The Rice Advocate

US RICE PRODUCERS ASSOCIATION

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Mexico Raises Phytosanitary Concerns Over U.S. Rice

Due to the reported presence of a fungus banned by Mexican import regulations, railcars full of rice are sitting on the siding this week after being denied entry to Mexico over Christmas. The fungus (T.barclayana or T.horrida), commonly called head smut, was reportedly detected by Mexican officials during a routine inspection of the shipments bound for Mexico City. The Animal and Plant Health Inspection Service (APHIS), along with the U.S. Trade Representative (USTR) and their Mexican counterparts are working to find a quick resolution to this problem, which has effectively shut down the largest export market for U.S. rice. The rice industry in Mexico is also anxious for trade to resume so that they do not run the danger of running out of rice. It is especially critical for this market to reopen as soon as possible to ensure low-quality rice from other destinations does not infiltrate the marketplace. While officials on both sides have indicated that they are optimistic about the outcome of this problem, its resolution might be delayed for several days until all of the Mexican officials are able to return from vacation. USRPA will continue to monitor the situation and work with the officials on both sides of the border to secure a quick and seamless resolution to this issue. Mexico represents the largest export market for U.S. rice, over 740,000 MT total in 2008.

General Market Update

This was a very uneventful holiday, but given the state of the market for the past month or two that should come as no surprise. Export sales are strong, cash markets are quiet and the Asian market appears to be firm although still confusing. The hurry up and wait game is in play and there is still a lot of marketing year left for producers holding rice.

The net sales report for the week from USDA reported sales at 114,000 MT, up by about 460% from last week's 24,600 MT. Main purchasers for the week were Japan with 65,000 MT of medium grain, South Korea with 20,000 MT of medium grain, Venezuela with 14,500 MT of long grain rough, Honduras with 6,000 MT of long grain rough, and El Salvador with 3,500 MT of long grain rough. Exports were reported down by about 19% from last week's 94,900 MT at 77,300 MT total for the week. Primary destinations were Mexico (21,800 MT of mostly paddy), South Korea (21,000 MT of medium grain), Venezuela (14,500 MT of long grain rough), Japan (13,300 MT of medium grain), Honduras (2,100 MT of paddy), other Pacific Islands (1,600 MT of medium grain), and Jordan (1,200 MT of medium grain).

The USDA reduced its world market price estimate this week by $0.93 for long grain rough and $0.94 for medium/short grain. The resulting prices by class are $12.44 for long grain rough and $12.54 for medium/short grain.

The local cash markets have been very quiet over the holidays. Bids in Texas remain at in the $13.50 - $14.50 per hundredweight ($6.50 - $7.50 premiums) with no trading reported. Southern Louisiana is also unchanged at around the $14.60 per hundredweight ($23.66 per barrel) level, with very small volume traded at this level. The Delta is quiet as well, with bids in the $15.50 per hundredweight range ($6.98 per bushel) and only a small amount of rice moving at this level.

The Asian market remains a difficult read, although it seems to have firmed up over the holidays. Thai 100%B is quoted at $555 per MT and Vietnamese 5% is quoted at $400 per MT, both FOB vessel. While the prices have become firmer, the variance between the Thai's and Vietnamese has become greater making this market even more difficult to evaluate. Potential reasons for this is the government support on the Thai side keeping prices high, combined with storage and inflation problems in Vietnam which serve to force prices low. Where the equilibrium point will settle is anybody's guess however, there is a strong potential for it to be on the higher end of the scale.

In the future market this week, things seem have taken a downwards turn after last month's upward progression. The market opened this week at $14.19 per hundredweight on Monday before climbing to $15.08 at the market close. Tuesday saw the market open at $15.01 per hundredweight before the volatility kicked in moving the market up and down on a wide range ($0.58 per hundredweight) before settling down by a penny at $15.00 for the day. Thursday saw the market drop from its open at $14.95 per hundredweight to $14.80 at the

Milling of brown rice into white rice results in a nearly 50 percent loss of the vitamin B complex. and iron, and washing milled rice prior to cooking further reduces the water-soluble vitamin content. However, in the United States these nutrients are replaced during the milling process.

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market close while Friday's action actually saw the market take a small bounce ($0.095 per hundredweight) to close up at $15.08 per hundredweight in the nearby January contract. The range for the week (both the weekly high and low occurred on Tuesday) was $0.58 per hundredweight on an average daily volume of 526.6.

Coming out of the holiday season, the rice market is much the same as it was when it went in, especially from the fundamental standpoint. The economic crisis has if anything helped boost the demand for rice globally and the supplies have not made any significant increases. This gives us a strong indicator something should break loose in the next several months. Exports demand remains strong despite a troubling report of phytosanitary concerns from Mexico this past week. This offshore demand is very important in keeping the U.S. cash market afloat. Many foreign buyers seem to be looking for "deals" in the marketplace right now, and while some are finding limited quantities, there just are not that many deals to be had. Cash prices have somewhat stabilized on a stronger futures market this past month, but as the futures has been following the financial indices, it will be interesting to see what will happen over the next few weeks. The light at the end of the tunnel might come into sight when this phenomenon ceases and the futures market can resume acting as its own entity. Foreign prices in Asia continue to be confounding, but as was before mentioned, there are several factors that are likely at play including a government intervention program that is keeping prices up and a lack of storage that is forcing rice to be sold and keeping prices down on the other end of the spectrum. Other news in this area is that the Indonesian government is projected to become an exporter (~4 million tons) in the near future. This is quite likely, but will probably be comprised mostly of specialty rice with some light long grain volume. It is not expected that they will be able to generate enough long grain volume to derail the market. Moving into the western hemisphere, over the holidays reports have come from Mexico that there are some phytosanitary concerns over rough rice shipments at the border, which has halted the rice moving into the country. The U.S. and Mexican governments are working to resolve this issue, but it is critical for it to be done as soon as possible so the symbiosis between the U.S. and Mexican rice industries is not severely damaged. Looking forward, things will need to begin moving again before an accurate picture can be generated. Given a little time, this market should move up to the producer's asking prices to draw out the quantities needed. Until then, it is still not a bad idea to sit and wait.

Chicago Rice Futures for the Week Ending January 9, 2009						
Closing Price	Jan-09	Mar-09	May-09	Jul-09	Sep-09	Open Int.
2-Jan	15.295	15.120	15.360	15.595	13.645	6,233
9-Jan	15.000	14.850	15.000	15.010	13.670	6,109
Weekly Change	-1.93%	-1.79%	-2.34%	-3.75%	0.18%	-1.99%
5 Day Average Volume			526.6 ↑			Source: Chicago Board of Trade

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Upcoming Events

Jan 14, 2009	58th Annual Texas Rice Council Meeting—El Campo, TX
Jan 18-20, 2008	Southern Seed Association's Annual Conference—Austin, TX
Jan 21, 2009	5th Annual Western Rice Belt Production Conference—El Campo, TX
Jan 26-27, 2009	NCS Cotton & Rice Conference—Marksville, LA
Feb 8-11, 2009	USRPA Board of Directors Meeting—Washington D.C.
Feb 11, 2009	Arkansas State Univ. Agribusiness Conference—Jonesboro, AR
Feb 16-18, 2009	Louisiana Ag Industries Assn Annual Conference—Marksville, LA
Feb 18, 2009	Missouri Rice Producers Conference—Dexter, MO
Feb 26, 2009	Mississippi Rice Council Annual Meeting—Stoneville, MS
March 5, 2009	Missouri Rice Council Annual Meeting—Dexter, MO
May 13-14, 2009	3rd Annual Rice Congress of the Americas—Miami, FL

USDA Reports Next Week

World Agricultural Supply and Demand Estimates	Monday, Jan 12, 8:30 am
Weather-Crop Summary	Tuesday, Jan 13, 12:00 pm
Rice Outlook	Tuesday, Jan 13, 4:00 pm
U.S. Export Sales	Friday, Jan 15, 8:30 am