

Staple shipments

Exports are essential to U.S. rice growers, with half their production sold abroad.

BY CHRIS DUPIN

The United States' share of world rice production is tiny, less than 2 percent, but the country plays an outsized role in the overall trade, accounting for more than 10 percent of the annual global rice trade volume, according to the U.S. Department of Agriculture.

Exports are hugely important to U.S. rice growers: 4.2 million tons, nearly half of their 8.61 million metric tons of production was exported in the marketing year that ended July 31, 2014.

Michael Klein, vice president of marketing and communications at the USA Rice Federation, said his organization believes there is good potential for the United States to increase its rice exports of what is, after all, the primary staple for more than half the world's population.

He said the United States is seen as an attractive supplier of rice because of the quality and cleanliness of its product, and it's a dependable trade partner that honors contracts. The United States is unusual, he said, in that it still tests rice to show it's not genetically modified, a requirement in some markets like Europe, for example.

Taste plays an important role in why rice is purchased, and the United States is a major producer of long- and medium-grain rice. Long-grain rice accounted for over 69 percent of U.S. production, medium-grain

about 29 percent, and the remainder was short-grain varieties.

U.S. long-grain rice is grown in southern states. Arkansas is by far the largest producer, followed by Louisiana, Texas, Missouri, and Mississippi.

About 80 percent of medium-grain rice grows in California, and 16 percent comes from Arkansas.



PHOTO CREDIT: CALIFORNIA RICE COMMISSION/JIM MORRIS

Mexico is by far the largest market for U.S. rice, mostly long-grain varieties. Other Latin America and Caribbean countries also buy long-grain rice.

About 85-90 percent of California rice is medium grain, said Jim Morris, spokesman for the California Rice Commission,

with the remainder being short-grain varieties and an "infinitesimal" amount of long-grain rice. The biggest markets for California medium-grain rice are Japan, Korea and Taiwan.

"This is going to sound like a commercial, but California rice is considered to be the premier rice for consumers in that part of the world," said Curt Graham, manager of marketing services at the Farmers' Rice Cooperative in Sacramento, Calif., whose members grow about a fifth of the state's rice crop. "Other origins, like Australia, Turkey, Egypt, all pale in comparison."

The rice is grown in the Sacramento Valley and he said the weather conditions and soil "are perfect for growing rice" and growers have fewer problems with insects and weeds than those in other parts of the country.

There is another reason for the success of U.S. rice exports, and that's some hard-nosed negotiating in trade talks.

Agreements with governments in Japan, Korea and Taiwan "have opened the doors to those markets that were previously very protective of their domestic growers," Graham said. "During negotiations for various treaties for access to markets, rice became surprisingly a large player."

The countries agreed to provide "minimum access" to their markets — buy a certain amount of rice from the global market at the world price.

"So it's not a slam dunk for California, we still have to be competitive," since the United States could lose out to growers in competing countries, Graham said.

The minimum access rice that is shipped to Japan today is controlled by trading companies and its origin is largely invisible to consumers.

A smaller amount of rice is sold under the country's "simultaneous buy-sell" import system.

Success under the program "tends to correlate with relatively high rice prices in Japan and/or during times of heightened

U.S. rice production and exports by marketing year

(In millions of metric tons, by marketing year, August 1 to July 31)

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Long-grain production	6.95	6.93	8.31	5.28	6.54	5.98
Medium-/short-grain production	2.29	3.04	2.71	3.11	2.51	2.63
Total rice production	9.24	9.97	11.03	8.39	9.05	8.61
Long-grain exports	3.08	3.37	3.54	3.03	3.44	2.80
Medium-/short-grain exports	1.20	1.55	1.57	1.55	1.40	1.40
Total rice exports	4.28	4.92	5.11	4.58	4.84	4.20

Source: U.S. Department of Agriculture.

California's drought has reduced the acreage planted with medium-grain rice.



PHOTO CREDIT: CALIFORNIA RICE COMMISSION/JIM MORRIS

consumer food safety concerns," such as in 2012 and 2013 "following the Fukushima nuclear reactor accident, coupled with ongoing concern about the safety of food from China," USA Rice explained.

Graham said the program allows U.S. products to get into the "first hands" of companies such as re-packagers and manufacturers of food products, like crackers.

"We want the people in Japan to see our rice and make their own decisions," he said.

However, the rice industry has recently been impacted by the most severe drought in California in decades.

California Gov. Jerry Brown declared a drought emergency in January 2014, and Graham said by February the price of California's rice about doubled from what

it had been at the end of 2013.

"Our long-time buyers were able to keep our product in front of their consumers," he said. But eventually the state's growers began to see erosion in market share, particularly in the industrial or food service industry where "it's not as easy to detect the quality the way you might if you were a consumer opening a bag of rice at home to feed your family," Graham added.

As California Water Districts allocate surface water for different uses, they must weigh the needs of agriculture against those of consumers as well as the environment — preventing saltwater incursion up the Sacramento River.

Graham said for the 2014 crop year, rice farmers were given about 75 percent

of the normal allocation needed to grow their crops.

Kirk Messick, senior vice president at Farmers' Rice, said the rice crop is down 23 percent despite higher yields because of farmers reducing the acreage they have planted.

Rice is exported in bulk, bagged, or loaded into containers.

Nathan Childs, an agricultural economist at the USDA's Economic Research Service, said more rice is being packaged in some form and shipped on breakbulk ships or in containers rather than in bulk, as was done in the past.

According to Datamyne, the amount of U.S. containerized rice exports has grown from 5,944 TEUs in 2011 to 30,214 TEUs in 2013. In 2013, Datamyne said the five largest ports for containerized rice exports included Oakland, 19,518 TEUs; Houston, 4,303 TEUs; New York/New Jersey, 1,500 TEUs; Savannah, 1,140 TEUs; and Norfolk, 756 TEUs.

However, Michael Creed, chief operating officer of Creed Rice Co., a rice broker that also produces a leading newsletter for the industry called the *Creed Rice Market Report*, said sellers of rice grown in the South sell a fair amount of "paddy rice" or rough rice that still has their hulls to buyers in Latin America. (Hulls have to be removed before rice is edible, though they are used for animal feed. Some rice is parboiled before milling — Uncle Ben's is a widely known brand of parboiled rice — and brown rice is less processed, retaining the bran layer.)

Creed said paddy rice is loaded on barges and brought to the New Orleans area where it is transloaded onto oceangoing vessels. He said there are large floating elevators that transfer grain from barge to ship in Darrow and Myrtle Grove, La., on the Mississippi River.

Milled rice is also shipped out of New Orleans and Lake Charles, La. In 2013,

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Lake Charles handled 273,238 metric tons of bagged rice, much of it food aid and 15,130 tons of bulk rice.

"If you're buying bulk commodities, generally you'll have an exporter that's handling the trade and they're selling on a CIF (Cost, Insurance, Freight paid) basis, but the exporter is buying on an FOB (Free On Board) basis. Or if they are fully integrated, they might load a barge up the river and then handle the logistics from there," Creed said.

Most California rice is shipped as milled white rice and moves in breakbulk ships through the Port of West Sacramento, which is closest to the growing region. About 10 percent of breakbulk shipments moves through Stockton, and most containerized rice ships through the Port of Oakland.

"My understanding is that this season volumes will not be impacted much, but there is concern going forward if the drought continues," said Rick Toft, business manager for the Port of West Sacramento.

Shipments in Sacramento begin in late October and early November, just after harvest, and continue until early summer — this year one shipment left in August. He said the port handles 300,000 to 350,000 metric tons of rice annually, and breakbulk ships typically load about 13,000 metric-ton lots, packaged in one-ton totes.

West Sacramento is a landlord port and the actual loading of the ships is performed by Stevedoring Services of America.

Frank Patalano, terminal manager for SSA, said about 80 percent of the rice shipped through West Sacramento moves in one-ton tote bags and about 20 percent in slings filled with smaller bags. It takes about 10 "gangs" to load a ship, and typically with two gangs working at a time, a ship is loaded in five days. The loading time can be reduced if work is done at night, or it may take longer if there is rain. When breakbulk ships are loaded, 20 of the one-ton totes are lifted at a time.

Messick of Farmers' Rice said his group has seen increased shipments of containerized rice to South Korean buyers, largely because of attractive prices for westbound container rates to Asia.

"They have switched to containers for most of what they do," he said.

But he added "that could go in the other direction this next year because the handling cost for us on containers is much higher than for breakbulk.

"We have been living with this increased container business for three or four years, and it is quite burdensome on our regular schedules, and costs have gone up because of that, and the Koreans are starting to notice. There is no telling if that is going

to continue with Korea. We will probably go through another year with containers and that will be evaluated," Messick said.

He said rice to the Middle East or Europe moves exclusively in containers and is branded as a consumer product.

Ronald Brown, maritime marketing and commodities representative at the Port of Oakland, said containerization is driven by the ease of transport, and some packers in Korea and Japan find it easier to handle rice in polybags.

Rice can also be shipped in one-ton totes or smaller bags in containers.

He said with the strong U.S. dollar and the price of California rice, some of the buyers in Japan and Korea are looking to

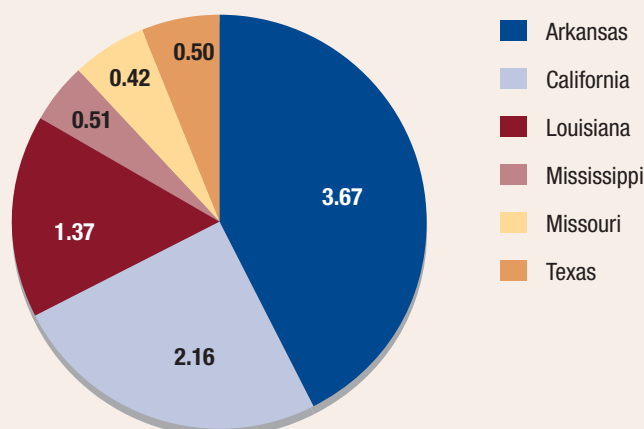
perform value-added services like packaging in their own countries.

A challenge for shippers, he said, are road weight limits in California of 90,000 pounds, which means containers that are filled with rice and trucked to the port can only be about two-thirds full.

Brown said the port is looking to build an agricultural bulk transload facility at the former Oakland Army Base which would be used to load rice and a variety of other agricultural products such as soybeans and chickpeas. By being able to load containers fully in the port, the facility could reduce the cost of crops that arrive from the Midwest by train, or California rice, which would be trucked to the port. ■

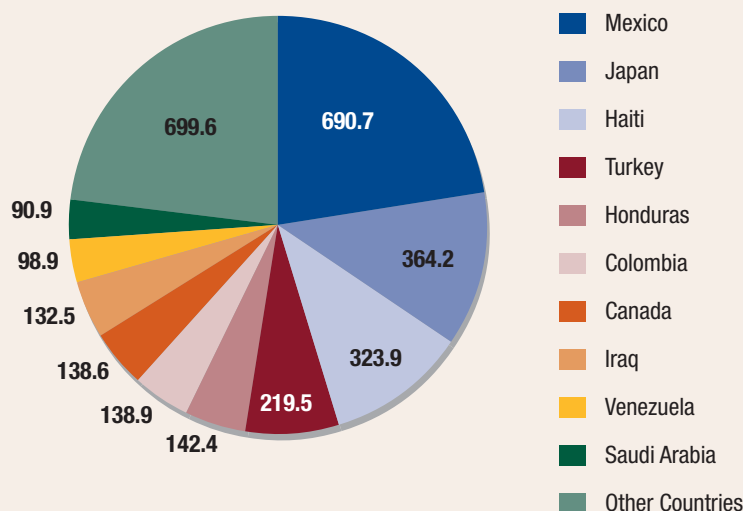
U.S. rice: Where it grows

(2013; in millions of metric tons)



U.S. rice: Where it goes Top 10 destinations 2013-14

(In 1,000 tons, by marketing year ending July 31)



Source: U.S. Department of Agriculture.