



The Rice Advocate

US Rice Producers Association

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USDA Proposes Cuts to Crop Insurance in SRA Negotiations

Periodically, USDA and the companies that participate in the Federal Crop Insurance Program have to negotiate an agreement called the Standard Reinsurance Agreement that governs the contractual relationship between the government and crop insurance companies. USDA has recently proposed a new agreement that administratively would cut \$4B out of the program over 5 years. Crop insurance industry representatives are concerned that USDA's proposed draft Standard Reinsurance Agreement (SRA) would not only impair delivery but also the financial health of the companies. Among industry concerns is the proposal to cut administrative and operating expense reimbursement by another 35% (over the 12% cut of last year), and the proposal that requires companies to take on riskier books of business while denying them a greater share of that business which is generally low risk.

Producer groups are currently circulating a letter expressing concerns about the magnitude of the cuts and the means of achieving them because it would reduce the available agriculture budget baseline at a time when Congress is unlikely to seek additional resources. In addition, it may undermine access to crop insurance, both for those producers now adequately served and for those producers who are seeking to participate in the program in the future. While rice producers are not significantly active in the crop insurance program, USRPA plans to sign a commodity group letter to USDA expressing concerns over the proposed cuts and also asking USDA to shift the savings from the cuts toward improving the program for crops that do not have workable programs.

USDA Shuffles Key Staff in New Year

2010 began with significant changes in the leadership at the Department of Agriculture in Washington DC. Of note to rice producers, Agriculture Secretary Tom Vilsack removed the Foreign Agriculture Service (FAS) Administrator and selected a new Chief of Staff. Michael Michener, named FAS Administrator in March 2009, was reassigned on January 1 to the U.S. Mission to the United Nations Agencies in Rome: the Food and Agriculture Organization, the International Fund for Agricultural Development, and the World Food Programme. As the staff representing the Department of Agriculture, Michener will advance UN efforts in emergency food aid, food safety standards, agriculture, fisheries, forests and financing for rural development. Michener's reassignment was announced after a slew of controversy over his pet agricultural development project in Afghanistan, which critics claim overtook the traditional mission of FAS – enhancing export opportunities for US agricultural products and promoting global food security.

FAS administers programs critical to increasing exports of US rice, including the Market Access Program, which helps US producers and exporters finance marketing activities, and the Export Credit Guarantee Program,

which finances US rice exports to developing countries where credit is necessary to maintain or increase US rice sales. John Brewer, the General Sales Manager who runs the Export Credit Guarantee Programs, now wears another hat as the Acting Administrator of FAS. In a move to give the Golden State a long-awaited voice in Federal agricultural policy, Secretary Tom Vilsack appointed Karen Ross as his new Chief of Staff. California is a leading agricultural producer with 88,000 farms and ranches and a \$36.6 billion dollar industry, \$1.3 billion of which is contributed from the state's rice industry. Ms. Ross will take the reins of one of the largest federal agencies overseeing more than 100,000 employees and an annual budget exceeding \$96 billion. Ross formerly ran the California Association of Winegrape Growers (CAWG) and served as Vice President of the Agricultural Council of California. Her former colleague at CAWG describes her as "the best person to be in that position. She's very driven, and she has a work ethic like steel."

USRPA will continue to monitor and report on changes affecting rice at USDA and other Federal government agencies.

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US Rice Producers Participates in the Congreso Nacional of Panama

Organized by the Association of Farm Product Distributors and Equipment of Panama (Asociación de Distribuidores de Insumos y Maquinarias de Panamá) and directed at Panama's rice farmers and milling industry, Dwight Roberts traveled to Santiago de Veraguas, Panama this week to speak at this important national conference. Inaugurated by the President of Panama, Ricardo Martinelli, the two day event includes an impressive lineup of speakers and topics. Roberts has been asked to address "Perspective of the World Rice Crop and Influence on the Western Hemisphere Market".

In addition to the conference, Roberts will meet with Panama's rice organizations and their leadership to

discuss possible joint activities and with Arlene Villalaz, Agricultural Specialist with the USDA-Foreign Agricultural Service with the U.S. Embassy in Panama City. Panama imported approximately 100,000 tons of U.S. rough rice through a November public tender process.



National Conservation Systems Cotton & Rice Conference Draws Large Crowd

Farmers from throughout the Mississippi Delta and Gulf Coast area gathered in Tunica, Mississippi this week for the 13th Annual National Conservation Systems Cotton & Rice Conference, organized by Mid-America Farm Publications and sponsored by the US Rice Producers Association (USRPA) and Cotton Incorporated. A record number of participants have made the conference the largest of its kind in the United States as rice farmers were able to hear presentations on 27 different topics from a wide variety of specialists.

Congressman Jerry Moran (R-Kansas) opened the conference with a challenge for farmers to become more involved in the issues and thanking them for their support in Washington, D.C. in the battle to educate Capitol Hill about American agriculture. The USDA's Under Secretary for Farm and Foreign Agricultural Services, James W. Miller, gave the luncheon address outlining the issues facing farmers during 2010 and beyond. Each year, the USRPA sponsors the keynote speakers as part of its commitment as the major rice sponsor of the conference. Dwight



(Left to right) Vernie Hubert and Louie Perry with Cornerstone Government Affairs in Washington DC, Congressman Jerry Moran (R-Kansas) and Dwight Roberts.

Roberts, President and CEO of the USRPA, was pleased with this year's event stating:

"Our partnership with Mid-America Farm Publications over the years has resulted in a great event for our rice farmers. I have never heard so many positive comments about the conference from individual farmers. This just reconfirms our commitment to put together the best program possible with the topics that will give benefits with producing their crop. We also appreciate so many farmers coming by our booth from throughout the region and inquiring about the goals and objectives of our organization in representing the interests of the rice farmer. We look forward to another great event in 2011."

With close to 700 registered participants and an exhibit area that sold out its booth space almost two months ago, the conference is going to need to find a larger facility to handle the crowd. Plans are already in the making for next January.



(Left to right) Curtis Berry from Robinsonville, Mississippi (named Rice Farmer of the Year), Dwight Roberts, President & CEO US Rice Producers Association, Under Secretary James Miller, USDA Farm and Agricultural Services, and John LaRose, publisher of Mid America Farm Publications.

Rice Producers, Farm Bureau and Others Continue to Support Disaster Assistance

By Fred Clark

A few weeks back, I wrote a 2009 year-end wrap up article that included a discussion of Congressional efforts to enact disaster assistance to help producers hard hit by wet weather and other disasters in 2009. In that article I pointed out that the good efforts of folks like Senators Thad Cochran, Blanche Lincoln, Roger Wicker and Representatives Marion Berry and Travis Childers to provide swift assistance to rice farmers and others did not bear fruit in 2009 because:

"these good efforts were victim of a shortage of time and opposition ranging from the American Farm Bureau Federation to the crop insurance industry. The objections range from disaster "policy" concerns, to efforts to protect and enhance the income of the crop insurance industry. All of these arguments ignore the fact that neither crop insurance nor the SURE program was designed to assist rice farmers. It is unfortunate that these efforts to protect policy purity impair the livelihood of rice farmers."

Some of my friends at the Farm Bureau and in the crop insurance industry took issue with the characterization of their expressed concerns as "opposing" disaster assistance. Indeed the American Farm Bureau Federation is working for passage of disaster assistance legislation. But as their December 3, 2009 letter to disaster assistance bill sponsors points out, the Farm Bureau is "concerned that the supplemental direct payment for program crop producers does not require a loss for eligibility, but rather provides funds to any producer with base acres in a disaster county." [Read the AFBF letter in its entirety here.](#)

Experience has taught that the provision of a supplemental direct payment (or similarly fashioned disaster assistance) is the surest, swiftest way to get aid to rice

producers. In large part because of the heavy investment that rice producers make in irrigation and other infrastructure and management tools, SURE and other traditional crop insurance and assistance have proven to be largely ineffective in assisting rice farmers. That is not to say that crop insurance and even SURE don't have a role to play in assisting US agriculture--they do. But they are not ideally-suited to helping rice producers.

But as disasters continue to mount, with disaster counties being named in Arkansas, Alabama, Mississippi, and many other states, with freezes hitting sugarcane and specialty crops in Florida, and on and on, it is becoming clearer that broad disaster assistance is necessary--and the sooner the better.

I apologize if my comments last month lead people to believe that the Farm Bureau or the crop insurance industry or anyone else doesn't want to help disaster-stricken farmers. The issue is HOW to provide that assistance swiftly. Had the bills pending late last year been enacted last year, in all likelihood rice farmers would have received that assistance by now (or certainly before Spring 2010 planting).

But the task now is to build a coalition supportive of disaster assistance that can join hands and advocate for legislation that provides that assistance swiftly to those who need it--but without so many bells and whistles and restrictions (however well intentioned) that the assistance is so restricted or that it takes so long to arrive that it is too little, too late.

We remain optimistic that it is within the "art of the possible" for all of these interests to work together to provide sorely needed assistance to disaster-stricken producers of all crops. And we remain committed to working cooperatively toward that goal. 🌱

General Market Update

USDA took center stage this week with three reports: the monthly Supply/Demand Report, the weekly WMP notice, and the weekly export sales report. Starting with the good news first, the export sales for the week came in at a marketing year high of 193,600 metric tons and included the long suffering 100,000 tons (10,000 tons more than originally reported) purchased by Iraq after a longer than usual negotiation period. This is good business, though, regardless of the effort to get it confirmed, and our industry needs more milled rice export sales as they ultimately tend to sweeten the market for rough rice at the farm level. There were also solid sales of long grain paddy to Mexico, Panama, Honduras, and Costa Rica which added another 58,000 tons to the weekly total as well as 13,100 tons of California milled rice to Japan. A bit of both long grain and medium grain brown as well as some additional milled long grain and parboiled rounded out the sales. Actual exports for the week were

reported at 55,100 tons destined for Japan, Canada, Taiwan, Mexico, and the Caribbean. USDA also changed WMP this week by decreasing long grain values 60 cents and medium/short values by 61 cents. We were struck with the notion that it seems to take Washington a while to increase WMP but decreases come quickly with the slightest move down in Asian prices. The final USDA report is where the bad news appears, and that is the monthly Supply/Demand Report issued on Tuesday. Many in the trade were looking for a substantial drop in production and were instead served a milk-toast report that only slightly lowered the long grain carry over by 300,000 cwt. This report, in conjunction with the incredibly bearish corn report on which USDA was announcing that it would re-assess the corn situation in many states the very day the Supply/Demand came out, caused a totally unexpected and, in our opinion, unnecessary crash in all the grains, but

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particularly rice and corn. Many in the rice and corn trades have asked the question "why even have these reports when they are so out of step with industry estimates?" There have always been differences between USDA and the trade regarding the accuracy of production and supply/demand figures, but the last two years have been unprecedented in what seem to be vast departures from reality at USDA which have been costly to farmers, exporters, and traders alike.

Prices in Texas briefly moved to the \$7.15 premium this week with hybrids slightly lower. This brought out sales of somewhere between 400,000 and 500,000 cwts. Bids have since dropped back to \$6.75 and \$6.25 premiums for package quality and hybrids respectively with little selling interest shown at the lower levels. South Louisiana levels have been reported at \$22.00/22.50 per bbl at the farm with limited interest in selling. Questions of how much paddy is left are already being raised throughout the South, with Louisiana's situation being somewhat clouded by the amount of medium grain remaining. Bids in the Delta have been noted at \$13.25/50 loaded barge, but this seems to be drawing no interest from potential sellers. Bidding 75 cents to a dollar higher might move some rice in that area. Asian prices have softened a bit, but quotes for Thai 100% Grade B have been reported this week between \$560 and \$580 per metric ton fob vessel, with the lower end of the scale likely being closer to reality. Viet 5% is called between \$465 and

\$480 per ton fob vessel. India has gone quiet indicating they will not need to import rice this year while at the same time being seen visiting with various suppliers for perhaps some government-to-government help with their shortfall problem. It is difficult to see how imports by the Indian government can be avoided.

Rice futures eased on Monday in anticipation of the USDA Supply/Demand report and then plunged on Tuesday and again on Wednesday following the reports noted above, to be followed by only a slight recovery the last two days of the week. There is no question that the shocking corn report dragged rice, soybeans, and wheat down with the resulting slide in corn futures. Rice futures volume was fairly heavy for the week, averaging nearly 1,200 contracts per day. Heaviest volume came mid-week due to the Tuesday report and subsequent margin call induced liquidation. The March contract trading range ran from a high of 15.10 on Monday to the weekly low set on Wednesday of 13.91. Friday's settlement put the March at 13.975 which was down 98.5 cents from the previous Friday close. As of Thursday open interest was up by close to 550 contracts from the previous Friday at 16,194 contracts. Technically the futures market has now fallen into a fairly wide band of chart support and close to or in cash price territory. We continue to see local and global fundamentals as positive, but there is no question that this year's market has been and probably will continue to be a wild ride. 🌱



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Additional Resources

For economic analysis on agricultural efficiency, efficacy, and equity issues:

www.ers.usda.gov

AgFax - Editor: Owen Taylor:
www.agfax.com

USRPA News & RA Archives:
www.usriceproducers.com/news

Upcoming Events

January 19, 2010	Louisiana Independent Rice Producers Annual Meeting, Welsh, LA
January 19-20, 2010	37 th Annual Delta Ag Expo, Cleveland, Mississippi
January 20, 2010	Western Rice Belt Conference, El Campo, TX
February 3, 2010	59 th Annual Texas Rice Producers Council, El Campo, TX
February 7-10, 2010	USRPA Board of Directors Meeting, Washington, DC
February 10, 2010	Arkansas State University Agribusiness Conf., Jonesboro, AR
February 16, 2010	Fort Bend County Rice Meeting, Jack Wendt's Farm
February 18, 2010	Mississippi Rice Council Annual Meeting
February 22 - 25, 2010	Rice Technical Working Group, Biloxi, Mississippi
February 25, 2010	Missouri Rice Council Annual Meeting, Dexter, MO
March 3, 2010	Missouri Rice Producers Conference, Dexter, MO
March 22-26, 2010	Africa Rice Congress, Bamako, Mali
April 21-22, 2010	Rice Americas Conference, Cartagena, Columbia

USDA Reports Next Week

Weather-Crop Summary (NASS)	Wednesday, Jan. 20, 12:00 pm
U.S. Export Sales (FAS)	Friday, Jan. 22, 8:30 am
All USDA reports are available by visiting http://www.usda.gov/wps/portal/?navid=AGENCY_REPORTS=RT .	

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