



# Arkansas Rice Update

Dr. Jarrod Hardke & Scott Stiles

Sept. 16, 2016 No. 2016-27

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## Crop Progress

The problems continue with reductions in yield around the state. However, there are bright spots: yields east of the ridge seem to be holding up pretty well and yield declines don't seem as bad as originally suspected south of I-40 on the Prairie and below. West of the ridge, in the rice belt, continues to be a different story. Very low yields continue to be the norm. With all of the rice planted together early, there seems to be little expectation that much of the remaining rice will have escaped the conditions that affected the rice cut so far.

Between the flooding in the north, sprouting to varying degrees all throughout the state, blanking due to high heat and humidity in July, continued warm conditions, increases in blast issues, occasional bacterial panicle blight issues, and the smuts occurring in most cultivars even after fungicide applications, it might be the furthest thing from the year we were looking for.

It is certainly not the year we needed, and there is legitimate concern that an increasing number of producers will not pay out this year. This comment is made in all seriousness – if 2015 was a bloodletting for the industry, 2016 may be a bloodbath.

For those who don't know quite what we're dealing with, **Figs. 1 and 2** show upright panicles from blanking and the carpet of blanks on the ground behind the combine. How low are some of these yields? In fields with heavy blanking 100-130 bu/acre, combine that with blast and we're seeing some at 50-75 bu/acre.

The hybrids and Jupiter appear to be more stable and less affected. Both are running ~20 below expectation depending on location and very few 'disasters' reported. The lowest of the low reported for these have been in the 140s.

**Fig. 1. Light panicles due to blanking.**



**Fig. 2. Blanks covering the ground behind the combine in low-yielding field.**



**Tables 1 and 2** show projected acreage, yield, and production for Arkansas bases on USDA-NASS estimates. These numbers are lower than a month ago and are expected to keep falling. At this time I'll stick with my most recent projection that the final state average yield will settle no higher than 160 bu/acre.

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**Table 1. Arkansas Harvested Rice Acreage By Type, 2010-2016.**

Year	Long	Medium	Total
2016*	1,390,000	130,000	1,521,000
2015	1,045,000	240,000	1,286,000
2014	1,265,000	214,000	1,480,000
2013	950,000	119,000	1,070,000
2012	1,170,000	114,000	1,285,000
2011	910,000	243,000	1,154,000
2010	1,590,000	194,000	1,785,000

\*Current estimate for 2016 acreage.

Source: USDA-NASS.

**Table 2. Arkansas Rice Yield and Production, 2010-2016.**

Year	Yield†	Acres	Production
2016*	164.4	1,521,000	250,052,400
2015	163.1	1,286,000	209,746,600
2014	168.0	1,480,000	248,640,000
2013	168.0	1,070,000	179,760,000
2012	166.2	1,285,000	213,567,000
2011	150.4	1,154,000	173,561,600
2010	144.0	1,785,000	257,040,000

† Yield in bu/acre.

\*Current estimates for 2016.

Source: USDA-NASS.

## Market Update

### USDA September 12 WASDE:

Ahead of Monday's Crop Production and supply/demand reports the trade estimated that USDA would lower its' production estimate due to losses in Louisiana and parts of Texas and Arkansas. Long-grain production was in fact cut by 4.8 million hundredweight (mcwt.) to 177.9 million; which is still the second largest production on record.

**Table 3. U.S. Long Grain Rice Supply/Demand.**

million hundredweight	2015/16 Sept.	2016/17 Aug.	2016/17 Sept.
<b>Beginning Stocks</b>	26.5	19.5	22.7
<b>Production</b>	133.0	182.7	177.9
<b>Total Supply</b>	<b>180.4</b>	<b>222.7</b>	<b>221.1</b>
<b>Domestic Use</b>	81.1	105.0	103.0
<b>Exports</b>	76.5	81.0	81.0
<b>Total Demand</b>	<b>157.7</b>	<b>186.0</b>	<b>184.0</b>
<b>Ending Stocks</b>	<b>22.7</b>	<b>36.7</b>	<b>37.1</b>
<b>Avg. Farm Price (\$/cwt.)</b>	\$11.10	\$9.50 - \$10.50	\$9.20 - \$10.20
<b>Avg. Farm Price (\$/bu.)</b>	\$5.00	\$4.275 - \$4.725	\$4.14 - \$4.59

Source: USDA

The USDA made month-to-month reductions in both yield and harvested acreage. Total long-grain harvested acres were reduced by 37,000 to 2.412 million. This reduction in acreage was guided by the Farm Service Agency's (FSA) reports on certified acres. The U.S. average long-grain yield was reduced from last month by 85.4 pounds per acre (1.9 bu/ac) to 7,375 pounds (163.8 bu/ac). As a side note, the USDA lowered Arkansas' rice yield 100 pounds this month to 7,400 pounds per acre. Keep in mind this is still 60 pounds higher than last year's yield of 7,340 pounds.

In addition to lowering its' production estimate, USDA also made some cuts to 2015 and 2016 demand. On the 2015 balance sheet, domestic use and exports were adjusted. The net effect of these changes increased old crop ending stocks by 3.2 million hundredweight. The 2016 Beginning Stocks value was then increased to 22.7 million. New crop total supply is now projected to be the highest on record at 221.1 million hundredweight.

Regarding demand, domestic use for the 2016 marketing year was trimmed by 2 mcwt. to 103 million. Long-grain exports were

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unchanged from August at 81 million. With ample supplies and lower prices, the USDA is currently looking for exports to increase 4.5 mcwt or almost 6% over last year. They confess that stronger exports to the Middle East and sub-Saharan Africa will be needed to reach this goal. Competition from Asia and South America remains fierce in these regions. It is noteworthy that USDA reduced 2016 milled rice exports by 2 mcwt and increased rough rice exports by 2 mcwt. in the September “All Rice” balance sheet.

In the final analysis Monday, long-grain ending stocks increased from the prior month by 400,000 hundredweight to 37.1 million, compared to 36.7 million last month. The current ending stocks estimate represents a 63% percent increase over last year and the highest carry-over since the 1985/86 marketing year. On a modest monthly increase in ending stocks, the USDA’s price expectations for the 2016 crop were bit more muted in this month’s report. Average long-grain producer prices are expected to be in the range of \$4.14 to \$4.59 per bushel. In August, this price range was \$4.275 to \$4.725.

As of September 12, FSA is projecting a 2015 marketing year average price for long grain of \$11.10/cwt. or \$4.995/bu. A projected PLC Payment Rate can be determined by subtracting the \$4.995/bu. marketing year average price from the PLC Reference Price of \$6.30/bu. This equals a projected PLC Payment Rate of \$1.305 per bushel. The same method can be used to calculate the payment rate for southern medium grain, which is projected at \$1.215 per bushel.

**Table 4. 2015 Projected Rice PLC Payment Rates (as of Sept. 12, 2016).**

	A	B	C	(A – higher of B or C)
Unit: \$/bu.	Reference Price	Loan Rate	Marketing Year Avg. Price	Projected PLC Payment Rate
Long-Grain	\$6.30	\$2.925	\$4.995	\$1.305
Medium-Grain	\$6.30	\$2.925	\$5.085	\$1.215

Though not announced at this time, it is likely that PLC and ARC payments for the 2015 marketing year will be reduced by 6.8% (due to the 2011 sequestration agreement) as was the case for the 2014 marketing year payments.

Projected 2015 PLC payment rates are updated and posted monthly on the Farm Service Agency’s [“ARC/PLC Program Data”](#) website. Look under the heading **“Program Year 2015 Data”** for **“Projected and Final 2015 PLC Payment Rates”**.

The USDA is expected to announce the final marketing year prices for long grain and medium grain rice on October 31<sup>st</sup>. Any payments would then be made in early November.

**Table 5. USDA Report Calendar.**

Date	Report
9-19	NASS Crop Progress (3:00 p.m.)
9-22	FAS Export Sales (7:30 a.m.)
9-26	NASS Crop Progress (3:00 p.m.)
9-29	FAS Export Sales (7:30 a.m.)
9-29	NASS Agricultural Prices (2:00 p.m.)
9-30	NASS Grain Stocks (2:00 p.m.)

## USDA-NASS Crop Progress:

The overall condition of Arkansas’ crop has declined significantly since mid-August. The percentage of Arkansas’ crop rated “poor” to “very poor” for the week ending September 11th increased to 28%, up from 24% the prior week.

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Condition ratings for other rice producing states held steady week-to-week.

**Table 6. USDA-NASS Crop Progress: Rice Condition (%).**

Week ending September 11, 2016					
	Very poor	Poor	Fair	Good	Excellent
Arkansas	12	16	32	29	11
California	-	-	20	75	5
Louisiana	6	11	30	50	3
Mississippi	-	2	21	49	28
Missouri	1	3	25	50	21
Texas	3	4	25	55	13
6 states	7	10	28	45	10
Previous week	6	9	27	46	12
Previous year	12	16	32	29	11

Harvest has moved past the halfway mark with a wide range of yields and concerns about milling in some areas. Given the variability reported in yields thus far, it is certainly possible the USDA could reduce production again in upcoming monthly reports.

**Table 7. USDA-NASS Crop Progress: Rice Harvested (%).**

Week ending September 11, 2016				
	9/11/2015	9/4/2016	9/11/2016	5-yr avg.
Arkansas	38	31	52	34
California	7	1	4	4
Louisiana	93	77	84	89
Mississippi	42	28	42	42
Missouri	6	18	40	14
Texas	88	88	96	92
6 states	41	35	50	39

As of September 11th, Arkansas' rice crop was 52% harvested—ahead of the 5-year average of 34 percent. Harvest in other states is progressing at a normal pace and is well ahead of that in Missouri. The U.S. harvest progress was estimated at 50% complete compared to the 5-year average of 39 percent.

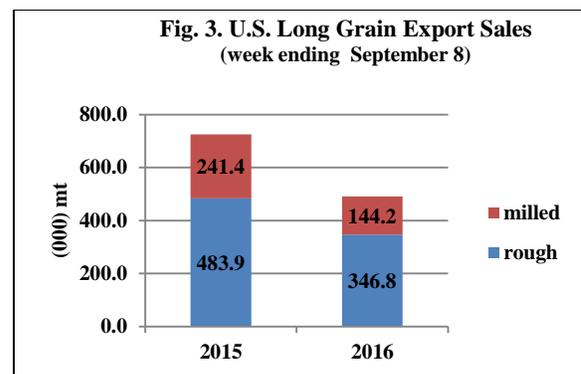
## USDA-FAS Long-Grain Export Sales:

### • Rough Rice

Export sales for the week ending September 8th were 10,476 metric tons (MT); down from the previous week's total of 32,162 metric tons. The only buyer was Mexico. As of September 8, rough rice export sales total 346,827 metric tons. Long-grain rough rice export sales are running 28% behind last year's pace at this time.

### • Milled Rice

Long-grain milled sales for the week ending September 8th totaled 23,015 metric tons (MT). With 11 markets buying, the largest sale last week was 19,257 MT to Haiti, bringing their total to 89,282 MT to date. Haiti accounts for 62% of long-grain milled rice sales so far in the 2016 marketing year. As of September 8th, milled export sales total 144,162 metric tons. Milled export sales are running 40% behind last year's pace at this time.



Source: USDA-FAS.

## Market Commentary:

November rice futures had a solid finish to the week Friday. The contract closed 2.5 cents higher and in the upper end of its' daily trading range at \$9.815 per hundredweight (cwt.). November futures gained 30 cents on the week. Following Monday's USDA reports rice futures were able to break out of last week's trading range that kept prices capped in the \$9.68 area.

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Prices did trade as high as \$9.97 Thursday. In spite of the heavy supply numbers facing the long-grain market, it appears traders expect 2016 production estimates to continue to fall.

**Fig. 4. CBOT November 2016 Rice Futures.**



## [Rough Rice Futures Quotes](#)

From a technical perspective, the November contract is trending higher and has initial support at Tuesday's low of \$9.54. The next layer of support would be last week's low of \$9.45 and the contract low of \$9.35 made on September 1st. Overhead resistance starts at Friday's (9/16) high of \$9.87 which is a 38% retracement of the correction (ie. down-move) from the August 16th high to the September 1 low. The \$10 mark will be next heavy layer of resistance, which a downtrend line intersects (shown in red on the November futures price chart). A 50% retracement of the August 16 to September 1 move is at \$10.025.

Rough rice basis remains steady this week. Around eastern Arkansas basis has generally been quoted at 40 to 50 cents per cwt. under November futures for September/October delivery to mills. Basis for delivery to dryers is currently in the range of 65 to 85 cents per cwt. under November futures.

Finally, watch closely for opportunities to lock in 2017 fertilizer. Input suppliers around eastern Arkansas indicate Urea is in the \$285 to \$295/ton range. Potash is also in that price

range. Suppliers describe the fertilizer market as being "flat" for the time being. Gulf wholesale prices were near unchanged this week as well. The average barge price for Urea at New Orleans was up \$1/ton this week at \$183. DAP was unchanged at \$321 per ton. As a reminder, Agrium Inc. and Potash Corporation reached a merger agreement this week, creating North America's largest fertilizer company. Merger Mania!

## **Additional Information**

Arkansas Rice Updates are published periodically to provide timely information and recommendations for rice production in Arkansas. If you would like to be added to this email list, please send your request to [rice@uaex.edu](mailto:rice@uaex.edu).

This information will also be posted to the Arkansas Row Crops blog (<http://www.arkansas-crops.com/>) where additional information from Extension specialists can be found.

More information on rice production, including access to all publications and reports, can be found at <http://www.uaex.edu/rice>.

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