

“US Market Outlook”

2016 Rice Market & Technology Convention

Houston, Texas

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Rice & Futures, Inc.



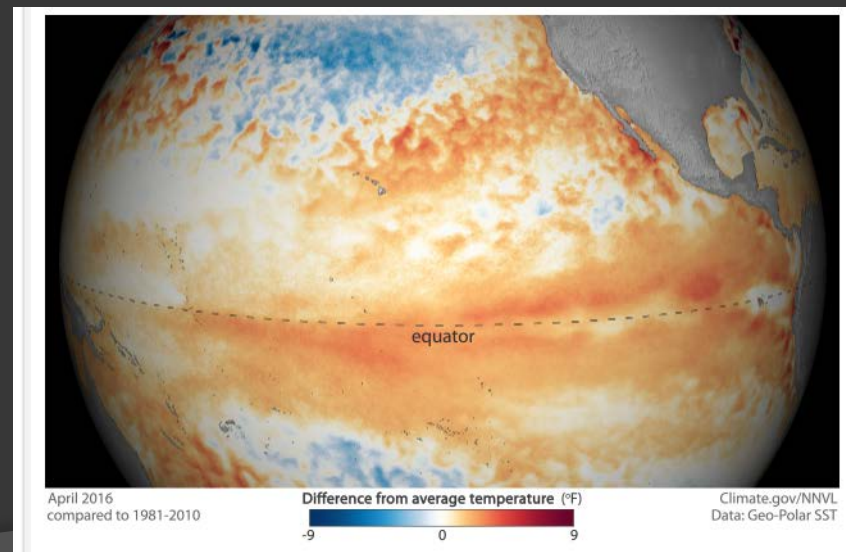
Rice Market Factors

- Weather
- Supply
- Demand
- Pricing

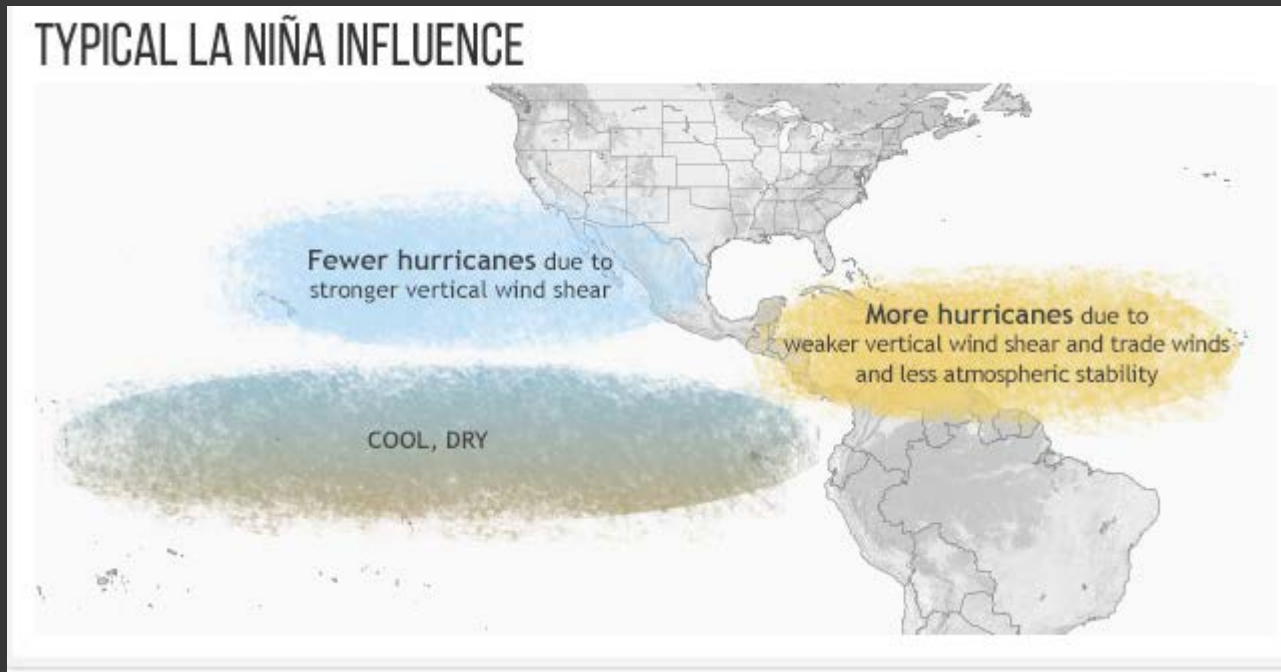


What is El Nino and La Nina?

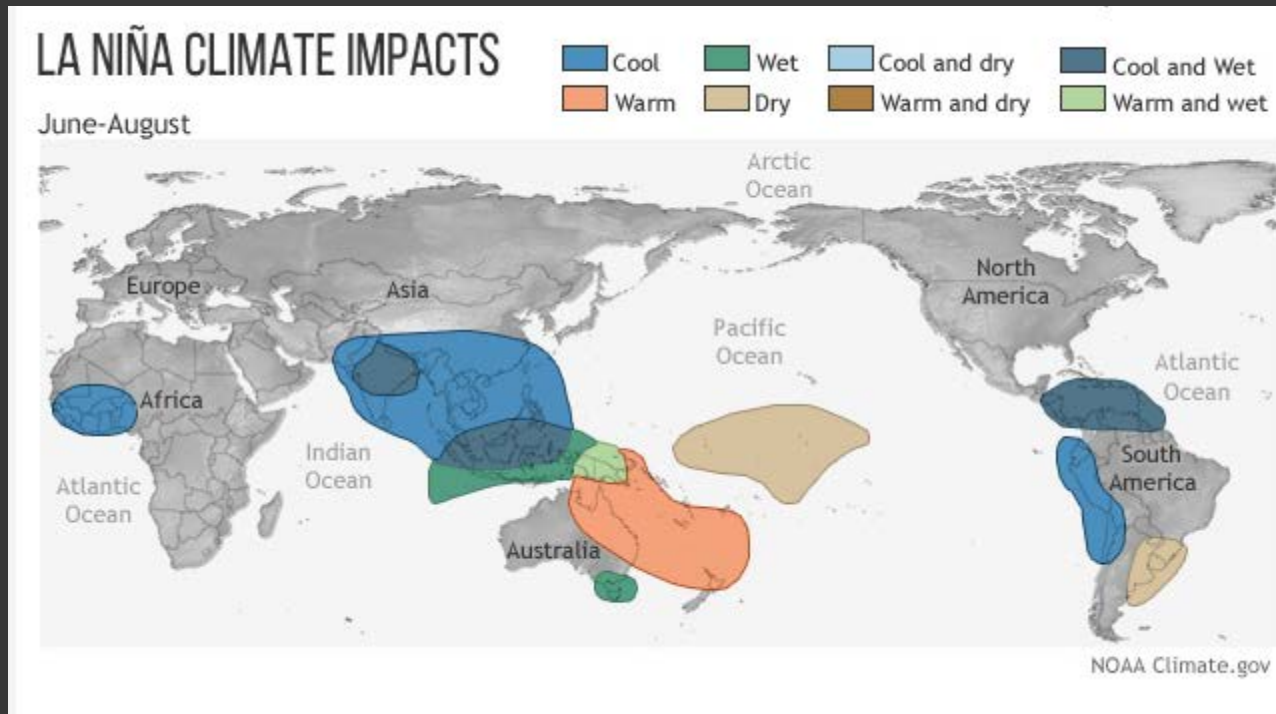
- El Nino is a warming of the surface of equatorial Pacific Ocean waters that influences global weather patterns
- La Nina is the corresponding cooling of the same waters



Why Do We Care?

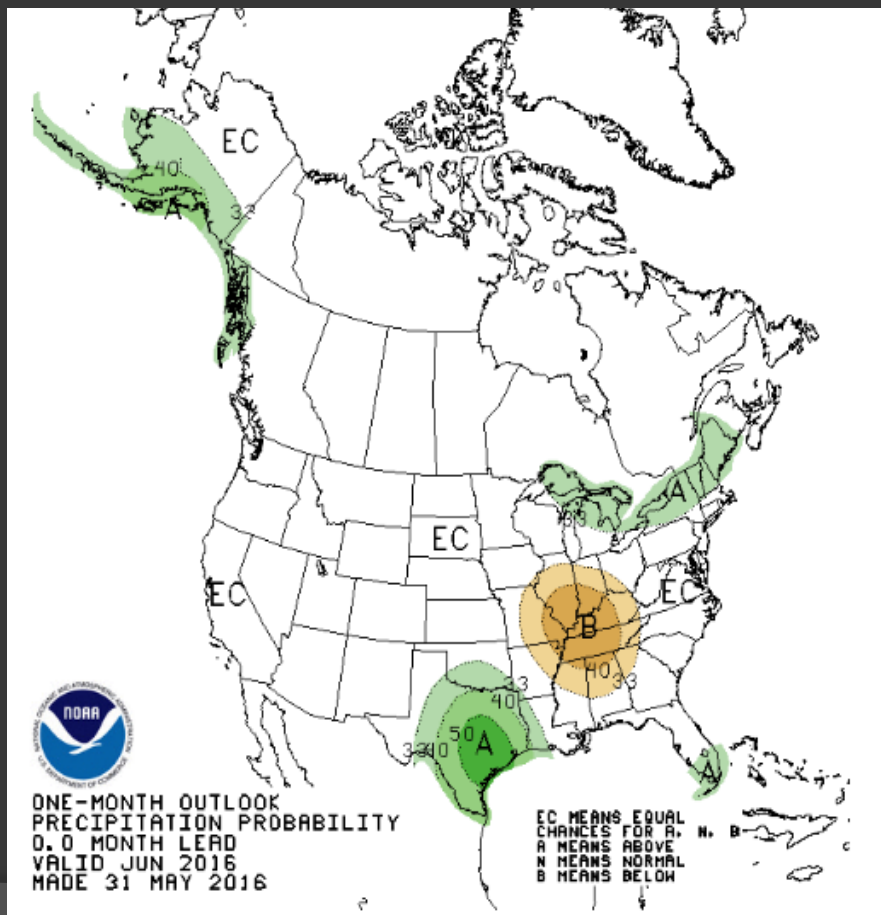


Global Weather Impacts

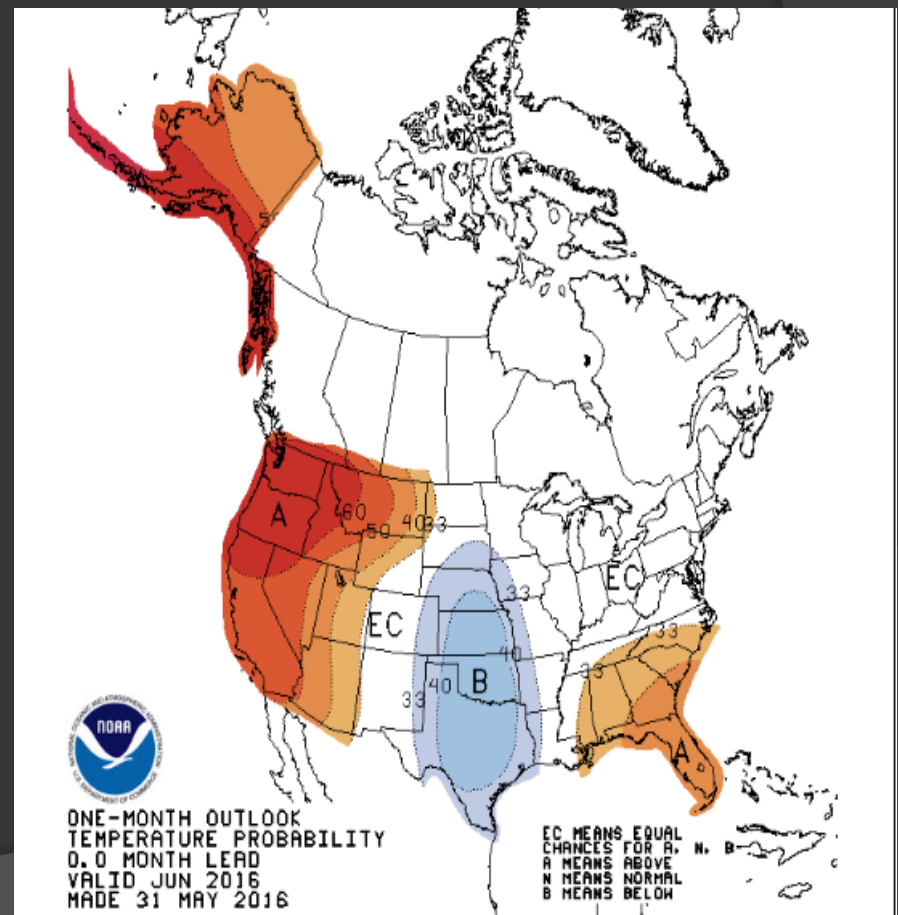


Near term domestic weather outlook

One Month Rainfall Outlook

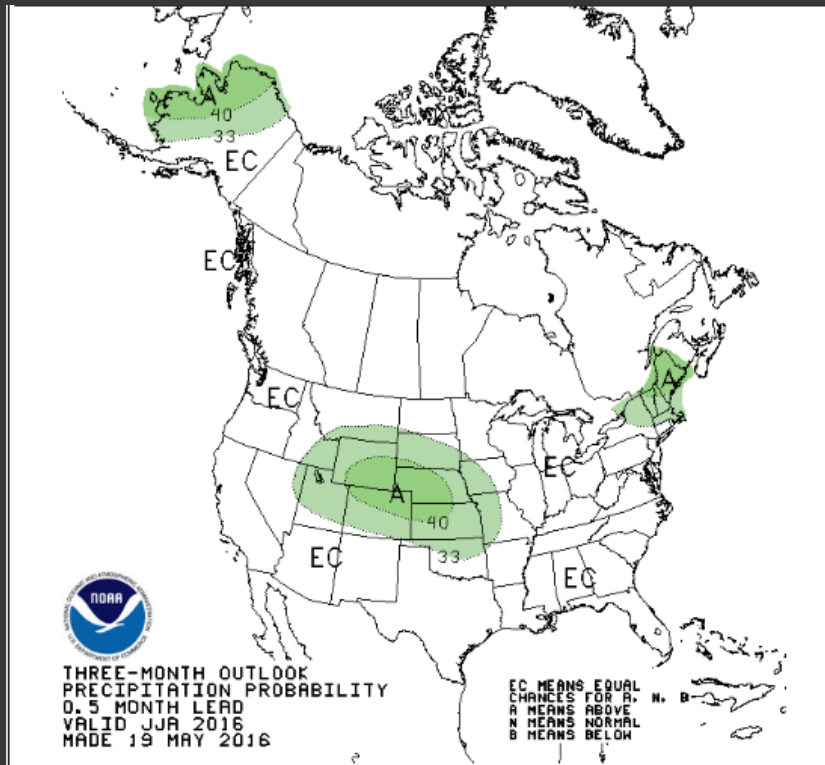


One Month Temperature Outlook

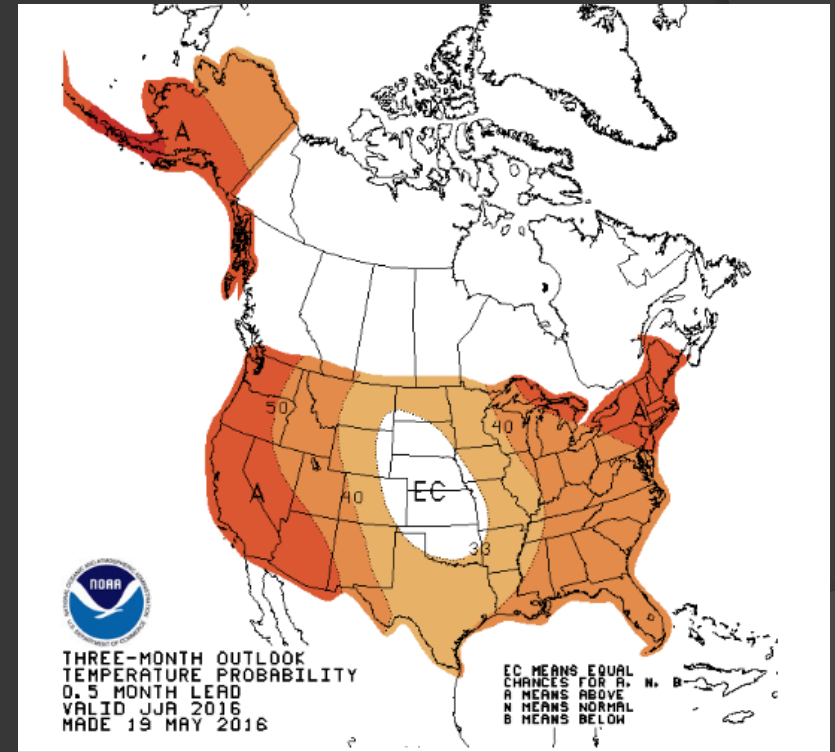


Long term seasonal forecast

Three Month Rainfall Forecast



Three Month Temperature Forecast



How Does This Relate To Agriculture?

- ⦿ Seasonal weather fluctuations
 - Rainfall
 - Temperatures
- ⦿ Atlantic Hurricane Season
 - Projected number of named storms
- ⦿ Rain can make grain, but can also destroy it.

Weather Related Production Implications

- ⦿ Crop rotation and crop mix ratios
- ⦿ Insurance decisions
- ⦿ Yield and Planting considerations
- ⦿ Land use ratios
 - Landlord / tenant agreements
 - Land purchases

Supply Side Economics

- ⦿ Challenges Determining Crop Mix
- ⦿ Net returns per acre
 - Corn - ~ \$168/acre
 - Soybeans ~ \$153/acre
 - Cotton ~ \$140/acre
 - Rice ~ \$160/acre

2014 Farm Program and U.S. Agricultural Production

- ⦿ Changes to Agricultural Payments
 - PLC
 - ARC
- ⦿ Agricultural Finance Implications
 - Farm Loans
 - Changing Risk Ratios
 - Long Term Profitability

Supply Side Acreage Competition

⦿ Early Season Trends

- Soybean to Rice
- Corn to Rice & Sorghum
- Wheat & Corn to Cotton
 - Agricultural Finance Driven

⦿ Late Season Trends

- Rice to Soybean
- PP and Set Aside to Corn and Soybean
 - Market Driven

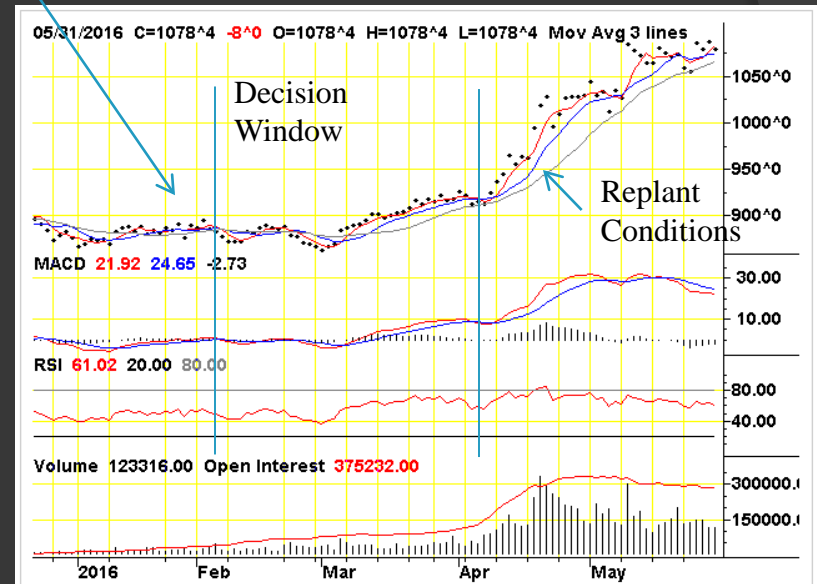
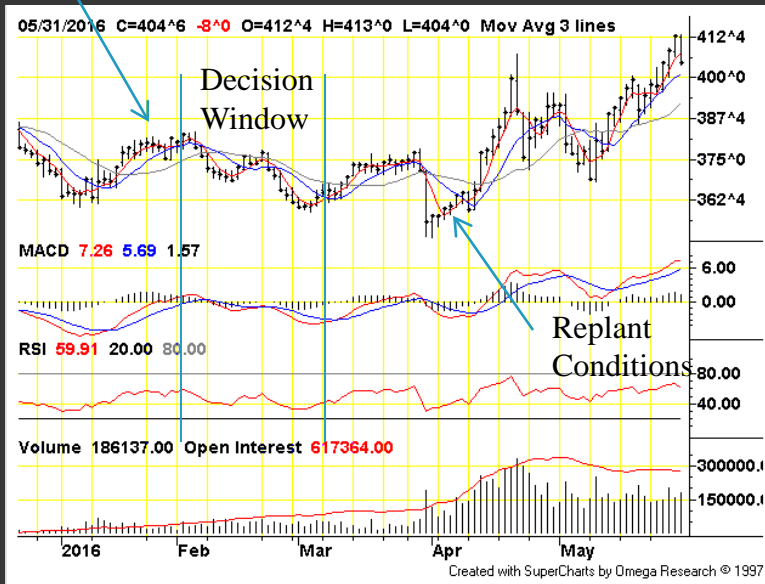
Selected Agricultural Prices for the 2016 Crop Year

Planting Intentions

July Corn Futures

Planting Intentions

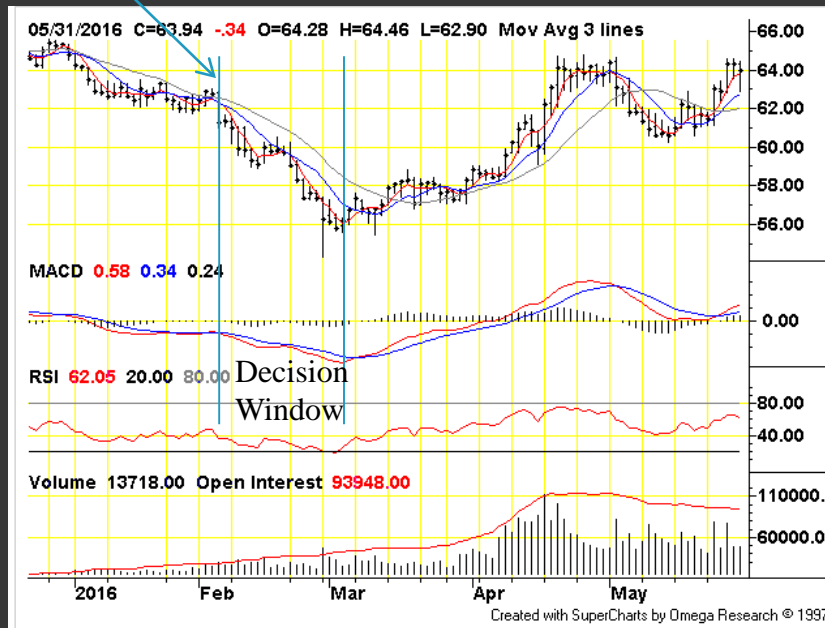
July Soybean Futures



Selected Agricultural Prices for the 2016 Crop Year

Planting
Intentions

July Cotton Futures



Rice Acreage Production Potential

◎ Current Projections

- Acreage – 3.06 Million Acres
- Yield – 76.18 cwt/acre
- Total Production – 231 million hundredweights

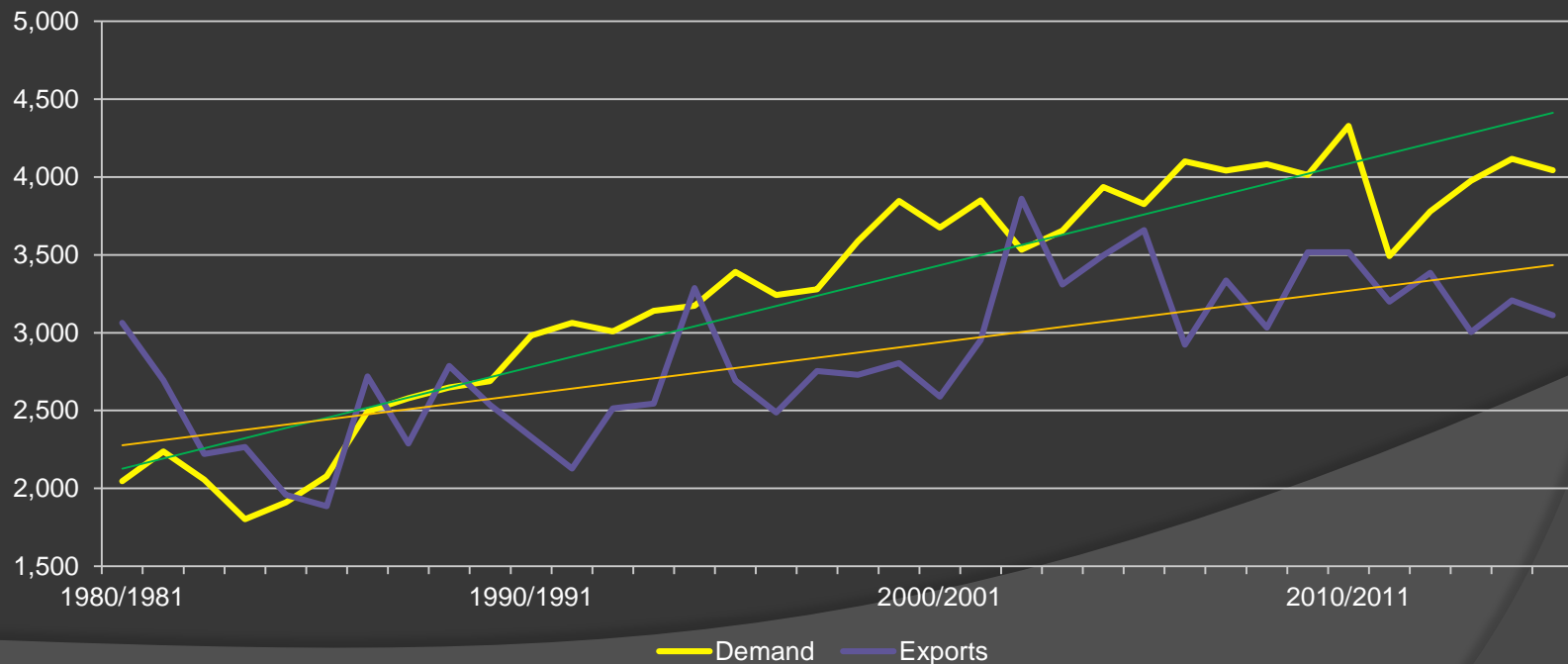
◎ Potential Changes (1% decrease in Yield & Acreage)

- Acreage – 3.03 million acres
- Yield – 75.42 cwt/acre
- Total Production – 226.2 million hundredweights

Demand Side Considerations

- Total Demand trending
- Domestic Demand flat
- Export Demand Consistently upward

US Demand, and Exports with Trends



Demand Side Variables

⦿ Exports

- Mexico & Central America
- South America
- Iraq
- Cuba

⦿ Critical Control Points

- IP
- Phytosanitary Controls / Quality Control

Varietal Characteristics via IP

2009-2015 1st and 2nd Crop Field and Milling Yields by Variety

| Variety | Yields | | | First Crop (2011-2014 Avg) | | Second Crop (2011-2014 Avg) | |
|-----------|------------------|------------------|---------------|----------------------------|-----------|-----------------------------|-----------|
| | 1st Crop Dry Cwt | 2nd Crop Dry Cwt | Total Dry Cwt | Head Yld | Total Yld | Head Yld | Total Yld |
| CL 723 | 73.8 | 35.33 | 109.13 | 60 | 72 | 60 | 71 |
| Catahoula | 69.76 | 0 | 69.76 | 58 | 72 | 54 | 71 |
| CL 152 | 65.07 | 30.24 | 95.31 | 61 | 70 | 59 | 68 |
| XL753 | 78.09 | 36.03 | 114.12 | 58 | 73 | 53 | 71 |
| Mermentau | 73.33 | 31.8 | 105.13 | 63 | 70 | 57 | 68 |
| XL745 | 73.64 | 32.19 | 105.83 | 57 | 72 | 55 | 70 |
| Cheniere | 64.53 | 16.3 | 80.83 | 62 | 72 | 57 | 69 |
| Presidio | 66.22 | 31.8 | 98.02 | 60 | 71 | 57 | 70 |

Total Demand Implications

- ⦿ Domestic demand treated as a constant
- ⦿ Export demand as a variable
- ⦿ Changes in Export values translate to greater bottom line impact
 - Shifts in Exports by small % has significant impact
- ⦿ Factors and relationships are changing
 - Focus on Quality in Strong markets
 - Focus on Quantity in Weak markets

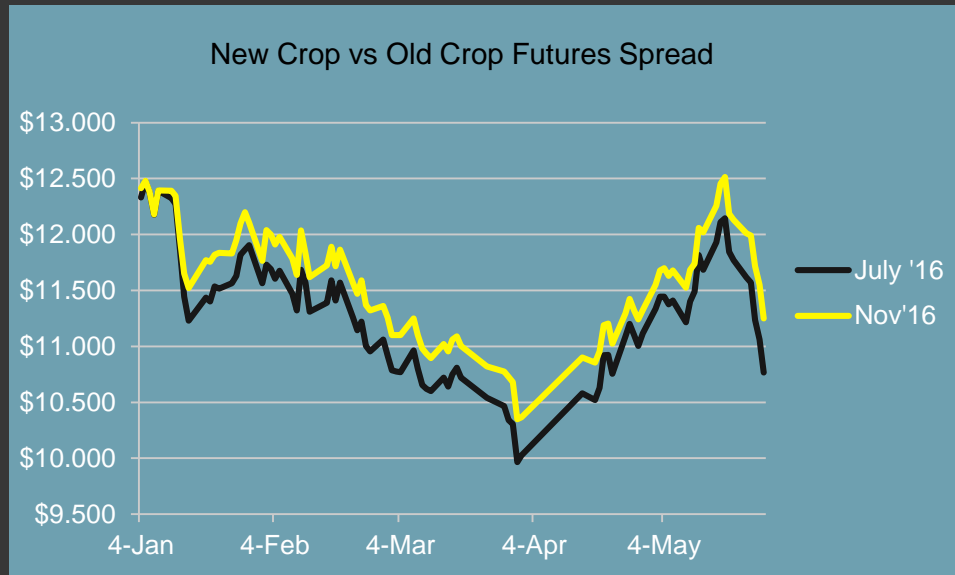
Net Supply and Demand Side Effects

- Net Supply Changes
 - Total Production decrease
 - - 4.67 million cwt
- Net Demand Changes (Assume extra 50,000 MT Export Sale)
 - Total Demand – 249.13 million cwt
- Net Carryover Change – (-) 5.72 million cwt (~300,000 MT difference)

Price – Things to Consider

- Weather Impacts to Production Values
- Total Carryout Estimates
- Export Demand Projections
- Prices of Competing Crops

What the Market is Trying to Say



- ⦿ Old Crop / New Crop Price Spread
- ⦿ Rising International Prices
- ⦿ Regional Supply Anomalies Around the World
 - South America
 - Southeast Asia

The Million Dollar Question...

- ⦿ “What will rice prices do in 2016?”
- ⦿ Low Price Advocates:
 - Farm Program
 - Market Dynamics / Over production
- ⦿ High Price Advocates:
 - Inaccurate reported numbers
 - Market Dynamics / Under Supply
- ⦿ Likely Scenario:
 - A mix of the two

Things to Watch Out For

- ◎ June 30 USDA Planting Report
 - Will reflect any adjustments to production numbers
- ◎ Production Region Weather Patterns
 - Will influence Yield and Harvested Acreage Numbers
- ◎ Export Sales Anomalies
 - Will reflect net deficiencies at the regional level

Thank You!

Questions?

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