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# RPC Monthly Newsletter

## After some rain, cash market still strong

### Farm Bill:

What does the Farm Bill mean to Rice Producers—and more specifically CA Rice Producers? We will examine what the current legislation means to us on the farm level, and what needs to happen in the trade to make up for some shortcomings. Typically, governments implement large scale food and farm policy reform in a surplus market. There may be a glut of food in other US commodities, but for rice—both for long grain and medium grain—that is certainly not the case. Stocks are currently forecast at near 10-year lows. The new farm policy, set to be enacted in 2015 will not offer coverage or mitigate risks for the farmers this year. What that means is that the farm policy won't take place until next year, and direct payments were eliminated, which affects rice more so than most other crops. The saving grace this year is of course the drought that allowed prices to reach levels that diminished the importance of the direct payment. That said rice is still one of least protected crops in 2013/14.

Unlike the rice farmers in the South where producers can easily substitute or change crops that offer competitive returns and use largely interchangeable equipment, California farmers are locked into planting rice. In the case of many long grain producers, particularly in Arkansas, it seems that the PLC will actually encourage some to plant more rice over beans and corn in 2015 all factors constant. Although under the Price Loss Coverage (PLC), the minimum for Calrose rice is \$2.10 higher than the minimum for long grain and other medium grain

varieties, many in California are still concerned that the \$16.10 floor will not offer enough support. Because the farm policy is now finalized, and California rice country is relatively more difficult to convert to other crops, it is now more imperative than ever to focus on the Trans-Pacific Partnership (TPP).

For the simple reason that more demand means better prices, it is absolutely essential that the RPC and its membership consider the new farm policy mainly to build motivation in demanding that rice be on the table as the TPP trade talks continue to occur. RPC is a voice for the CA Rice Producer that advocates for increased trade based on a farm bill that leaves CA rice more exposed than other crops.

### General Medium Grain Update:



**Next Issue: A discussion on opening China as a market for US Rice...**

Despite the recent precipitation, water districts throughout California have demonstrated little interest in changing their water allocation estimates. Even though the precipitation levels to date in Northern California have now surpassed the 2011/12 marketing year, reservoirs are still extremely low. So low in fact, that there has been little conversation regarding the reversal of any recent policy

developments.

Currently the industry is bracing itself for a 30%-40% decline in acreage. If it were strictly up to water allocations, the reduction in acres would be much more acute. Just a couple weeks ago, before the weather patterns shifted, there were even talks of

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regulating the use of ground water. This is perhaps the one area that may have loosened up with the recent pouring of rain. Producers have reported to have access to their wells, and given the current medium grain prices, they intend to use them as much as possible to increase their plantings.

**But how much MG rice will be planted in the South?** Some have already began planting in Louisiana, which will likely be the state with the largest medium acre increase, followed by Arkansas. The change in acreage in the other Southern states will be fairly unremarkable in terms of medium grain. According to analysts, California acres may slide by 180-200 thousand acres which will be partially offset by the 100-125 thousand acres that the South plans to add to medium grain production.

Australia announced earlier this week that their production would fall short 800,000 metric tons. This is a significant development as the 800,000 metric ton was already a figure that fell 150,000 metric tons short of their original estimate.

### Market Update:

The California cash market has continued to remain strong in recent weeks with prices at \$22 per cwt over loan. The sharp increase in Calrose price has only slightly pulled up Jupiter prices. While Calrose new crop has been contracted as high as \$20 per cwt over loan in some cases, the highest contracts for southern new crop (medium grain) are about \$9 over loan.

Buyers will find it difficult to pry lose any rice from first hands at less \$23 per cwt. RPC estimates indicate that there is about 1.5-2 million in first hands and about 11 million in hands of buyers/mills. Japanese tenders continue to sell at over \$1,000 FOB

which equates to about \$21-\$22 per cwt return.

The WASDE report for March was basically unchanged from February, except that the USDA added 1 million cwt to the import column which led to an equivalent raise in ending stocks. With ending stocks now forecast at 9.7 million cwts, the only year within a decade to be tighter was 2007/08 where ending stocks were 9.1 million cwts. The other notable change in the report was that the USDA elevated its average farm price estimate by a \$1.50 per cwt, up to \$12.80 over loan. Of all the medium grain sold in the US, approximately 85% of that was sourced from California and 15% was sourced from the South. This month's large jump in medium grain prices estimates are attribute the acute increase in medium grain prices this last month.

In summary, the decreased output in Australia, the bleak outlook for Calrose acres, and growing global demand looks like it will propel the medium grain market's bullish tone well into the next marketing year. RPC will continue to represent the CA Producer regarding the Farm Bill, international trade agreements, and our medium grain market.

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