

Hundredweight in Rice A Case for Standardization

It is time for the rice industry to adopt a single standard commercial measure for rice to simplify references used in analysis and forecasting of rice markets, for example, for use when a milling ratio is associated with a price quote.

CBOT Future Price Quotes in CWT

The futures contract for rough rice on the Chicago Board of Trade is quoted in hundredweight with one contract consisting of 2,000 hundredweight (10 short tons). Further, to be deliverable, long grain rough rice “shall have a milling yield of not less than 65%, including not less than 48% head rice. Each percent of head rice over or below 55% shall receive a 1.50% premium or discount, respectively, from the settlement price for long grain rough rice and each percent of broken rice over or below 15% shall receive a 0.75% premium or discount, respectively.”

USDA National Agricultural Statistics Service (NASS)

NASS reports production in thousand hundredweight and quotes the average farm gate price for paddy rice in dollars per hundredweight.

USDA Economic Research Service Rice Yearbook

ERS quotes domestic rice statistics in hundredweight. Although metric tons is the unit of measure used in world production, usage and ending stocks, hundredweight is the only unit of measure used in statistical tables and analysis for the domestic market. Historical milling yields in the *Yearbook* have been based on actual yields reported by industry, whereas prospective milling yields have been based on a standard expectation of 70 percent total rice yield for long grain rice.

USDA World Market Price/Loan Deficiency Payments

The basis for farmers' eligibility for loan deficiency payments is based on hundredweight, as is the actual payment of the loan deficiency obligation.

In none of the above-mentioned national publications/calculations are barrels or bushels used or even once cited. The domestic commercial rice market transactions are all conducted in hundredweight. barrels are not mentioned even in the rice conversions table published as part of the *Rice Yearbook*.

Although the commercial standard for the futures market and all “official” publications of the U.S. government use hundredweight as the standard of measure and basis for price calculation for rice, there are a few rice market newsletters and possibly some commercial firms that still use barrels as a unit of measure, if in some cases only as a unit of measure in addition to hundredweight.

We believe that a case can be made that continued use of a second unit of measure in the domestic market, barrels in this case, could tend to confuse market participants especially those not familiar with the industry, and complicate or confound attempts at making comparisons among states that may employ differing standards for measuring the volume and milling yield of rice.

The other issue is converting from paddy to milled rice on an expected milling yield and basing the price of paddy rice on that value. The industry standard and CBOT delivery price for long grain rice has for some years been 55/70 (55 percent head rice/70 percent total milled rice) but with some variation from state to state (and possibly mill to mill). Any variance in actual milling yields has been only a slight deviation from this industry-accepted standard. Again, it is confusing if another standard is used to make the conversion from paddy to milled rice since this will lead to the need for calculation in order to compare one generic lot of rice to another when different standards are used. This leads to a need to always reference the milling ratio whenever a price is quoted. A simpler approach is for one industry standard to be used by the entire industry and those who would do analysis and forecasting of rice markets.