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Rice Production and Trade Update

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Report Highlights:

Production in 2013/14 is rebounding to normal levels, with favorable weather this year, after last year's hurricane damage. Investments are being made in local production, processing, and storage. Nevertheless, the country relies upon imports for a majority of the supply, as consumption rises steadily. Though the United States is the main supplier, the Haitian government has recently concluded a government-to-government purchase agreement with Vietnam.

Production

Haitian rice production in 2013/14 is forecast to reach 142,000 MT of paddy rice from a harvested area of 85,000 ha. This level of production represents a rebound to normal levels, as a combination of disasters in 2012—drought in the first part of the year, followed by Tropical Storm Isaac in August, and Hurricane Sandy in October—struck Haiti, reducing overall rice production to an estimated 113,000 MT in marketing year 2012/13.

Area harvested in 2013/14 is the same as the past few years, at 85,000 hectares. This area represents an increase from the previous decade, when approximately 50,000 hectares were harvested. With newer seed varieties and management practices, some farmers seek to get two or at times even three harvests from the same field. Most farm sizes are less than a hectare in this country where per capita income is \$1,300.

Most of the rice is irrigated, which has a much higher yield than upland or rain-fed rice. Over 70% of the crop is grown within the Artibonite Valley, with the remainder grown in the northern and the southwestern regions. The government is responsible for the primary irrigation canals, with Organisation de Développement de la Vallée d'Artibonite (ODVA) overseeing the largest system in the Artibonite Valley, which services around 35,000 hectares. Several development agencies have worked with the government to bring the 70-100 year old canals back into better working condition. However, some farmers report that drainage remains a major issue.



Typical Haitian rice fields in Artibonite Valley

Fertilizers and other chemicals are used on a very limited basis because of cost. When funding is available, the Ministry of Agriculture and the Food and Agricultural Organization (FAO) have given fertilizer to farmers. Due to budget cuts, this is not expected to occur in the next year. When fertilizer is used, it is generally nitrogen-rich, such as urea.

Several organizations are working in Haiti to promote a relatively new agricultural method, the System of Rice Intensification (SRI). This management practice requires a shorter time to transplanting, larger distance between plants, fewer seeds and less water. However, it requires more manual labor for weeding. Field studies and farmer training programs are underway, but adoption is still limited.



TCS-10 and Sheila in a supermarket

There are several varieties of rice grown in Haiti. TCS-10 was developed with Taiwanese assistance and is the most popular, with over 60% market share. It is characterized by smaller grains, higher yield potential, and a relatively short 4-month production cycle. TCS-10 is also preferred because of its resistance to threats including empty head syndrome, fungus, and spider mite. Other local varieties include Sheila, Shelda, Crete, and Madame Gougous. The yellow-colored Sheila is lower yielding, but is sold for a higher price and is preferred for special occasions. A Dominican variety Prosequisa-4 is also grown, and can give a secondary ratoon crop. The USAID project, WINNER, has

introduced and is testing several varieties from the International Rice Research Institute (IRRI) and from Madagascar.

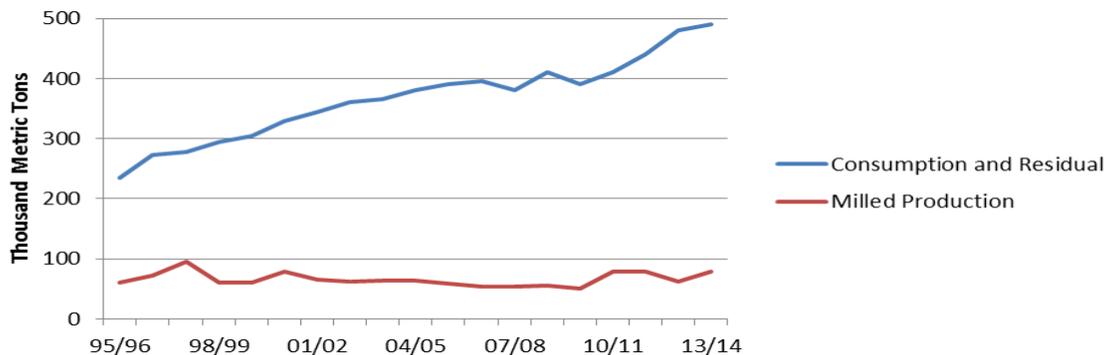
For the most part, drying and milling take place on a small scale. There are around 350 mills in the Artibonite, primarily small-scale operations. One local company has begun constructing a larger mill in the region, while the Taiwanese government assisted with building a mill in the south. The Haitian milling rate is currently estimated at 55%, significantly lower than 63% in the neighboring Dominican Republic. Post-harvest losses are also notable, with some estimates as high as 25%.

The challenges to rice production include: constraints on credit and financing, low yields, poor infrastructure, and inefficiencies in the processing and marketing systems. The Ministry of Agriculture, NGOs and development agencies have been active in assisting rice producers in Haiti.

Consumption

Although twenty to thirty years ago, rice was a special treat for special occasions, it is now a part of the daily diet of Haitians. They prefer high quality long-grain rice, with a low percentage of broken kernels. Rice is a relatively low-cost staple with a long shelf-life and year-round availability, giving it an advantage over other basic goods, such as plantains, sweet potato, cassava and dasheen.

Despite efforts to improve local production, growth in demand has accelerated, outpacing recent production gains. Consumption and residual in MY 13/14 is forecast to rise to 490,000 tons, a slight increase over the revised 480,000 tons for MY 12/13.



Stocks

Domestically produced rice is generally stored on the farm. Because of storage constraints, smaller producers store their rice for 1-2 months, while larger ones may store it for 3-4 months. Producers sell portions of their crop to the local merchants, *Madam Saras*, who in turn sell to the local or regional markets. Off-farm storage is limited, although one local company recently installed a new milling facility with 4,000 tons of storage capacity near the major producing area. This volume of capacity for locally-produced rice is rare.

Importers are reticent to store large quantities, particularly because of the history of Haitian food riots and targeting of warehouses during unrest. Importers therefore generally operate with “just in time” deliveries. One importer has recently built silos at the port with a total capacity of 9,000 tons. Smaller importers only keep one week of inventory or sell directly from the port.

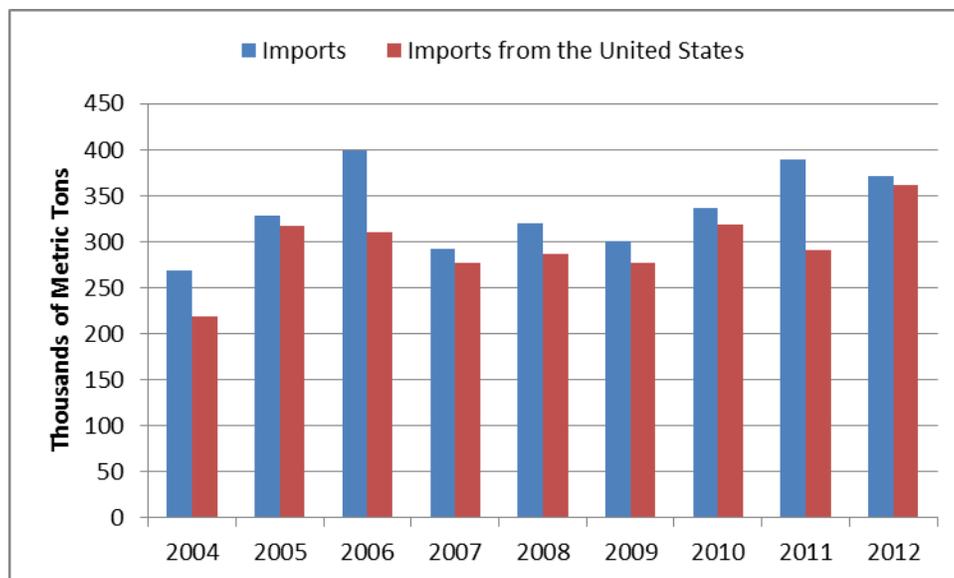
The general consensus is that distributors hold little more than 1 month of stocks on hand at a given time.

Trade

Imports for MY 2013/14 are expected to remain constant year-to-year, compared to a revised estimate of 415,000 tons for MY 2012/13. The upward revision to MY 12/13 is based on final trade data.

There are several importers with a strong degree of competition between each one as they vie for market share. All of the major importers have strong relationships with counterpart exporters or cooperatives in the United States. As a result, the overwhelming majority of imports come from the United States, which had over 97% of market share in 2012.

Historically some importers have occasionally purchased from Guyana, Suriname, or Brazil. A small amount of Dominican rice also crosses the border, especially in years with abundant crops.



The price of rice in Haiti escalated in September and October 2012 for several reasons. Not only was

domestic production impacted by droughts and tropical storms, but post-harvest losses were also higher as a result of the hurricane and other issues. Furthermore, the weather in the United States also had an impact on trade. By early autumn, drought in United States led to lower levels along the Mississippi River, resulting in smaller cargo capacity on the river, shipping delays, and higher landed prices.

Since the Haitian government was particularly concerned about the price of staple commodities, it established the Food Price Commission in September 2012. This commission includes representatives from the Ministry of Commerce and Industry, the Ministry of Agriculture, Natural Resources and Rural Development, the Council of Economic and Social Development and the National Coordination of Food Security and was charged with proposing measures to stabilize commodity prices.

In December 2012, Haitian officials traveled to Vietnam and agreed to import up to 300,000 tons of rice from Vietnam. The first government-purchased shipment arrived in March. Most of the 15,000 tons was distributed through importers who bought and then sold the rice port-side to wholesalers at mandated prices. Another two shipments of the same quantity arrived during the summer.

The Vietnamese rice is bagged and labeled “10 sou 10”, which means 10/10 or a perfect score. The labels are red and blue stars on white, which is very similar to many of the U.S. imported brands. However, the bags do include the designation “Produit du Vietnam” (product of Vietnam) in small print. Since the Vietnamese shipment came in bags, it would be very difficult for importers or wholesalers to mix the Vietnamese rice with other origins. However mixing the higher- and lower-quality rice would be possible at the merchant level.

It remains to be seen how the importation from Vietnam will progress. Some importers were quick to note their awareness of Vietnamese export prices and emphasized that they could purchase the same rice for less than the reported purchase price obtained by the government. On the other hand, consumers have expressed some dissatisfaction with the Vietnamese rice, noting that it has different cooking properties, hardening and sticking together more than the U.S. or local rice.



Vietnamese and U.S. rice in the Haitian market

Regardless of origin, Haiti will continue to be a major importer as consumption continues to far outpace production.

Rice, Milled Haiti	2011/2012	2012/2013	2013/2014
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	Market Year Begin: July 2011		Market Year Begin: July 2012		Market Year Begin: July 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	85	85	85	85	85	85
Beginning Stocks	50	20	111	71	98	68
Milled Production	78	78	62	62	78	78
Rough Production	142	142	113	113	142	142
Milling Rate (.9999)	5,500	5,500	5,500	5,500	5,500	5,500
MY Imports	413	413	375	415	400	415
TY Imports	372	372	400	400	400	415
TY Imp. from U.S.	360	360				
Total Supply	541	541	548	538	576	556
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	430	440	450	480	460	490
Ending Stocks	111	71	98	68	116	71
Total Distribution	541	541	548	538	548	548
1000 HA, 1000 MT, MT/HA						

* MY 2012/13 is July 2012 to June 2013. TY 2012/13 is January 2013 to December 2013