



US Rice Producers Association

Rice Market Outlook and Prospects



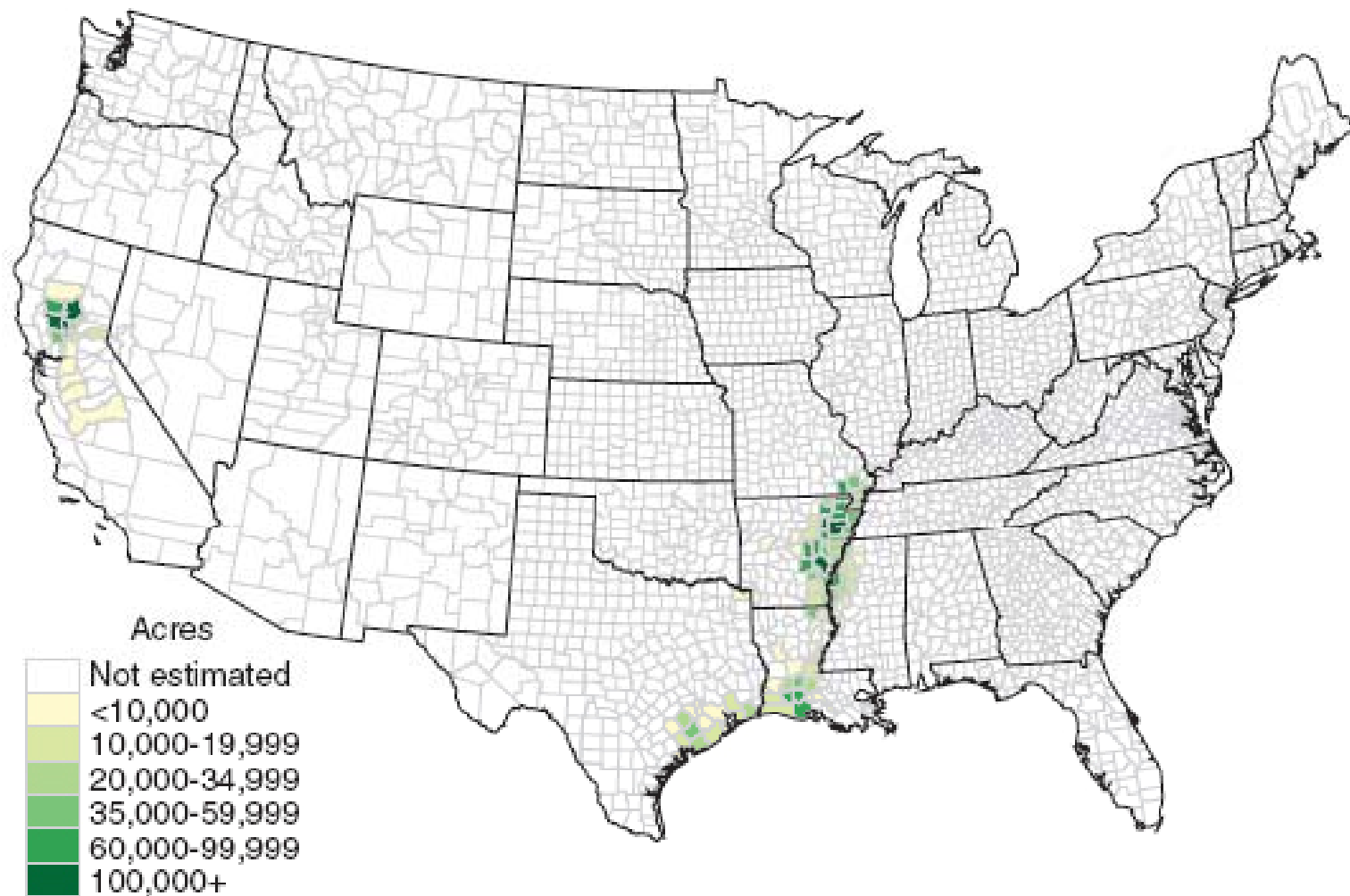
- 2008 was a time of severe market volatility
 - “The Perfect Storm”
- Several factors combined to create the most volatile time in memorable history for commodities
 - Surging demand
 - Stressed supplies
 - Market and buying panic
 - Financial crises

2008 – What happened ?



- Following the 2008 market movements the rice industry arose with a new outlook
 - Overleveraging of funds is no longer an option
 - Buyers panic
 - Information Transparency

2008 - What we Learned



U.S. Department of Agriculture, National Agricultural Statistics Service.

Rice Area in the United States

- Total Long Grain Est.
 - AR – 503.845 thousand hectares
 - CA – 2,832.8 hectares
 - LA – 155.8 thousand hectares
 - MS – 96.7 thousand hectares
 - MO – 77.7 thousand hectares
 - TX – 66.36 thousand hectares
- Yield estimates at 7 MT per hectare
 - Likely closer to around 6.3 – 6.5 MT per hectare



2009/10 Rice Projections by USDA



Texas Rice Farms

- Long grain production saw the greatest increases
- Represents the majority of the estimate
- Medium grain surging in the south
 - Limited due to seed



2009/10 Rice Projections by USDA



- Medium grain changes not captured sufficiently in the new reports
- ~101,000 hectares of MG in the South in 2009
 - USDA estimates ~87,400 hectares
- Switched from long grain acreage due to price jumps

2009/10 Rice Projections by USDA



- USDA maintains an increase in production in 2009
 - Most recent report more bullish than in past several months
 - Based on incomplete data sets
- Acreage shifts remain unaccounted for
 - Replanted acres still being tabulated
 - Shifts from rice to soybeans

Crop Progress and Constraints



- The Supply and Demand estimate for the U.S. is overestimated in several key areas:
 - Acreage (total and by class)
 - Production
 - Exports
 - Ending Stocks

Long Grain Projections



- Long grain acres were initially projected higher in 2009 due to crop prices in 2008
 - Current estimates indicate a possible decrease in acreage due to lower prices
 - Excessive rains have caused flooding in many key areas preventing further planting and destroying currently planted rice
 - Has moved much of the area to alternative crops (soybeans)

Long Grain Projections



- 2008/09 medium grain prices remain very favorable compared to long grain
 - Producers in the South attempting to boost medium grain acreage
 - Significant market for Medium grain overseas
 - Withdrawal of Australia, Egypt, etc... from export market
 - Could prove favorable for Long Grain later in the year

Medium Grain Expectations



- Ending stocks are severely overestimated for 2009
- No foreseen decrease in demand or usage estimate
- Supply still over “guesstimated” due to technical analysis as opposed to objective analysis

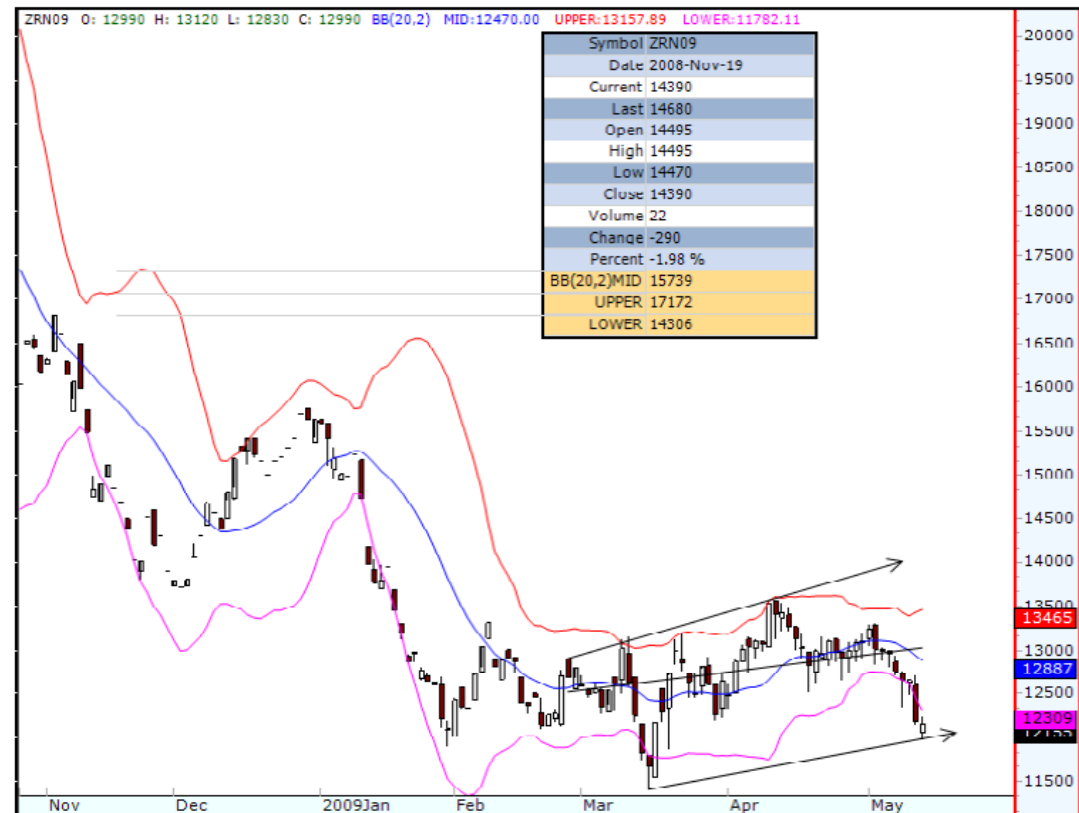
Near Term Stock and Demand Estimates



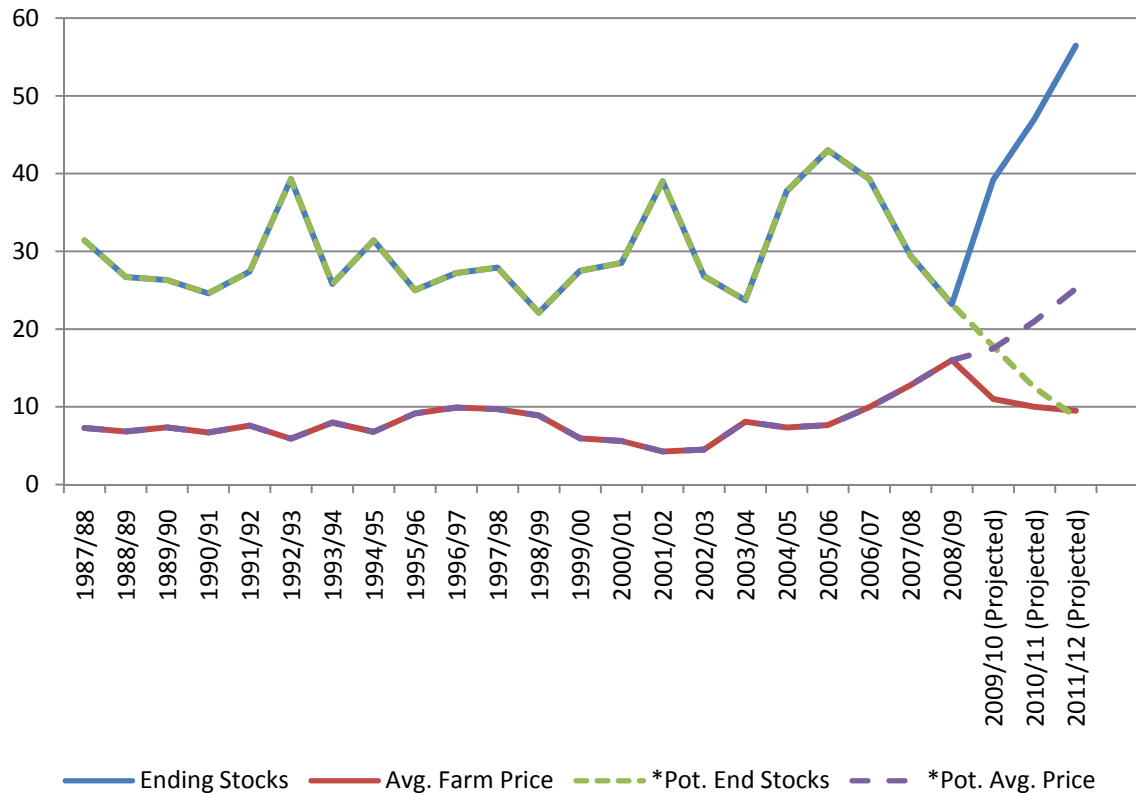
- Prices for 2009 uncertain
 - Changing input costs
 - Sagging economy
 - Lower costs of transportation
 - Uncertain ACTUAL planted area
 - Uncertain crop conditions



- Several factors provide credibility for higher 2009 prices
 - CME futures performance
 - Continued upward push in market



Prices



- Current trends (according to USDA) call for decreasing prices with increasing stocks
- Potential for this to happen is minimal at best.
- Likelihood is for the opposite in the marketplace

Prices vs. Ending Stocks



- Actual stocks will be influential in 2009 pricing
 - True values expected to be lower than projected by USDA
 - May cause market “shock” and bring about panic buying again
 - Market is dormant currently as buyers do not want to repeat 2008 mistakes



- Realistic expectations are for lower values than in 2008
 - Input costs do not justify \$25.00+/cwt rice in the near term
 - Strong sales later in the year with depleted stocks provide potential for stronger price performance
 - Likely price range to be \$13.50 - \$17.50/cwt in 2009 (FOB Farm)



- Near term strategy should be very cautious
 - Market bottom (futures and cash) seems to be confirmed but untested
 - Market will likely test lows before reaching for new highs
 - Full confirmation should generate large buying interest both domestically and abroad
 - Large buying interest will stimulate prices
 - Inconsistent buying will increase the volatility in the marketplace



- Timing is crucial
 - Stability in the market is not foreseen to be a long term effect
 - Identify target prices that fit your business model (buying or selling)
 - When your targets are met, enter the market
 - Do NOT attempt to speculate

- In addition to providing food for over 2/3 of the world, rice is helpful for the environment as well.
 - Rice fields provide habitat for migratory waterfowl
 - Provide cover for many species of birds and small mammals that reside locally
 - New chemistry has minimized the secondary impact to these animals
 - Rice creates and helps maintain entire ecosystems that have existed for eons, but have been endangered by human interaction



Environmental Benefits



- It is very difficult to analyze the Western Marketplace without considering the Far East
 - China, India, Thailand, Vietnam
- It is also very important to consider Key countries in the West
 - US, Argentina, Brazil, Paraguay

China

- China is the largest rice consumer in the world
- If all the rice PRODUCED in a country was shipped to China, it could feed China for:
 - India – 349 days
 - Thailand – 84 days
 - Vietnam – 100 days
 - US – 20 days
 - Argentina – 4 days
 - Paraguay - <1 day
 - Brazil – 36 days
- Scope, as well as scale must be considered when performing analysis.

China

- Facts:
 - Population: 1.3 Billion people
 - Rice Production: 193 million MT/yr
 - Rice Exports: 1.3 million MT/Yr
- Largest country in the world both in population and rice production
- Current growth rates are at .629% per year, showing the government's plan to help control population.
- At current rates, consumption is expected to outpace production very soon.
 - To help offset the risk of food security, the Chinese have begun experimenting with biotech varieties (transgenic).

India

- Facts:
 - Population: 1.147 Billion people
 - Rice Production: 126 million MT/yr
 - Rice Exports: 1.5 million MT/Yr
- Second largest country in the world; one of the largest rice and wheat consumers globally
- Current growth rate is at 1.578% per year, will surpass China in population within the next 20 years
- Formerly one of the top five rice exporters in the world until 2007 when it imposed an export ban on non-basmati rice to protect national interests.
- MAY return to the marketplace at a later date, but is not expected in the remainder of 2009

Thailand

- Facts:
 - Population: 61.1 million people
 - Rice Production: 30 million MT/yr
 - Rice Exports: 10 million MT/Yr
- the largest exporter of rice in the world; agricultural dependent country; and susceptible to variations in price and politics
- tends to set benchmark prices around the globe with its 100%B variety
- The government implemented an intervention program to help control the price received by farmers in 2009, which has served to prop the price of Thai rice above that of its competitors in the region.
- Large government stockpiles (~11 million MT) remain over the marketplace, but are unlikely to be dumped on the global rice trade by the Thai government. Smaller sales of 2-3 million MT are possible.

Vietnam

- Facts:
 - Population: 86.1 million people
 - Rice Production: 36 million MT/yr
 - Rice Exports: 5 million MT/Yr
- The second largest rice exporter in the world and is much more volatile pricewise than Thailand.
- While Vietnam produces more rice than Thailand, it exports less which accounts for many stockpile issues it sometimes encounters.
- Vietnam traditionally services many different markets including the Philippines and Cuba, as well as Iraq and Iran.
- Current export predictions suggest Vietnam may be overextended for the 2009 year.

Argentina

- Facts:
 - Population: 40.4 million people
 - Rice Production: 1.4 million MT/yr
 - Rice Exports: 600,000 MT/Yr
- A very large rice producer in South America.
- It maintains several export markets including Brazil, the Mercosur Region, and Europe.
- Hemispheric weather patterns change the plant/harvest of rice causing it to help balance the Western Hemisphere supply shortfalls
- Drought in the region has caused production difficulties in the current year

Paraguay

- Facts:
 - Population: 6.8 million people
 - Rice Production: 160,000 MT/yr
 - Rice Exports: 70,000 MT/Yr
- Paraguay, much like Argentina is a primary supplier to Brazil when rice is short.
- This country has also developed similar export markets such as the EU.
- Weather patterns in the region are very influential in the growing season and water shortfalls can drastically hurt production.

Brazil

- Facts:
 - Population: 191.9 million people
 - Rice Production: 13 million MT/yr
 - Rice Exports: 450,000 MT/Yr
- Brazil is both the largest producer and consumer of rice in South America.
- While it remains self sufficient for the time being, it does have shortfalls on occasion where it must buy overseas.
- Heavily dependent on its neighbors to pickup supply shortages, Brazil's primary export markets consist of broken rice to Europe.
- Brazil's multiple growing regions are a strength giving it some insulation against poor weather patterns.

United States

- Facts:
 - Population: 304 million people
 - Rice Production: 9.5 million MT/yr
 - Rice Exports: 3.1 million MT/Yr
- The U.S. is the most mechanized and largest producer of rice in North America
- Heavily dependent on its Export markets, the US is a very dynamic market that tailors its production to demand
- Stronger medium grain pricing has affected the dynamics of rice production, causing a surge in medium grain acres in 2009.
- Commodity exchanges like the Chicago Board of Trade (CBOT) are very crucial as a price setter not only for the U.S. but other areas around the world.
- ANALYSIS:
 - The U.S. has almost reached the boundaries of its area potential for rice. The rice market is very influenced by international trends and pricing is key to generate the needed supply. The strongest potential for the U.S. to build market share is the development the markets where other suppliers see shortages (ex. India). The U.S. as a major importer is not anticipated given its comparatively low consumption rate and its excess in domestic production.



USRPA Activities



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President's Remarks—2009 Will Bring More Surprises for Rice Farmers



Dwight Roberts
President & CEO
US Rice Producers Association

The old timers tell me that no two years are the same with rice farming, that every year is different. Ten years ago I really did not seriously believe that comment but today I completely understand that statement. To say we are living in a changing world is an understatement. Remember when the word "globalization" was a new word? Sounds ancient now. We know 2009 will bring change but as to what degree remains to be witnessed. Looking back at 2008 will always be easy to remember. The year known to consumers as the end of cheap food. A year when we saw rice prices skyrocket only to be brought back to earth largely by political agendas and the pursuit of democracy in Asia among other reasons I guess. A year when the United States elected Barack Hussein Obama as its president. A year with a new farm bill but without the regulations to date.

Reflecting back on 2008 a number people stand out and should be mentioned because without their success would not be possible so let me ramble a little. Thank you to Fred Clark, Louie Parry, Hunt Shipman and the folks at Cornerstone Government Affairs for their dedicated, no holds barred approach to representing rice farmers in Washington D.C. Your service goes beyond the call of duty. I am particularly proud to be associated with so many co-workers, government officials, rice farmers, rice mills and friends throughout Latin America that have all played a role in making their countries a "home away from home" for all of us at the USRPA. Our working relationships just seem to get stronger. The 2nd Annual Rice Congress of the Americas in Porto Alegre, Brazil last April continued to prove that the Western Hemisphere's rice industry has the world's attention. Thank you Wilfredo Bejarano, Executive Director for the Central American Rice Federation (FECAARCOZ) for your sincere approach and leadership to strengthen the ties between our two organizations and the countries of Costa Rica, B

Salvador, Honduras, Guatemala and Nicaragua. To Luis Mazariegos and the staff at ArrozGuo in Guatemala, you have spoiled us and we thank you for all of your hard dedicated work to help make our promotional programs highly successful. Thank you to the Mexican Rice Council and the staff at Layun Publicidad in Cordoba, Mexico for another great year of increasing the per capita consumption of rice. Your energy level must make coffee nervous! To my good friend Pedro Alvarez Borrego, chairman of Alimpor in Cuba I just want to say how much we all appreciate you in the U.S. rice industry and that I hope and believe that 2009 is finally going to be an historical year for our two countries. I could go on and on with names of friends and the leadership of rice organizations from Argentina, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Uruguay and Venezuela but you all know who I am talking about and we look forward to seeing you at the 3rd Annual Rice Congress of the Americas in Miami (May 13-14, 2009). Thanks to all of you for helping the US Rice Producers Association achieve our priority of a closer working relationship in Latin America in order to work together on issues of mutual interests. Our history will serve us well as we look to new technologies, investment in research, find methods to lower costs, improve rural infrastructure, open economies while reducing constraints to trade and playing a strategic role in all of our governments' goals for food security. The current economic conditions in the United States and in the world marketplace indicates a volatile year ahead and 2009 will force us to be creative, to find even more effective ways to position rice to our consumers and it will force rice farmers and rice millers to recognize an opportunity when they see one. Even in a slow economic situation people still eat and rice will always be a bargain at all income levels. One thing is for sure, 2009 will be unique from all the others.

Dwight Roberts is the President & CEO for the USRPA. Upon graduating from Abilene Christian University with an agricultural degree in 1975, Dwight spent 10 years living in Paraguay, South America working in the grain & cattle business in the Mercosur countries. Most in Spanish, Dwight served as the Director of International Marketing for the Texas Department of Agriculture prior to coming on board with the rice farmers in the spring of 1999.



Rice has many links to various aspects of Japanese culture. For example, the Emperor became a "Rice-king" early in Japanese history whose functions revolved around rice-growing and rice products such as sake (rice wine) and mochi (rice cakes), as well as the annual grain and its stalks.

Baldo's Rice Facts

You



Thank You!

Questions?