



The Rice Advocate

US Rice Producers Association

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USRPA Takes Leadership Role in Defending GSM Export Credit Program In Light of WTO Brazil Decision

On August 31 a WTO Arbitration Panel decision was released disciplining the USDA export credit guarantee (GSM-102) program. In response, the US Rice Producers Association joined with the National Cotton Council and four other export and cooperative groups to urge the U.S. government to request a new WTO Compliance Panel to update this ruling. A new panel is needed to reflect the significant changes in the program made by Congress and the USDA since 2005.

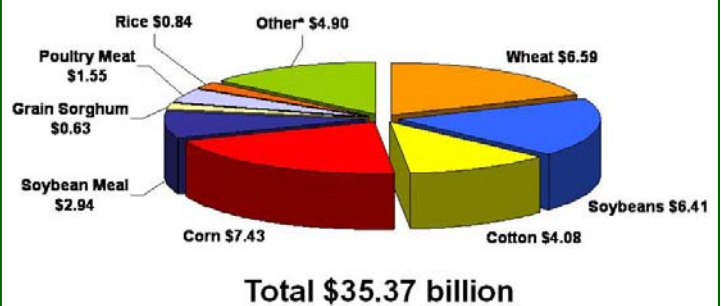
As reflected in the pie chart on the right, between 1997 and 2009, the GSM program has financed exports of more than \$35 billion worth of U.S. agricultural products, including \$840 million of U.S. rice. USRPA joined the other leadership organizations in analyzing the WTO decision, and they released a statement expressing disappointment in the panel's decision, which is based on the GSM program as it existed in 2005. USRPA and the other groups believe the panel failed to recognize the

significant changes that have been made to the GSM-102 program since 2005.

The extent of the program changes is demonstrated in the President's budget for fiscal year 2010. According to the U.S. Office of Management and Budget, in 2010 the

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GSM-102 Exports by Commodity 1997-2009 (\$ billion)



USRPA Spearheads Efforts to Increase Agricultural Research Funding

More than 40 agriculture, food, and related organizations representing a broad array of commodity, general farm, input, processing, and related organizations and industries joined USRPA this week in signing and sending a letter to the House and Senate Appropriations Committees to endorse a \$295 million appropriation in fiscal year 2010 for the Agriculture and Food Research Initiative (AFRI) at USDA. The effort was spearheaded by USRPA Washington Counsel Fred Clark.

In a recent meeting with USRPA and other farm groups, USDA Undersecretary for Research, Education and Economics Dr. Rajiv Shah stated one of his strategic goals is to double science funding at USDA in the next five years. Locking in this \$90 million increase in AFRI funding for fiscal year 2010 will provide an important base on which to build toward this goal.

As reflected below, both the House and the Senate Agriculture Appropriations bills proposed to fund AFRI above the amount of the fiscal year 2009 level and the President's initial budget request:

Agriculture and Food Research Initiative

FY 2009 Enacted	=	\$201.504 million
FY 2010 President's Budget	=	\$201.504 million
FY 2010 HOUSE	=	\$213.000 million
FY 2010 SENATE	=	\$295.181 million

In the Statement of Administration Position where the

Administration "strongly supports" passage of the Senate Agriculture Appropriations bill, the Office of Management and Budget singled out the Senate \$295.2 million AFRI appropriation for special praise, stating, "The Administration appreciates the Committee's strong support for the National Institute for Food and Agriculture's Agriculture and Food Research Initiative for competitively awarded extramural research grants."

Fred Clark said, "This opportunity to substantially, strategically increase agricultural research funding is a unique one. I am hard pressed to recall an instance in the last 25 years when production agriculture, the input and processing sector, USDA, and even the Office of Management and Budget, have all agreed that major increases in funding were called for. This issue is ripe and we need to push hard to harvest it."

The entire text of the letter and a list of the 44 signing organizations can be found at [http://usriceproducers.com/files/191_AFRI%20Commodity%20Letter%20Conference%20\(final\)%20090309.pdf](http://usriceproducers.com/files/191_AFRI%20Commodity%20Letter%20Conference%20(final)%20090309.pdf).

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Defending GSM Export Credit Program—Continued from Page 1

GSM program will generate a positive return to the federal government of \$54 million.

Ironically, Brazil's banks have been by far the largest users of the GSM-102 program since 2002, which is the year Brazil initiated its WTO case against the United States. Since that time, Brazilian banks have taken more than \$5.4 billion in loans under the GSM-102 program.

The WTO panel also failed to recognize the benefits that have accrued to Brazil's banks because of their significant participation in the GSM-102 program. These benefits far outweigh the costs arrived at by the arbitration panel.

USRPA commends the efforts of the U.S. government led by the Office of the U.S. Trade Representative and the U.S. Department of Agriculture on this case. They

have clearly articulated the modifications to the program that put it in compliance and are consistent with the negotiating text. USRPA looks forward to working with any interested party to ensure the many changes previously made to USDA's export credit guarantee programs are better understood by the WTO and others.

The text of the entire joint release can be viewed at http://usriceproducers.com/files/190_WTO%20and%20GSM%20program%20PR%209%202%2009.pdf.

*"Other" includes: corn oil, soybean oil, hides & skins, beef meat, beef offals, pork meat, pork offals, breeding cattle, poultry breeding stock, tallow, yellow grease, wood pulp, solid wood products, wheat flour, fresh fruit, dried fruit, leather, non-fat dry milk, pulses, planting seeds, distillers dried grains, lyocell, tree nuts, cotton yarn, fish paste, aquaculture feed (list not exhaustive). As of 1 September 2009.

USRPA Welcomes Official from the Consulate General of the Republic of Korea



Soo Hyun Kim of the Consulate General of the Republic of Korea located in Houston, Texas, visited the US Rice Producers Association's offices this week to discuss the U.S. rice market in

both California and the South. Information was exchanged about both countries' rice industries, what might

be done to increase interest in consuming more rice in the Republic of Korea, and what part U.S. rice might play in achieving that goal. It was noted that beef is a staple in the Korean diet, and rice goes well with many traditional dishes. Subjects discussed were of an educational nature, and it was agreed that further meetings over the next few months would be welcome by both parties.

Central America: School Nutrition Program on Track

Despite Swine Flu and a political coup, as of August 31, the US Rice Producers Association's School Nutrition Program in Central America has conducted promotions in more than 660 schools, trained 14,280 school cooks/mothers and fed a low-cost, nutritious meal to more than 154,000 children.

Political unrest from the coup that ousted the President of Honduras has resulted in periodic closings of schools in Honduras. The USRPA promotional team has been quick to adapt in this country by visiting private schools and other non-government organizations to train groups of women on how to prepare low-cost meals using rice and beans, hygiene and basics of nutrition.

The programs are scheduled to run until the end of the school year, which ends in November in most countries. In past years, the program has shown to increase rice use between 23 and 66 percent in the schools where the promotions are conducted. The program has also affected the use of rice in the homes of the school cooks/mothers. Last year, program participants surveyed indicated an average 227 percent increase in the number who served five or more pounds of rice per week.



Pictured: Following a morning promotion/training for school cooks, who are teachers and mothers in the village, students in this Costa Rican school are served a high protein lunch of rice, beans and texturized soy protein. In Costa Rica, Nicaragua and El Salvador, the School Nutrition Program is a cooperative effort of the USRPA, USA Rice Federation, US Dry Bean Council and the World Initiative for Soy in Human Health, a program of the American Soybean Association.



More than 1 billion people throughout the world are actively involved in growing rice.

Baldo's Rice Facts

Mexico: Consume Arroz Mas por Menos Goes Back to School



Pictured: Children at the Santos Degollado school in Mexico work on activity sheets where they learn about rice.

The official kick off for training sessions in schools for August through December 2009 was last Wednesday (August 26).

During the last week of August, elementary schools in Mexico began classes for the fall semester. USRPA's pro-

General Market Update

The world has not changed significantly this week but the best news in the rice industry was the surge in the futures market. Export sales were off a bit, but the vessels continue to load against old contracts. The cash market is at a traditional "down" time in the market and the current lack of demand has not helped the pricing situation. In Asia, there has been virtually no change and stronger demand will be needed to change the overall situation.

USDA reported net rice sales at 53,800 MT for the week, a 36% decrease from last week's 84,300 MT. Sales increases were reported for Jordan with 15,100 MT of long grain milled, Nicaragua with 14,900 MT of paddy, Costa Rica with 6,700 MT of paddy, El Salvador of 3,900 MT paddy, and Mexico with 3,700 MT of mostly paddy. Vessel loadings were up by about 69% from last week's 39,500 MT at 66,600 MT. Primary destinations were Nicaragua (22,400 MT of long grain rough), Japan (13,000 MT of medium grain), Mexico (8,600 MT of mostly long grain rough), Haiti (7,000 MT of long grain milled), Canada (3,500 MT of long grain milled), and El Salvador (3,500 MT of paddy).

The world market price estimate from USDA was unchanged for the week. Currently, estimates remain at \$11.31 per hundredweight for long grain and \$11.40 for medium/short grain.

Cash markets remain very quiet across the rice belt with almost no changes from last week. Bids in Texas are reported at the \$12.75 per hundredweight level (\$6.25 premium) for conventional varieties and \$0.50 less (\$12.25 per hundredweight/\$5.75 premium) for hybrid

gram Consume Arroz Mas por Menos participated in the first day of school ceremony this week. The program also began activities with mothers and fathers.

Through the program, USRPA reaches many audiences:

1. Parents, who are focused on feeding their children nutritious meals, learn the nutritious, low-cost value of rice.
2. Teachers and school administration, who are interested in healthy development of their students, learn how to achieve their goals with healthy food where rice is a key and valuable element.
3. Children, who are our present and future consumer, learn to develop a preference for different rice dishes served through the program.

The principal of Santos Degollado, a school in Mexico, Andrea Fernandez Garcia, mentioned the importance of USRPA's program during her inaugural speech. She pointed out the program's ability to encourage parent involvement in school activities and to improve meals served to students and families. Fernandez said, "Rice is a very good option to achieve nutrition for our children." 🌱

varieties. No trades were reported at this level. In Louisiana, bids softened to around \$12.00 per hundredweight (55/70) (\$19.45 per barrel) on very light trading. Delta bids moved up a bit on the stronger futures market, but were not able to generate any substantial trades. Currently, bids are at \$12.75 per hundredweight (\$5.74 per bushel). Growers' ideas remain much higher at around \$13.33 per hundredweight (\$6.00 per bushel) fob farm or higher.

Asian markets backed off again this week with very thin demand in the region as well. Currently, Thai 100%B is bid at \$535 per MT while Vietnamese 5% is bid at \$375 per MT, both fob vessel for the week. Weather in India and the SE Asian region is the most critical factor in the market with virtually no change in the drought conditions at this point.

The futures market performed nicely this week, which is a substantial improvement over the past several weeks. On Monday, the market opened up at \$13.78 in the nearby November contract before climbing \$0.30 to close at \$14.08 for the day. Tuesday and Wednesday saw market losses of \$0.95 and \$0.65 respectively as the bears tried to pull back down below the \$14.00 mark, but Thursday's action moved the market up \$0.245 to close at \$14.105 per hundredweight. On Friday, the market traded up again by \$0.065 to close the week at

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Check out this week's RiceTec audio report (podcast) by visiting <http://www.ricetec.com/file.asp?id=894>.

General Market Update—Continued from Page 3

\$14.155 per hundredweight. The total range for the week was \$0.40 on an average daily volume of 951.4 contracts.

There is not much new to say from a rice standpoint except that things continue to trudge forward. The harvest season continues at a strong pace with very positive yields reported from the field. Concerns from the upper Delta continue in that the cooler temperatures and early season wet weather are expected adversely to affect yields from that region. As almost one-half of the rice in the U.S. is produced in that area, it will have a substantial effect on the bottom line of the supply figures at the end of the year. In the coastal bend regions of Texas, drought has been a major problem to cope with and early reports indicate that water rationing may make it more difficult to produce rice in that region in 2010. At current prices, it will be difficult to buy any additional acreage from other crops. Cash markets have been mostly quiet over the week but the surging futures market will be helpful in trying to recover the pricing situation.

The continued performance of the market will go a long ways towards maintaining a reasonable pricing level over the next several months. Asian markets have been mostly quiet too, and the Indian monsoon rains have still not materialized as hoped. Otherwise, the Asian region like the rest of the world, is suffering from a major lack of demand. Intervention programs are the current stabilizing factor in the region and while not always the best factor for the market, they ARE effective at keeping volatility to a minimum. The futures market has been the primary mover this week and psychologically has broken and maintained itself above the \$14.00 mark. Technically, it would seem as though we are due for another pullback but this time it may turn out to be a consolidation as opposed to a market fall. Time will tell, and for the time being the futures market is a difficult place to be right now. The only certain thing is that it is generally unadvisable to be short at this point in time. Longer-term fundamentals have not changed and the stronger demand and prices should materialize towards the end of the year. 🌱

Chicago Rice Futures for the Week Ending September 4, 2009						
Closing Price	Sep-09	Nov-09	Jan-10	Mar-10	May-10	Open Int.
28-Aug	13.510	13.760	14.010	14.240	14.465	11,362
4-Sep	13.905	14.160	14.385	14.625	14.805	10,737
Weekly Change	2.92%	2.91%	2.68%	2.70%	2.35%	-5.50%
Average Daily Volume			951.4 ↓		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 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.



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Upcoming Events

September 16-19, 2009	12th European Rice Millers' Convention—Venice, Italy
September 18, 2009	Annual Delta Rice Promotion, Inc. Rice Luncheon—Cleveland, MS
October 8-10, 2009	World Rice Commerce 2009—Nusa Dua, Bali, Indonesia
October 27-29, 2009	World Rice Conference—Cebu, Philippines
January 11-13, 2010	13th Annual NCS Cotton & Rice Conference—Tunica, MS

USDA Reports Next Week

Crop Progress	Tuesday, Sept 8, 4:00 pm
Weather-Crop Summary	Wednesday, Sept 9, 12:00 pm
U.S. Export Sales	Friday, Sept 11, 8:30 am
World Agricultural Supply and Demand Estimates	Friday, Sept 11, 8:30 am

All USDA reports are available by visiting http://www.usda.gov/wps/portal/?navid=AGENCY_REPORTS=RT.

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