



RPC Newsletter

Admirable El Nino and China inching forward...

We appreciate those who have sent in Membership Dues and supported RPC already. Your support in the form of RPC Membership is the only way that we are funded to offer political and marketplace influence on behalf of the Rice Producer.

Market Update

This has proven to be a difficult market to navigate. The initial perception among many farmers was that because rice acres declined further in 2015/16, supplies were going to be lower as well. Due to growers planting only their best fields and receiving favorable growing conditions, California achieved a record high average rice yield of 91cwt/acre. The increased yields largely offset the year over year decline in acres. In addition to the record yields, Calrose carry in reached its highest level in over 30 years. Therefore, the large carrying and record yields help explain why the cash market has struggled to find much positive support.

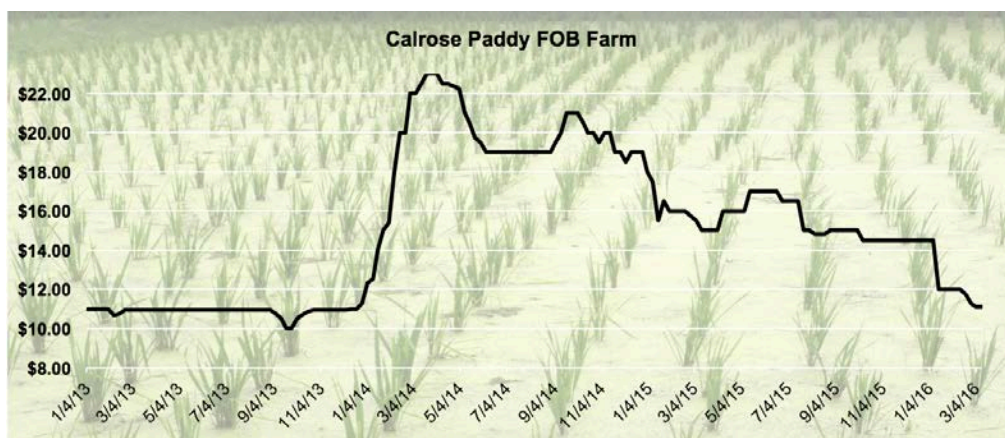
When looking at the global rice balance sheet, prices should be much higher. World rice stocks are at their lowest point since 2007/08, and will likely decline further as demand outpaced production in 2015.

Since this time 3-years ago, the US dollar has strengthened approximately 20% (ICE index). This compares to long grain paddy prices which have dropped 34% for the same period. Relatively speaking, California's price devaluation was even greater, down nearly 40% since March 2013. Most people understand that a strong US Dollar hurts export prices, but few actually grasp magnitude of

its impact. With a 20% appreciation in the US Dollar and 34% devaluation in global rice prices, the relationship between these factors becomes pretty evident.

With it already being March, it's time to take a good look at the state's water situation. It's undeniable that this year's El Nino has performed admirably so far with cumulative precipitation now at 50 inches in the Northern Sierras. Not to mention Lake Shasta which is forecast to reach 4 MAF by the end of March. In short, all signs point to full water allocations for the 2016/17 marketing year.

As of the most recent WASDE report, the USDA was projecting the season average farm price for California to be \$12-\$12.50 over loan. Although there are a few marketers offering \$12 guarantees on the 2015 crop, most are actually performing below that based on year to date export sales to Japan, South Korea and even the Middle East. The general consensus so far is that the market will return somewhere between \$11.10-\$12.10 per cwt over loan in 2015/16.



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At the time of writing, Calrose cash rice was transacting for \$11-11.25 per cwt over loan. Mills are showing little interest at that level, and growers are showing zero interest moving below that level for 2015 rice. The picture is more bleak for old crop in that it would require a cash price closer to \$10 over loan to interest any buyers. The first chunk of new crop to sell on the cash market went for \$12 over loan, but since then little new crop has been booked.

The 2015/16 carryout is projected to be in line with the 2013/14 marketing year which is down significantly from last year. Unfortunately, it is still considered a moderate to larger than average carryout. That combined with the impending increase in production will likely keep the market under pressure moving thru 2016/17.

The most recent Japanese tender, which will be the last for this marketing year, consisted of four vessels, all being sold for approximately \$10/cwt over loan. These are dismal numbers that create frustration on the grower level as Producers battle again breakeven prices. It is difficult to comprehend how CA rice can be sold at these levels, and calls for Producer action and involvement on the marketing and promotion of our high quality product.

China Update

The saga of progress continues to push forward, even if at a slow pace. Most recently, the CA rice industry hosted a delegation from China interested in California Agricultural products, most notably, rice. This delegation represented large Chinese eCommerce companies to the likes of Amazon.com and other

online retailers.

The Chinese Companies expressed strong interest 1kg, 2kg, and 5kg branded packages of rice. They explained that the packaging should highlight the fact that the product was grown in the USA—and specifically California. Because this delegation sells their products online, they are likely not interested in purchasing bulk rice because they want to be able to guarantee their loyal customer base that this product really is produced, packaged, and shipped from CA and not tainted with any sort of blend or substitute product.

We want to make sure that all RPC Members understand that when the protocol is finally signed and CA rice can legally make its way to China, it does not guarantee that the “floodgates” will be opened. Like establishing any market, it will be a slow start that requires trust and relationships be established on both sides of the ocean. Yes, China has the potential to consume our crop in only days, but that doesn't mean it take them only days to decide to do so.

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