

# SOFT COMMODITIES REVIEW

## HOW THE RICES PRICES LOSED THEIR TEMPER



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## PRESENTATION OF GENERAL CONTEXT

**Key points**

The peculiar evolution of commodity prices since the first liquidity stress supported by financial markets in July 2007 found some type of academic example in the developments experienced by the rice markets.

The LAST three SOFT COMMODITIES REVIEWS, I made since that period offer the basis of a description of the various steps of the development of the scarcity feelings that conducted majors producers to limit or suspend rice exports and increase compulsory state security storages.

The other important development in the approach is to consider the underlying element of the RICE market and the reasons why such dramatic moves in some countries have been made possible.

**Market main characteristics**

**The main characteristics of the Rice markets may be summarized by two critical elements:**

**The huge diversity of the grains species and of the traditional accommodations for food use . These facts are limitative factors to the appeal of most of the production to international trade**

**The large part of the local consumption leaves proportionally the quantities available for exports very sensitive to the impact of production accidents and to weather excesses and so scarcity while relatively limited is traduced by very strong prices movements .**

**The very recent developments of significant traded volume from 1% of the total crop in the heighties to 7% last year, have had little effect on the trades routes and mode of marketing**

**THE FULL STORY OF THE EVOLUTION**

**The end of the year has supported a new set of bad news affecting some one of the most preeminent financial firms in the world, always in the field of the woes of the real estate markets in the US. Some of them were constrained to negotiate in a hurry, a capital increase supported by Asian (Singapore) and Persian Gulf funds. Things have turn pretty worse since.**

**The year end window's dressing and the new access of distrust constrained the Central Bankers to inject new jumbo amounts of liquidity in the money markets in the US, JAPAN and EUROPE to prevent dramatic scale to liquidity shortages .**

**This massive injection of Central Banks money prevented again massive disruptions. These new access of defiance had some significant impacts on the commodities' prices evolutions giving the necessary liquidity to feed financial operators with the means to bring the prices to new high.**

**As shown by the following general comparisons of prices evolutions the impacts have been extended to commodities previously unaffected, even in absence of a significant reassessment, for a strong upward evolution base on a fundamental relative scarcity .**



SOFT COMMODITY REVIEW

The market reduced its volatility and the woes of the real estate market are very lightly felt in August to then begin a strong recovery out passing the long term bullish movement.

The historical range is broken; the volatility reduces significantly and strengthens a robust upward trend

This strong recovery seems to be initiated by the competitiveness acquired by the US production and derived from the currency evolutions, despite the relative stability of export volumes.

Daily ROUGH RICE CURRENT



The Forward curve, in strong contango in July and August become very flat with some limited backwardation on next crop tenor.

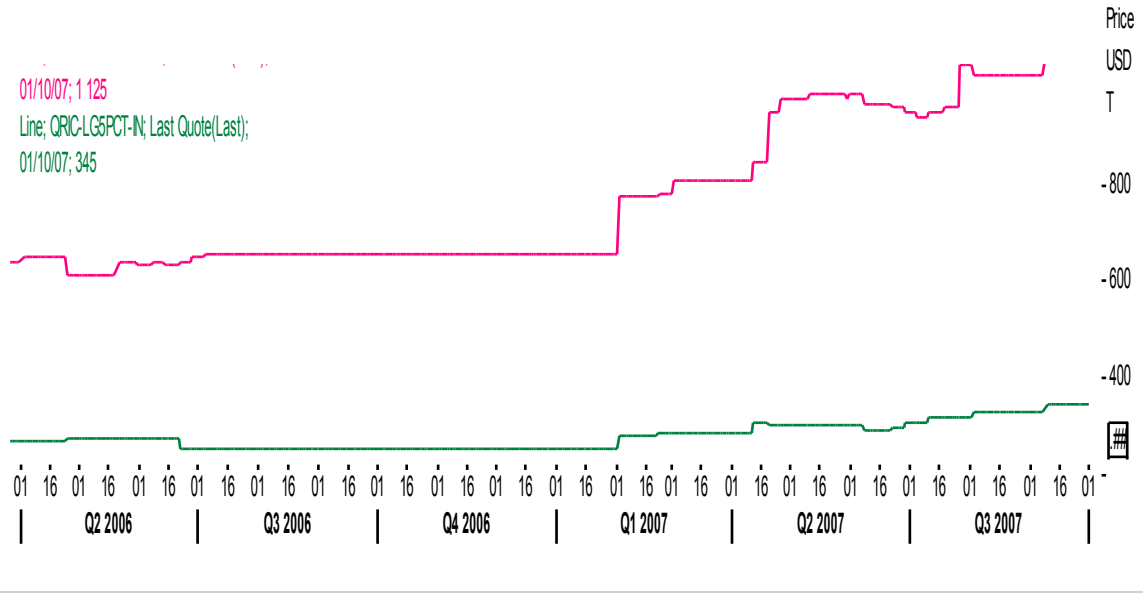
That evolution emphasizes a possible reversal of the trend. .



Daily RICE RELATIVE PRICES INDIA

22/03/06 - 07/10/07 (GMT)

Low grades more stable still follow at a more moderate rhythm



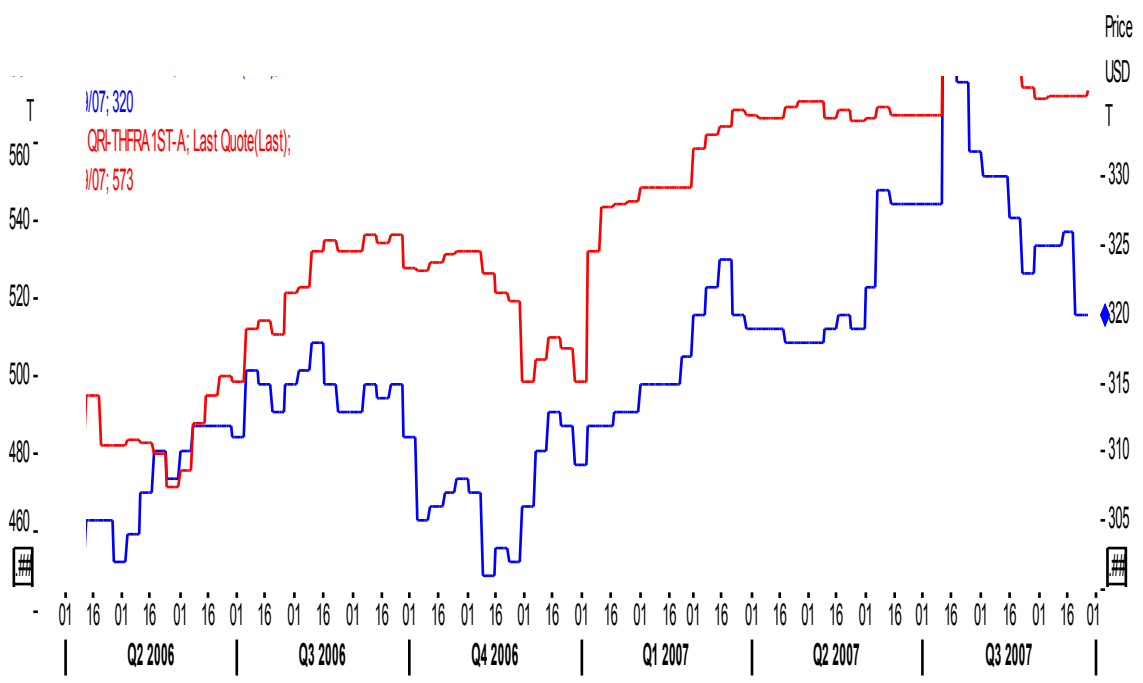
The Thai market of the high quality rice continue its rally but seems to have reached a ceiling.;

The skip between fragrant and other high quality rice observed at the end of 2006 and in Q2 2007 is once more present and seems to get strength, sign of a more balanced situation.

Daily RICE THAILAND 5% BK /FRAGRANT

18/03/06 - 03/10/07 (PAR)

The evolution of the prices of THAI high quality rice becomes more selective



The new evolution of the different quality levels on the Thai Market shows also some retracements from the previous high ranges both for the quality products and the basics products, but the price differential appear to stand.



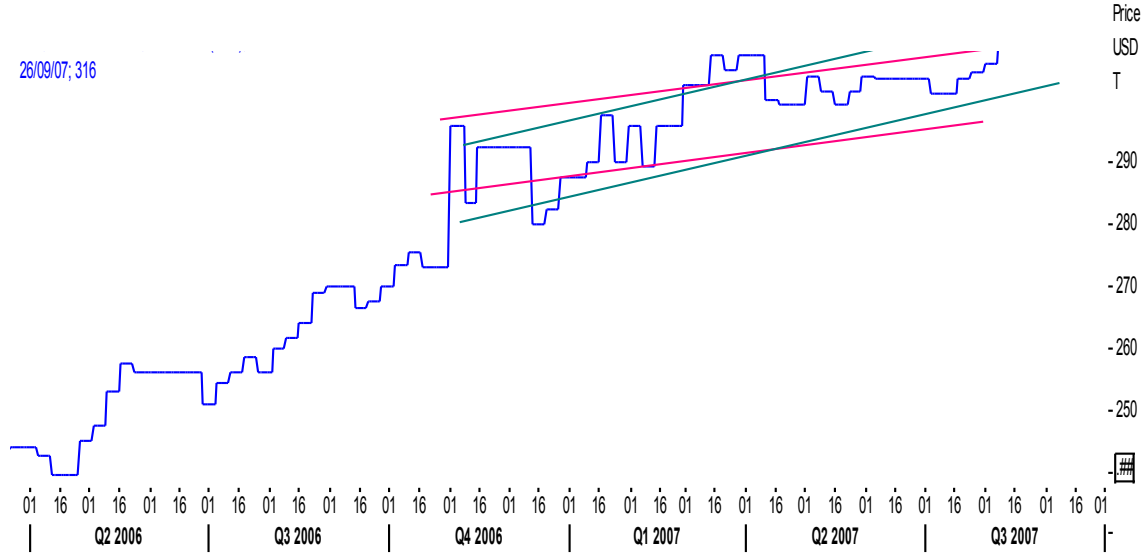


The Viet Nam rice more export oriented accelerated its evolution on the third quarter of 2007.

The previous trend of Q2 more stable is broken and the prices challenge the ceiling of the revised upward trend channel.

**Daily RICE VIETNAM 5%BK**

17/03/06 - 02/10/07 (GMT)



In VIET NAM the price evolution is following the bullish CHINA

The global evolution of the market forecasts are revised lower with no significant modification of the revised figures of the previous crop that shows a global balance between production and consumption.

## SOFT COMMODITY REVIEW

**World Rice Supply and Use (Milled Basis) 1/**  
 (Million Metric Tons)

Region	Supply			Use			Ending stocks
	: Beginning stocks	: Production	: Imports	: Total 2/	: Domestic	: Exports	
=====							
2005/06							
World 3/	74.93	418.06	26.13	415.54	30.16	77.44	
United States	1.21	7.11	0.54	3.84	3.66	1.37	
Total foreign	73.72	410.94	25.59	411.71	26.50	76.07	
Major exporters 4/	12.41	138.31	0.36	114.92	20.43	15.73	
India	8.50	91.79	0.01	85.09	4.69	10.52	
Pakistan	0.31	5.55	0.00	1.90	3.66	0.30	
Thailand	2.31	18.20	0.00	9.54	7.38	3.59	
Vietnam	1.29	22.77	0.35	18.39	4.71	1.32	
Major importers 5/	12.98	60.16	10.79	69.82	0.50	13.60	
Brazil	1.75	7.87	0.75	8.97	0.28	1.11	
EU-27 6/	1.14	1.74	1.13	2.65	0.16	1.19	
Indonesia	3.45	34.96	0.54	35.74	0.00	3.21	
Nigeria	0.42	2.70	1.78	4.35	0.00	0.55	
Philippines	4.57	9.82	1.62	10.72	0.00	5.29	
Sel. Mideast 7/	1.46	2.52	3.91	5.74	0.06	2.09	
Selected other							
Burma	0.71	10.44	0.00	10.40	0.05	0.70	
C. Amer & Carib 8/	0.13	0.07	0.48	0.48	0.00	0.20	
China	38.93	126.41	0.65	128.00	1.22	36.78	
Egypt	0.50	4.14	0.03	3.28	0.96	0.43	
Japan	1.92	8.26	0.67	8.25	0.20	2.40	
Mexico	0.17	0.18	0.58	0.78	0.00	0.16	
South Korea	0.82	4.77	0.22	4.77	0.22	0.82	
=====							
2006/07 (Estimated)							
World 3/	77.44	418.13	28.37	418.42	28.92	77.15	
United States	1.37	6.25	0.65	4.06	2.95	1.27	
Total foreign	76.07	411.88	27.72	414.36	25.97	75.88	
Major exporters 4/	15.73	138.83	0.46	118.16	20.40	16.46	
India	10.52	92.76	0.00	87.65	4.20	11.43	
Pakistan	0.30	5.20	0.00	2.14	3.10	0.26	
Thailand	3.59	18.25	0.01	9.87	8.50	3.48	
Vietnam	1.32	22.63	0.45	18.50	4.60	1.29	
Major importers 5/	13.60	58.89	11.81	70.38	0.35	13.57	
Brazil	1.11	7.70	0.85	8.95	0.15	0.56	
EU-27 6/	1.19	1.69	1.10	2.70	0.15	1.13	
Indonesia	3.21	33.30	1.90	35.55	0.00	2.86	
Nigeria	0.55	2.90	1.60	4.45	0.00	0.60	
Philippines	5.29	10.09	1.80	11.55	0.00	5.63	
Sel. Mideast 7/	2.09	2.62	3.45	5.47	0.05	2.64	
Selected other							
Burma	0.70	10.60	0.00	10.50	0.10	0.70	
C. Amer & Carib 8/	0.20	0.07	0.45	0.50	0.00	0.22	
China	36.78	128.00	0.60	127.80	1.40	36.18	
Egypt	0.43	4.38	0.10	3.30	1.00	0.62	
Japan	2.40	7.79	0.65	8.25	0.20	2.38	
Mexico	0.16	0.23	0.60	0.80	0.00	0.18	
South Korea	0.82	4.68	0.27	4.88	0.16	0.72	

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, and the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

USDA forecasts lead to a significant reduction of the ending stocks

## SOFT COMMODITY REVIEW

**World Rice Supply and Use (Milled Basis) 1/ (Cont'd.)**  
(Million Metric Tons)

Region	Supply			Use			Ending stocks
	Beginning stocks	Production	Imports	Total 2/	Domestic	Exports	
=====							
2007/08 (Projected)							
World 3/							
September	77.19	418.49	27.65	424.69	29.78		70.99
October	77.15	418.64	27.82	424.85	30.06		70.94
United States							
September	1.27	6.13	0.65	3.99	3.20		0.86
October	1.27	6.30	0.65	3.99	3.39		0.84
Total foreign							
September	75.92	412.35	26.99	420.69	26.58		70.12
October	75.88	412.34	27.17	420.86	26.67		70.11
Major exporters 4/							
September	16.34	138.69	0.46	119.58	21.00		14.91
October	16.46	138.69	0.46	119.58	21.00		15.03
India	Sep : 11.43	92.00	0.00	89.12	4.10		10.21
Oct :	11.43	92.00	0.00	89.12	4.10		10.21
Pakistan	Sep : 0.26	5.30	0.00	2.11	3.20		0.25
Oct :	0.26	5.30	0.00	2.11	3.20		0.25
Thailand	Sep : 3.38	18.40	0.01	9.60	9.00		3.19
Oct :	3.48	18.40	0.01	9.60	9.00		3.29
Vietnam	Sep : 1.27	22.99	0.45	18.75	4.70		1.26
Oct :	1.29	22.99	0.45	18.75	4.70		1.29
Major importers 5/							
September	13.57	59.75	11.38	72.08	0.27		12.36
October	13.57	59.89	11.38	72.08	0.27		12.50
Brazil	Sep : 0.56	7.85	0.95	8.90	0.10		0.36
Oct :	0.56	7.99	0.95	8.90	0.10		0.50
EU-27 6/	Sep : 1.13	1.65	1.10	2.75	0.15		0.99
Oct :	1.13	1.65	1.10	2.75	0.15		0.99
Indonesia	Sep : 2.86	34.00	1.60	36.15	0.00		2.31
Oct :	2.86	34.00	1.60	36.15	0.00		2.31
Nigeria	Sep : 0.60	3.00	1.70	4.70	0.00		0.60
Oct :	0.60	3.00	1.70	4.70	0.00		0.60
Philippines	Sep : 5.63	10.01	1.80	12.06	0.00		5.38
Oct :	5.63	10.01	1.80	12.06	0.00		5.38
Sel. Mideast 7/	Sep : 2.64	2.69	3.16	5.90	0.02		2.57
Oct :	2.64	2.69	3.16	5.90	0.02		2.57
Selected other							
Burma	Sep : 0.70	10.66	0.00	10.70	0.10		0.56
Oct :	0.70	10.66	0.00	10.70	0.10		0.56
C. Am & Car. 8/	Sep : 0.22	0.07	0.40	0.49	0.00		0.19
Oct :	0.22	0.07	0.40	0.49	0.00		0.19
China	Sep : 36.28	127.00	0.90	129.10	1.50		33.58
Oct :	36.18	127.00	0.90	129.10	1.60		33.38
Egypt	Sep : 0.62	4.41	0.00	3.47	1.10		0.45
Oct :	0.62	4.41	0.00	3.47	1.10		0.45
Japan	Sep : 2.38	7.94	0.70	8.15	0.20		2.67
Oct :	2.38	7.94	0.70	8.15	0.20		2.67
Mexico	Sep : 0.18	0.20	0.63	0.80	0.00		0.20
Oct :	0.18	0.20	0.63	0.80	0.00		0.20
South Korea	Sep : 0.72	4.60	0.27	4.75	0.15		0.68
Oct :	0.72	4.50	0.27	4.75	0.15		0.58

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

Concerning the present crop season, the situation is revised significantly lower with a stagnation of the production for three crop at 418 millions T. But the forecast increases in consumption is confirmed (+1.55%) and so the ending stocks retreat of 2.84% since the release of August figures.

The situation in major consumer countries that seems under control on the last study faced a major shift in their evolutions:

USA (-63.45%), CHINA (-7.99%) and SOUTH COREA (-29.27%) face the most important decrease in availability:

INDIA (+0.80%) and THAILAND (+3.13%) improved marginally their situation.

The major factors of the imbalance noted previously with the increased consumption in Africa (NIGERIA) South East Asia (INDONESIA, the PHILIPINES) and in MIDDLE EAST are maintained.

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**RICE Q4 2007**

**Key points**

The forecast increases of the production is almost reached; the consumption shows a more moderate progression. But the prices increase continues to accelerate on basic products despite the less constraining context

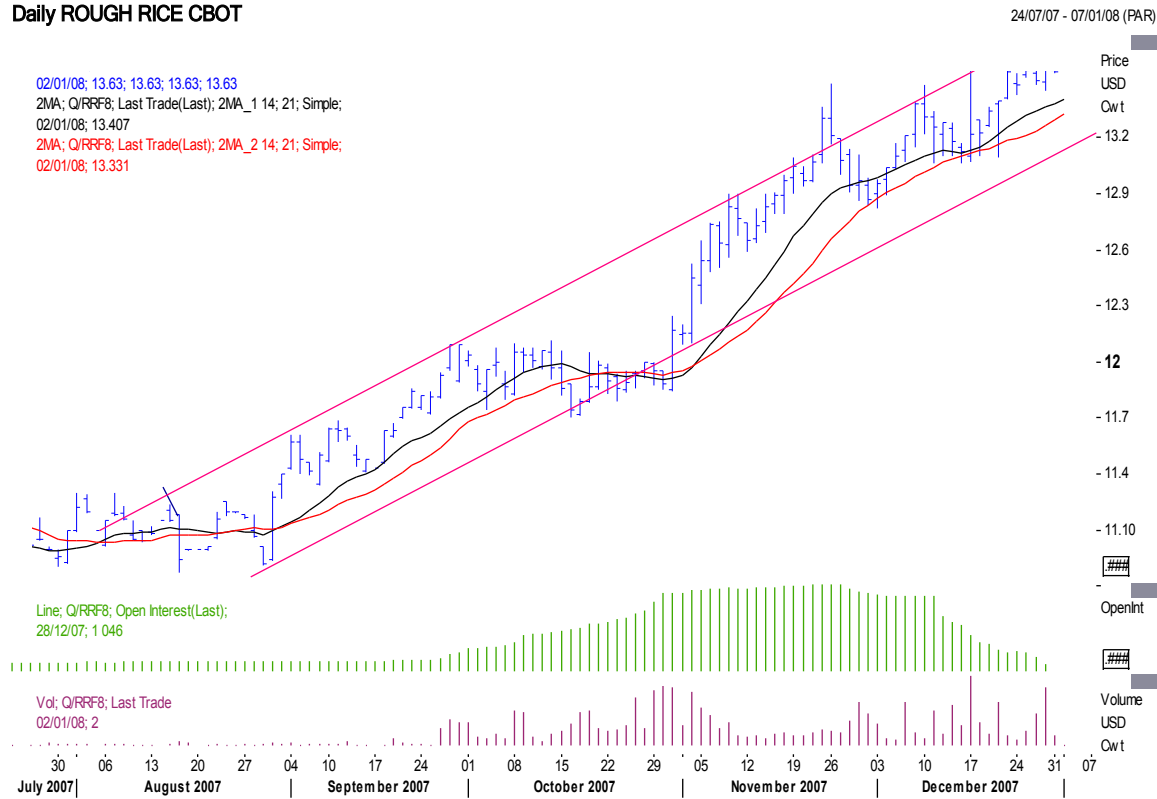
The Asian countries stay under pressure derived from the climate instability with substitution in products and global bullish market supported by shift to commodities of desperate investors from losses in dollar based financial assets.

The evolution of the level of the energy and metal prices will continue to decide of the short term evolution driving the purchasing power of a significant part of the consumer countries; their bullish trend fed by financial markets continue to impact the rice prices supported by the increases of buying power.

**Comparative Market analysis**

**Daily ROUGH RICE CBOT**

The rice price evolution adopted the strong bullish evolution of the sector strengthened by the US exports increase



The ROUGH RICE market in Q4 continues a very bullish trend, initiated in Q3, on anticipation of crop reductions

The market increased its volatility and the woes of the real estate market are still very lightly felt in Q4. The long term pattern of the bullish price movement adopts a steeper gradient.





At the other end of the market the situation stays more stable but the pace accelerates and the prices increase reaches 40% from 2006 onward compared to 115% for high quality rice.

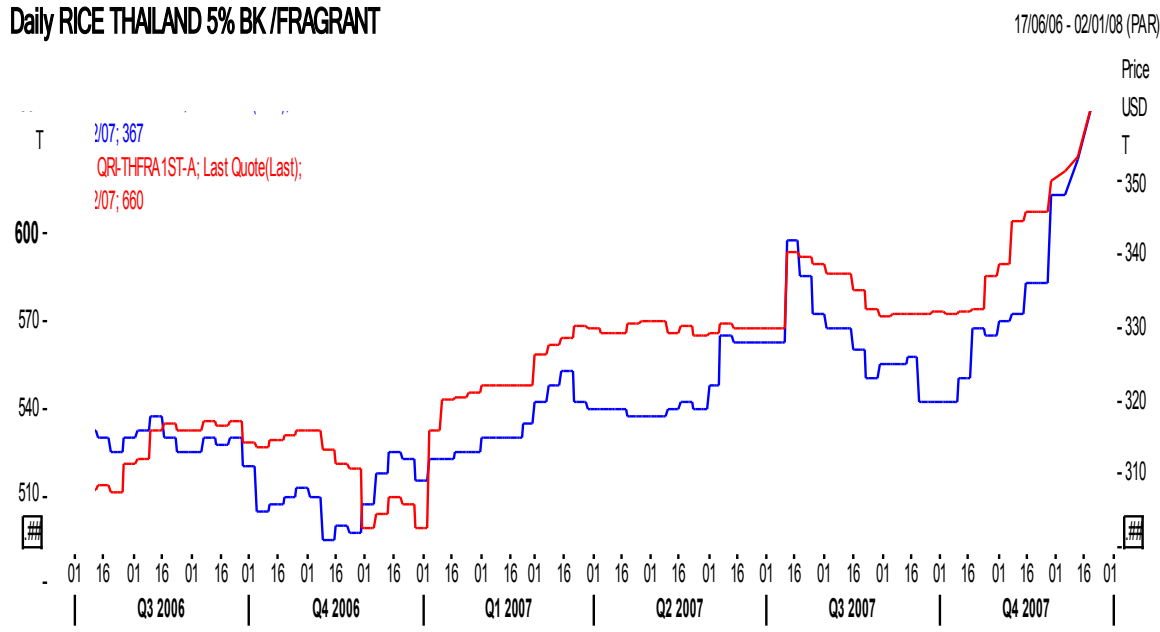
The spot market shows a very similar picture with the same type of evolution between low and high grade.

This evolution is not in line with the physical which shows a stock increase and a decrease in exports.

The Thai market of the high quality rice accelerated, in Q4 its rally, out pricing a relative stabilization period, the trend seems very speculative fed by the dollar depreciation more strongly felt than on Indian markets.;

The skip between fragrant and other high quality rice, observed at the end of 2006 and in Q2 2007 and once more present in Q3, disappears in Q4, sign of an end of the rebalancing markets evolution previously forecast.

Daily RICE THAILAND 5% BK /FRAGRANT



The evolution of the prices of THAI high quality rice return to a speculative pattern

The new evolution of the different quality levels on the Thai Market shows in Q4 a new strong and sustained bullish evolution ahead from the previous retracements.

Both the quality products and the basics products are affected on a similar gradient, but the price differential appears to stand unaffected

The global trend outpaces the previous bullish channel and capping the previous level.

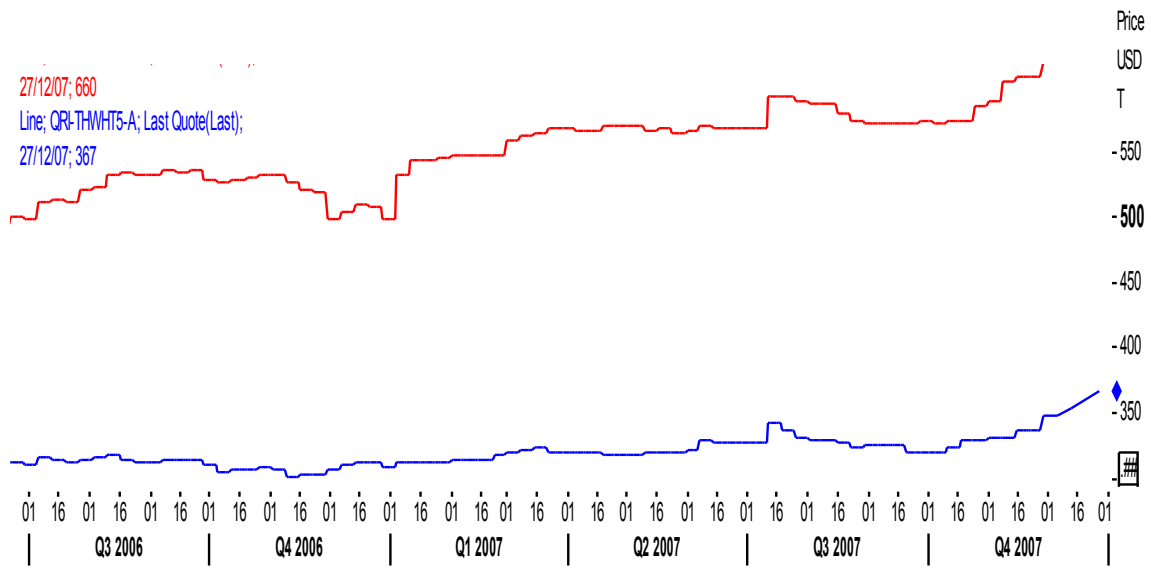
This evolution is also is discrepant with the physical market which shows reduced exports volumes and limited decrease of the ending stocks.



Daily RICE THAILAND 5%BK/ FRAGRANT

17/06/06 - 02/01/08 (GMT)

The differentiated evolution between low and high grade rice in THAILAND is in a similar burst mood



The Chinese market continues its previous price increases but on a more moderate mood than the other markets and seems to begin a consolidation pace with a domestic market in strict equilibrium.

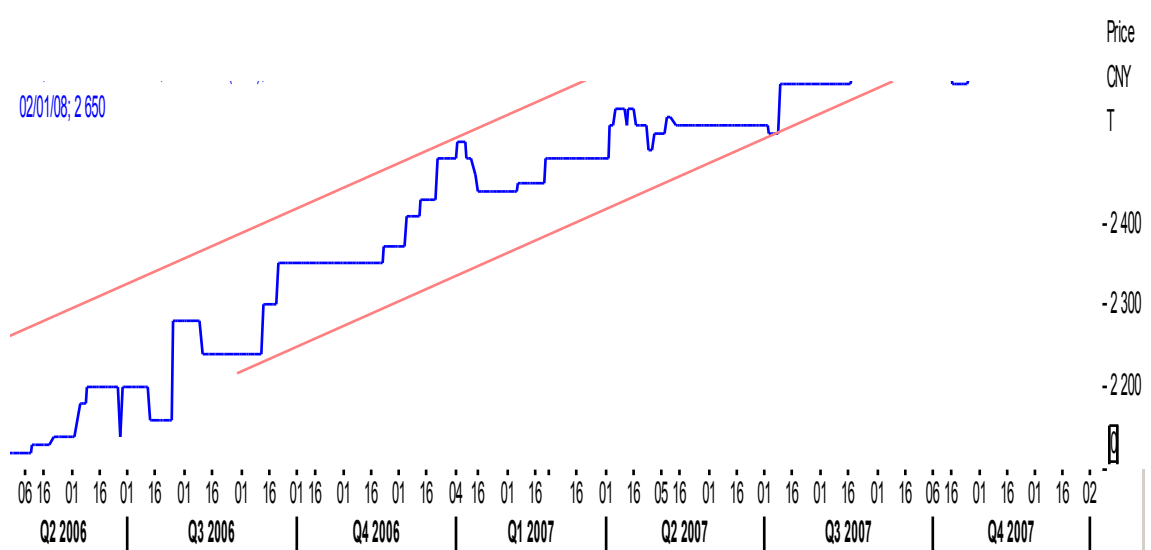
This evolution of the country performance marks a return to a more stable situation reflecting the physical market situation.

After a rather stable trend at the beginning of Q4, the year end appears more bullish, but this trend need confirmation.

Daily RICE CHINA LONG MILLED

18/04/06 - 08/01/08 (GMT)

In CHINA the evolutions, less differentiated than on the Thai markets, continue their long standing bull trend





## SOFT COMMODITY REVIEW

WASDE-453-24

World Rice Supply and Use (Milled Basis) 1/ (Million Metric Tons)						
Region	Supply			Use		Ending stocks
	Beginning stocks	Production	Imports	Total 2/ Domestic	Exports	
=====						
2005/06						
World 3/	74.73	417.55	26.13	415.45	30.16	76.83
United States	1.21	7.11	0.54	3.84	3.66	1.37
Total foreign	73.52	410.44	25.59	411.61	26.50	75.46
Major exporters 4/	12.41	138.31	0.36	114.92	20.43	15.73
India	8.50	91.79	0.01	85.09	4.69	10.52
Pakistan	0.31	5.55	0.00	1.90	3.66	0.30
Thailand	2.31	18.20	0.00	9.54	7.38	3.59
Vietnam	1.29	22.77	0.35	18.39	4.71	1.32
Major importers 5/	12.79	59.66	10.79	69.69	0.50	13.04
Brazil	1.75	7.87	0.75	8.97	0.28	1.11
EU-27 6/	1.14	1.73	1.13	2.65	0.16	1.18
Indonesia	3.45	34.96	0.54	35.74	0.00	3.21
Nigeria	0.42	2.70	1.78	4.35	0.00	0.55
Philippines	4.57	9.82	1.62	10.72	0.00	5.29
Sel. Mideast 7/	1.27	2.02	3.91	5.61	0.06	1.54
Selected other						
Burma	0.71	10.44	0.00	10.40	0.05	0.70
C. Amer & Carib 8/	0.13	0.07	0.48	0.48	0.00	0.20
China	38.93	126.41	0.65	128.00	1.22	36.78
Egypt	0.50	4.14	0.03	3.28	0.96	0.43
Japan	1.92	8.26	0.67	8.25	0.20	2.40
Mexico	0.17	0.18	0.58	0.78	0.00	0.16
South Korea	0.82	4.77	0.22	4.77	0.22	0.82
=====						
2006/07 (Estimated)						
World 3/	76.83	417.65	28.17	418.85	29.15	75.63
United States	1.37	6.25	0.65	4.06	2.95	1.27
Total foreign	75.46	411.40	27.51	414.79	26.21	74.36
Major exporters 4/	15.73	139.10	0.46	118.53	20.80	15.96
India	10.52	92.76	0.00	87.65	4.20	11.43
Pakistan	0.30	5.20	0.00	2.34	2.60	0.56
Thailand	3.59	18.25	0.01	9.87	9.40	2.58
Vietnam	1.32	22.89	0.45	18.67	4.60	1.39
Major importers 5/	13.04	58.49	11.56	70.11	0.35	12.63
Brazil	1.11	7.70	0.85	8.95	0.15	0.56
EU-27 6/	1.18	1.69	1.10	2.70	0.15	1.12
Indonesia	3.21	33.30	1.90	35.55	0.00	2.86
Nigeria	0.55	2.90	1.60	4.45	0.00	0.60
Philippines	5.29	10.09	1.80	11.55	0.00	5.63
Sel. Mideast 7/	1.54	2.22	3.20	5.20	0.05	1.71
Selected other						
Burma	0.70	10.60	0.00	10.56	0.04	0.70
C. Amer & Carib 8/	0.20	0.07	0.45	0.50	0.00	0.22
China	36.78	127.80	0.60	127.80	1.30	36.08
Egypt	0.43	4.38	0.10	3.30	1.00	0.62
Japan	2.40	7.79	0.65	8.25	0.20	2.38
Mexico	0.16	0.23	0.60	0.80	0.00	0.18
South Korea	0.82	4.68	0.27	4.88	0.16	0.72

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, and the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

**SOFT COMMODITY REVIEW**  
WASDE-453-25

**World Rice Supply and Use (Milled Basis) 1/ (Cont'd.)**  
(Million Metric Tons)

Region	Supply			Use			Ending stocks
	Beginning stocks	Production	Imports	Total 2/	Domestic	Exports	
2007/08 (Projected)							
World 3/							
November	77.19	421.16	27.67	424.23	29.69		74.12
December	75.63	420.48	27.94	423.93	29.86		72.17
United States							
November	1.27	6.33	0.68	3.99	3.42		0.87
December	1.27	6.33	0.68	3.99	3.49		0.80
Total foreign							
November	75.92	414.83	26.98	420.24	26.27		73.25
December	74.36	414.15	27.25	419.94	26.37		71.37
Major exporters 4/							
November	16.56	138.96	0.46	119.23	20.60		16.15
December	15.96	139.06	0.46	119.43	20.60		15.45
India	11.43	92.00	0.00	88.80	3.40		11.23
Nov	11.43	92.00	0.00	88.80	3.40		11.23
Dec	11.43	92.00	0.00	88.80	3.40		11.23
Pakistan	0.26	5.30	0.00	2.11	3.20		0.25
Nov	0.26	5.30	0.00	2.11	3.20		0.25
Dec	0.56	5.40	0.00	2.31	3.20		0.45
Thailand	3.48	18.40	0.01	9.60	9.00		3.29
Nov	3.48	18.40	0.01	9.60	9.00		3.29
Dec	2.58	18.40	0.01	9.60	9.00		2.39
Vietnam	1.39	23.26	0.45	18.72	5.00		1.39
Nov	1.39	23.26	0.45	18.72	5.00		1.39
Dec	1.39	23.26	0.45	18.72	5.00		1.39
Major importers 5/							
November	13.57	59.94	11.08	71.93	0.27		12.40
December	12.63	59.69	11.08	71.74	0.32		11.34
Brazil	0.56	7.99	0.85	8.90	0.10		0.40
Nov	0.56	7.99	0.85	8.90	0.15		0.35
EU-27 6/	1.13	1.65	1.10	2.75	0.15		0.99
Nov	1.13	1.65	1.10	2.75	0.15		0.99
Dec	1.12	1.67	1.10	2.75	0.15		0.99
Indonesia	2.86	34.00	1.60	36.15	0.00		2.31
Nov	2.86	34.00	1.60	36.15	0.00		2.31
Dec	2.86	34.00	1.60	36.15	0.00		2.31
Nigeria	0.60	3.00	1.70	4.70	0.00		0.60
Nov	0.60	3.00	1.70	4.70	0.00		0.60
Dec	0.60	3.00	1.70	4.70	0.00		0.60
Philippines	5.63	10.01	1.80	12.06	0.00		5.38
Nov	5.63	10.01	1.80	12.06	0.00		5.38
Dec	5.63	10.01	1.80	12.06	0.00		5.38
Sel. Mideast 7/	2.64	2.69	2.96	5.70	0.02		2.57
Nov	2.64	2.69	2.96	5.70	0.02		2.57
Dec	1.71	2.42	2.96	5.51	0.02		1.55
Selected other							
Burma	0.70	10.66	0.00	10.70	0.05		0.61
Nov	0.70	10.66	0.00	10.70	0.05		0.61
Dec	0.70	10.66	0.00	10.70	0.10		0.56
C. Am & Car. 8/	0.22	0.07	0.40	0.49	0.00		0.19
Nov	0.22	0.07	0.40	0.49	0.00		0.19
Dec	0.22	0.07	0.40	0.49	0.00		0.19
China	36.08	129.50	0.70	129.10	1.60		35.58
Nov	36.08	129.50	0.70	129.10	1.60		35.58
Dec	36.08	129.50	0.70	129.10	1.60		35.58
Egypt	0.62	4.41	0.00	3.47	1.10		0.45
Nov	0.62	4.41	0.00	3.47	1.10		0.45
Dec	0.62	4.41	0.00	3.47	1.10		0.45
Japan	2.38	7.94	0.70	8.15	0.20		2.67
Nov	2.38	7.94	0.70	8.15	0.20		2.67
Dec	2.38	7.94	0.70	8.15	0.20		2.67
Mexico	0.18	0.20	0.63	0.80	0.00		0.20
Nov	0.18	0.20	0.63	0.80	0.00		0.20
Dec	0.18	0.20	0.63	0.80	0.00		0.20
South Korea	0.72	4.50	0.27	4.75	0.15		0.58
Nov	0.72	4.50	0.27	4.75	0.15		0.58
Dec	0.72	4.50	0.27	4.75	0.15		0.58

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

**RICE Q1 2008**

**Key points**

The forecasted increase of the production is confirmed for the second quarter; the consumption shows a more moderate progression. The prices increase continues to accelerate on basic products despite the less constraining context

The Asian countries stay under pressure derived from the climate instability with substitution in products and global bullish market induced by increased US exports and supported by shift to commodities of desperate investors from losses in dollar of basic financial assets.

The development of hunger crisis and the retention in export of some producing countries introduce a strong possibility of market disruption on political decisions.

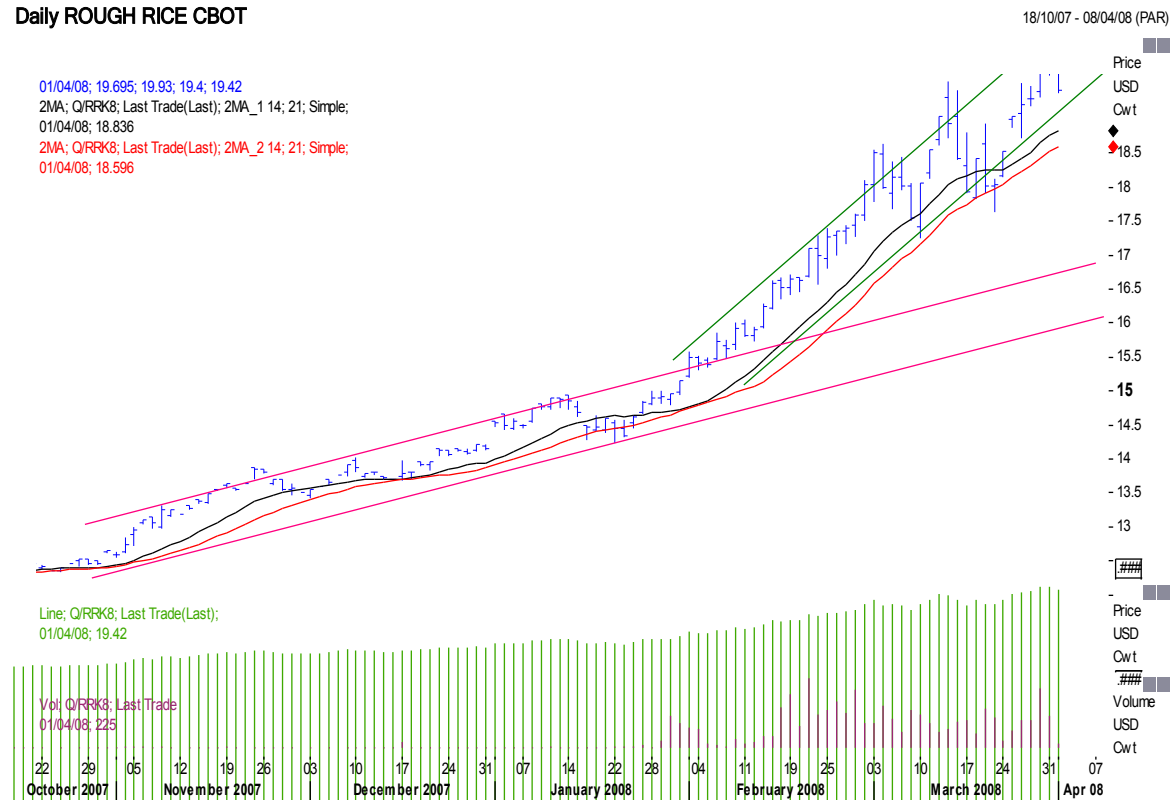
The evolution of the level of the energy is now overcome by more pressing and urgent matters. The next developments will, with some high probability will be political.

The most important factor that will continue to decide of the short term evolution is clearly the bullish trend fed by financial markets, but the main driver will certainly shift to the purchasing power of a significant part of the consumer countries; and induce political decision that will certainly impact the rice market fundamentals.

**Comparative Market analysis**

**Daily ROUGH RICE CBOT**

The rice prices evolution sustained the strong bullish evolution of the sector strengthened by the US exports increase



The ROUGH RICE market in Q1 continues the very bullish trend, initiated in Q3 07, despite the reassessment lower of crop imbalance.

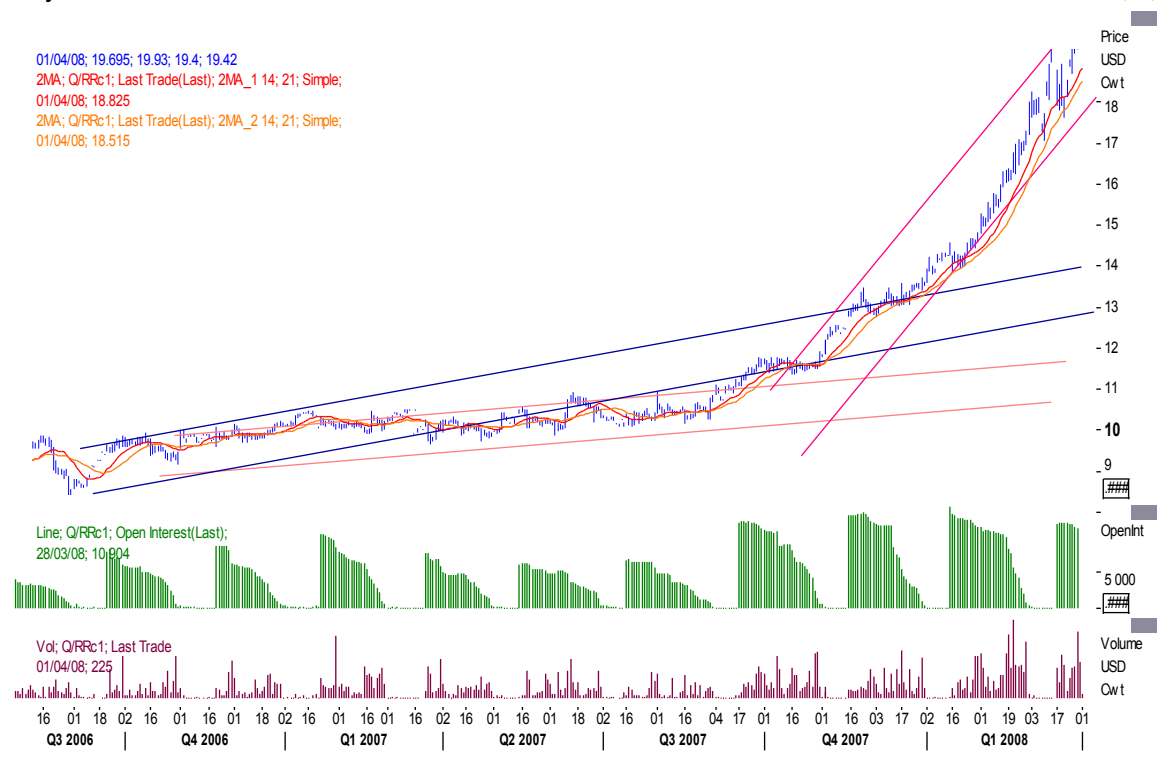
The market continues in Q1 08 to increase its volatility and the woes of the real estate market are still very lightly felt in Q1 as in Q4. The only significant retracement occurred in March before the 0.75% rate cut by the FED but was hidden in the volatility increase. The long term pattern of the bullish price movement extends the steeper gradient initiated in Q4.

The historical range initiated in a moderate tone in Q4 06 broken in Q4-07 is adopting a very speculative tone. The volatility, that, took a new bust in Q4 strengthened in Q1 08 to a level never seen on such a local oriented market.

This strong recovery that seemed to be initiated by the competitiveness acquired by the US production and derived from the currency evolutions, confirmed by the recent increase of the export volumes (+6.88%) have no real economic support as the exports increases globally are more limited (+2.58%)

Daily ROUGH RICE CURRENT

02/08/06 - 08/04/08 (CHG)



On a longer term view the bull runs at a steeper gradient

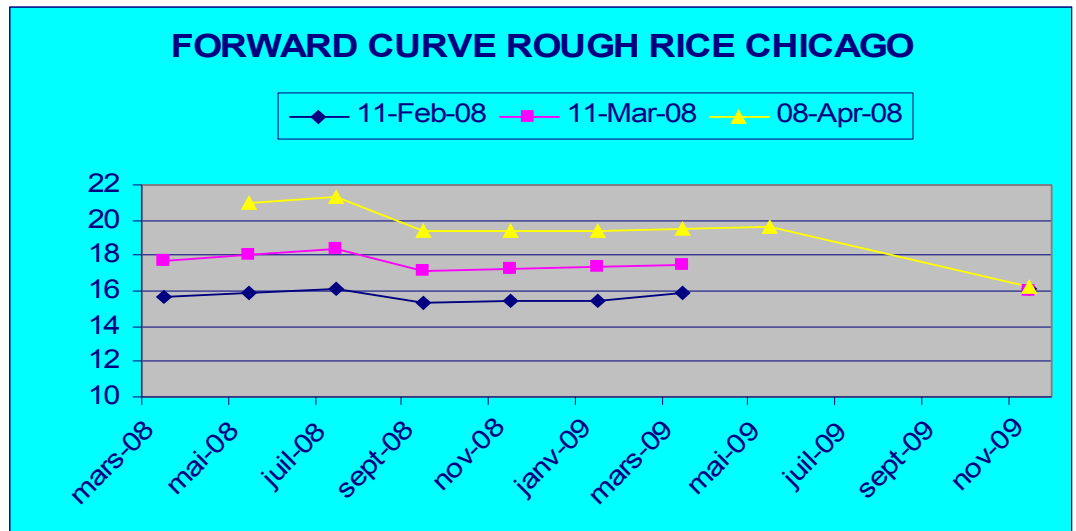
The Forward curve, that was in strong contango until July and August 2008, and passed in strong backwardation on next crop tenor on our previous review passed in backwardation on the current crop.

The new evolution emphasizes anew a reversal of the trend on more short tenor and since last review the foreseeable possibility of less favorable evolution of the purchasing power in certain less developed countries, even if taking the lead of press comments, is not yet discounted.

The toll of the steep increase of the energy prices is now felt and as forecasted this continued trend now weights heavily on certain compartments of the market leading to emergency programs.

The global flat aspect of the forward curve implies if necessary the high uncertainty on the outcomes and of their intensity.

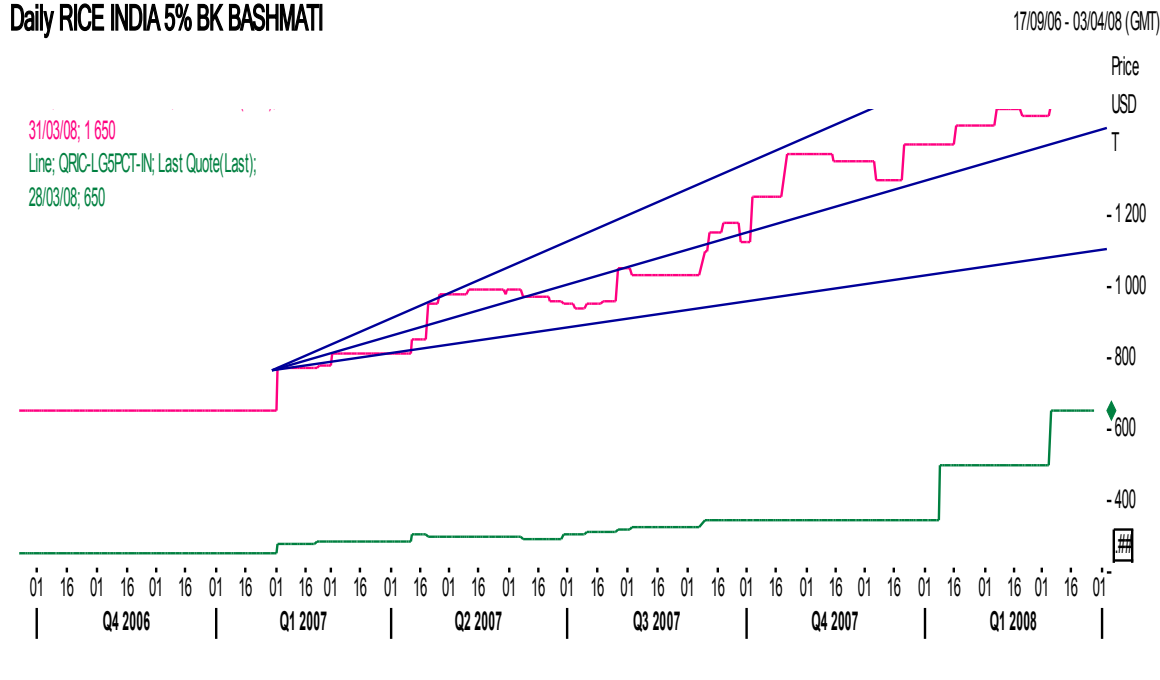
The price curve is very unstable supporting a correction to the high prices level



On the Indian market the BASMATI rice as in Q4 continues to hedge strongly higher and the high quality rice presents follows suit with the most bullish trend, and the previous more stable in end pace of Q4 is forgotten. The ratio between the two quality levels is passing from 1 to 3 in Q1 2007 to 1 to 2 in Q1 2008.

**Daily RICE INDIA 5% BK BASHMATI**

The INDIAN market now favor increase of lower grade rice prices sign that scarcity is biting



So if on the lower grade market the situation until Q4 was more stable, the pace accelerates and now the prices increase reaches 156% from 2006 onward compared to 151% for high quality rice. For Q4 2007 the respective evolutions are 88.4% and 20.4%.

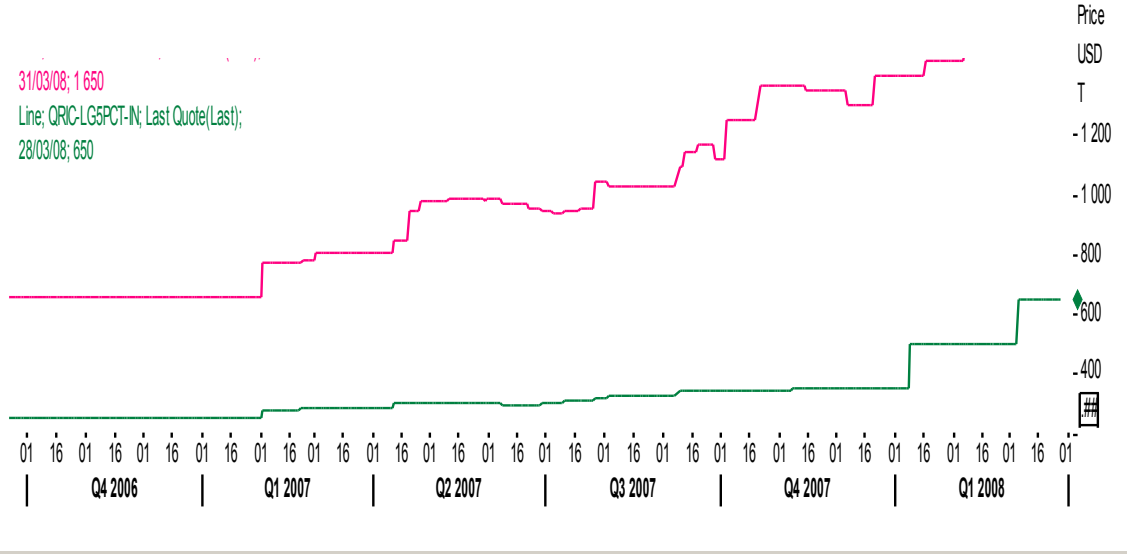
The spot market shows a very similar picture with the same type of evolution between low and high grade.

This evolution in Q1 2008 is no more in line than in Q4 with the physical which shows a stock increase (6.86%) but an increase (+2.94%) instead of a decrease in exports.

Daily RICE RELATIVE PRICES INDIA

17/09/06 - 03/04/08 (GMT)

Low grades are now more more volatile than upper grades



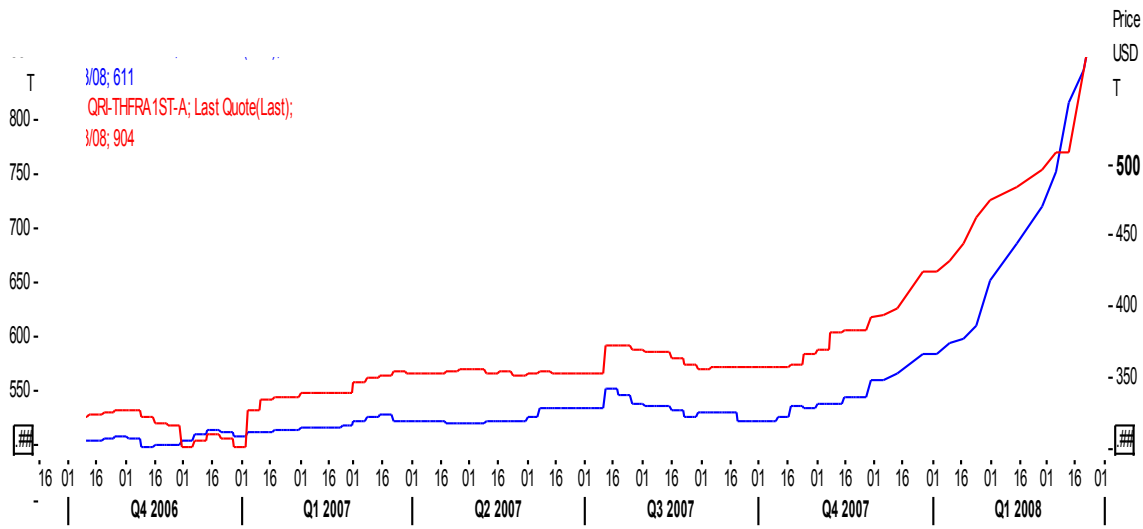
The Thai market of the high quality rice accelerated, in Q1 the pace of its evolution of Q4. The new rally, appears very speculative fed by the dollar depreciation more strongly felt than on Indian markets.;

The price evolution between fragrant and other high quality rice observed shows similar to the phenomenon discovered in INDIA. The price increases in lower grades outpaced the upper grade in Q1 2008.

Daily RICE THAILAND 5% BK /FRAGRANT

16/09/06 - 02/04/08 (PAR)

The evolution of the prices of THAI high quality rice return to a speculative pattern with the lower grade prices moving faster



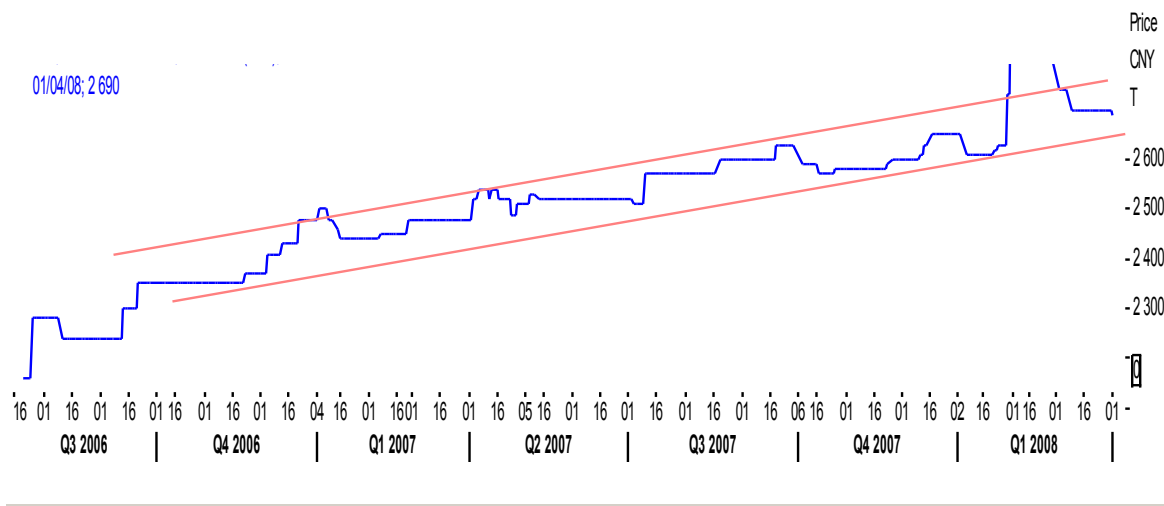




Daily RICE CHINA LONG MILLED

16/07/06 - 07/04/08 (GMT)

In CHINA the evolutions, continue their long standing moderate bull trend except during the snow storms



The recent return to the long term trend without any stress from the financial disruption confirm this strong monitoring of food components in a country long plagued by famines

The Viet Nam rice, more export oriented, accelerated its evolution on the third quarter of 2007 and pursues a steep progression in Q1 adopting a pattern even more distressed than the Thai market one.

The previous strongly bullish trend of Q4 2007 seems moderate by comparison.

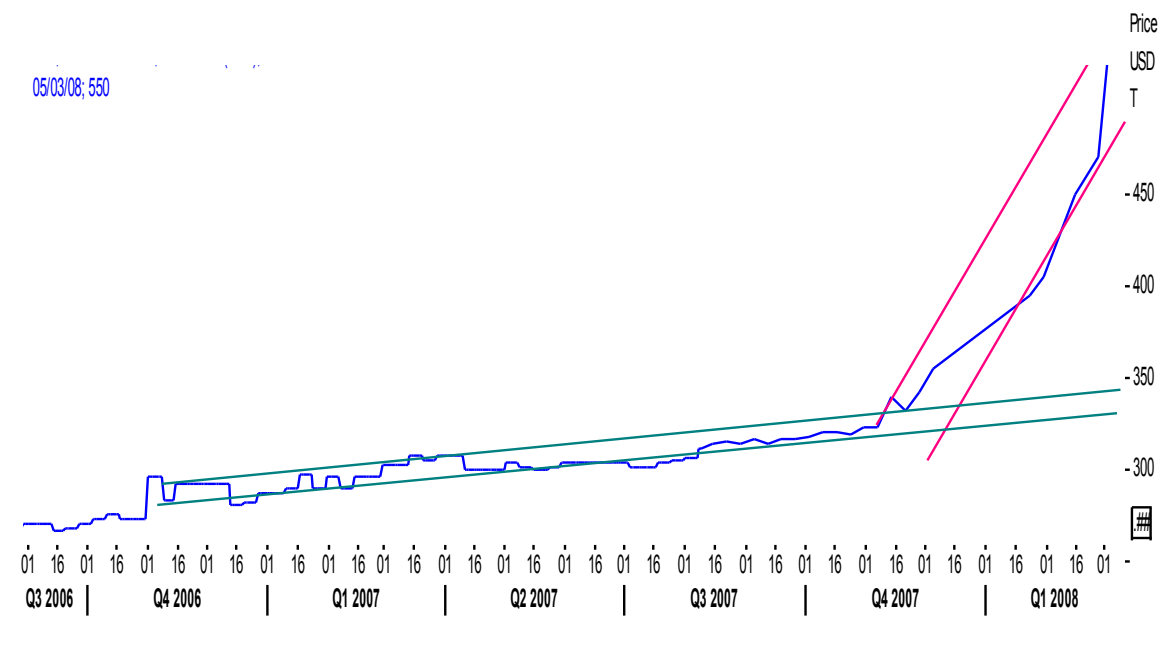
These evolutions turn to panic with a very strong collusion of buying interest in Asia linked to the market burst in the US.

The prospect of non compliance of basic feeding needs in certain counties gives substance to strong retention, distorting the previous phenomenon of economic improvement of the region.

Daily RICE VIETNAM 5%BK

25/08/06 - 11/03/08 (GMT)

In VIET NAM the price evolution is exploding a strong difference with the CHINA's well monitored market



## SOFT COMMODITY REVIEW

The main elements of evolution of the USDA market forecasts compared to December ones are rather optimistic and in opposition with the burst of market prices in the US? THAILAND and VIET NAM;

The 2006/2007 world crop estimates are revised higher (0.70%) balanced with consumption that increase of .048% with revised higher ending stocks (+0.63%) at nearly the same level of the previous crop.

The 2007/2008 crop year forecasts are also more comfortable with a strong production increase of 1.14% in excess of consumption and a significant increase of ending stocks +6.82%, and export decrease of 7.80%.

In particular CHINA's situation is forecasted in strong improvement with production in excess over consumption and ending stock at a +6.01% higher level.

## SOFT COMMODITY REVIEW

WASDE-457-24

World Rice Supply and Use (Milled Basis) 1/  
(Million Metric Tons)

Region	Supply			Use			Ending stocks
	Beginning stocks	Production	Imports	Total Domestic Production	Exports	Ending stocks	
2005/06							
World 3/	74.44	418.06	25.94	416.03	30.21	76.47	
United States	1.21	7.11	0.54	3.84	3.66	1.37	
Total foreign	73.23	410.95	25.39	412.19	26.55	75.10	
Major exporters 4/	12.41	138.31	0.36	114.92	20.43	15.73	
India	8.50	91.79	0.01	85.09	4.69	10.52	
Pakistan	0.31	5.55	0.00	1.90	3.66	0.30	
Thailand	2.31	18.20	0.00	9.54	7.38	3.59	
Vietnam	1.29	22.77	0.35	18.39	4.71	1.32	
Major importers 5/	12.75	59.65	10.79	69.69	0.50	12.99	
Brazil	1.75	7.87	0.75	8.97	0.28	1.11	
EU-27 6/	1.14	1.73	1.13	2.65	0.16	1.18	
Indonesia	3.45	34.96	0.54	35.74	0.00	3.21	
Nigeria	0.42	2.70	1.78	4.35	0.00	0.55	
Philippines	4.57	9.82	1.62	10.72	0.00	5.29	
Sel. Mideast 7/	1.23	2.01	3.91	5.61	0.06	1.49	
Selected other							
Burma	0.71	10.44	0.00	10.40	0.05	0.70	
C. Amer & Carib 8/	0.13	0.07	0.48	0.48	0.00	0.20	
China	38.93	126.41	0.65	128.00	1.22	36.78	
Egypt	0.50	4.14	0.03	3.34	0.96	0.36	
Japan	1.92	8.26	0.67	8.25	0.20	2.40	
Mexico	0.17	0.18	0.58	0.78	0.00	0.16	
South Korea	0.82	4.77	0.22	4.77	0.22	0.82	
2006/07 (Estimated)							
World 3/	76.47	420.56	27.67	420.92	30.65	76.11	
United States	1.37	6.24	0.65	4.05	2.94	1.27	
Total foreign	75.10	414.32	27.01	416.86	27.71	74.85	
Major exporters 4/	15.73	139.69	0.46	118.19	21.92	15.76	
India	10.52	93.35	0.00	86.94	5.50	11.43	
Pakistan	0.30	5.20	0.00	2.64	2.40	0.46	
Thailand	3.59	18.25	0.01	9.87	9.50	2.48	
Vietnam	1.32	22.89	0.45	18.75	4.52	1.39	
Major importers 5/	12.99	60.51	11.68	70.44	0.42	14.31	
Brazil	1.11	7.70	0.75	8.72	0.23	0.62	
EU-27 6/	1.18	1.69	1.30	2.75	0.15	1.27	
Indonesia	3.21	35.30	2.00	35.90	0.00	4.61	
Nigeria	0.55	2.90	1.60	4.45	0.00	0.60	
Philippines	5.29	10.09	1.80	11.55	0.00	5.63	
Sel. Mideast 7/	1.49	2.13	2.96	5.11	0.05	1.43	
Selected other							
Burma	0.70	10.60	0.00	10.67	0.03	0.60	
C. Amer & Carib 8/	0.20	0.07	0.38	0.48	0.00	0.17	
China	36.78	127.80	0.47	127.80	1.34	35.92	
Egypt	0.36	4.39	0.10	3.27	1.21	0.37	
Japan	2.40	7.79	0.68	8.25	0.20	2.41	
Mexico	0.16	0.23	0.59	0.83	0.00	0.15	
South Korea	0.82	4.68	0.27	4.78	0.16	0.82	

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, and the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

**SOFT COMMODITY REVIEW**  
**WASDE-457-25**

**World Rice Supply and Use (Milled Basis) 1/ (Cont'd.)**  
**(Million Metric Tons)**

Region	Supply			Use			Ending stocks
	Beginning stocks	Production	Imports	Total 2/	Domestic	Exports	
2007/08 (Projected)							
World 3/							
March	74.76	422.94	27.96	422.53	29.39		75.17
April	76.11	425.29	25.77	424.31	27.53		77.09
United States							
March	1.27	6.31	0.68	3.99	3.58		0.69
April	1.27	6.31	0.68	3.99	3.58		0.69
Total foreign							
March	73.49	416.62	27.28	418.54	25.81		74.48
April	74.85	418.97	25.08	420.32	23.95		76.40
Major exporters 4/							
March	15.76	141.26	0.46	120.69	20.40		16.39
April	15.76	141.16	0.16	122.19	18.90		15.99
India	11.43	94.00	0.00	89.93	3.50		12.00
Mar	11.43	94.00	0.00	90.43	3.00		12.00
Pakistan	0.46	5.40	0.00	2.44	2.90		0.52
Mar	0.46	5.40	0.00	2.44	2.90		0.52
Thailand	2.48	18.60	0.01	9.60	9.00		2.49
Mar	2.48	18.50	0.01	9.60	9.00		2.39
Vietnam	1.39	23.26	0.45	18.72	5.00		1.39
Mar	1.39	23.26	0.15	19.72	4.00		1.09
Apr							
Major importers 5/							
March	12.75	60.09	10.98	71.69	0.32		11.80
April	14.31	61.89	10.03	71.52	0.42		14.28
Brazil	0.56	7.99	0.85	8.90	0.15		0.35
Mar	0.62	8.20	0.70	8.70	0.25		0.57
EU-27 6/	1.27	1.68	1.10	2.75	0.15		1.15
Mar	1.27	1.68	1.10	2.75	0.15		1.15
Indonesia	2.86	34.00	1.60	36.15	0.00		2.31
Mar	4.61	35.50	1.10	36.35	0.00		4.86
Nigeria	0.60	3.00	1.70	4.70	0.00		0.60
Mar	0.60	3.00	1.60	4.70	0.00		0.50
Philippines	5.63	10.40	1.80	12.06	0.00		5.77
Mar	5.63	10.40	1.80	12.00	0.00		5.83
Sel. Mideast 7/	1.68	2.42	2.96	5.52	0.02		1.52
Mar	1.43	2.38	2.76	5.28	0.02		1.27
Apr							
Selected other							
Burma	0.71	10.66	0.00	10.70	0.20		0.47
Mar	0.60	11.30	0.00	11.18	0.40		0.32
Apr							
C. Am & Car. 8/	0.17	0.07	0.40	0.49	0.00		0.14
Mar	0.17	0.07	0.40	0.49	0.00		0.14
Apr							
China	35.92	129.50	0.60	127.00	1.30		37.72
Mar	35.92	129.50	0.30	127.00	1.00		37.72
Apr							
Egypt	0.40	4.38	0.00	3.40	0.95		0.43
Mar	0.37	4.39	0.02	3.39	0.80		0.59
Apr							
Japan	2.41	7.93	0.70	8.15	0.20		2.69
Mar	2.41	7.93	0.70	8.15	0.20		2.69
Apr							
Mexico	0.18	0.20	0.63	0.80	0.00		0.20
Mar	0.15	0.20	0.65	0.78	0.01		0.20
Apr							
South Korea	0.82	4.41	0.27	4.76	0.15		0.58
Mar	0.82	4.41	0.27	4.76	0.15		0.58
Apr							

1/ Aggregate of local marketing years. 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in some countries. 4/ India, Pakistan, Thailand, and Vietnam. 5/ Brazil, Indonesia, Hong Kong, Cote d'Ivoire, Nigeria, Philippines, selected Middle East, the EU-27. 6/ Trade excludes intra-trade. 7/ Selected Middle East includes Iran, Iraq, and Saudi Arabia. 8/ Central American and Caribbean countries.

This reassessment has also major effects on the present crop season forecasts on the US MARKET, that present a decrease of 0.32% in production that leads to a major revision of the ending stock of minus 13.75% for the new April forecasts.

All over the World the food security situation improve thank to the production excess. The ending stocks out side US post a progress of 7.05%

The situation in major consumer countries, that seems under control on the last study experienced a major shift in their evolutions:

CHINA (+6.01%), INDIA (+6.86%), USA (+15.93% in ending stocks, PAKISTAN (+15.56 to +37.01 %) and SOUTH KOREA (-2.85%) face the most important decrease in availability:

Only THAILAND ( stable) VIET NAM (-21.58%) do not experience improved situation.

The major factors of the imbalance are no more with major importer as BRAZIL (+62.86%) in South East Asia (INDONESIA +110.39%, the PHILIPPINES +8.36%) that shows better security margins.

But in MIDDLE EAST (-18.06%) and NIGERIA (-16.67%) the situation deteriorates.

## SUMMARY OF THE OBSERVED EVOLUTIONS

### Q3 2007

The market trends observed in Q3 2007 is bullish driven by major weather disruption in CHINA.

The producers and main exporters markets register a significant modification of their sales toward high quality rice whose prices evolution follows a very steep bullish trend.

The medium qualities rages appear rather stable by comparison despite the heavy weight of CHINA's poor crop on local prices. This scarcity situation has more significant effect on VIET NAM rice price evolution.

### Q4 2007

The Rough Rice Market in CHICAGO is a regional market with limited liquidity. The product quotes are under pressure of the export increases (+6.9%) due to:

Increase of buying power of buyers;  
Reduced local crop derived from the Mexican dispute, competition from corn and soy for their return  
Loss in value of the US CURRENCY toward other currencies supported by metals and petroleum prices

But the market discounts a steep reversal on the next crop delivery period.

On the export markets quality rice prices continue to hedge strongly higher, but some transfers on medium qualities are more noticeable but remain modest compared to quality rice prices evolution.

On the Thai market these transfers begin to accelerate while the export volume doesn't change significantly and remain rather limited.

The Chinese market is cooling with the release of government stocks to squeeze speculation and inflation.

The sole Vietnamese market is showing significant prices increase supported by strong consumption increases in Indonesia, and Philippines and in Africa for Nigeria all link to buying power increases chiefly form petroleum .

## Q1 2008

On my last release the USDA figures on quantity available induce a better balance market situation and so a decrease in prices.

Instead supported by new loss from dollar counter value, US exports increased leading to a more tight US RICE local market that BURST like other commodities for the first time in February to collapse in March on liquidity concerns, reproducing the same evolution observed on grains and other markets with a very close link to FED interest decisions (the same day).

This phenomenon induce a price acceleration in main export oriented producer countries (INDIA, VIET NAM, THAILAND) for the medium range quality rice that compete with US EXPORTS .

To protect their internal markets INDIA and VIET NAM suspend their export program and THAILAND is just about to do the same at the end of March.

On the high quality rice the evolution stay significant but at a less steep gradient

### EXPLANATION CONCLUSION

The support to liquidity and more significantly the steep decrease of interest rate offer the opportunity to financial operator to bet at limited cost either on trend or on volatility on commodity market.

They try the scheme in July and successful extend progressively their intervention on all the market as they are limited by CFTC RULES.

For the rice they are supported by the export increases and the shift of the currency and dispel the price evolution to all other markets and even reach with the same evolution the heavy controlled Chinese market.

This evolution introduced disruption and riot in a tight but potentially well balance and recovering market leading to political and UN intervention;. Lot of noise for a manageable situation..