



# The Rice Advocate

US Rice Producers Association

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## Federal Budget Proposal Makes Broad Agricultural Cuts

Old Washington Agriculture Hands often observe that "There are no new ideas in farm policy." This adage was destined to be tested by the Obama Administration's commitment to "Change" and "New Ideas". The winner? The Old Hands.

This week President Obama delivered his Fiscal Year 2010 budget to Capitol Hill, included in the \$1.2 TRILLION spending blueprint was a list of \$17 billion in budget cuts. The proposed cuts, are a result of the President's effort to scrub through the federal budget "line by line". The savings are generated (on paper) by paring or terminating up to 121 federal programs, ranging from farm to missile defense programs, while not leaving the education or medical sectors untouched.

The White House has specifically targeted several agriculture, conservation, crop insurance and trade programs for cuts, but the specific proposals looked more like they came from a file drawer labeled "Old, Failed Agriculture Policies" than from a file of "New Ideas". Other proposed savings would come from a USDA and

IRS partnership to share data from farmers' tax returns, with the goal of reducing erroneous payments to farmers who are ineligible to receive them.

To the dismay of producers, the Obama Administration has not backed down from one proposal with a new twist—to phase out over 3 years Direct Payments to farmers with greater than \$500,000 in GROSS SALES annually. The new twist being targeting these cuts based on GROSS sales as opposed to Average Adjusted Gross Income (after expenses are subtracted). This idea has been roundly criticized for months, even by traditional proponents of tighter, unrealistic payment limits. In the President's Justification of the phase-out, it is stated that Direct Payments were originally introduced in 1996 as a temporary measure to be reduced over time, but that have continued unabated. Even if this is true, the proposal does not suggest re-distributing any savings back to [Continued on Page 2]

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## Latin American Markets Remain Backbone of U.S. Rice Exports



Texas Farmer Ray Stoesser—President of the Texas Rice Council and member of the USRPA Board of Directors

"If it weren't for the rough rice exports to Central America and Mexico, I'd be out of the farming business," says Ray Stoesser, rice farmer from Dayton, Tx. and Chairman of the Texas Rice Council. These two markets combined account for almost 50 percent of all US

rice exports. Until the US Rice Producers Association began to develop this market, Latin America was overlooked - primarily because the industry focused on milled rice sales to other destinations. The USRPA continues to work with the rice industry and importers in Central America

and Mexico to the benefit of all. Promotional programs in these regions focus on increasing the consumption of rice in the largest of the consumer groups. These programs are done on a non-branded basis and have resulted in mutual trust between the US Rice Producers Association and the Central American and Mexican industries. As a result, the imports to these countries continue to be virtually all US rice, despite strong pressures from cheap Asian milled rice. US rice exports to these regions are expected to continue to increase as consumption trends and population develops. Continued focus in these critical markets should remain a priority for the U.S. rice industry.



A pound of rice delivers four times the food energy as the same serving of potatoes or pasta

Baldo's Rice Facts

## Budget—Continued From Page 1

needy agricultural recipients. It would simply drain this income from the farm sector altogether.

The President's Budget Proposal also tries to breathe life into the often defeated and discredited \$250,000 payment limit on farm program benefits. The Budget proposes to save the federal government \$126 million over 10 years, and leave the remaining support to be targeted to "those farmers who most need them". Again, this old idea would diminish support to the farm sector without increasing supports to even one of "those farmers who most need them." The Budget documents explain "this would be accomplished by maintaining the 2008 Farm Bill payment limits for Direct and Counter-Cyclical Payments (\$40,000 and \$65,000 respectively), but capping marketing assistance loan gains (price support payments) at \$145,000 per person". In other words, by re-imposing the limit on Loan Deficiency Payments and Marketing Loan gains that was removed in the 2008 Farm Bill as a widely-supported improvement in the program.

The Budget also attacks (again) the Market Access Program, by proposing to reduce the program by \$40 million annually. In justifying the 20% reduction, the Budget offers up justifications that might have been lifted wholesale from the rhetoric used to try to market similar bad ideas by the Reagan Administration: "MAP overlaps with other USDA trade promotion programs, large for-profit entities indirectly benefit from MAP, its economic impact is unclear, and finally, oversight entities single out

MAP as an example of corporate welfare". Contrary to such claims, US Rice Producers Association successfully uses MAP funds to both increase US rice exports and to bring nutrition education and assistance to the poor in several Central American countries.

The Administration is also recommending a \$2 billion cut in baseline funding for the Crop Insurance Program over five years. "Such a heavy subsidy is no longer needed," states the President's Budget detail, as "the 2008 Farm Bill created several new subsidized programs in this area". The proposal will reduce premium subsidies by five percentage points on all coverage levels, increase the Government's share on underwriting gains to 20 percent from 5 percent, and it will reduce the premium on Catastrophic Crop Insurance by 25 percent. Perhaps of most concern to rice producers, is the implied assumption in these statements that crop insurance affords any significant benefit to them at all. In fact, if the program can ever be used creatively to work for rice producers, experience teaches that a strong subsidy component will be needed.

We do not mean to sound dismissive of the President's good work generally in his first 100 days. He is working hard to repair our broken economy, energize our health care system, and make other changes. But perhaps the best that can be said for his agriculture budget proposals, is that there seems to be little desire or likelihood that they will be enacted any time soon. 🌱

## School Nutrition Program Begins Strong in Guatemala

The "USA Rice School Nutrition Program" started 2009 activities April 1st in Guatemala. During its first month, the program trained 1,753 school cooks at 60 schools and served a nutritious meal to 23,239 children. In Guatemala, each school has a committee of school officials and parents which receives funds from the government to buy the ingredients to prepare the school meals. The USRPA program in the school trains the cooks, volunteer mothers, how to prepare meals that provide more nutrition for less cost - using rice and beans. Surveys conducted of the programs show that rice use not only increases in the schools, but also in the homes. The Guatemalan rice industry supports the program by donating 100% of the rice used at these trainings, as well as donating staff time and other resources to support the team. The USA Rice logo created for this program 6 years ago has had an effective impact identifying the USA origin of rice that is being used in the programs in Guatemala and throughout Central America. 🌱



USRPA cooking teams begin the year by conducting demonstrations intended to help promote rice by demonstrating its taste, nutritional, and economic benefits to the lowest socioeconomic group in the region. Guatemala is one of the primary countries in Central America where USRPA focuses its promotional efforts.

## General Market Update

There has been relatively no movement in the rice market this week, although news from Iraq has had many in the industry concerned as to the near futures. Otherwise, export sales continue at a good pace and growers continue to get the 2009/10 crop underway.

The weekly net sales were reported at 49,700 MT for the week, an increase of 1% from last week's 49,000 MT according to the USDA report. Sales increases were reported for Costa Rica with 17,600 MT of paddy, Nicaragua with 13,000 MT of paddy, Mexico with 12,400 MT of mostly paddy, Guatemala with 5,000 MT, including 4,000 MT of mostly paddy, and the United Kingdom with 2,000 MT of long grain milled. Sales decreases were reported for unknown destinations of 8,900 MT of paddy. Vessel loadings were up substantially for the week at 80,400 MT, almost 200% from last week's 39,800 MT. Primary destinations for the week were Japan (26,100 MT of medium grain), Nigeria (15,100 MT of long grain milled), Mexico (12,700 MT of mostly paddy), El Salvador (6,700 MT of paddy), and Haiti (5,000 MT of long grain milled).

USDA reduced their world market price estimates for all classes this week by \$0.17 per cwt for long grain and \$0.18 per cwt for medium/short grain. New estimates by class are \$12.08 per hundredweight for long grain rough and \$12.13 per hundredweight for medium/short grain.

The market has been very quiet over the past week with very little change in the bid prices. Texas bids remain at \$12.50 per hundredweight (\$6.00 premiums) with no trading reported. Bids in Southern Louisiana have slid to around the \$12.35 per hundredweight level (\$20.00 per barrel). In the Delta, prices are at around the \$13.00 per hundredweight (\$5.85 per bushel).

Asian markets have made few moves over the week as well. Thai 100%B is bid at \$535 per MT while Vietnamese 5% is bid at \$460 per MT, both fob vessel. The news from Iraq regarding potential incarceration of Iraqi Grain Board members has kept the market on its toes, but an additional tender was floated this week which may help to ease some buying fears. More demand in the region is needed to help move surplus stocks hanging over the market.

The futures market has had a hard run this week, breaking the slight uptrend demonstrated over the past several weeks. Monday's trading saw the market open at \$13.29 in the nearby July '09 contract before falling by

\$0.275 to close at \$13.015 for the day. On Tuesday, the market made a slight rally to increase by \$0.015 and close at the previous day's level of \$13.015. This push was lost on Wednesday's action as the market declined by \$0.035 and again on Thursday and Friday with \$0.12 and \$0.08 losses respectively. Friday's close saw the market at \$12.685 per hundredweight on an average daily volume of 372.8 contracts. The total range for the week was \$0.96.

This week has essentially been the same song different verse from the past few months: not much has changed. The significant news from the week is the announcement that the head of the Iraqi Grain Board (IGB) is facing arrest on corruption charges. Earlier this week it was reported that members were under indictment but it was unclear as to how the situation would transpire, especially with the pending tenders open. As the situation progressed, it seems to have stabilized as the Iraqi government floated an additional tender this week for an additional 30,000 MT of any origin. This business, if it comes to the U.S. would help to generate much needed additional sales of milled rice and help get the cash market off center. We will continue to monitor these events as they will be very important to the U.S. rice industry. In other areas, export sales were up again as expected and the fluctuations should continue until the global rice market stabilizes. In the local cash markets, the milling interest and futures board continually keep trade at a stalemate as producers still holding the last bit of rice are waiting for more substantive prices to offset the expensive crop. The Asian arena has been closely watching the events in Iraq unfold as Iraq has historically purchased large quantities of Asian rice and can help boost prices in this region if they decide to buy in the near future. Otherwise, this area is quiet as well. The futures market has had a rough week although not entirely unexpected. At the end of the May contract, many positions are being moved into the Nearby July contract and the market may make some moves to recover in the next week or two. Across the western rice industry, many are preparing to attend the Rice Congress of the Americas in Miami next week. Hosted by [The Rice Trader](#) publication and sponsored by the US Rice Producers Association, this conference is expected to draw representatives from all aspects of the global rice trade. The wide panel of speakers and presentation should provide a rewarding experience for all in attendance. Fundamentally, there is still strong evidence for a solid market and our long term analysis remains unchanged. Until the market begins to move, very little is expected to happen but when it does it will happen very fast. We look forward to seeing you next week in Miami. 🌿

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The updated Texas Rice Crop Survey is now available at [Beaumont.tamu.edu/cropsurvey](http://Beaumont.tamu.edu/cropsurvey). This survey, updated weekly by the Texas A&M Experiment Station in Beaumont, Texas provides up-to-date crop information including acreage, varieties, and crop development from across the Texas Rice Belt.

Chicago Rice Futures for the Week Ending May 8, 2009						
Closing Price	May-09	Jul-09	Sep-09	Nov-09	Jan-10	Open Int.
1-May	13.020	13.240	12.480	12.500	12.735	8,065
8-May	12.450	12.685	12.200	12.350	12.500	7,881
<b>Weekly Change</b>	<b>-4.38%</b>	<b>-4.19%</b>	<b>-2.24%</b>	<b>-1.20%</b>	<b>-1.85%</b>	<b>-2.28%</b>
<b>5 Day Average Volume</b>			<b>372.8</b> ↓		Source: Chicago Board of Trade	

The Rice Advocate is now accepting letters to the editor. If you have a topic you would like to address, please email your submission to [jessica@usriceproducers.com](mailto:jessica@usriceproducers.com) with "Letter to the Editor" as the subject. Letters should be 200 words or less and address a specific issue. Submissions will not be published unless signed by the original author. USRPA reserves the right to edit all letters.

## Upcoming Events

May 13-14, 2009	3rd Annual Rice Congress of the Americas—Miami, FL
May 14, 2009	Exporting to Cuba (Texas-Cuba Trade Alliance)—Houston, TX
June 21-24, 2009	RMA 110th Convention—The Ritz Carlton, Amelia Island, FL
June 30, 2009	Eagle Lake Field Day—Eagle Lake, TX
July 1, 2009	LSU AgCenter Rice Research Station Field Day—Crowley, LA
July 9, 2009	MFBF Region One Young Farmer Leadership Meeting—Cleveland, MS
July 9, 2009	Beaumont Field Day—Beaumont, TX
July 15-17, 2009	Postharvest 2009 Rice Conference—Bangkok, Thailand
July 16, 2009	Mississippi Rice Field Day—Stoneville, MS
July 17, 2009	MFBF Summer Rice Grower Meeting—Cleveland, MS
August 12, 2009	University of Arkansas Rice Field Day—Stuttgart, AR
August 19, 2009	Cache River Valley Seed Rice and Soybean Field Day—Cash, AR
September 16-19, 2009	12th European Rice Millers' Convention—Venice, Italy
December 9-11, 2009	USA Rice Outlook Conference—New Orleans, LA
January 11-13, 2010	13th Annual NCS Cotton & Rice Conference—Tunica, MS



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## USDA Reports Next Week

Crop Progress	Monday, May 11, 4:00 pm
World Agricultural Supply and Demand Estimates	Tuesday, May 12, 8:30 am
Weather-Crop Summary	Tuesday, May 12, 12:00 pm
Rice Outlook	Wednesday, May 13, 4:00 pm
U.S. Export Sales	Thursday, May 14, 8:30 am