

## High Rice Prices ... The Inflation Factor

We've been hearing some talk recently that current rice prices are too high and that \$7.25 over loan is an unsustainable price that will force rice buyers out of California. On the surface, this seems to make sense, doesn't it? Prices have never been this high, have they? And with the yield increases over the last 40 years, we're making more money than ever, right?

Unfortunately, none of those arguments holds any water at all. Adjusting for inflation, prices have hit these levels several times over the past few decades, and in fact have been significantly higher than they are today.

*Let's look at a few years:*

Year	Price	Inflation-adjusted
1970	5.73	30.44
1973	13.80	64.24
1975	8.35	32.98
1980	12.80	34.20
1990	10.71	16.76
2003	14.25*	15.51 *(price spike)

*What about return per acre?*

Year	Yield	Avg. Price	Return/ac	Inflation-adjusted
1970	5700	5.17	295	1566
1973	5616	13.80	775	3607
1975	5750	8.35	480	1895
1980	6440	12.80	824	2206
1990	7700	10.71*	824	1310 *includes direct payment of \$4.16
2007	7800	15.38*	1209	1209 *includes direct payment of 80% of \$2.35

Here's the cold, hard truth: A California rice farmer without other or off-farm income is doing no better than today than they have in the last 40 years! Production costs have skyrocketed to astronomical levels, and show no signs of slowing down.

Even at these supposedly "high" prices, farmers are getting farther and farther behind, while their land, equipment, and buildings slowly degrade. This is not a sustainable situation for rice farming viability. It should also be noted that rice price increases are not keeping pace with other commodities, including Southern long grain rice, which now trades above Calrose.

Prices and yields quoted are from USDA's Rice Yearbook. Inflation calculations are from <http://www.westegg.com/inflation/>.