



The Rice Advocate

US Rice Producers Association

Volume 6, Issue 23

Friday, June 12, 2009

This Week in Washington: Climate Change Bill Debate; FY 2010 Agriculture Appropriations; President Recommends Stricter Budget Rules

In the House of Representatives, supporters of climate legislation continue to push for a comprehensive "Cap and Trade" bill -- far-reaching legislation that has now been referred to 8 additional committees for consideration. Among these referrals, the American Clean Energy and Security Act has been referred to the House Agriculture committee, where a hearing was held this week to review the bill. According to Ranking Member Frank Lucas (R-OK), the bill has several downsides: higher energy costs, higher food prices, cap-and-trade that will cap income for farmers, and trading away of American jobs and opportunities.

Agriculture Committee Chairman Collin Peterson (D-MN) is also skeptical of the authority the bill gives to the Environmental Protection Agency as debate ignites over which federal agency will oversee a carbon trading system for agriculture. "You're going to have to get permis-

sion from the EPA to grow what you want to grow", Peterson stated. "I don't really trust what they're up to. It's like they're on an ideological vendetta."

At Thursday's hearing, American Farm Bureau Federation President Bob Stallman outlined the Farm Bureau's views on the current House bill:

"According to the latest Environmental Protection Agency (EPA) "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2005" updated in 2008, agriculture and forestry emit between 6 and 7 percent of the total greenhouse gases (GHG) emitted in the United States. The same EPA document also indicates that agriculture and forestry have the potential to sequester between 15 and

[Continued on Page 2]

Inside this issue:

- 2 Mississippi Rice Update
- 3 General Market Update
- 5 Upcoming Events
- 5 USDA Reports Next Week

Attention Rice Farmers: Horizon Ag Field Day Set for July 2



Horizon Ag is having a field day on Thursday, July 2 on the farm of Bobby Soileau just north of Eunice, La. (Take Hwy 13 heading towards Mamou and turn east at the water tower just north of Eunice). They will start registration at 9:30 am and the tour at 10:00 am. Attendees

will see all five of our CLEARFIELD varieties including CL111. We will also discuss our new CLEARFIELD medium grain. Someone from BASF will be there to talk about the Stewardship issues and any problems they are seeing this year in CLEARFIELD rice.

After the tour, lunch will be served, and during lunch there will be several door prize drawings. Please plan to attend.

If you have any questions or need directions to the field day, please contact Michael Fruge, Southern District Manager, Horizon Ag, LLC, by phone at 832-260-6193 or 713-880-0323, or by email at mfruge@horizonseed.com.

For more information, please visit www.horizonseed.com.



The custom of throwing a handful of rice at newly weds originally symbolized fertility and the blessing of many children; today it symbolizes prosperity and abundance.

This Week in Washington—Continued from Page 1

20 percent of total U.S. emissions. The U.S. Department of Agriculture (USDA) says that currently these two sectors sequester about 11 percent of total emissions, so that these sectors are responsible for reducing more GHG emissions than they emit. It stands to reason that any climate change policy should seek to maximize these contributions from agriculture. The Waxman-Markey bill does not.

Any climate change legislation will impose additional costs on all sectors of the economy and will result in higher fuel, fertilizer and energy costs to farmers and ranchers.”

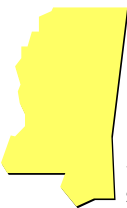
Agriculture Secretary Tom Vilsack has advocated for USDA's involvement and possible jurisdiction over a carbon offset program for agriculture. Secretary Vilsack contends that the bill is a work in progress that can be improved to provide benefits for farmers, ranchers, and landowners.

House Democrats are pushing for passage of the cap-and-trade energy bill before the July 4 recess.

In other news, the Fiscal Year 2010 appropriations

process for agriculture began in earnest this week as the House Agriculture Appropriations Subcommittee marked up its version of the FY 2010 bill. Among other items, the bill includes full funding of \$200 million for the Market Assistance Program, which USRPA uses to successfully promote US rice in Mexico, Central America, and elsewhere. The full House Appropriations Committee is scheduled to markup the bill next week, on June 16.

On a more strategic level, President Barack Obama released Thursday his proposal to restore “PayGo” budget enforcement rules, which require that the costs of legislative increases in mandatory spending and tax cuts be offset by revenue increases and /or budget cuts elsewhere. If Congress adopts the proposal, legislation in the years ahead will take longer and longer as lawmakers will have to dig for ways to offset increased expenditures. This is always a challenging prospect for farmers, as farm program opponents often seek to cut the \$5 billion annual cost of commodity programs to offset the current \$1 trillion annual US budget deficit.



Mississippi Rice Update

By: Dr. Nathan Buehring, Extension Rice Specialist, Mississippi State University Extension Service

So far this year has been a challenge for Mississippi rice producers. Rainfall periodically during the planting season delayed getting the crop in the field and caused more replanting than usual. For Mississippi, the typical planting window is from April 1 to May 15. Due to extensive rainfall during the first two weeks of May, about 30% of the crop was planted or replanted after May 15. As last year, the northern part of delta took the brunt of the rainfall this spring. In this region of state, rice acres have been cut back because producers could not plant in the lower regions where water stood longer and /or increase in soybean prices. The reduction in rice acres from the initial USDA estimates will be at least 5%.

With the weather being uncooperative this spring, rice stands are not as good as we would like them to be. Therefore, yields will likely be average if no other major weather impact occurs. If I were to rate the crop as of now, it would be 15% Excellent, 45% Good, 30% Fair, and 10% Poor. The rice growing season has just begun, so who knows what else is in store for rice producers this year.

This year's crop will widely vary in maturity. Today we are still planting some rice in places. Hopefully that

will wrap up by the weekend. Some of the earliest rice crop has already approached midseason and the remainder of the crop is somewhere in between.

Another big issue for Mississippi rice producers this year has been glyphosate drift. This year's glyphosate drift problem is not as extensive as it was in 2006. During wet springs, glyphosate drift tends to be a problem because of two things. One, due to wet weather producers are put behind on making glyphosate applications to Roundup Ready crops. Consequently, producers feel the sense of urgency to get weeds under control in crops like soybean, corn or cotton. Two, rice seems to be more sensitive to glyphosate under wet conditions than dry conditions.

Most of the rice that I have seen affected by glyphosate will be able to come out of it with very little replanting. This rice will be delayed in maturity, but will generally not result in a lower yield unless it severely thinned the rice stand. Yields will be severely impacted by glyphosate drift when rice is in its reproductive stages (midseason to maturity). As a result, rice producers and other row crop producers need to be aware of how severe glyphosate drift can impact rice yields in the reproductive stage especially if we fall into another rainy period.

General Market Update

Global events are beginning to shake loose in the rice world as news from Asia surfaces that may make prices begin to surge. Sales were up for the week, as were futures, but the cash market has a ways to go. Offshore demand remains important and necessary for significant moves to happen, but at this point things seem to be looking up.

The USDA net sales report for the week was up substantially from last week's 18,400 MT at 117,700 MT total. This is an almost 550% increase in sales. Key buyers reported were Japan with 26,000 MT of medium grain, New Guinea with 25,600 MT of medium grain, Haiti with 21,900 MT of long grain milled, Saudi Arabia with 15,000 MT of long grain milled, Mexico with 13,100 MT of mostly paddy, and Guatemala with 3,900 MT of paddy. Sales decreases were reported for Costa Rica with 400 MT of long grain rough and Honduras with 200 MT of long grain rough. Vessel loadings were reported at 90,100 MT for the week, up by about 200% from last week's 29,600 MT. Primary destinations for the week were Costa Rica (25,200 MT of paddy), Mexico (21,600 MT of mostly paddy), Japan (13,000 MT of medium grain), the United Kingdom (7,400 MT of long grain milled), and Guatemala (5,600 MT of paddy).

USDA reduced its world market price estimate for the week by \$0.29 per hundredweight for long grain rough, and \$0.30 per hundredweight for medium/short grain rough. Current price estimates by class are now at \$11.01 per hundredweight for long grain rough and \$11.05 per hundredweight for medium/short grain rough.

The June World Agricultural Supply and Demand Estimate was released this week. Key supply side changes were a decrease in yield by 127 pound per acre to 6,955 pounds per acre resulting in a production decrease by 4 million hundredweights to 220 hundredweights total. Imports increased by 1 million hundredweights to 22 million hundredweights total. There were no demand side revisions in this WASDE. Because of these changes, the ending stock numbers decreased by 3 million hundredweight to 36.2 million hundredweight total. The season average price received by farmers was left unchanged.

The cash market remains unchanged across most of the rice growing regions. Texas bids are reported at \$11.50 per hundredweight (\$5.00 premiums) with no trading reported. In Louisiana, bids are reported at around \$11.50 per hundredweight as well (\$18.64 per barrel) with some light volume moving at this level. In the Delta, cash prices have moved up to around the \$12.75 per hundredweight (\$5.74 per bushel) level on surging futures prices. Weather continues to be an issue and the real acreage in these areas is unconfirmed.

Pricing in Asia remains a mystery as the spread again widens between the two largest suppliers. Thai 100%B is bid at \$575 per MT while Vietnamese 5% is bid at \$410 per MT, both fob vessel. In a surprising turn of events, the Thai government has announced that instead of liquidating its intervention stocks (as was thought to be the case) it will actually be INCREASING the buffer by 2 million tons. This will in effect tie up much of the new crop in Thailand and pull much of their supplies from the marketplace. Also, the Philippine NFA purchasing agency has reportedly bought an additional 1 million tons from Vietnam, extracting them from the marketplace as well.

The run in the futures market continued for another week, which has been highly welcomed. Monday's trading saw the nearby July '09 contract open at \$12.65 per hundredweight before falling \$0.17 to close at \$12.48. Tuesday's action traded on a much higher range than its predecessor, making higher highs, and lower lows before settling up \$0.48 at \$12.96 per hundredweight. On Wednesday, the market breached the \$13.00 per hundredweight mark but was unsuccessful at maintaining it, losing \$0.16 per hundredweight for the day and closing at \$12.78. Thursday saw the market regain its ground with a \$0.30 per hundredweight increase to close at \$12.96 per hundredweight. Friday's trading put the market back down by \$0.055 to close at \$12.925, \$0.105 below the top of the weekly high. The total range for the week was \$0.67 per hundredweight on an average daily volume of 944.8 contracts.

While the actual movements have been minimal in the rice industry this week, the news has been anything but. The decision to increase the Thai intervention stocks by the government will undoubtedly change the Asian market dynamics significantly, as will the Vietnamese sale to the Philippines. In order to increase the Thai buffer stocks, the government will have to go on a purchasing spree, effectively drawing out the remainder of the current crop and putting Thai exporters in the position of waiting until after the next crop is harvested (and possibly further out than that). This will alleviate much of the excess volume hanging over the market from these sources. Looking towards Vietnam, the situation is much the same in that the additional tonnage has been committed to the Philippines. While there is a distinct possibility of additional and occasional rice sales from this source, it has been effectively removed from the market as well. The last region in this part of the world to note is in India, who has been rumored to be re-entering the marketplace at sometime (as of yet undisclosed) in 2009. Current weather patterns in the region suggest that they are more than 37 percent below the normal monsoon rainfall needed [Continued on Page 4]

General Market Update—Continued from Page 3

in the region for agricultural interests. If these weather patterns continue, then it becomes increasingly unlikely that they will be returning to the export market with any substantial volume during this year. Now having said all this it is important to note that this does not necessarily translate into “Bullish” rather that the market should be considered stronger. The potential for exports remain in the region and historical suppliers will turn to the Thai’s and Vietnamese for rice. This depletion of stocks overhanging the market should translate into at least three things: additional business to other global sources of rice (primarily the U.S.), stronger prices globally, and a more favorable pricing differential between the Asian and Western Hemisphere markets.

Moving on to other areas, export sales were “up noticeably” according to the USDA. A 500% increase is definitely “noticeable” especially at a time when export business is critical to the health of the industry. This not-unexpected spike will likely fall off over the next week or two (in line with the current trend) so long as prices do not make any sudden moves to the upside. If the Asian prices spike then a flurry of buying interest can be expected as overseas buyers work to secure supplies at current prices.

The monthly Supply and Demand report was neither accurate nor surprising after last month’s fiasco, but was at least prefaced this time by a disclaimer that the projections are “highly tentative.” This leads us to believe the framers are working diligently to resolve the problems, and we can expect some significant corrections in the near future (next several months). Fortunately, the trade has learned to discount the numbers and much less damage was done this time around. In the defense of the authors, the government is required to utilize official data from its agencies, which does not always arrive in a timely manner. I hope that the collection and dissemination of the numbers will be streamlined so that the reports will again gain the prestige and accuracy that the once held and become a valuable tool to the industry. Until then we will have to do the best that we can. Overall the report is neutral, a positive at this point in time. Acreage and yield are both much higher than what the industry representatives anticipate due to weather concerns and replanting into other crops. If this is the case then the resulting production figures will also be substantially lower, potentially

crunching the export estimate and further depressing the ending stocks. The resulting market impact will depend heavily on the rest of the world, but as things are currently shaping up, could mean major price moves to the upside.

Pricing for the year is difficult to pin down, but it is looking much more as if we have already experienced the lows for the year. The highs will depend on the ability of the mills, processors, and other industry players to price aggressively and work the market. Without a doubt, there is profit to be made for all segments. The cash market is (and has remained) mostly dormant for over the past several months. There is no reason for this to change until the futures drives the prices higher, or offshore demand rolls in to stimulate buying interest as we have mentioned before. The lag on the price response will depend on how much and how fast the futures/offshore demand can be generated. Asian prices remain a general mystery, as they are not responding as anticipated given the recent business to the region. Hopefully the new events and news will have some impact on these prices to help give us some idea of the market drivers and key forces in the area.

Futures continue to climb and from a technical standpoint, it would seem we have finally made a turnaround. The daily and weekly charts both seem to indicate this for the nearby July '09 contract but remember that these things can change as quickly as they begin (note October 2008). The drivers for the market appear to be of financial origin, although the fundamental side is appearing as well. It would be much better if the fundamentals played a larger role in futures market to ensure long-term health. Volume has been low over the last several weeks, and a healthier market would occur if and when the volume returns. Until then we prefer to hold off on declaring a “true” market turnaround as the potential for a sudden slump (hinged to the financial markets) is still very real. Less the doom-and-gloom outlook, the general market potential seems to be strong.

Overall, things seem to be taking a turn for the better in the rice world, which is a much welcomed and overdue change. There are still many things that could swing the market to both extremes and the 2009 crop is far from over. If the current trends persist then this could result in a profitable year for rice. 🌾

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 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.

Volume 6, Issue 23

Chicago Rice Futures for the Week Ending June 12, 2009						
Closing Price	Jul-09	Sep-09	Nov-09	Jan-10	Mar-10	Open Int.
5-Jun	12.615	12.700	12.735	12.795	12.850	9,004
12-Jun	12.925	12.850	12.875	13.025	13.155	8,681
Weekly Change	2.46%	1.18%	1.10%	1.80%	2.37%	-3.59%
5 Day Average Volume			944.8 ↓		Source: Chicago Board of Trade	

Upcoming Events

June 21-24, 2009	RMA 110th Convention—Amelia Island, FL
June 22, 2009	Texas Agricultural Forum—Austin, TX
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 10, 2009	First Annual Range, Water and Wildlife Workshop—Mentz, TX
July 13-14, 2009	USRPA Annual Summer Board Meeting—Tunica, MS
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 10-12, 2009	Africa Rice Outlook 2009—Durban, South Africa
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
August 27, 2009	Missouri Rice Research Farm Field Day—Glennonville, MO
September 2, 2009	48th Annual Delta Center Field Day—Portageville, MO
September 16-19, 2009	12th European Rice Millers' Convention—Venice, Italy
October 27-29, 2009	World Rice Conference—Cebu, Philippines
January 11-13, 2010	13th Annual NCS Cotton & Rice Conference—Tunica, MS



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USDA Reports Next Week

Crop Progress	Monday, June 15, 4:00 pm
Weather-Crop Summary	Tuesday, June 16, 12:00 pm
U.S. Export Sales	Thursday, June 18, 8:30 am