Southern U.S. Rice Acreage – Pending Prospective Plantings Report

I recently had an opportunity to present a webinar for the University of Arkansas that addressed the state of the southern U.S. rice industry and challenges impacting acreage. As farmers begin planting the 2018 crop, I wanted to share some of my observations and how Horizon Ag is working to improve the outlook for our industry today and for the future.
Dr. Tim Walker
Horizon Ag General Manager

Up to this point in the season, “hurry up and wait” has been the theme throughout rice country. Record rainfall occurred in February over most of the southern U.S. rice-producing region, and the first week of March followed a similar pattern. In the fall of 2017, there was optimism about rice-planted acreage for 2018. As we flipped the calendar to 2018, soybean prices have trended upward, and new crop rice prices have become stagnant. Therefore, the optimism for a high rice acreage year has moderated to cautiously optimistic at best.

Emotions can often cloud reality. Today, with new crop soybeans near $10.50 and planting time being upon us, my emotions say to brace for the potential for much lower rice acres than expected. Each year, seed companies are forecasting in advance to prepare for an opportunity to sell seed one to two years into the future. Below, you’ll find my low and high forecast made in the winter of 2016 which was 2.3 million to 2.5 million acres in the south. I’ve also updated my forecast in recent weeks. It’ll be interesting to see the final rice planted acres reported by FSA later this summer.

Southern U.S. Rice Acres Projections – 2016 & 2018 Compared

	Low Projection – Winter 2016	High Projection – Winter 2016	Projection Spring 2018
Southern U.S. Rice Acres	2,303,343	2,531,089	2,335,000
Arkansas	1,349,956	1,488,689	1,400,000
Louisiana	438,294	457,019	430,000
Mississippi	180,537	206,276	140,000
Missouri	187,549	213,112	200,000
Texas	162,372	165,992	165,000

If we plant approximately 2.35 million acres this spring, we will be planting near the average rice acres over the last few years. What is concerning is that 20 years ago, the average was about 2.75 million acres. A 400,000-acre reduction is substantial for a relatively small acreage food crop like rice.

In full disclosure, I am an agronomist by training and not an economist; however, I believe planted acres are being driven largely by supply and demand. The short story is that over the past 20 years, growth in domestic consumption and exports has added approximately 560,000 acres of opportunity (if yields were the same as in the 1990s). However, because of increased per acre rice yields over the same time

period, if exports and domestic consumption had not increased, we would need 750,000 acres less rice planted today than we did 20 years ago. Furthermore, because imports of largely Thai Jasmine rice have continued to increase in the United States, it has put further downward pressure on our acres, to the tune of 250,000 acres. Growth in domestic consumption and exports has not offset increases in imports and yield gains; therefore, we need approximately 440,000 acres less than we did 20 years ago.

Production Balance Sheet (1998 – 2017)				
Production Growth	**Acres**		**Production Decline**	**Acres**
Domestic Consumption	208,950		Imports	250,000
Exports	354,000		Yield Gain	754,437
Sum	562,950			1,004,437
	Difference	441,487		

It's one thing to analyze data and see trends and potential problems. It's quite another to try to be a solution. I'm proud to manage a great company, Horizon Ag, that prides itself on being an industry partner. Each of our last five varietal releases – CL153, CL163, CL172, PVL01 and CLJ01 – provide part of the solution to our downward trend in rice acres. CL153, CL172 and PVL01 offer long, translucent grains that, when made available to the end user in their identity-preserved form, can restore U.S. rice brands' reputation for being a gold standard in package-quality rice. CL163 and PVL01 cook looser than our traditional southern U.S. long grains, helping us better compete with South American rice that has higher amylose content. Finally, CLJ01 is one of the most promising U.S.-developed Jasmine-type rice varieties, providing the potential to begin taking back market share from imported rice. In each of these varieties, Horizon Ag offers farmers the opportunity to distinguish themselves in the market. Identity-preserved rice has been slow to gain a larger percentage of the total southern U.S. market; however, when IP has occurred in recent years, we are proud to say many of our varieties have been requested.

As we know, food security is strongly related to national security. We have to ensure U.S. rice production is viable so that all American citizens have access to the safest, most abundant food supply, produced with the smallest footprint to the environment we steward. Our commitment to you, our farmer partners, is to continue to provide the highest quality, top-performing rice varieties to meet your needs today and in the future.