



Rice Producers of California
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RPC Monthly Newsletter

The Value of Pursuing New Markets:

Why is it so important that we focus our attention and energy on developing new markets? Isn't that why we have rice marketers in the CA industry? In this month's newsletter, RPC takes an objective look at the export market, domestic market, and emerging markets for CA MG rice in order to discover why it remains important to pursue new markets.

Historical Norms: The common phrase is, "Half of our production goes to export each year, and the other half is used for domestic." The question we are left asking, however, is why we had nearly 5-6 million cwt (or 11-12%) of our production in carryover this year? With a number that large, it does beg the question—who is actively seeking new markets for our high quality product? Last month, our Newsletter looked at Asian Demand Outside of Asia. This month, we look at three predominant rice-producing countries in South America.

Brazil has the largest Japanese density per capita anywhere in the Western Hemisphere; so why aren't we selling them more of our rice? With the 5th largest population in the world growing by just under 1% annually, Brazil is a prime market to which we can export additional supplies of our medium grain rice. On-the-ground sources have indicated a demand for MG rice, and in a year like this one, there is no market more competitive than the US in fulfilling that demand. To be clear, exporting rice to Brazil has been attempted before. However, since

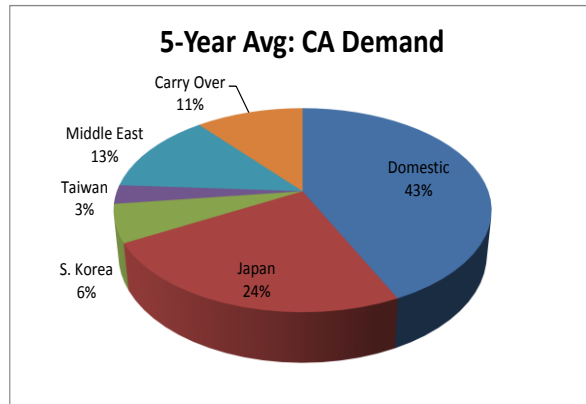
those attempts, two key demographics have moved in favor of Brazil becoming a more viable market: The first demographic is similar to the one that was pointed out in last month's report concerning Central America, and that is the Asian population, which has grown remarkably over the last few years. The second involves Brazil's per capita GDP, which has also improved in recent years, giving its citizens the ability to purchase more quality and specialty foods.

Paraguay is a much smaller, landlocked country in South America, but it is also a net rice exporter and

has an increasingly affluent population. Upon stabilizing its government in the mid-90s after years of political unrest, Paraguay's GDP is on the rise. With the exception of the Guaraní (Indian) population, the country's demographics are mainly of Eastern European,

Mediterranean, and Middle Eastern descents. The Mediterranean and Middle Eastern markets are some of California's more important trade destinations; therefore, the more these countries immigrate to Paraguay, the more potential there is for a Calrose appetite there.

SUMMARY: South America is unlikely to ever become a key export market, but cutting our MG carryover by 25%, or 2 million cwt, could drastically increase the price of our product overall. The more markets that the RPC can explore and develop, the more chances the industry has of improving the average price of our product.



BREAKING NEWS!

Supreme Court of Louisiana finds State Rice Statutes Unconstitutional

Baton Rouge, LA – In an astounding reaffirmation of individual producer rights, the Supreme Court of Louisiana declared unconstitutional the “Rice Statutes” authorizing the research and promotion of Louisiana rice. For many years there has been widespread rice producer dissatisfaction with the manner in which the rice research and promotion statutes have been implemented and their inability to seek a refund of the mandatory assessments levied solely on producers. After many attempts to negotiate compromise, frustrated rice producers initiated the suit which resulted in the statute being declared unconstitutional.

One of the producers involved in the suit, Carl Krielow, stated, “The rice farmers that brought this constitutional challenge are certainly pleased that the Supreme Court has agreed with our position. It has always been our position that the Rice Promotion and Research Boards deserve the support of the rice industry in Louisiana. Our complaint has simply been that the process and procedures being followed by the Boards have not been transparent, fair, or consistent. We will support new legislation that will correct these problems pointed out in the litigation. Hopefully, we can resolve our differences with the two Boards.”

Many of the producers involved in the suit are members of the Louisiana Independent Rice Producers Association (LIRPA) and have long objected to the Louisiana Rice Promotion Board (the board that controls the use of rice producer funds for promotion) sending producer funds to the USA Rice Federation based in Arlington, VA. The USA Rice Federation includes rice mills and processors among its membership. Many of the producers involved in the suit would prefer to see their dollars support a producer only organization such as the US Rice Producers Association (USRPA), an affiliate of LIRPA which does not include mills or processors.

Dwight Roberts, President and CEO of USRPA said this case is definitely not a repudiation of rice promotion and research. Farmers clearly understand and support the use of their funding for those purposes. The funding provided to the LSU AgCenter Rice Research Station in Crowley, Louisiana, is vital to the operation of the facility and its research, especially during these times of reduced state funding. The AgCenter has developed new rice varieties that have increased dramatically the rice yield per acre. The outcome of this suit should be interpreted as repudiation by rice farmers to the manner in which the “Rice Statutes” were implemented. Now is the time for all Louisiana rice producers to work together to reinstate the rice research and promotion statutes in a constitutional manner. Certainly, USRPA will work with all parties to achieve this outcome.

Summary Analysis:

In one sentence: Monumental ruling shows that rice producers are not required to bear the load of INDUSTRY responsibility through direct assessments levied solely on producers.

Implication: This ruling could revolutionize the balance of power in the United States rice industry. This ruling in no way communicates that Rice Producers don't value and/or refuse to pay for rice research and other benefits. It simply provides precedence that is not solely the responsibility of the producer to bear the burden.