

# The Rice Advocate



US RICE PRODUCERS ASSOCIATION

Volume 6, Issue 2

Friday, January 16, 2009

## USDA Officials Confirm Payment Limitation Regulations Final for 2009 Crop Year

At a meeting this week in Washington DC, officials of USDA's Farm Service Agency confirmed the pending "Interim Final Rule" governing farm program payment limitations and the new adjusted gross income eligibility rules are being treated by USDA as final for the 2009 crop year.

This at least gives producers the certainty that any modifications made to the interim rule in response to public comments will not be effective until 2010.

As a reminder, the Interim Final Rule was published

December 29, 2008. The public comment period on the rule is open until January 28, 2009. Further changes in the rule are possible for crop year 2010 and beyond, based on the public comments received by USDA. Therefore, it is advisable for producers to review and comment on anything in the rules, which they view as problematic.

The rule can be viewed by visiting [http://usriceproducers.com/files/106\\_RegPayLtdDec292008.pdf](http://usriceproducers.com/files/106_RegPayLtdDec292008.pdf).

## House Agriculture Committee Chair Peterson Announces Committee Members

This week, House Agriculture Committee Chair Collin C. Peterson of Minnesota announced the Members of Congress selected to serve on the House Agriculture Committee for the 111th Congress.

The House Democratic Steering Committee has nominated 28 Democrats, including 11 freshmen Members and 17 returning Members, to serve on the House Agriculture Committee. The House Republican Conference has named 17 Republicans to serve on the Committee and has left one seat vacant.

USRPA President and CEO Dwight Roberts said, "Rice Producers have worked closely with many of these members on policy and political matters in recent years. We

will continue to work to educate them with regard to our issues in the months ahead."

The 28 Democrats who will serve on the committee are:

- Chair Collin C. Peterson of Minnesota
  - Representative Tim Holden of Pennsylvania
  - Representative Mike McIntyre of North Carolina
  - Representative Leonard L. Boswell of Iowa
  - Representative Joe Baca of California
  - Representative Dennis A. Cardoza of California
  - Representative David Scott of Georgia
  - Representative Jim Marshall of Georgia
  - Representative Stephanie Herseth Sandlin of South Dakota
- [Continued on Page 2]

## Mexico Update: Officials Closer to Resolution

As we reported last week, the Mexican government halted U.S. rice shipments to the country over the Christmas break due to the detection of a fungus in the cargoes. The fungus has now been identified as *T. horrida* (head smut), which is associated with wetter production years. Both USDA/APHIS and their Mexican counterparts have been working tirelessly to ensure a quick resolution to the situation since it began, and as of this week, there may be a light at the end of the tunnel. Early reports from meetings this week indicate a solution has been located to get the stalled shipments moving again, and to provide guidelines for future shipments until the matter can be re-

solved in a more definite manner.

The source of concern in this issue for the Mexican government is whether *T. horrida* exists in Mexico and not that it is a human health risk. According to ARS experts on *Tilletia* species, there is no known mycotoxin associated with *Tilletia horrida*, the causal agent for rice smut. The only known effect from any species of *Tilletia* is a possible unpleasant taste that may reduce its use as an animal feed, but this has not been demonstrated in *T. horrida*. USRPA will continue to monitor this situation and report as it progresses.



Rice is an important ingredient in commercially-produced baby foods. Rice is easy to digest and it is non-allergenic. Strained baby foods were first introduced to parents as "convenience foods" and convenience ranks high as a motivating force in baby food purchases. Modern commercial canning procedures result in a higher retention of nutrients than many home cooking methods.

Baldo's Rice Facts

### Peterson Announces Committee Members—Continued from Page 1

- Representative Henry Cuellar of Texas
- Representative Jim Costa of California
- Representative Brad Ellsworth of Indiana
- Representative Timothy J. Walz of Minnesota
- Representative Kirsten E. Gillibrand of New York
- Representative Steve Kagen of Wisconsin
- Representative Kurt Schrader of Oregon
- Representative Deborah L. Halvorson of Illinois
- Representative Kathleen A. Dahlkemper of Pennsylvania
- Representative Eric J. J. Massa of New York
- Representative Bobby Bright of Alabama
- Representative Betsy Markey of Colorado
- Representative Frank Kratovil, Jr. of Maryland
- Representative Mark H. Schauer of Michigan
- Representative Larry Kissell of North Carolina
- Representative John A. Boccieri of Ohio
- Representative Earl Pomeroy of North Dakota
- Representative Travis W. Childers of Mississippi
- Representative Walt Minnick of Idaho

The 17 Republicans (with one additional vacant seat) who will serve on the Committee are:

- Ranking Member Frank Lucas of Oklahoma

- Representative Bob Goodlatte of Virginia
- Representative Jerry Moran of Kansas
- Representative Timothy V. Johnson of Illinois
- Representative Sam Graves of Missouri
- Representative Mike Rogers of Alabama
- Representative Steve King of Iowa
- Representative Randy Neugebauer of Texas
- Representative Virginia Foxx of North Carolina
- Representative K. Michael Conaway of Texas
- Representative Jeff Fortenberry of Nebraska
- Representative Jean Schmidt of Ohio
- Representative Adrian Smith of Nebraska
- Representative Robert E. Latta of Ohio
- Representative Phil Roe of Tennessee
- Representative Blaine Luetkemeyer of Missouri
- Representative Glenn W. Thompson of Pennsylvania

The House Agriculture Committee has jurisdiction over a wide range of agriculture and rural development issues. These areas include renewable energy, disaster assistance, nutrition, crop insurance, conservation, international trade, futures market regulation, animal and plant health, agricultural research, bioterrorism, forestry and others. 🌱

### Record Crowds Attend 58th Annual Texas Rice Council Meeting

More than 170 rice producers, rice millers and related businessmen attended the 58th Annual Texas Rice Council Meeting in El Campo, Texas on Wednesday (Jan 14). A huge success, this year's event covered topics from research to agriculture policy.

The keynote speaker, Fred Clark, executive vice president and general counsel of Cornerstone Government Affairs in Washington D.C. and a well-known figure on Capitol Hill, addressed "U.S. Agriculture Policy in the

New Washington Environment." During his career on Capitol Hill, Clark has earned a reputation as one of Washington's most skilled legislative lawyers in the areas of federal agriculture programs and policy, commodity futures and finance.

The meeting also featured a Rice Market Outlook panel with Thomas Wynn, agricultural economist with the US Rice Producers Association, who gave a world market overview; Dennis DeLaughter, a rice farmer and market analyst with Progressive Farm Marketing, covered futures and basis movement; and Jay Davis, owner and manager of East Bernard Rice Marketing, discussed local cash markets and inventories. Dr. Lloyd T. (Ted) Wilson, professor and center director of the Texas AgriLIFE Research & Extension Center at Beaumont/Eagle Lake, addressed recent research results and issues. Dwight Roberts, president and CEO of the US Rice Producers Association, updated the audience on the organization's current activities, too.

Sponsors of the event included Ag Workers Mutual Auto Insurance, Bayer CropScience, Capital Farm Credit, First National Bank of Eagle Lake, the New Outback Guidance Center, First Grain, Horizon Ag, RiceTec, Traditions Insurance Services, Inc., Shoppa's Farm Supply and Seabreeze Culvert.

Following the event, attendees enjoyed a lunch catered by Vincek's Smokehouse of East Bernard, Texas. 🌱



Pictured (L-R): Billy Hefner, a Texas rice producer, and Fred Clark.

## USRPA Program in Central America trained 30,000 Cooks in more than 1,300 Schools



Results for the School Nutrition Program in Central America have exceeded expectations for 2008. The promotion was conducted at 1,347 schools in Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica. At these schools, 29,939 school cooks were trained to prepare low cost, nutritious meals for the 341,624 students who attend the schools.

The 2008 promotion year had a late start due to the delay in the ratification of the new Farm Bill, but the teams worked very hard to provide an effective program. Prices in grains - rice, beans and soy - were double in most of these countries and inflation rates were running as high as 20 percent in some of the countries. This made it even more important to the schools to be able to provide low cost, nutritious meals to the children during

a time of increasingly high prices. Additionally, some countries' rice industries, the importers of U.S. rice, were under tremendous pressure from their governments to lower the price of rice to consumers and to buy less expensive rice from non-U.S. sources. By participating in the USA Rice, Beans & Soy School Nutrition Program, they were able to show government officials they were involved in helping the consumer in the country reduce food costs. The U.S. rice industry provides virtually 100 percent of the rice imports to Central America. Most of this rice imported is rough rice. These programs, conducted with the cooperation of the local rice industries, are essential to maintaining a 100 percent market share for U.S. rice.



Pictured: School Lunch Program participants in Central America.

## Promotional Activities for Consume Arroz Mas Por Menos 2009 are About to Begin



Pictured: School children who participated in the school lunch program in Mexico. During the program, children are introduced to a meal of rice, beans and soy protein.

This month, we are preparing for the new Consume Arroz Mas Por Menos 2009 promotional campaign's kick off to bolster rice consumption in Mexico.

This program has many branches to reach our target market, which includes people living on socioeconomic lev-

els C, D and E through many activities such as:

- **MAS POR MENOS:** Direct support in Point of Purchase supermarkets.
- **UN KILO DE AYUDA:** Education and training in Orizaba, Tehuacan and Oaxaca's delegations.
- **DICONSA:** Education and training through assemblies and regional councils.
- **SCHOOL LUNCH PROGRAM:** Education and training to moms and tasting in schools where the activities are conducted.
- **CONGRESS AND EXHIBITION:** Women's Congress with more than 3 thousand women gathered to teach them nutrition through rice.

The key for our program is education, and all of our efforts are aimed to communicate and educate the consumer on rice benefits and how important it is to include rice in our diets.

## Volume 6, Issue 2

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### General Market Update

The week has been interesting if not great for the rice world. Issues at the border have not yet been fully resolved, although that trading has resumed should be considered a positive. Export sales have taken a hit as a result of disrupted trade, as have the futures, and the cash prices are not of sufficient quantity to generate sales. The Asian market has made some moves, but more are still necessary before the market could be considered healthy again.

In the USDA net sales report this week, total sales were off by about 62% from last week's 114,000 MT at 43,500 MT total. Sales were reported for New Guinea (10,600 MT of medium grain), Ghana (6,900 MT of long grain milled), Mexico (6,300 MT of mostly paddy), Saudi Arabia (6,300 MT of long grain milled), and Honduras (4,900 MT of paddy). These sales were partially offset by decreases for Haiti (1,800 MT of long grain milled), El Salvador (400 MT of paddy), and Panama (200 MT of mostly long grain milled). Export volume was reported down as well at 57,800 MT, about 25% lower than last week's volume of 77,300 MT. Primary destinations for the week were Japan with 13,600 MT of medium grain, New Guinea with 10,600 MT of medium grain, Saudi Arabia with 8,500 MT of long grain milled, Haiti with 6,300 MT of long grain milled, Canada with 3,900 MT of long grain milled, Mexico with 3,800 MT of mostly paddy, Australia with 2,800 MT of medium grain, Israel with 2,700 MT of long grain milled, Honduras with 1,900 MT of paddy, and the United Arab Emirates with 1,000 MT of medium grain.

After many weeks of no change or decline, the USDA opted to increase its world market price estimate this week by \$0.36 for all classes. The resulting prices are \$12.80 for long grain rough and \$12.90 for medium/short grain.

USDA also issued its monthly supply and demand estimate (WASDE) for the month this week. Key points in the rice area were as follows. Harvested acreage increased by 52,000 acres to a total of 2.98 million acres, while the average yield decreased by 113 pounds per acre. The resulting total production increased by about 200,000 hundredweights as the decrease in yield was not sufficient to offset the increase in acreage. Also on the supply side, imports decreased by 4.5 million hundredweights to 18 million hundredweights total. From a demand standpoint, exports decreased by 5 million hundredweights to total 101 million hundredweights, while domestic use was increased by 1 million hundredweights. The resulting ending stocks figure decreased by 200,000 hundredweights from last month's estimate to 23.2 million hundredweights. Season average farm price increased by \$1.00 on each end of the range to \$15.50 - \$16.50 per hundredweight.

Not much has changed in the cash markets as buyers and sellers remain wide apart from a pricing standpoint. In Texas, bids remain in the \$13.50 - \$14.50 per hundredweight (\$6.50 - \$7.50 premiums) with virtually no trading reported. Southern Louisiana has held at around the \$14.60 per hundredweight (\$23.66 per barrel) level, with very light trading reported in this area. The Delta is quiet as well, with bids in the \$13.50 per hundredweight range (\$6.08 per bushel) while sellers ideas are still up around the \$15.50 per hundredweight level (\$6.97 per bushel).

Unlike the other areas of the rice industry, there has been a bit of action in the Asian market this week. Thai 100%B moved up ever so slightly to \$600 per MT, while the Vietnamese 5% is estimated at around \$395 per MT, both fob vessel. The Vietnamese are reported to have made a significant sale to the Philippines earlier this week of about 1.5 million metric tons which should help reduce the overstocked situation in that country. The Philippines have stated that their 2009 demand is now met, but very often, they have been known to come back to the market later in the year. Either way, this is good news for the rice industry.

The futures market has had a very tough week reacting to the combination of Mexican phytosanitary problems, an unexpectedly neutral supply and demand report and the transition to a new contract month. Monday's open saw the nearby March contract trading at \$14.85 per hundredweight before falling by \$0.50 to close at \$14.35 per hundredweight. On Tuesday, the market opened slightly lower at \$14.05 per hundredweight before falling by \$0.40 to close at \$13.65 per hundredweight for the day. Wednesday saw a very slight downward push of about \$0.085 per hundredweight before closing at \$13.465 while Thursday actually saw the market move up by \$0.06 per hundredweight to close at \$13.51 per hundredweight. Friday's action gave the market another boost of about \$0.135 per hundredweight before closing for the week at \$13.645 per hundredweight. The total range for the week was \$1.635 on an average daily volume of 442.0 contracts.

It has been an interesting week to say the least. At the forefront of the arena are the phytosanitary concerns in Mexico, which have been hindering exports to that country for the past several weeks. Authorities on both sides of the border have been highly cooperative and we hope to be able to put this issue behind us very soon. Currently, reports suggest that a solution has been found for the moment to allow the trade to resume. Exports have fallen off for the week, due at least in part to the issues at the border, but also likely due to the thin demand currently in the market. Many buyers are still [Continued on Page 5]

## General Market Update—Continued From Page 4

waiting for the end of holidays, lower prices, or a decrease in inventories before they return to the negotiating table. The WASDE report for the week while not bearish was most definitely disappointing. The increase in harvested acreage as well as the miniscule decrease in the yield estimate is far from in line with what the trade feels is an accurate estimate of the damages incurred during the year. It is also of curious note that exports increased several months ago by around 4 million hundredweights and decreased this month by around 4.5 million hundredweights. It is a difficult to understand the disconnect between the official numbers and the scenario on the ground, but as always we can only hope that it will finally be corrected in the near future. As was mentioned before this report was not necessarily bearish, but was a long way from what the market expected as was seen by the declining futures market. Cash markets are still very quiet partially due to the fluctuating board quotes and partially to the lack of demand. Buyers are looking for cheaper rice that just cannot be found. Incentives will have to be offered before growers will part with the very expensive 2008 crop currently stored in the bins. We have

mentioned before that many of these purchasers bought further out into the year than historically, and as a result, it will take a bit longer for the prices to respond. Asia has seen quite a bit of action over the week, but has become no less confusing. On one side of the coin, the Vietnamese sold a very large quantity of rice to the Philippines (over 1 million metric tons reported) at very low prices (\$380 per MT) but on the other, the Thai 100%B moved up to around \$600 per MT. The price differential is a problem in this area, but should resolve itself when the glut of rice is gone from the Vietnamese market. Regarding the Philippine purchase, the Philippine government has stated that this will satisfy their demand for the year, but it is not unheard of for them to step back in and buy later. In the futures market, it continues to respond very strongly to the financial indices and the negative news in the export market is not helping either. Based on fundamental projections and the misinformation in the market, we do expect that the market will move upwards, but it is a question of timing and any other external factors that may come up. As of now, it is more likely to come later in the spring than earlier. 🌱

Chicago Rice Futures for the Week Ending January 16, 2009						
Closing Price	Mar-09	May-09	Jul-09	Sep-09	Nov-09	Open Int.
9-Jan	14.850	15.020	15.230	13.670	13.580	6,048
16-Jan	13.545	13.745	13.800	13.400	13.200	5,816
<b>Weekly Change</b>	<b>-8.79%</b>	<b>-8.49%</b>	<b>-9.39%</b>	<b>-1.98%</b>	<b>-2.80%</b>	<b>-3.84%</b>
<b>5 Day Average Volume</b>			<b>442.0</b> ↓		Source: Chicago Board of Trade	



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### Upcoming Events

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
Jan 28, 2009	Louisiana Rice Council Annual Meeting—Crowley, LA
Jan 29, 2009	NE Louisiana Rice Forum—Rayville, LA
Jan 30, 2009	Arkansas Rice Council Annual Meeting—Brinkley, AR
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 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

Weather-Crop Summary	Tuesday, Jan 20, 12:00 pm
U.S. Export Sales	Friday, Jan 23, 8:30 am