Private equity fund takes a stake in Chinese food processor

Origo to serve up rice

Dan Coatsworth

Rice has historically been one of the few commodities in which it has been difficult to invest but a $13 million deal by private equity group **Origo Partners (OPP:AIM)** last week (4 Mar) has addressed this situation. Origo is acquiring between 21% to 29% of rice processing and distribution group China Rice, dependent on the target's profitability in 2011. Buy Origo at 46.25p as this provides a way to trade bullish rice demand, as well as get exposure to the firm's other investments, all of which are central to economic growth in China.

Origo's latest invested company is based in Jilin. This is one of the China's largest producing areas of japonica rice, a variety which many Chinese consumers favour due to its supposed health benefits and superior taste.

China Rice plans to acquire rival processors and develop a nationwide brand associated with higher-quality products. Origo hopes China Rice can make acquired companies more profitable by focusing on higher-margin products.

Rice prices are steadily increasing as countries take steps to protect their domestic food needs. Many of the world's biggest consumers of rice are actively importing the food to boost inventories, including the Philippines, Indonesia and Bangladesh. China, Japan and South Korea are planning to build rice reserves to protect themselves against volatile commodity prices.

Other investments with rice exposure to consider include **City Natural Resource High Yield Trust (CYN)** which has an undisclosed stake in UAG, a rice farmer in Uruguay; and **Elements RICI-Agriculture (RJA:NYSE)**, an exchange-traded note which has a 2.1% rice weighting.

Shares says: **Origo offers a good way to play a long-term bullish take on rice.** Buy.