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RPC Monthly Newsletter

Still waiting for concrete water decisions...

Market Update

We should not be surprised by the relatively quiet cash market these last few weeks. During planting, it is common to see a void of cash rice sales as producers are focused on getting their crops in the ground and marketers are preoccupied filling past orders. However, unlike many years when the cash market finds a little vigor in July to August, this year may be different because so much cash rice has already been sold, leaving very little cash rice in first hands left to trade.

Marketers appear to be already looking to new crop based on the offers that have already surfaced this year. The reported new crop offers range anywhere from \$15 over loan to as high as \$20 over loan. Right now, the various traditional programs that pools have used to incent growers to sign up in their respective pools seems to be having little sway with California producers. In a year where the cash market remarkably outperformed the pool market for so many, it is not difficult to conceive why producers would be hesitant to commit their 2014 crop back to pools.

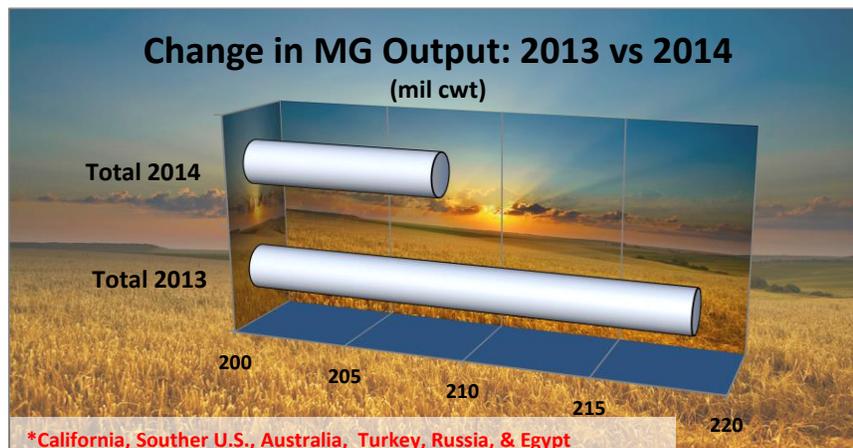
However, it should be noted that this is the first year in more than five years where the cash market outperformed the pools. This means that producers wishing to market via the cash market should proceed with caution. While most variables are pointing to an

even stronger market in 2014, the market may still exhibit some volatility. Fortunately even with potential volatility the 2014 crop is projected to return considerably higher than the 2013 crop for those that market efficiently.

Reviewing the Competition

At present, medium grain production from amongst the world's major exporters is projected to fall considerably short of the 2013/14 crop year. The primary competition or most influential markets pertaining to this grain are: Australia, Turkey, Egypt, Russia, and of course the southern United States. Regarding Australia, there is no question as to how the origin directly impacts the

market; just look at 2005-2009 when the crop was all but nonexistent, and one can see the negative correlation that exists between the US market and the Australian crop size. US prices are most often at their best when Australia's crop



is at its worst.

As for Turkey, while it is not necessarily a major exporter, it can certainly be a game-changing importer when the country experiences sharp output reductions. Turkey is the US's most sporadic market as its import schedules often depend heavily on the size of its crop, and global prices.

While Egypt has not been a huge force to reckon with in recent years, it nonetheless has first rights of refusal

with much of the Middle Eastern and even some of the Mediterranean markets, when exports are permitted. Perhaps what makes Egypt's market share more significant is that traders will import rice from Russia, commingle it with the perceived higher quality of the Egyptian rice, then proceed to transship the rice to nearby countries under Egyptian brands. This turns Egypt's relatively small exportable crop into one that impacts the global market.

It was not that long ago that Russia was insignificant in the medium grain rice world. Now, with their Rapan variety, it is a different story. With this variety, the Russians have been able to infiltrate the Middle Eastern markets. Quality-wise, the variety is reported to fall just below the US Jupiter varieties. This past marketing year was one of the more uneventful exporting years for the Russians, due to their smaller crop.

Southern US: After several years of being a non-factor in the medium grain export market due to consistently declining acres, the southern states are poised to make a dramatic comeback in 2014/15. Typically, rice grown in these states largely services the domestic industry and spills over into exports; this coming year, the spillover will likely be larger than usual. While most of the rice exported from the southern states typically goes to Turkey and some other smaller markets, Taiwan has purchased some Jupiter rice, perhaps for the first time ever.. This situation warrants close attention and an effort to protect the California rice industry.

What to Expect From Our Competition in 2014/15

This section can be summarized in two words: "much less." So far, 2014/15 is projected to take a severe cut in production. The US is projected to fall by 25-30%, Australia by 20-25%, Turkey by 20-30%, and Egypt to remain relatively flat. Although analysts predict that

Russia's production will be up around 6-10%, this increase does not even come near to offsetting the shortfalls seen in primary origins. In addition to these key markets, the EU is projected to decline by 10% in 2014/15. The chart on the front of this report is comprised of the USDA's latest projections and information gathered through industry surveys. This chart is a summary of the projected supply situation in 2014/15 for the key players in the world medium grain industry. Needless to say, the 2014/15 marketing year is shaping up to be a seller's market.

Pressing Issues:

It is important not to let the optimistic tone for the 2014/15 create a mood of complacency in the California rice industry. Several issues lie ahead that demand the attention and support of the California rice farmer. One example is the possibility of Taiwan revising its minimum purchase price, granting it the ability to source rice from the South rather than California.

Furthermore, the possibility of reaching a rice trade protocol with China is also on the table, which commands attention and effort from the industry. Keep in mind that a Chinese buyer visited California about six months ago and could have bought half of the California crop alone at that time. Of course, a purchase of that magnitude is not feasible, but it is obvious what impact a buyer or market like this could have on California prices. The Rice Producers Group of California is an advocate for the California rice producers in these two areas, and many more.

RPC Board Members are heading to Louisiana in July for the Annual USRPA Meetings. CA Representatives will include: Chris Capaul, Ron Phelps, Jim Campbell Jr, and Lorrain Grecko.

Rice Producers of California is a state association of the US Rice Producers. The USRPA is the advocate for Rice Producers in the United States, and has played a critical role in opening up trade relationships in Latin America, the Middle East, and the Far East as well. Join the cause and support the effort for only \$150/year.

