IS THE RICE SUPPLY MORE IMPORTANT THAN RICE DEMAND TO THE PRICE?

WATER IS THE KEY TO RICE SUPPLY

IF THE COST OF WATER GOES UP, SO WILL THE RICE PRICE.

INDIA/CHINA ARE THE KEYS TO THE 21ST CENTURY RICE AND WATER MARKETS.

BY MILO HAMILTON
WWW.FIRSTGRAIN.COM
WHY WATER MATTERS TO RICE

“WHEN YOU GROW YOUR RICE KNOW THAT THE WATER IS YOUR LIFE.”

-ZEN PROVERB
STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS
SO, WHO WILL SUPPLY THE RICE IN THE NEXT DECADE?

About two-thirds of the world's population faces water scarcity for at least one month out of the year.
SWOT SUMMARY

FIVE OPPORTUNITIES:

• #1 RICE IS ASIA’S LARGEST IRRIGATED WATER CUSTOMER.

• #2 WATER RESOURCES PER CAPITA ARE DROPPING AT 1-2% PER YEAR IN ASIAN RICE COUNTRIES

• #3 RICE USES 70% OF CHINA’S IRRIGATED WATER AND “COSTS” TWICE AS MUCH WATER AND LABOR AS OTHER CROPS IN ASIA.

• $4 IMPORTED RICE IS “VIRTUAL WATER”

• #5 RICE SUPPLY = YIELD TIMES HARVESTED AREA
COMPARED TO CORN RICE HARVESTED AREA IS GOING NOWHERE FAST!

SWOT ANALYSIS OPPORTUNITY

RICE HARVESTED AREA vs CORN HARVESTED AREA

- RICE HARVESTED AREA
- CORN HARVESTED AREA

Data points:
- 125000
- 135000
- 145000
- 155000
- 165000
- 175000
- 185000

Years:
- 1990/1991
- 1998/1999
- 2006/2007
- 2014/2015
SWOT
ANALYSIS OPPORTUNITY

COMPARED TO CORN RICE YIELDS ARE GOING NOWHERE FAST!

WORLD RICE: NO GMO
WORLD CORN: GO GO GMO!

WORLD CORN YIELD  WORLD RICE YIELD
ANY WONDER RICE STOCKS ARE PLUNGING?

8 MAJOR RICE EXPORTERS STOCKS/USE:
(Burma, India, Pakistan, Laos, Cambodia, Vietnam, Thailand, United States)
SWOT ANALYSIS FUNDAMENTAL OPPORTUNITIES:

WHAT IS WRONG WITH INDIA?

INDIA AG TRADE BALANCE FIRSTGRAIN FCT 2016/2017 IN BILLIONS USD

- TOTAL AG EXPORTS
- TOTAL AG IMPORTS
- NET AG TRADE BALANCE

Graph showing India's agricultural trade balance from 2013 to 2016.
WHAT IS WRONG WITH INDIA?

INDIA RICE SITUATION
(STOCKS, EXPORTS ON RIGHT AXIS)
2016/2017 IN 000 MTS
FIRSTGRAIN FORECAST

- Production
- Consumption
- Ending stocks
OPPORTUNITIES:

IS INDIA OK JULY-SEPTEMBER?
CHINA PRIOR TO MAY 2016

CHINA RICE DEFICIT GROWING

- Millled Production
- Consumption
- RICE IMPORTS
OPPORTUNITIES:

BIG SURPRISE IN MAY 2016

CHINA RICE DEFICIT DISAPPEARS

- Milled Production
- Consumption
“THIS IS DEJA VUE ALL OVER AGAIN.”
- YOGI BERRA

China Net imports Beans (left axis) and Rice (right axis) (in 000MTS)

- Net Soybean Imports
- Net Rice Imports

SOYBEANS

RICE

+13% / YEAR

+12% / YEAR
WHERE CAN CHINA FIND A LOT OF RICE TO BUY?

-6.0 CHINA

+34.0 ASIA

-12.0 AFRICA

*IN MILLION MTS
+ EXPORTS
- IMPORTS

About two-thirds of the world’s population faces water scarcity for at least one month out of the year.
OPPORTUNITIES:

% WATER RESOURCES PER PERSON VERSUS BRAZIL (@41,603 m³ per person)

PAKISTAN 3%
INDIA 4%
THAILAND 16%
BURMA 52%
VIETNAM 23%
CHINA 5%
BRAZIL HAS NO INCENTIVE TO GROW ITS RICE PRODUCTION
OPPORTUNITIES:

SOUTH AMERICA HIT BY EL NINO (-20%)
SO WHAT IS NEXT?

"MERCOSUR": BRAZIL, URUGUAY, ARGENTINA, PARAGUAY
IN 000 MTS, FIRST GRAIN FORECAST 2016/2017

- Milled Production
- Consumption
- Net Trade
- Linear (Net Trade)
OPPORTUNITIES: MERCOSUR TRENDS

SWOT ANALYSIS

Mercosur Net Exports versus Stocks/Use Ratio

- Net Exports
- Stocks/Use

SWOT ANALYSIS FUNDAMENTAL
WEAKENESSES:

USA HAS BIG EXPORT ISSUES AHEAD
Four issues facing the USA

- #1 A futures contract that “works”. Rice is the only grain that a farmer really cannot book the price at planting due to low volume.
- #2 Better rice quality. New hybrids?
- #3 Consumer perception of “sustainable” rice
- #4 Dynamic world demand
MARCH COMES IN LIKE A BEAR AND GOES OUT LIKE A BULL

MONTHLY RICE FUTURES AND THE 50 MONTH MOVING AVERAGE (GREEN)

* MARCH LOWS (RARE EVENT)
SWOT Analysis

Summary

SWOT summary for Americas Rice Exporters

• THREAT: "INSOLVENT" RICE PRICES: NO FARMER PROFIT
• WEAKNESS: LONG TERM COLLAPSE IN WATER RESOURCES
• STRENGTH: CHINA RICE IMPORTS STILL STRONG
• THREAT: POST-EL NINO PRODUCTION RECOVERY?
• OPPORTUNITY: WATER SHORTAGES WILL PLAGUE ASIAN RICE EXPORTERS

WILL RICE PRICES GAIN ON OTHER GRAIN PRICES DUE TO LOW STOCKS?
Thank you

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THANK YOU!

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