SUMMARY OF CHANGES FOR THE MEDIUM AND SHORT GRAIN RICE PRICING METHODOLOGY (23-CEPP-M0018)
(Released June 2022)

The following is a brief description of changes to the Medium and Short Grain Rice Pricing Methodology for the 2023 and succeeding crop years. Please refer to the Medium and Short Grain Rice Pricing Methodology document below for complete information.

- Text and methodology changes are made under Section 2. Beginning in July 2020, the USDA's Agricultural Marketing Service (AMS) ceased publishing monthly medium grain rice price quotes for Arkansas and California. RMA uses AMS weekly quotes beginning in July 2020. Weekly ratios are computed, as detailed below; monthly averages of the weekly ratios are then computed.
- The document was reformatted to be more consistent with other policy documents.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Medium and Short Grain Rice Pricing Methodology

RMA establishes distinct medium and short grain rice prices in accordance with the Common Crop Insurance Policy Basic Provisions and the Commodity Exchange Price Provisions: Section II – Rice (CEPP). The CEPP states that medium and short grain type rice prices are derived by applying a price factor "determined by RMA" to the exchange-based projected rice price and harvest rice price. The methods used to determine these factors are explained in this document.

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1.   Overview
RMA utilizes the following sources:
- National Agricultural Statistics Service (NASS) marketing year average rice prices (California: October-September).
- Chicago Board of Trade (CBOT) November rice contract, Rough Rice U.S. Number 2 or Better - long grain rice.
- Agricultural Marketing Service (AMS) weekly or monthly reports for medium grain rice, U.S. Number 2 - Arkansas and California. Note: Monthly reports are used through June 2020, weekly reports are used thereafter.

Medium and short grain price factors are derived for: 1) all California counties; 2) other states, comprising all counties in Arkansas, Florida, Illinois, Louisiana, Mississippi, Missouri, Oklahoma, and Tennessee, as well as Texas Counties with a February 28 sales closing date; and 3) Texas counties with a January 31 sales closing date. These factors are used to derive both medium grain type and short grain type rice prices, i.e., the same prices are used for both types.

2.   Price Factor Methodology for California
Ratios between the following data are derived for each year of the most recent five or ten years of data, depending on which time frame is used (RMA will annually assess price trends in recent NASS data to determine whether a five-year series (more likely with trending data) or a 10-year series (more likely with non-trending data) should be utilized):
- NASS California rice price estimates.
- RMA rice harvest prices for California (RMA harvest price is the average daily settlement price during October for the nearby CBOT November Rice Contract).

Yearly Ratios (i) = California NASS Price (i)/RMA Harvest Price (i). The California price factor is the average of the five or ten yearly ratios rounded to two decimal places.

3.   Price Factor Methodology for other states
Beginning in July 2020, monthly averages of weekly ratios between the following data are derived to obtain a monthly ratio:
- The midpoint of Arkansas low-high bid prices from the AMS weekly rice report for medium class rice
- The mid-point of California low-high bid prices from the AMS weekly rice report for medium class rice

Monthly reports are used through June 2020.

The average of 12 monthly ratios (October-September of each year) provides a yearly Arkansas-California price factor. The most recent five or ten yearly Arkansas-California price factors (RMA will annually assess price trends in recent NASS data to determine whether a five-year series (more likely with trending data) or a 10-year series (more likely with non-trending data) should be utilized) are averaged together to obtain the overall Arkansas-California price factor.

The Other States price factor is the overall Arkansas-California price factor multiplied by the California price factor, rounded to two decimal places.

4.   Price Factor Methodology for Texas counties with a January 31 sales closing date
The price factor for Texas Counties with a January 31 sales closing date is derived using the OTHER STATES methodology described above. However, NASS does not release marketing year rice price estimates until the end of the following January. For example, the NASS California price estimate for the 2020-21 marketing year was not released until the end of January 2022. The projected price discovery period for Texas Counties with a January 31 sales closing date ends January 14. Consequently, the latest NASS price estimate is not available in time for RMA's release of the projected price. As a result, data used to derive the price factor for Texas Counties with a January 31 sales closing date lags one year behind the data used to derive the other price factors.

The price factor for Texas counties with a January 31 sales closing date is calculated using the same steps listed above for the Other States price factor but will use data from one year earlier since NASS data is not released by the start of the projected price discovery period.