

# Global Rice Cooling

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**F**ortunately, I do not hold a position as a meteorologist at a University. Such a title as the one above might threaten my tenure. Since I graduated with a Master Degree in Agricultural Economics way back in 1974, I have seen our society become more

doctrinaire and strident, that is a bit pig-headed on their views, one of them is Global Warming.

I had always thought that science was not politics but about exploring different approaches to describing natural phenomenon. Science these days is looking more like partisan politics than real inquiry.

So what does all this have to do with the price of rice in China or Arkansas? Well the rice market is caught in a whirlpool of chilling waters right now. One is global cooling, not of the atmospheric type but of the economic type. Credit is getting very cold and sluggish. The credit markets are freezing up and that is putting the heat on lenders and traders and foreign buyers of just about everything. The global cooling of credit leads to Demand Destruction for rice. If you doubt me, just run a chart on long grain milled rice export sales from the US. This market is in a vertical free-fall. When credit freezes up, buyers have less money to spend and less tolerance on price. And oh, by the way, our oil exporting and rice importing friends are not doing to well right now.

Farmers did not sell much grain in December, hoping for higher prices in 2009. Sellers hope for higher prices; buyers hope for bigger margins. Sellers sell on fear of lower prices; buyers buy on fear of higher prices. In between are the lenders, who are starting to get pink slips along with hedge fund managers and economists. This is Global Credit cooling and demand destruction.

So reading the above might lead you to conclude that I am a commodity price bear in 2009. Well, that is an unfair conclusion. I am not bearish on rice, I am skittish on the rice price. Here are some more reasons why.

Demand destruction is underway already in all the grains and grain export markets. But it is

not that simple. There is also Supply Destruction going on just below the surface. That is why cocoa in late December rallied to 23 year highs, on supply destruction. What happened? The weather in West Africa where a big chunk of cocoa is grown was cold and wet and tree yields declined I suppose. Also fertilizer was very expensive and farmers went on strike along with custom agents. Sound familiar?

Cold in Africa, what ever is going on? Perhaps we are entering a period of global cooling, not just of credit but of the world's climate. This December may be the first time you could ski across Canada on snow since 1971. Some say low sunspot counts lead to global atmospheric cooling. For example, 2007 was one of the ten lowest sunspot years in the last 100 years. And 2008 is shaping up to be the second lowest sunspot producing year since 1913.

Some say that the dire decline in sunspot activity may lead to radical global cooling for several years or decades. I just bring this second cooling to your attention. Cold and wet kills more rice in many areas of the world than hot and/or dry. Remember rice is an irrigated crop but water in the field does not prevent cold delays and damage. It was cold and wet that destroyed the Brazilian rice crop and led to huge rice imports from the US in 2003.

We are in a Jurassic park kind of economy with monsters tromping around eating all the lawyers in the outhouses. Remember that movie? In it the Big Game hunter took a bead on the first Raptor but overlooked the second Raptor, which we suspect ate him. Raptors spit at you first and then disembowel you. The First Raptor I have been watching this fall in rice is the Demand Destructor Raptor. The Second Raptor is hidden in the bushes and is the Supply Destructor Raptor.

The next time you eat a chocolate bar ask yourself: Could what happened to Cocoa in Africa happen to rice? Bring your M&M crispies to the Conference in Marksville and I will compare things with you. Do you know what a crunch commodity spread is? Long rice and short cocoa, just kidding ... sort of.

Eat rice, chocolate really does make your butt big. Δ

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