continued decline in the futures market price. There are many forces at work in this market, some of which will be resolved sooner than others. Needless to say, if this market was off the charts before, it's off the edge of the map now.

Net Sales for the week were reported to be significantly increased by USDA for the week at 118,900 MT, an almost 120% increase over last week's 53,400 MT. Major buyers for the week were Costa Rica with 62,800 MT of paddy, Venezuela with 30,700 MT of paddy, Mexico with 10,800 MT of mostly paddy, and Honduras with 7,000 MT of paddy. Vessel loadings were also increased from last week's volume of 36,700 MT by around 230% at 83,800 MT. Destinations were Venezuela (30,700 MT of paddy), Mexico (23,200 MT of mostly paddy), Honduras (7,400 MT of paddy), Haiti (6,200 MT of long grain milled), Canada (5,400 MT of long grain milled), and South Korea (2,000 MT of long grain milled).

There was no change in the USDA World Market Price estimate this week. Price values remain at \$15.36 per hundredweight for long grain rough and \$15.49 per hundredweight for both medium and short grain.

There is virtually nothing new to report in the cash markets as the conditions have not significantly changed over several weeks. In Texas, bids are now at around the \$14.50 - \$15.50 per hundredweights levels (\$8.00 - \$9.00 premiums). There were some very small lots traded at these levels over the week, mostly to help growers pay bills. In Southern Louisiana, bids have backed off to around the \$14.00 - \$14.60 per hundredweight levels (\$23.00 - \$24 per barrel) with no trading reported. The Delta has seen some price strengthening over the week, with bids at around \$15.50 per hundredweight (\$6.98

per bushel) and some light trading at this level.

The Asian market is still sideways this week as not much has changed here either. Thai 100% B is quoted at \$550 per MT while Vietnamese 5% is actually a bit stronger at \$425 per MT, both fob vessels. The Iraqis issued and finalized a tender for 60,000 MT of Vietnamese rice which is likely what is giving some backbone to those prices. The Iraqis promptly retendered, with bids to be valid until December 4. Other news is the official announcement by the Indian government, contrary to popular belief, will not be lifting the export ban in the near future.

The futures market continued its downward trudge this week, continuing to lose ground as the financial industry remains in turmoil. Monday's open saw the nearby January contract trading at \$14.40 per hundredweight before closing down \$0.38 at \$14.02 per hundredweight. Tuesday, Wednesday, and Thursday followed similar trends by backing off \$0.055, \$0.035, and \$0.33 respectively. Friday's close put the market at \$13.31 per hundredweight. The resulting weekly range was \$1.09 with an average daily volume of 555.4 contracts.

Panic runs amuck in all of the soft commodities, but is especially apparent in the rice world. Growers are faced on one hand with a very expensive crop in the binds and bills coming due, while on the other hand the market appears to have fallen out from under them. Fortunately, the long term (5-6 month) outlook is a favorable one. Underlying fundamentals for rice are bullish from both a supply and demand standpoint. From the supply side, the global crop continues to be grossly overestimated in both the Asian sphere as well as the West. This, combined with protectionist policies in many of these areas tends to further restrict supply and put pressure on prices to climb. On the other side of the coin, from a demand standpoint, there is an extraordinary amount of pent up global demand that will [Continued on Page 2]



The Philippine people use rice wine to seal oral contracts and to end disagreements.

Baldo's Rice Facts

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need to be filled during the next 6 months. This comes not only from Iraq (who has recently entered the market to purchases) but also Iran, the Philippines, and Latin America. The short term prognosis is not quite as promising. With the continued financial problems, as well as the threat of a recession, the futures market (which is used as a gauge by many buyers around the world) is continuing to trade on psychological factors as opposed to fundamentals. It will require a true market turnaround or a complete and known disjoint between the futures and cash for this to change. The long term best option is for the market to return to its fundamental forces, but in the current environment that is easier said than done. To turn the short term scenario around, it will take several significant purchases from the major buyers or consistent demand from the other areas. In the export market, the big figures are a direct result of the Costa Rican purchase last week. The loaded tonnage can be expected to spike several times over the next few months as a result as well. Venezuela continues to be active which is a blessing to the market in this time of low volume purchases. A few more weeks of consistent sales like these could work wonders

for the U.S. rice industry. Cash markets are in chaos as the value of the product is not what is being traded. Most of the rice that will trade at these levels has, but there are always times when producers are forced to sell to cover short term cash needs. Most of the remaining volume is being sat on by growers as they wait for prices to come back around. The real danger of this situation is that if the prices do not come around before planting time next year, rice acreage could be very detrimentally affected which would put the supply situation in even more dire straits. The Asian world finally got to see some action this week with the Iraqi purchase, and its effects are obvious – prices made a fairly substantial bounce from last week on the new demand. The real conundrum in the rice industry right now is the extremely weak futures market. As we mentioned earlier, this is NOT trading on the fundamentals and is very difficult to predict. This is, and will remain, a very dangerous place for some time until the market forces can even out. On balance, the market has what appears to be very good long term potential and hopefully over the next several weeks this will become more obvious. 🌾

We will not publish The Rice Advocate next week due to the Thanksgiving Holiday. The next issue of The Rice Advocate will be published on the following Friday—December 5, 2008. Also, our offices will be closed on Thursday, November 27 and Friday, November 28 in observance of Thanksgiving. USRPA wishes you all of the Holiday Best and a Happy Thanksgiving!

Chicago Rice Futures for the Week Ending November 21, 2008

Closing Price	Jan-09	Mar-09	May-09	Jul-09	Sep-09	Open Int.
14-Nov	14.275	14.555	14.845	15.115	14.830	6,810
21-Nov	13.315	13.550	13.770	14.010	13.850	6,602
Weekly Change	-6.73%	-6.90%	-7.24%	-7.31%	-6.61%	-3.05%
5 Day Average Volume	555.4 ↓				Source: Chicago Board of Trade	



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Upcoming Events

Dec 3-5	FECARROZ and USRPA Summit—New Orleans, LA
Jan 9, 2009	Rice Cap Grant Meeting—San Diego, CA
Jan 14, 2009	58th Annual Texas Rice Council Meeting—El Campo, TX
Jan 26-27, 2009	NCS Cotton & Rice Conference—Marksville, LA
May 13-14, 2009	3rd Annual Rice Congress of the Americas—Miami, FL
Feb 8-11, 2009	USRPA Meetings—Washington D.C.

USDA Reports Next Week

Crop Progress	Monday, Nov 24, 4:00 pm
Rice Yearbook Summary	Monday, Nov 24, 4:00 pm
Weather-Crop Summary	Tuesday, Nov 25, 12:00 pm
U.S. Export Sales	Friday, Nov 28, 8:30 am

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