

Roberts Speaks At World Rice Commerce Conference In Thailand

USRPA Leader Gets World View Of Rice Situation In Thailand

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While Dwight Roberts, president and CEO of US Rice Producers Association, has traveled to South and Central America numerous times; recently he traveled halfway around the world to represent the US Rice Producers Association. The World Rice Commerce 2008, held in Chiang Mai, Thailand, panel of experts included Roberts who spoke on the USA and rice exports.

"It was two and a half days of listening to projections and policies and trying to sift through it all," Roberts said. While this was his first time in attendance, Roberts hopes he can be present for another session in the future. "I was invited

looks at and when that starts to fall, fall, fall, they start to panic and want to unload rice or wonder if they should sell in the cash market."

"The downturn in the U.S. economy is putting the rice industry into some uncharted waters. Cash markets are more stable but where will we be after January 1st when farmers start making 2009 planting decisions will be the key. Again the basic supply-demand indicates good prices but the economic recession is hovering over the market and we must assume that some domestic buyers of rice and some importers of U.S. rice may be having credit issues," stated Roberts.

Roberts said he learned that Asian governments manage their rice in agriculture and political policies to curb high prices that lead to



Dwight Roberts commented on the rice market and how the western hemisphere is the U.S.'s most important market.

Photo by John LaRose

to speak and I gave the U.S. rice update, our current production situation and the current harvest," he said. "I also gave a breakdown of U.S. exports in the western hemisphere. I enjoyed it very much because it gave me the chance to interact with that area of the world that I don't frequent." Rice is a big player in food security in all countries.

"Thailand is the biggest rice exporter in the world so Thai exporters, shippers, government officials, and representatives were there," he reported. "They also came from Vietnam, India, Pakistan, Indonesia, and the Philippines." The 250 people in attendance included traders, brokers, importers, exporters, the shipping and equipment industries.

"Wheat and rice are the two most important food grains in the world," Roberts said. "Those are the two grains that feed the world. On a volume basis, wheat is more in demand around the world than rice, but those are the two ingredients that feed the masses around the world."

Though he was a speaker, Roberts also got a new view of the rice situation throughout the world. China has taken a few million acres of rice out of production in recent years. That is a country that grows 30 million acres annually, and yields have gone up in that country as well. Hybrid rice accounts for 60 percent of the rice grown there, so they're growing more rice on fewer acres. China consumes in the neighborhood of 135 million tons of rice annually, however the country's decrease in rice acreage is not expected to impact any additional rice exports here. China's consumption is 25 percent of the world's production. "To give you an idea of how big China is, if China didn't grow any rice today and they ate the entire U.S. crop, it would take them three weeks and a day or two," Roberts explained.

While there was not a conference presentation that touched on the production of GMO rice in China, commentary among those in attendance is that China is close to launching a GMO commercial planting program in order to meet their needs of the future. Whether this will take place in 2009, as some think it will, it is apparent that the Chinese government is continuing to assess the situation that includes both consumer and market perception before coming forth with a formal announcement.

Rice is in demand throughout the world, especially in poor countries. While average per capita consumption in Asia is 175 pounds per year, in a poor country such as Myanmar or Bangladesh, who do not have as diversified a diet, the consumption runs over 400 pounds per person. "Haiti, which is one of the poorest countries in the western hemisphere, has a high, extremely high per capita consumption," he reported.

Roberts understands the rice needs of Cuba as well. "Cuba is also extremely high. Cuba, a country of 11 million people annually eats nearly one million tons of rice. It's a huge figure." He noted that rice consumption is going up in Mexico and Central America, where it's not as strongly entrenched in the culture as it is in Asia.

"The reason for that is two-fold" he said. "One, our consumer educational programs are successful and people are learning about the benefits of eating rice, and the cost of rice are affordable for a wide range of economical classes of people around the world." Roberts said the market for U.S. rice is there, the limiting criterion is whether U.S. farmers can make money producing it. "The short, medium and long term outlook seems real good for U.S. producers, especially as long as the cost of production stays in line with the market," he said. "We've moved back now to where we're almost at that point of the cost of the production, to some degree, depending on the yield."

The world financial situation did come up at the Thailand meeting, but not overly so, according to Roberts. "It was not a constant issue by any means," he said. "I don't think anyone has seen any hard evidence that this economical downturn was affecting rice trade. It has, however, affected export prices which have come off a bit but not substantially."

"The fundamentals still point to a strong market," he commented. "Actually they point to an upward movement in the marketplace in the months ahead. But this credit situation, stock markets influence the speculators, and what it's done to the futures market makes farmers very, very nervous because that futures market is their point of reference. That's what everyone

unrest, "I've always said, in Asia, rice is as much a religion as it is a food because they eat rice every day. Whether you're a millionaire or you make 50 cents a day, people eat rice every day. It's just an entrenched part of the culture."

"High consumer prices lead to riots, people get upset, governments can be overthrown, and prime ministers can lose their jobs," he said. "That's not the case in the United States. In Thailand early this year during their harvest, they had people walking along the sides of combines with shotguns to protect the crop from looters. There were cases of people hoarding rice and people sentenced to 20 years minimum for hoarding rice. So the price of rice and the availability of rice are extremely important to those countries politically. All of the Asian countries want to have large reserves; they don't even want to think about getting their stocks too low." Very little U.S. rice goes to Southeast Asia. "We've had PL480 programs historically in Indonesia, and the Philippines, I guess that is the only thing left of the PL480 programs," Roberts said.

"California does export rice under WTO commitments to Japan and some to Taiwan, but long grain rice affects the Delta and the Gulf Coast. Some rice is still shipped to the Philippines under the PL480 program but that's where our markets and the Thai and Vietnamese cross paths. Their prices are reference points for as we compete for the Iraq and West Africa markets and different parts of the Middle East for exports over there."

Public Law 480 (PL480) also known as the Food for Peace Program provides agriculture assistance to countries at different levels of economic development. Title I of PL480 is administered by USDA while Titles II and III are administered by the Agency for International Development. Countries that engage in violations of human rights as determined by the President are ineligible. Legislation was amended in 1992 to include the independent states of the former Soviet Union as eligible countries under this program, according to the USDA FAS fact sheets.

Roberts said the western hemisphere is the U.S.'s most important market. "Because our harvest this year is lower than in the past we've really separated considerably from the Southeast Asians," he said. "We do not expect Asian milled rice to be competitive in the Western Hemisphere that is largely a rough rice market. Asian milled prices would have to fall much lower for them to be a serious supplier since they do not export rough rice. Mills in Mexico, Central America and South America prefer U.S. rough rice and its quality. This allows the importing mills to control the distribution and keeping the U.S. as the major supplier."

"The demand in the western hemisphere is strong and our harvest totals are going to be way down this year," Roberts added, "Venezuela is one of the most aggressive buyers in the Western hemisphere, they want to add huge reserves of rice, most countries cannot afford to do this."

"For the first time in several years, the government has issued permits for importing US rice to Columbia," Roberts pointed out. Columbia imports could go as high as 150,000 tons.

The program in Thailand was very interesting for Roberts, and he learned more about the world rice situation and how it will affect U.S. exports. "It is very interesting to look at the Thai's and the Vietnamese projections for exports at the start of the year, and then watch their behavior during the course of the year," he said. "That's one of the things we watched and it was interesting to hear the Thai's comment. They said at the start of the year they were going to export 10 million tons this year. They've reached that, and if they continue at that pace then are they going to get short in supply in the next two or three months? Those are the things that indicate to us whether the dynamics are going to shift and we're going to go back to extremely high prices in Asia." Nigeria appears to be a wild card in this market also. The largest populated country in Africa, Nigeria dropped duties to zero as prices rose during 2008 in order to import very large amounts of Asian par-boiled rice. Will they keep their duties at zero and take big chunks out of Thailand's current stocks? Keep your eye on this development that could have a big influence on Asian prices not only in West Africa but in the Middle East as well. Δ