THE FARM & TRADE REPORT

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

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Quote of the Week: Philippians 4:6-7, "Do not be anxious about anything, but in everything by prayer and supplications with thanksgiving let your request be known to God. And the peace of God, which surpasses all understanding, will guard your hearts and minds in Christ Jesus."

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!
Please contact us now to reserve your spot!

GROWER NOTE: We have interest in 2014/15 Calrose rice at + cwt over loan, please call us!

SELLER INDICATION:	**$16.00 - $50.00/cwt over loan**	**Indication: ▲▲—**	**UP/UP/FLAT**
BUYERS INDICATION:	**$15.00 - $17.00/cwt over loan**	**Indication: ▲▲—**	**UP/UP/FLAT**
KNOWN MARKET TRADES:	**$15.00 - $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 +30% 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 2016/17 is very questionable.
- AgriFin IS NOW PAYING **$11/CWT OVER** LOAN UPFRONT; grower retains control of selling!

KEY UPDATES: A CHALLANGING YEAR AHEAD WITH LOW SUPPLY AND TIGHT WATER!

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The California market is very seldom (if ever) the same market twice. This year exemplifies this point. We are in the midst of one of the worst droughts in history and there is no clarity of when this will end or how limited water resources will be in the future. While there is talk of El Nino, the data is not clear that this will greatly change water supplies, as El Nino does not always bring rain to Northern California. Several players have tried to get the market to focus illogically on potential plantings fueled by El Nino, even though you have 18 months before that supply situation would come into play. This is appears to be a mistake or misdirection, that unreasonably discounts the tight back to back crops. Overall, we are looking at the smallest crop in California in decades, let alone the second back to back smaller crop. **This year's crop is only going to be 28-32 million cwts**, which is sailing into uncharted territory, and any decreases in yield will have major effects on total supply. Even if rains were to come, the market for water is going to be over $2,000 per acre and this is going to be a major competitive factor in the equation. This is the real issue: what should water be used on when certain crops return much higher values? Frankly, you are seeing several players in the rice industry reduce their costs and one could expect the current condition of massively lower volume could lead to closure of some facilities. Marketers may not have adequately considered which customers one has to ration and to what level they must be rationed. This does not necessarily mean the market will go to historic price levels, but this could happen due to the intense supply tightness in Japonica markets, as the global rice market is also turning up. A counter-argument some make is to look at Southern production, but this is like comparing 5% Thai rice to Fragrant rice which commands $500 PMT or more in price. The Australian crop, which is really the only other high quality exported Japonica rice, is also in question as drought is affecting their production. We are also having one of the oddest years in history with extremely late shipment on the Japan tenders combined with the earlier port slowdown. This late shipment has caused increased confusion on how much is going to be carried and added pressure to the warehouse system that is now looking to ship out massive quantities in the summer/fall. We really feel for the warehouses as those who pushed for late shipments have increased the cost and complexity in the warehouse system. This is probably the oddest and most difficult year in history for the warehouses and added to the fact next year will have a 40% reduction in supply coming in to the warehouses. The stress level and confusion about what is coming is at very high levels.

We are hearing Southern Brown Rice is coming into California! There are always a great number of industry rumors and we always look for confirmation before sharing. We heard that certain players are bringing in Southern brown rice. We were able to get confirmation from both sides. There are major contamination potential problems with these brown rice shipments as they are nearly as bad as paddy, with their ability to contaminate the mill, germinate to seed, and carry other vectors. The reality is that if this is blended into or called California rice, it negatively effects California's brand quality as Southern rice is much lower quality than California's. It brings up many questions, as this exact issue was previously faced in Basmati markets where the quality became so suspect that DNA testing was required and set into all contracts. At the very least, this is a valid concern the California industry must openly address, and is at the point where discussions behind closed doors need to be opened to all affected industry parties. The issue of quality will be highlighted at our Sacramento Conference, where we are focusing on quality and benefits from quality. We will be show how the lack of quality focus dramatically affected certain markets while a quality focus has **MADE certain markets into premium profit markets!**

Rumors abound that certain players are again pushing for late shipment on tenders? We are hearing that certain parties are pushing Japan and others to ship later, again next year. We cannot confirm this but would say that this will be greatly opposed by most industry leaders in California and simply not in the industries best interest. The amount of problems this has caused for the industry and especially the warehouse system is extensive. We have great sympathy for the warehouses who are put in a difficult situation due to very late shipping & support those pushing for logical shipping times.

How much is left to be shipped that is booked but has not left the warehouse? This is a great question that we keep getting asked. We would like to repeat that our information shows that as of July 1 there was a great number of Japan and Korean vessels left to ship. As an example, we hear that some warehouses were only shipping on vessels 11-12 out of 25 at the beginning of this month. This is not an exact indication, but we also see that government mandated reports of unshipped exports were about 4 times higher July 1 (compared to last year), which is another indication of the type of odd year this is. You can see this in the table below (electronic version) where unshipped export sales for milled MG rice were 227.7 TMT verses 53 TMT and brown was 47.5 TMT verses zero, when comparing this year to last year for the same dates.

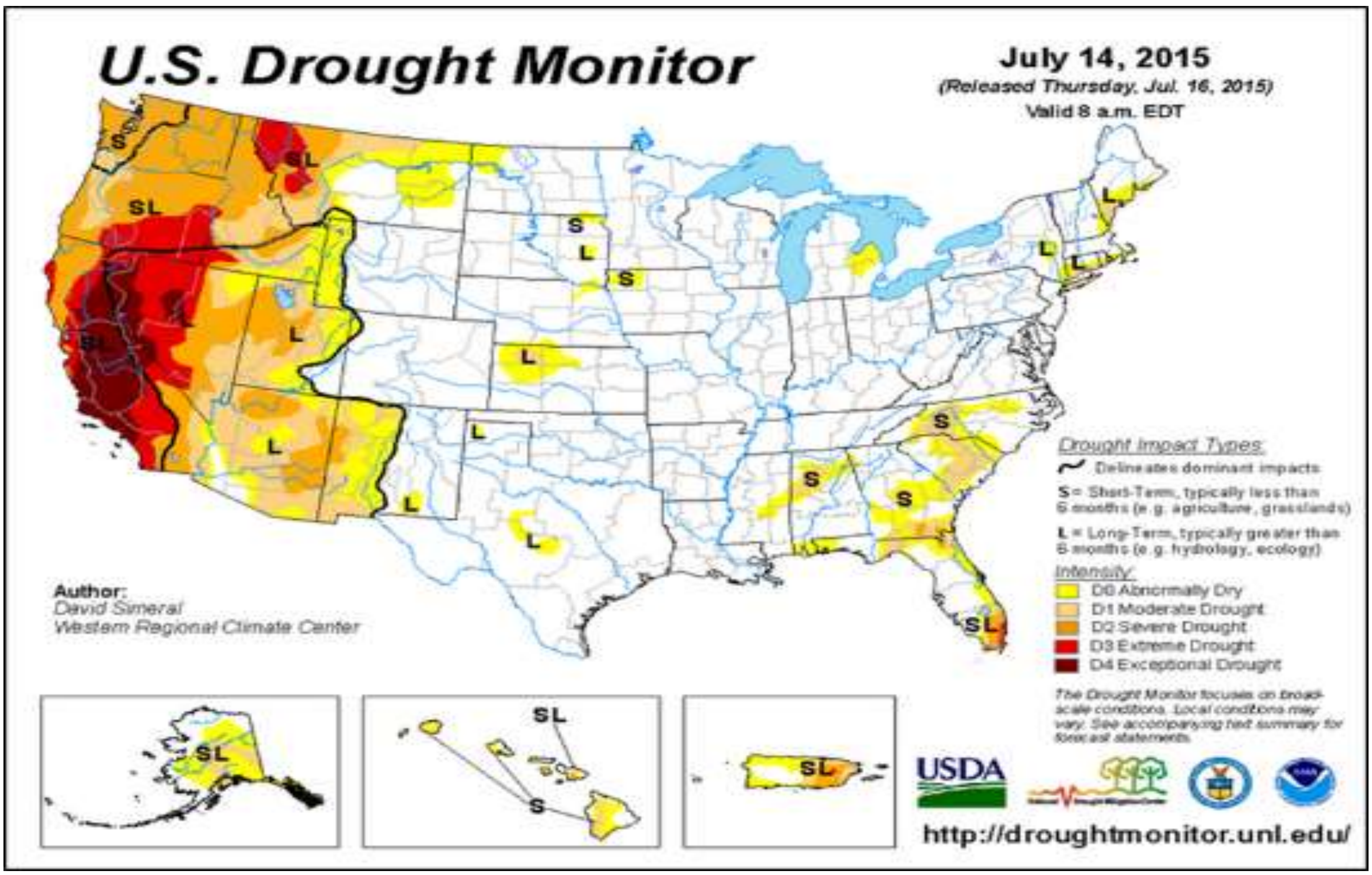
U.S. RICE DEMAND COUNTER (Exports & Sales)

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.

Register today to get Early Bird Pricing!!

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'.

Supported by:

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