



The Firstgrain Rice Market Strategist

A Firstgrain Publication
October 7, 2022

**“Faith can move mountains but don’t be surprised if God hands you the shovel.”
Saint Paul’s Church of Milngavie, Scotland.**

Highlights: A cauldron of market factors threatening price stability

- **Barge situation in flux on the Mississippi**
- **50% possibility of higher prices into 2023 based on nearby seasonals and higher oil prices.**
- **Political turmoil in Brazil and more volatile grain prices.**
- **A drought reduced Argentine rice crop, lower acreage in RGdS.**
- **Likelihood of a fall low less than \$1 below current levels.**
- **An end to the La Nina in early 2023 turning into an El Nino.**
- **Ongoing drought in South China, crop disaster in Pakistan.**

Dashboard Trend Watch:

"Pay attention to your dashboard because it shows you what needs attention." (Recent changes in red)



14 Firstgrain Metrics Percent Bullish: 43%

November Futures

Market Price Support: \$15.40-\$16.00 per cwt.

Market Price Resistance: \$18.00 per cwt.

Index	Trend	Rice Price
2 Bear 14 %		
* US Dollar	Up	Bearish
* US Rice Price Seasonal	Down	Bearish
6 Bull 43%		
* Fear of Virus Disruption	Omicron	Bullish
* Americas' Rice Stocks	Tightening	Bullish
* La Nina	Unstable WX	Bullish
* US Production 2022	Down	Bullish
* Long Term Oscillator	Above 80	Bullish
* Asian Rice Production	Down	Bullish
6 Neutral 43%		
* Commercials Position	Sideways	Neutral
* Asian prices	Sideways	Neutral
* Brazilian Real	Sideways	Neutral
* Brazil paddy in USD	Sideways	Neutral
* Wheat Price	Sideways	Neutral
* Crude Oil and gas	Bottoming?	Neutral

Trend Summary:

Bearish 3 Bullish 6 Neutral 6

Dashboard assessment:

Neutral and Bullish in balance now. We need to watch wheat now bottoming, crude bottoming perhaps and US rice seasonal looking for a low. Food grains may gain versus feed grains in the weeks ahead.

2022 Crop Pricing:

Get up to 25% priced before the end of harvest if the current level provides you a profit. You do not go broke taking a profit.



Executive Summary

Since 22 Sept, the barge quote has escalated by 272% due to the low level of the MS. This rally is historic. On Wednesday, the nominal quote for a rice barge was \$4.32 per cwt. It is all about the low water levels in the river and barges at less than full capacity. On Lake Providence, LA, 100 tows hauling 1,600 barges were lined up for miles waiting to pass through at a trouble spot. Gulf exporters have pulled offers for corn and beans. Barges per tow have been reduced by up to 40%. Without substantial rain, the jam will continue into the busiest grain export period of the year. Talk about your catastrophes!

Crude oil may have bottomed out as OPEC intends to curtail production and the Administration has depleted the strategic reserve ahead of the November elections. It looks like \$100 per barrel may happen in 2022. As we have said before, rice and crude tend to follow each other, more than even the US dollar.

Now it looks like Brazil may be getting into a mess with its elections that could see Bolsonaro back in office. If politics create problems in Brazil, grain prices could go up. Again our contention is that global trade is breaking down and buyers will look for more local supplies in safer waters.

With Argentina dry due to the enduring La Nina and in the rice areas of Brazil, supplies could be less to export in 2023. Brazil could end up a net rice importer if Mother Nature fails to cooperate.

One wx commentator offers us little encouragement:

"Drought continues to build along the Mississippi River, especially from St. Louis south. Dry soils will limit run off (even if rains are heavier than forecasted) keeping river levels low."

BOTTOM LINE

The barge jams on the river, the ongoing drought in China, potential political upheaval in Brazil and OPEC cutting production going into the November elections means high levels of uncertainty for grain and energy prices ahead. The problem with rough rice transport may result in weakening rice basis in the Delta. Never a dull moment in the rice market!

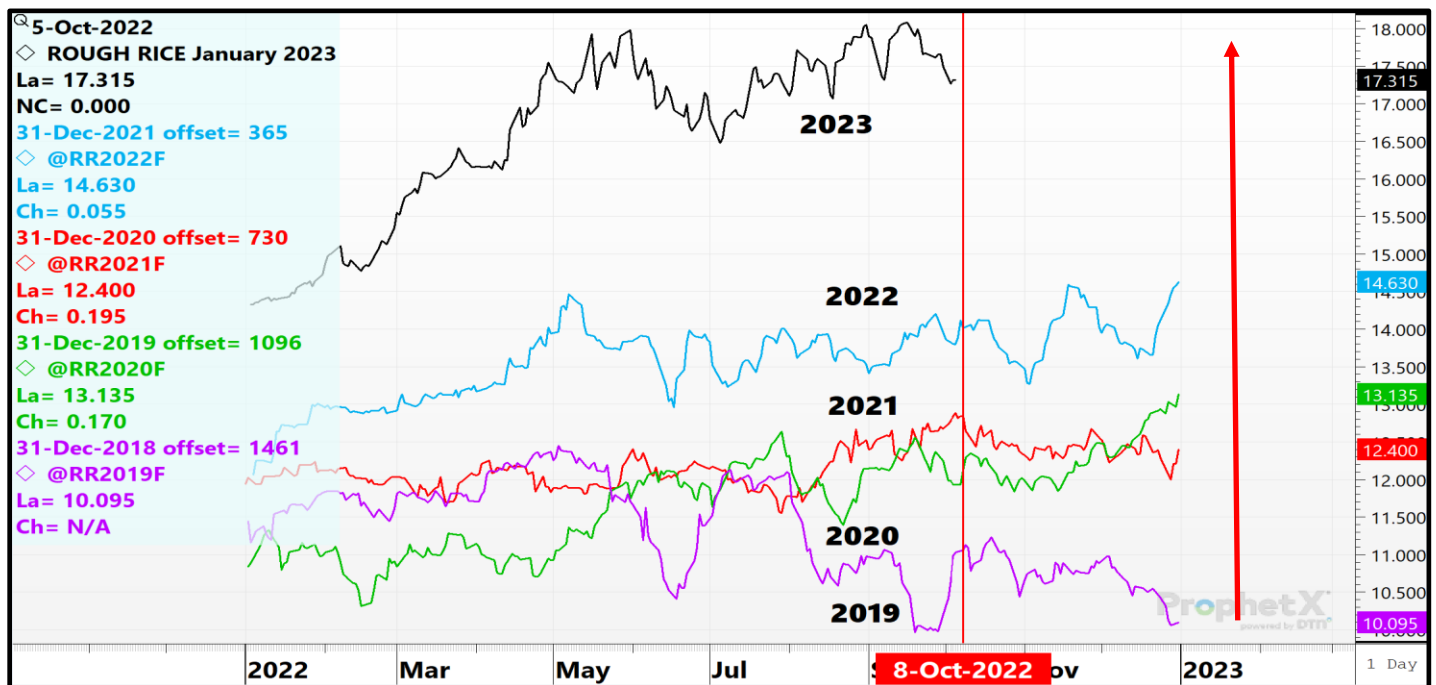
The Technical and Seasonal Look to the rice price now.



uncertainty. The Fibonacci chart to the left suggest that this market could sink back to the low \$16.00 area or even spike down to \$15.50 per cwt. Wheat does seem to be bottoming out and like corn could move higher but beans have lots of issues right now such as a poor-quality bean crop in the Delta and a lack of beans to blend off because of the slow movement of harvest to the Gulf from the Midwest.

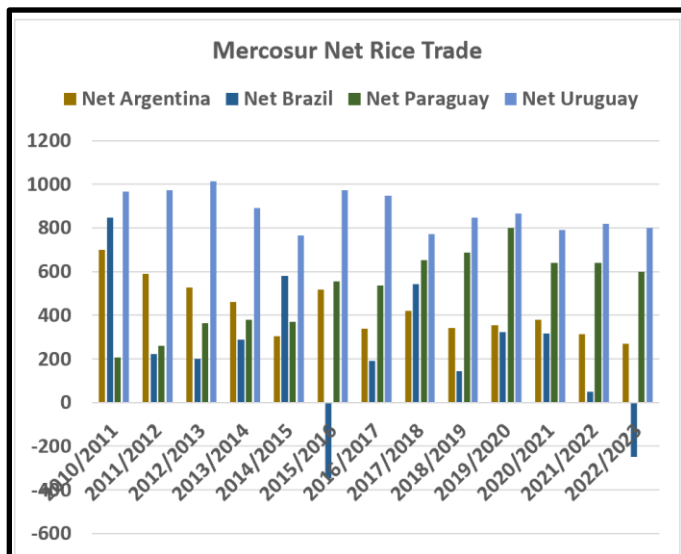
Because of all the price uncertainty it is hard to see where January 2023 futures might end up at expiration. Except for 2019, by January the price moves sideways to higher in most cases in the last five years. The January 2019 contract was pricing in a larger rice crop from 2018, which is not the case this year. The market has priced in some of the short crop and inflation but out of the harvest low ahead, rice prices should creep higher in 2023. Notice that the level of the seasonals have been elevating since 2019 in the wake of a large crop in 2018.

We are in a price correction with all this



Potential problems with the rice crop in South America

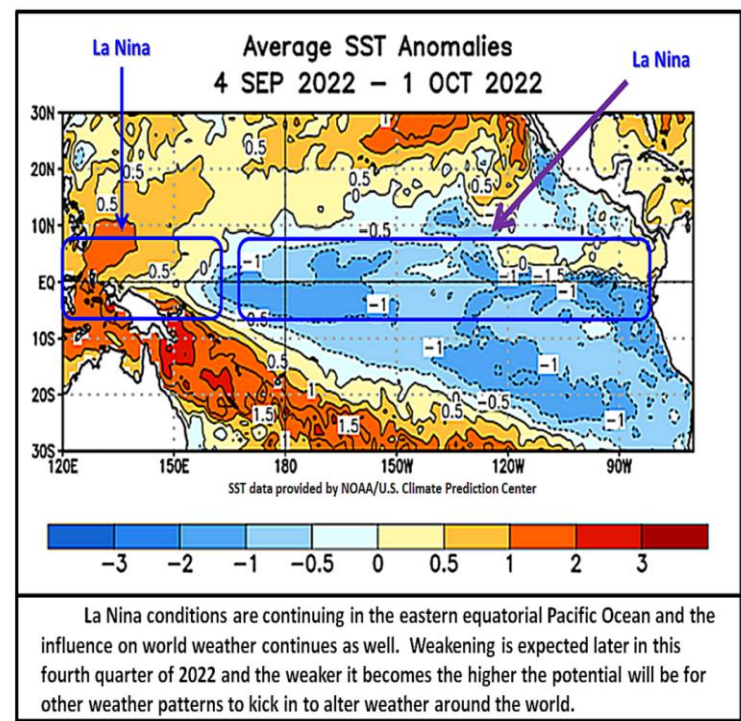
Two problems face the rice in South America: ongoing drought risks due to the La Nina and the risk of a political firestorm if Bolsonaro is elected again. If an exporter the size of Brazil falls into political turmoil, all bets are off on the price of grains in 2023. This assumes that the cutbacks by OPEC will not unglue natural gas and fertilizer prices in the EU.



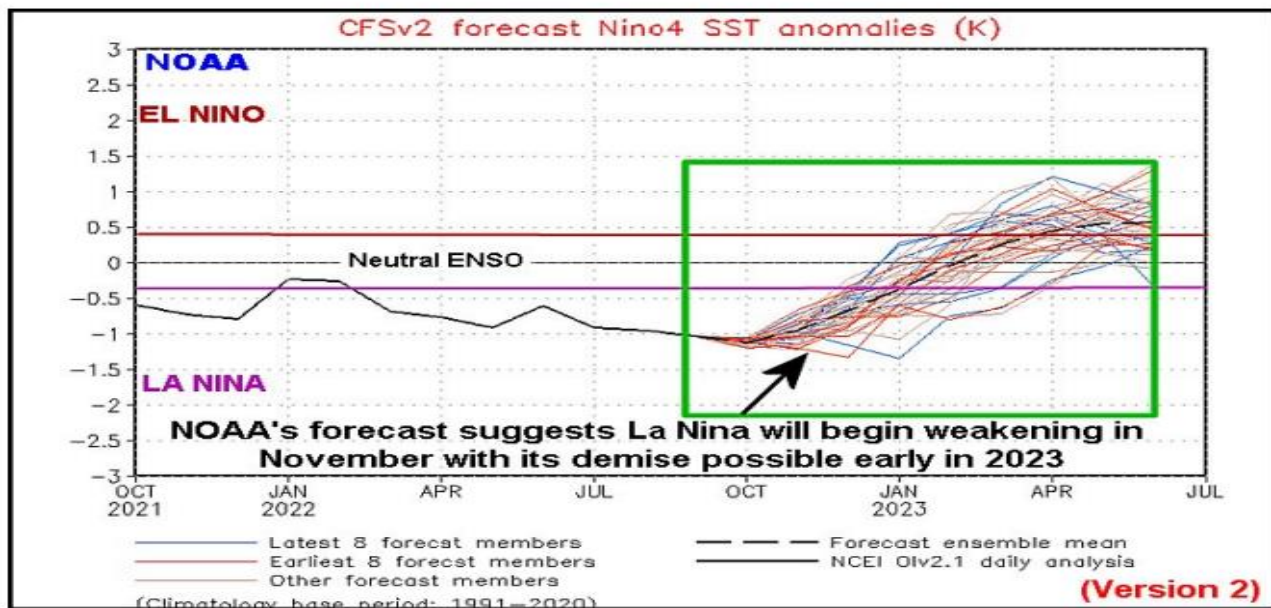
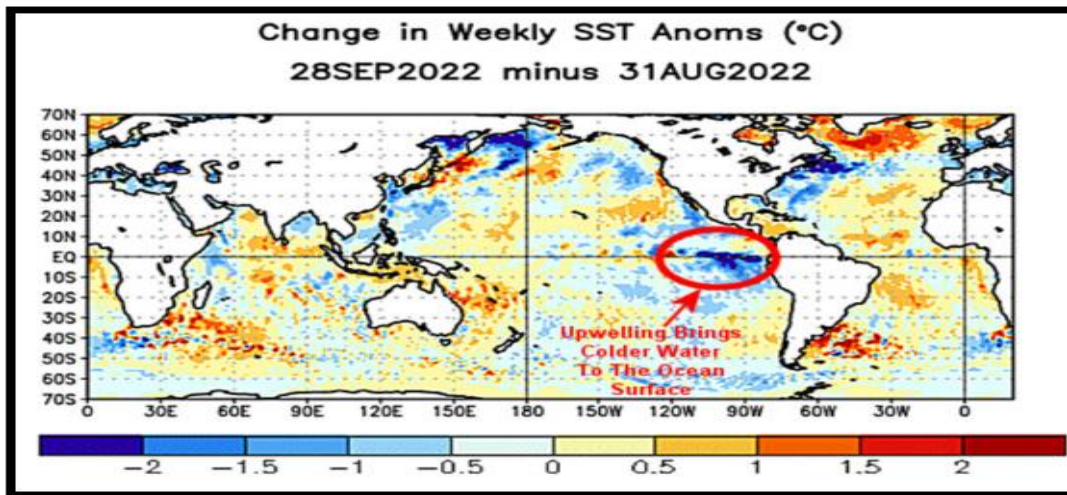
We know that the acreage in rice in Mercosur will be lower with Brazil down at least 10%. And allowing for yield problems in Argentina due to the ongoing drought, we believe that Brazil could be a net importer of rice for the first time since 2015/2016. Brazil since July has ramped up

exports to capture business from the US, particularly rough rice business. Now we face high rice prices in the US due to production shortfalls due to high bean prices and high fertilizer costs. If the Mississippi River does not refill by next

Kansas City, Oct. 4 (World Weather Inc.) – [A broad region of strong easterly trade winds across the central tropical Pacific Ocean is inducing a period of enhanced upwelling of cool ocean water near the coast of South America. This is a classic La Nina event and the latest data suggests La Nina is nearing its peak intensity for the third time in this multi-year event. The implications of this suggest a strong worldwide influence from the phenomenon should occur over the next few weeks and then the stage will be set for rapid weakening later in this fourth quarter of 2022.](#)



spring, we run the risk that Asian rice will make its way into US traditional markets in Central and Northern South America with all that that implies in the future.

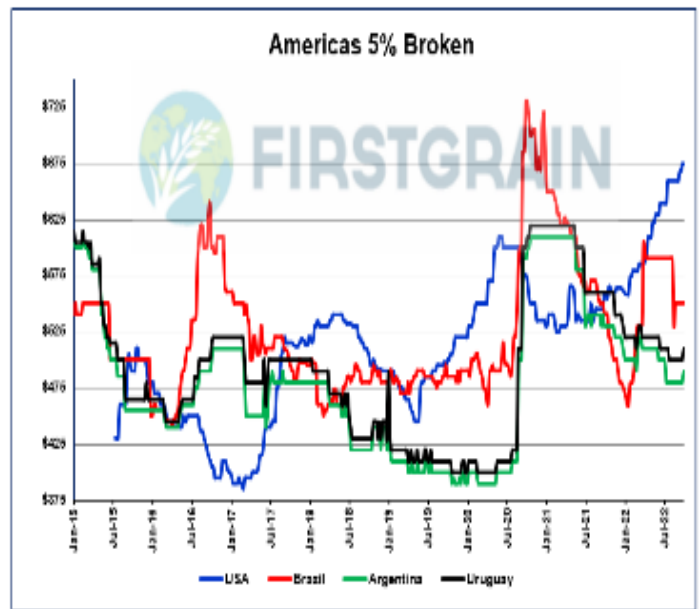
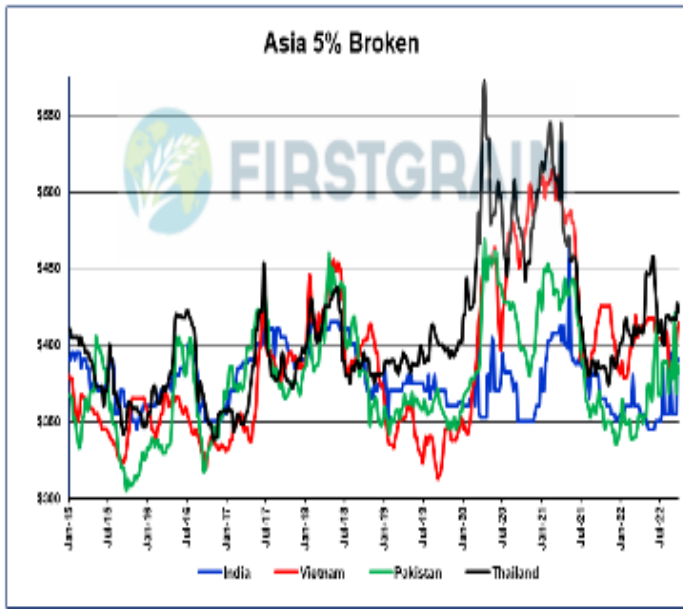


As the La Nina weakens towards the end of this year, one of our weather advisors thinks that “other weather patterns could kick into alter weather around the world.” Then this condition could weaken rapidly in the fourth quarter of 2022 ushering out a third year of La Nina and bringing in an El Nino of some intensity in 2023. Asia has enjoyed a near El Nino free period for the last decade and a half leading to a massive buildup of rice subsidies, rice stocks and huge rice exports. The trouble with rice plantings this year may just be the beginning of problems with the rice crop

half of which relies on rainfall for the Kharif main crop season.

The above map and chart suggests that there is very warm waters off the coast of Brazil that is contributing to the drought in Argentina. The NOAA chart above suggests a rapid upward trend in the ENSO so that by April we could be in a full-fledged El Nino after two plus years of back-to-back La Ninas.

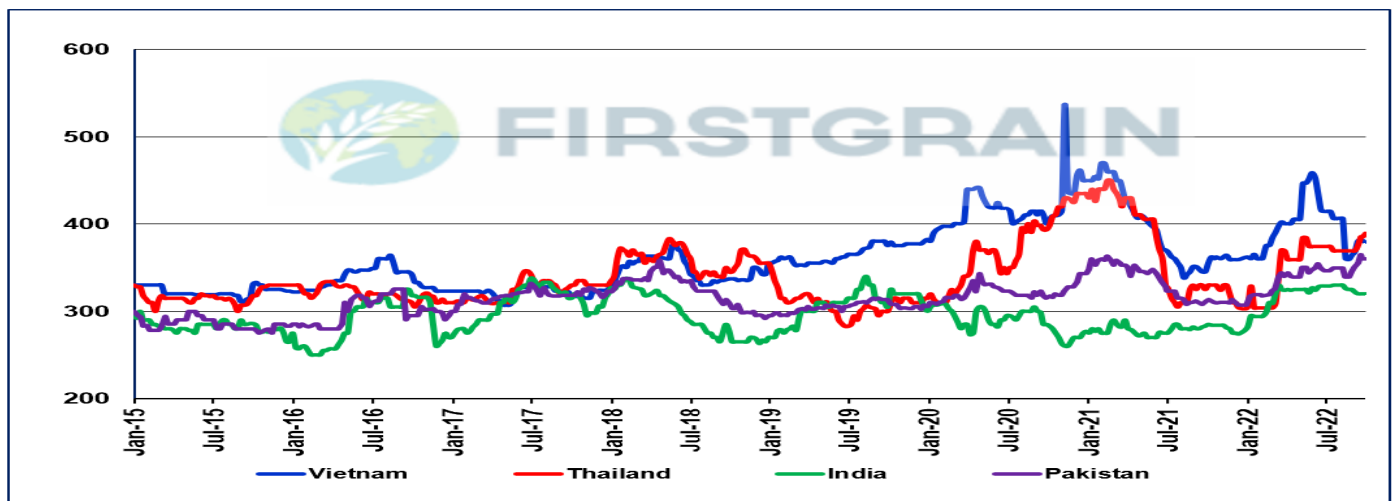
World FOB Milled Export Price



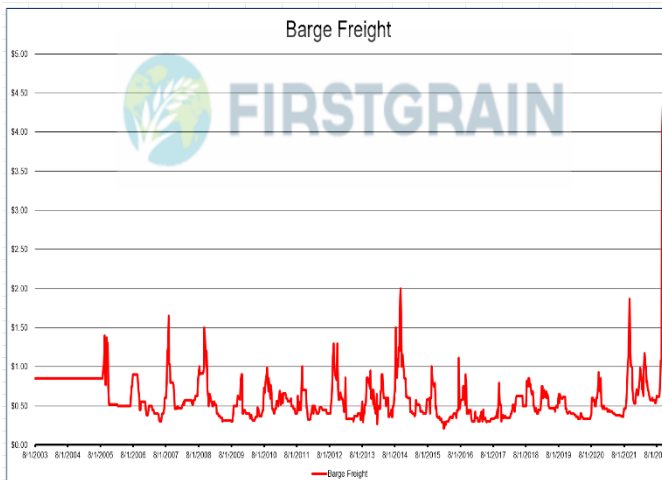
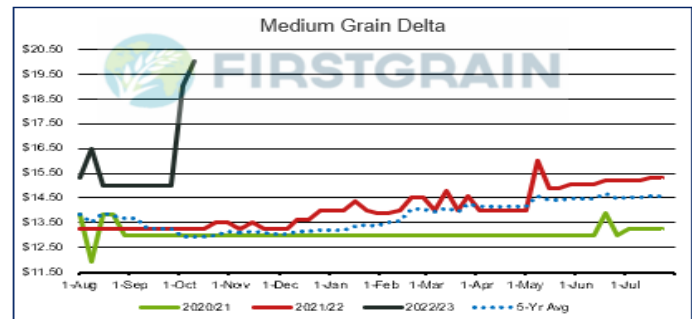
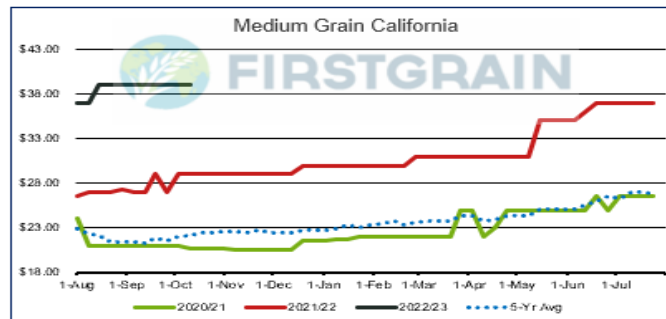
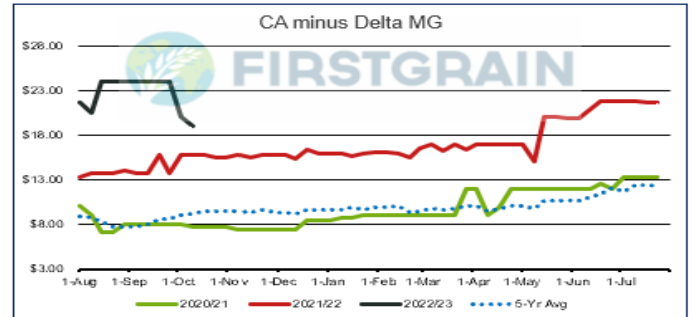
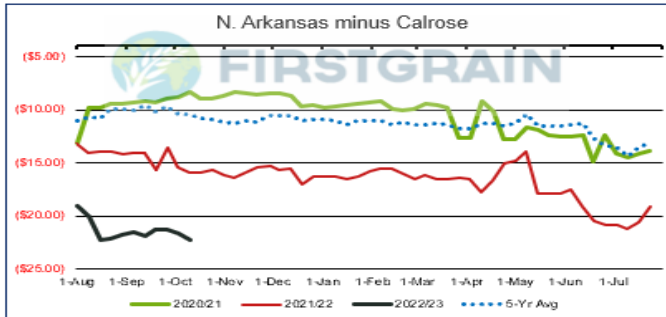
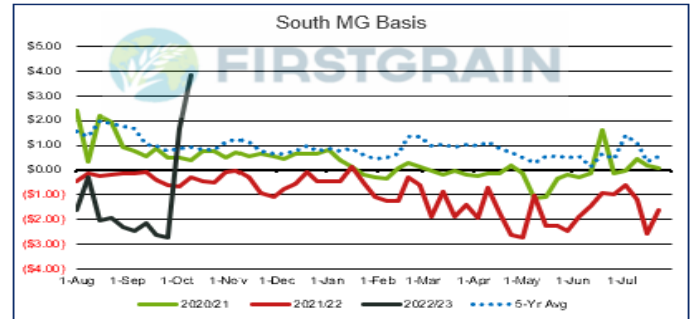
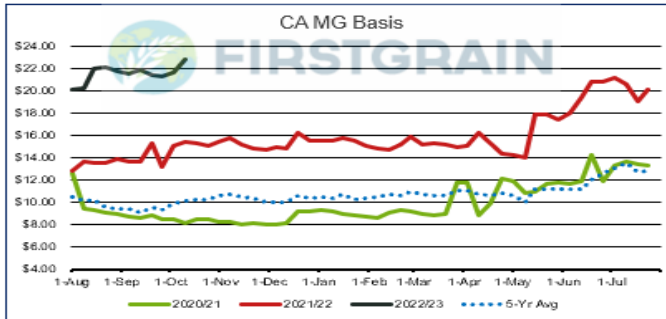
The export offer from the US is very high, which might imply that Asian rice will leak into the Americas in the weeks ahead. What we do not know is whether the 20% export tax and the ban on broken in India jerks Asia's rice prices higher or not. Buyers are frustrated with the imposition by India of a 20% export tax on ordinary rice until it comes time for them to restock. Rice

currency values are collapsing just as occurred in 1997. China must go elsewhere to buy broken rice and it would appear that Thailand may benefit along with Pakistan, except that Pakistan is suffering the worst flooding there in many years. No rice market and certainly not the US barge market is an easy read up ahead.

100% Broken Asia



Medium Grain Basis Regions in US



Barge rates are up, also Delta medium grain prices.

In the last two weeks, barge rates and medium grain prices have increased tremendously. Barges rates as we mentioned above have rallied because the river is jammed up with low water levels going into grain harvest. Medium grain basis has gone from \$3.00 under futures to \$4.00 over futures. Why so? Medium grain field yields in the South have been very disappointing and the price in California has been very high. Someone was caught napping on the job perhaps.

U.S. Export Sales

October 6, 2022

(Data for Week Ending Sept. 29, 2022)

Rice:

Last week's dismal export sales have pushed through to rice exports this week and a slightly higher book of sales have kept export hopes alive, if not kicking. The river is more or less shut down but there is still the Gulf Coast, Texas and Louisiana and there is rice to be had there if someone wants. The US has been battered by sales from South America which has to have depleted carryout stocks as rice is being planted "down below." This season reminds us of 2020 when the US ran out of rice stocks going into harvest and Brazil capitalized on its paddy price as rice futures took a moon shot.

Net sales of 38,100 MT for 2022/2023 primarily for Japan (13,000 MT), Canada (9,500 MT), Guatemala (5,000 MT, including decreases of 1,000 MT), Nicaragua (4,400 MT), and Jordan (3,900 MT), were offset by reductions for El Salvador (100 MT).

Exports of 9,700 MT were primarily to Canada (2,800 MT), Mexico (2,300 MT), Saudi Arabia (1,700 MT), South Korea (1,600 MT), and Austria (700 MT).

Sep-22	Demand & Supply (Rough Basis)			2022/23 Crop Year	2022/23 Crop Year
	2019/20 USDA	2020/2021 USDA	2021/2022 USDA Est.	USDA September-22 Proj.	Firstgrain September-22 Proj.
Harvested Area (million acres)	1.73	2.30	1.94	1.88	1.79
Yield (lbs per acre)	7,261	7,422	7,471	7,425	7,400
Beginning Stocks	32.6	16.9	30	25	25
Production (million cwt)	125.6	171	145	132	132
Imports (million cwt)	30	27	31	34	33
Total Supply (million cwt)	188	215	205	191	190
Domestic Usage (million cwt)	106	120	120	112	115
Exports (million cwt)	65	65	61	58	60
Total Use (million cwt)	171	185	180	170	175
Ending Stocks (million cwt)	17	30	25	21	15
4-Year Stocks Average	23	23	23	23	23
AVG Farm Price	\$12.00	\$12.60	\$13.80	\$16.50	\$17.00
Price Ratio: Rough Rice/Soy (%)					
(January prior to planting)	52%	70%	44%	44%	42%
Production Change yr/yr	-23.41%	35.90%	-15.29%	-8.71%	-8.40%
Stocks to Use (%)	9.9%	16.1%	13.6%	12.1%	8.6%

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