

## NEWS/BUSINESS



## Rice Dairy reflects on growth, looks to future as it celebrates 10 years of business in 2012

By Alyssa Sowerwine

**CHICAGO** — When Brian Rice launched Rice Dairy LLC in the center of Chicago's Financial District in 2002, he'd already been involved in the dairy market arena for at least six years. However, Rice felt there was a lack of strong, professional price-risk management services available to dairy industry players.

With this in mind, Rice Dairy LLC was created. The firm's initial focus was to provide guidance, analysis and execution services on futures, options, spot and forward markets, specializing in dairy and markets at dairy's periphery. Now, 10 years later, that focus has not changed, Rice notes.

The firm now is a 50/50 partnership between Rice and fellow principal Peter Turk, who rose to executive positions at two major Chicago clearing firms before partnering with Rice in 2005. The two had worked together in previous years, so Turk says he knew Rice was someone he could trust.

The two principals say that the boutique brokerage firm — Rice notes the word "boutique" reflects the firm's focus on one specific area, dairy — maintains a strong position in the dairy complex on the trading floor of the Chicago Mercantile Exchange (CME) with four exchange members executing on behalf of the firm's clients. The CME is the largest and most diverse financial exchange in the world for trading futures and options.

"These four members are in the dairy complex during the entire session," Rice says. "As a result of this dedication, Rice Dairy brokers maintain a keen awareness of players and market dynamics. This also provides clients with immediate order placement, execution and fill reporting."

In addition to maintaining a position on the floor of the CME Group, Rice Dairy also has offices located on LaSalle Street in Chicago's Financial District.

Both Rice and Turk have been involved in the dairy futures market since the inception of the CME contract in 1996, and the two have a combined 42 years of futures industry experience and a combined 30 years of being registered with National Futures Association.

In addition to the two principals, Rice Dairy in the past 10 years has grown to 15 currently on staff, including Jerry Dryer, a market analyst and strategic thinker with 35 years of active participation in all aspects of the dairy foods business; Jon Spainhour, who managed the Dairy Trading Desk on the floor of the CME for institutional clientele at Cargill Investor Services prior to joining Rice Dairy; and Joseph Schmit, one of the founding floor brokers in the milk futures market in 1998, among other key industry players.

"The team that we have built is

one of the strongest things about the company," Rice says.

Rice Dairy's specialty in price risk management centers on classic market analyses, both fundamental and technical, industry insight and broad market participation, Rice notes.

"Rice Dairy believes that today's dairymen, processors, end-users and traders can use our risk management tools to safeguard against the threat of uncertain input costs and output values," he says.

Turk notes that education is a key component of this strategy.

"More and more, the industry is truly embracing risk management tools," he says. "But education is so important. Now more than ever, dairymen want to use these tools because they understand how they work."

He notes this is largely the result of a dairy industry that in the past three to four years has really stepped up education efforts.

"It's paying off," Turk says. "The market is getting more and more sophisticated as we're utilizing more of these risk management tools. We're seeing a lot more people setting floors and ceilings on inventory, and we're definitely seeing a market that's becoming a little more mature."

Rice notes that another key component of what Rice Dairy is doing is getting out timely and accurate information. In addition to its brokerage services, the firm publishes daily and weekly reports, periodic price forecasts and pre-USDA report estimates.

"Analysis and consulting have grown quite a bit in the last two years especially," Rice says.

He notes that the firm's real advantage is its focus within the dairy

futures market.

"They say 'Jack of all trades, master of none,' and it's true," he says. "We have a team of 15 people focused on one area."

Rice Dairy also has been at the forefront of supporting the development of the futures market in the dairy arena. While the firm did not initiate the development of the relatively new cheese futures market, launched in June 2010, it advocated for it and educated industry players on its benefits.

In a Nov. 27, 2009, guest column in *Cheese Market News*, Rice touted the

benefits of the CME listing futures on cheese as an additional hedge instrument, noting it would allow additional sections of the dairy industry to enter the world of dairy exchange traded futures and options, benefiting the formerly excluded by offering superior price risk management tools and benefiting the industry as a whole by providing much-needed additional liquidity into the CME dairy complex.

In a follow-up *CMN* guest editorial on Sept. 23, 2011, more than a year after the cheese futures market was

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## ERS reports U.S. beverage milk sales declined 1.4 percent in 2010 from previous year

WASHINGTON — U.S. beverage milk sales in 2010 totaled 53.656 billion pounds, down 1.4 percent, or 752 million pounds, from 2009, according to preliminary estimates recently released by USDA's Economic Research Service (ERS).

Total cream product sales also declined in 2010, to 3.63 billion pounds, down 2.6 percent, or 97 million pounds, from 2009.

Between 1975 and 2010, total beverage milk sales have ranged from a low of 51.780 billion pounds in 1982 to a high of 55.054 billion pounds in 1991. Since 2000, beverage milk sales have ranged from a low of 53.439 billion

pounds in 2005 to a high of 54.490 billion pounds in 2000.

Beverage milk sales by product in 2010, with comparisons to previous years, are as follows, according to the preliminary ERS figures:

- Whole milk: 14.192 billion pounds, down 5.5 percent, or 829 million pounds, from 2009. Whole milk sales in 2010 were less than half of their level in 1983 (28.871 billion pounds).

- Reduced fat (2 percent) milk: 18.630 billion pounds, down 4.0 percent, or 774 million pounds, from 2009.

- Lowfat (1 percent) milk: 7.276 billion pounds, up 4.3 percent, or 301 million pounds, from 2009, and a new

record high. Lowfat milk sales have increased by more than 1.0 billion pounds since 2004, when they totaled 6.207 billion pounds.

- Fat-free (skim) milk: 8.285 billion pounds, up 0.7 percent, or 54 million pounds, from 2009.

- Flavored whole milk: 579 million pounds, up 1.6 percent, or 9.0 million pounds, from 2009.

- Other flavored milk: 4.221 billion pounds, up 16.3 percent, or 593 million pounds, from 2009, and a new record high. Sales of other flavored milk have more than doubled since 1996.

- Buttermilk: 473 million pounds, down 18.4 percent, or 107 million

pounds, from 2009.

Meanwhile, in 2010, sales of half and half, light cream and heavy cream totaled 2.338 billion pounds, down 4.6 percent, or 114 million pounds, from 2009, ERS reports.

Sales of half and half, light cream and heavy cream have now declined three years in a row after reaching a record high of 2.529 billion pounds in 2007.

Sour cream sales in 2010 (this includes sour cream dips in California and sour cream used in dips elsewhere) totaled 1.292 billion pounds, up 1.3 percent, or 17 million pounds, from 2009.

Also included in the ERS breakdown of fluid milk sales, in addition to beverage milk and cream products, are eggnog and yogurt.

Eggnog sales last year totaled 127 million pounds, down 0.8 percent, or 1.0 million pounds, from 2009.

Yogurt sales in 2010 totaled a record high 4.181 billion pounds, up 9.1 percent, or 349 million pounds, from 2009. Yogurt sales have more than doubled since 2001, when they first topped 2.0 billion pounds. In 1975, yogurt sales totaled just 425 million pounds. **CMN**



## RICE

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launched, Rice notes that "... since cheese futures and options have been listed, we have experienced phenomenal growth within the make spread."

In the piece, he also notes that "... adding cheese contracts has generated a solid win for our markets. I believe there is a lot more growth to come if we continue listening to the people using these contracts."

Listening to its customers is another key component of Rice Dairy's growth and success, both Rice and Turk note.

"We have a group of people that make us better every day," Rice says. "These are leaders in the dairy industry that span the globe and share our passion for dairy trading. They challenge us and make us better."

Looking forward, Rice says one of the biggest challenges ahead is properly integrating the production side, or dairy farmer side, into the market trading complex.

"Hedging for dairy farmers is so important, and hedging properly is equally important," he says. With this in mind, Rice Dairy will be looking to hire additional staff to serve as consultants for the production side of the business.

Turk notes that in the future, Rice Dairy is "going to go where our customers are going, and that's really how we've grown since we've started. We need to hear what our customers want, and we'll respond to that." **CMN**

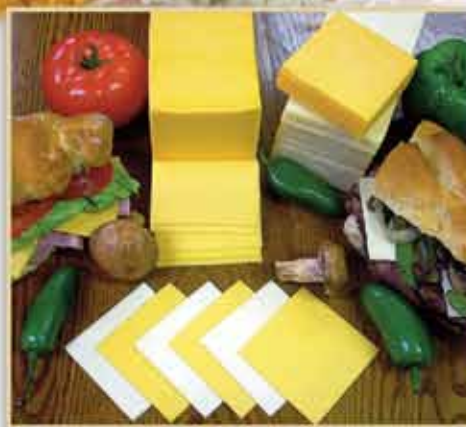
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