



Rice Producers of California

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Steve Jones
Scott West

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President:
Ron Lee

*"When we put a limit
on what we do, we put
a limit on what we can
do"*

- Charles Schwab -

Coming Next Week
A New RPC Web Site

*"The greatest tragedy
is indifference"*

- The Red Cross -

President's Message by Kelly Ornbaun

It was one year ago that Rice Producers of California (RPC) entered into a restructuring phase. That process was going to allow RPC to continue to have a significant advocacy role for a viable rice farming industry. I am pleased to announce that we are nearing the end of that transition and presently there is a board election process ongoing. An annual meeting is planned for February 27th.

I would like to review what RPC accomplished this past year. Soaring energy costs, low prices, trade policy, and federal budget issues are driving the base of the industry towards financial disaster. RPC was proactive in addressing these issues by providing market and risk management education to producers. We also participated in the rice policy process.

Some of the things that were specifically accomplished by RPC include the following:

- Conducted several public presentations to producers on marketing and risk management
- Meetings with several representatives from rice mill or marketing groups
- Placed several press release articles
- Interviews with local, farm trade,

and national media on the economic impact of low prices and rising energy costs

- Participated in the National Rice Policy process

These are challenging times for rice producers. RPC has initiated dialogue on several issues that on one else in the rice industry wants to discuss. Unless the price of oil returns to the \$40 per barrel price level, the costs of production are going to continue to increase.

I recall a discussion that I had with a news reporter about a miller's response to our press releases calling for higher prices. The response was that they deal in the 'real world'. That comment demonstrated a total lack of understanding for producer issues. I believe that there are several marketers who don't understand the world under which producers are operating.

The stakeholders of this industry need to convene and have a summit to specifically discuss economic issues. We need to develop solutions while there is still time.

Thank you for your continued support. I hope to see you at the annual meeting.

**Annual Meeting
February 27, 2006 (Monday)
The Refuge Restaurant and Lounge
RSVP by 2/24/06**

2005 Harvest Report by Chip Struckmeyer

The results from the 2005 Harvest was a mixed bag

The 2005 rice harvest can best characterized as a 'mixed bag'. There were reports of both good and disappointing field yields. There were also exceptional and poor milling yields. There were many challenges during the crop season that included a cold, wet spring; poor seedling vigor; weed pressure which in some cases resulted in multiple applications of herbicide; and a record hot spell during the month of July followed by an unseasonably cool late August.

These yield and quality grade disparities combined with rising energy costs support the RPC message that a producer must know his costs and take more responsibility in the marketing of their crop.

Profitable Rotation Crops by Steve Jones

Do we need a profitable rotation crop in the rice industry?

There are several challenges facing rice producers. They include low prices, rising input costs, weed pressure, and herbicide resistance. These are serious issues, but are these merely symptoms of the underlying problem: 'the lack of a profitable rotation crop and a monoculture farming system'.

Are there other biomass crops that can be converted into ethanol or oilseed crops that can be used for biodiesel.

There are many crops with high yields of oil including rice. According to the website journeytoforever.org, rice yields 88 gallons of oil per acre, almost double that of soybeans (48 gal/ac).

A local biodiesel facility that was able to utilize multiple feedstocks (e.g. rice, safflower, olive, almond, walnut, and corn oils) could help the region by utilizing whatever crop was most economical at the time. Could this be an answer to mitigate the volatility that we are experiencing in the CA rice industry?

RPC proposes that it may be time for the Rice Research Board, Rice Experiment Station, Rice Foundation, and UC Cooperative Extension to invest time and resources into the search for a profitable rotation crop for CA rice farmers.

"Rice yields 88 gallons of oil per acre which is almost double that of soybeans (48 gal/ac)"

If we had crops that could be reliably grown on 15-20% of the rice acreage, would some of our problems be alleviated? Would low prices disappear as rice acreage is annually reduced? Weed control and fertility could become easier to manage and the weed seed cycle in our seedbed might be broken through rotation.

What rotation crop might work? There are possible options. The California Legislature recently passed a bill allowing the production of industrial hemp. Hemp can be grown for biomass, fiber, oil, and other products.

Election Ballots Mailed by Scott West

Reality always forms around commitment.

RPC is in the process of conducting a board of director's election. It is a requirement of our bylaws that only a member in good standing can vote. If you wish to take part in this election but do not have a paid membership, please enclose a membership application with dues check and mail them together with the election ballot.

Each paid membership is entitled and limited to one vote. The ballots need to be returned by mail and received by February 24th.

- Kobi Yamada-

If you have any questions about this election cycle process please call Kelly @ 530-908-3164 or Chip @ 530-701-8530.

USDA Revises Rice Supply and Demand Numbers by Greg Massa

The USDA sent out several reports of interest to California rice farmers in January. The one that we at RPC found most enjoyable was the Supply and Demand Estimate, because USDA finally confirmed what we had predicted eight months ago!

RPC had a growers meeting in June of 2005 and at that time USDA was predicting that California would have another big crop in 2005, with US medium/short grain production at 53 million cwt. Even so, they were predicting record use of 63 million cwt. would eat up that crop and leave us with July 31 2006 ending stocks at a record low of 6.1 million cwt.

In our growers meeting, we stated that while we agreed that ending stocks would indeed be very low at the end of the 2005 marketing year, we disagreed on how USDA arrived at their final number. We predicted that US medium/short grain production would be only 45.6 million cwt, limited by weather-induced yield losses. We also used an arbitrary estimate of 50 million cwt of use, simply because to do otherwise didn't leave us with enough rice to get to new crop 2006. Our 2005-06 ending stock number was 5.4 million cwt. Remember that this was back in June, when some growers were still planting.

January's USDA Supply and Demand Estimate almost exactly matches our predictions. They reduced their production estimate to 45.7 million cwt (compared to our 45.6), and lowered their use number by more than 2 million cwt (now down a total of 6.4 million cwt from June). This could be because, like us, they feel it simply can't be any other way. Their ending stock number is now a record low 5.5 million cwt (compared to our 5.4).

The moral of the story seems to be that if you want to estimate production, you had better ask a farmer

2006 Planting Strategy by Greg Massa

A lesson farmers should have learned well over the last two years is that a small California rice crop will earn you more money than a large rice crop. In fact, in 2004, we would have been better off had we simply give away 15 million sacks and marketed the remaining rice at a reasonable price. Let that sink in for a minute...

So what are we going to do about it? We can't count on Mother Nature to reduce our crop to a profitable size every year, and rice buyers have antiquated ideas about what it costs to produce the crop. Mandatory supply controls were eliminated in the 1996 farm bill and are not likely to re-emerge. If there is ever to be change in this industry, farmers must lead the way. We have a suggestion. Remember that your subsidy payments only cover 85% of your acreage. If we all leave fallow that 15% of our acreage that we don't get subsidies for, the result will be a 75,000 acre reduction from the average planted acres. This will leave us with about a 36 million sack crop in 2006, which is not enough to satisfy world demand for our rice. Thus, prices go up, possibly high enough to make rice farming profitable and fun again.

Let's analyze what those non-payment acres actually cost you. Using the 2005 RPC Premium Calculator (free for paid members), you will see that you need to gross \$1078/acre to remain farming long term. At the state average yield for 2005 (73 cwt/ac), you need to receive a premium of \$6.26 over loan on your FSA payment acres to hit the target. If you zero out the FSA direct payment subsidy, so that you are calculating the premium needed on the 15% non-payment acres, you see that you need \$8.52 over loan. Those non-payment acres cost you an extra \$165 per acre! And this does not include the price drag induced by those acres being in production—which can dramatically lower your return on all the rice you produced.

The key here is that we must all do it. Take advantage of the opportunity to rest your ground, sprout and kill the weeds, or level your field. Flood it for summer shorebird habitat and take advantage of the \$125 per acre that your CSP contract will pay you. Find something else to plant—just don't plant rice! We have the power to control our own destiny. If we don't use that power, and we end up with another 50 million sack crop, very few of us will make it through the carnage we will see in 2006.

**Rice Producers of California (RPC) founded in 1997:
The only organization that speaks solely for the interest of California rice farmers**

Rice Producers of California
PO Box 172
Williams, California 95987

Rice Producers of California Membership Dues Application

Business or Individual Name: _____

Address: _____

City or Town: _____ **Zip Code:** _____

Phone: _____ **Fax:** _____

Cellular: _____ **E-mail address:** _____

Contact Person(s): _____

Regular member dues - \$100
Associate member dues (industry) - \$100

Please make the check out to Rice Producers of California and mail to:

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