

Rice Scoop



May 2016, Spring Edition

Thank you for taking the time to read the spring edition of the FRC Rice Scoop. We hope you find this newsletter helpful and informative. We are working hard at FRC to make sure you have the information you need to make business decisions and also understand how your cooperative is working for you. Please let us know if you have further questions.

FIELD REPORT

It has been over 3 years since we have seen “normal” winter rainfall. As we climb out of the drought, and are seeing normal precipitation levels again, districts were able to provide full water allocations. Over the past 2 years we have seen around 20% cuts to acreage due to lack of water. This year we are expecting, with full water allocations, that over 530,000 acres will be planted. This should result in production of between 43 and 45 million CWTs assuming normal yields.

With a larger crop looming, the decision was made by the Farmers' Rice Cooperative Board of Directors to close membership for the 2016 crop year, effective May 1, 2016. Also, with a larger crop and the potential



for significant carry-over, drying and storage space will be limited. The space will be reserved for this crop year and our loyal FRC members. If you have questions please contact your FRC Field Representative.

At the recent winter Pocket Meetings we discussed current and future market dynamics, member benefits, this year's special variety programs and updates on plant improvements.

FINANCIAL REPORT

Early Season Advance (ESA)

FRC members who participate in the ESA program may have already received a \$500 per acre payment for the 2016 crop. If you haven't received your payment, be sure to turn in your acreage survey as soon as possible. This year growers are also eligible to receive an additional \$400 per acre in July subject to additional acreage survey reports. If you have questions please contact your Field Services Representative.

FRC - Member Income Tax Benefits

Growers who filed their 2015 tax return should have seen the tax benefits of being an FRC member. The 2015 DPAD federal tax deduction benefited growers on average \$.29 per CWT and the IC-DISC (new for 2015) over \$.80 per CWT.

MARKET REPORT

Global rice markets remain under pressure from lackluster demand and excessive grower subsidies to Southeast Asian rice farmers. The prolonged period of low rice prices for Asian long grain has encouraged long grain growers around the world to produce medium grain rice. Increases in medium grain production in India, Vietnam, Russia, the European Union and the mid south of the United States have more than offset production decreases in California, Australia and Egypt. Combined with the stronger US dollar, the increased production of medium grain

by these “non traditional” producers has displaced California Calrose in both overseas and domestic markets. The loss of over 15% of our historical markets has resulted in 2 years of record carryover stocks in both California and the mid south.

We do expect these excessive stocks will pressure prices in the near term, however we also see several positive signs on the horizon. Reduced medium grain plantings in the mid south and Asian stocks appear to be tightening in the coming 12 months. These factors should force production in India, Vietnam and others

back to long grain production. Additionally, California’s fiercest overseas competitors, Australia & Egypt, have seen significant crop reductions due to lack of water. We also expect additional potential exports to China and TPP countries to add some much needed demand in the coming 2 years.

A NOTE FROM KIRK MESSICK

FRC is your company. As an owner, you should expect unique services and information from FRC. This information should not only help you improve the

bottom line of your own farming operation, but afford you an advantage over other California rice growers. Maximizing your return is our primary objective. There are, however, many other benefits to being an FRC owner and we encourage your maximum participation. As we discussed in the pocket meetings, the rice market may not be as friendly in the coming year but FRC will remain a financially stable and safe home for your rice. Please don’t hesitate to call me, or any of my fellow managers at the company, if there is anything we can do for you. We are working hard on your behalf to ensure the mutual success of FRC and its members for years to come.

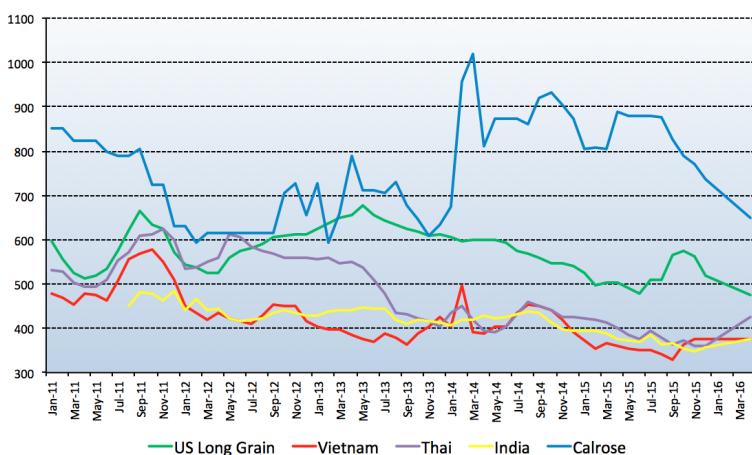
LOOKING AHEAD

- ▶ Upcoming Pocket Meetings – August (announcement on dates to come)
- ▶ FRC Board of Directors Nominations – June
- ▶ FRC Golf Tournament – June 22 at the Catta Verdara Country Club in Lincoln
- ▶ PLC and ARC Program Enrollment. Producers have until August 1, 2016 to sign up by executing either the CCC-861 (PLC and ARC-CO) or CCC-862 (ARC-I) contracts. For more information contact Field Services or your FSA Office.
- ▶ Stegeman BBQ Thursday, August 18.

Be sure to check FRC out on Facebook!
www.facebook.com/FarmersRiceCoop

LONG GRAIN VS MEDIUM GRAIN SINCE

Prolonged Price Gap
 U.S. Dollars Per Ton, Milled Basis, FOB Vessel



CURRENT USDA SUPPLY AND DEMAND

USDA Supply & Demand

U.S. Medium Grain	13/14	14/15	15/16
Beg. Stocks	12.2	13.3	20.2
Production / Other	<u>61.6</u>	<u>63.5</u>	<u>62.8</u>
Total Supply	73.8	76.8	83.0
Domestic Use	29.1	27.1	33.0
Exports Use	<u>31.4</u>	<u>29.5</u>	<u>31.0</u>
Total Use	60.5	56.6	64.0
Ending Stocks	13.3	20.2	19.0
Stocks to Use	22.0	35.6	29.7

USDA April 2016