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Rice Production and Trade Update

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Report Highlights:

Rice production in Haiti has been stagnant for decades. In CY 2010, the availability of fertilizer and water in irrigated lands increased overall output to an estimated 90,000 MT. Estimates for CY 2011 are between 80-90,000 MT. The increased demand from a rapidly rising population and lower import tariffs implemented in the late 1980's made rice imports one of the least expensive carbohydrate sources and a basic item for daily use today. The consumption estimate for CY 2010 is 380,000 MT - almost 300,000 MT of donations and commercial imports, supplemented by domestic production. The forecast for 2011 does not anticipate any major changes in production, demand or consumption from the current year.

Executive Summary:

Rice production in Haiti has been stagnant for decades. Producer sources, government officials, traders and USDA data all agree on an average of 70,000 MT/year (milled basis) for the past 25 years. In CY 2010, the availability of fertilizer through the Haitian government, FAO and Taiwan government donations, and plentiful water in irrigated lands increased overall output to an estimated 90,000 MT. As for CY2011, Post estimates a comparable production level of 80-90,000 MT.

The higher food demand induced by the fast population growth and lower import tariffs implemented in the late 1980s to address this need made rice imports one of the least expensive carbohydrate sources. As a result, rice has become a basic item for daily use today. Consumption estimates for CY 2010 are 380,000 MT which includes almost 300,000 MT of donations and commercial imports, supplemented with 90,000 MT of domestic production. The forecast for 2011 does not anticipate any changes in donations or consumption from the current year.

Over the years, the quality of imported U.S. rice at affordable prices gained grounds over the more expensive yellow and “criollo” rice varieties produced domestically. As a result, rice imports penetrated this market and became necessary to meet the increasing domestic demand. The GOH does not limit rice imports, although the GOH claimed that there is a need to protect the local industry with an increase in the tariff from zero to 3.5% after the January earthquake. No reliable numbers exist on stocks. Importers try to keep a thirty day supply in hand, equivalent to 23-25,000 MT.

Production:

Rice production in Haiti has been stagnant for decades. In the 1970s and mid 1980s, Haiti was nearly self sufficient in a number of agricultural and livestock products including rice. However, it should be noted that rice consumption per capita at that time was much lower. Producer sources, government officials, traders and USDA data all agree on an average production of 70,000 MT/year (milled basis) for the past 25 years. Even so, a recent exploratory visit to Haiti gave evidence to higher productivity and yields appear to have increased for CY 2010.

The availability of fertilizer through the Haitian government, FAO and Taiwan government donations and plentiful water in irrigated lands increased overall output to an estimated 90,000 MT. Abundant rainfall and a large supply of fertilizer at low or no cost and the availability of additional labor outside of Port au Prince could raise production to above the estimated 90,000 MT. On the other hand, after the earthquake, enormous quantities of donated rice reached the Haitian market and temporarily suppressed domestic prices, which could have had an impact on next year's planting decisions. As for CY 2011, Post estimates a comparable production level of 80-90,000 MT.

Farm size and yields: An average rice farm size is 1-3 ha with no land tenure. Area harvested is approximately 50,000 ha, and average Haitian rice yields were 1.8 MT/ha for CY2010. Larger and organized plots can yield as much as 3.8 MT/ha and smaller plots yield considerably less. In addition, different varieties also tend to yield differently and they may have a longer or shorter growth cycle.

Production area: Rice production is spread around many parts of the country, as indicated in the map below and is irrigated. The Artibonite Valley region accounts for roughly 70% (35,000 ha) of rice

production under irrigation. The largest cooperative operating in this valley, PAVA, is financially supported by the Haitian and Taiwanese government. Their yields are double the national average and production areas are considerably larger. The Northern region contains four isolated areas with over 15% of the production, while the rest is produced in two sections in the Southwest of the country, as figure one shows.

Rice varieties: There are two local or criollo varieties named “Exogo” and “Buffalo,” which are produced in small plots and quantities throughout the production areas of the country. The total share of rice output of these varieties does not exceed 15 percent. The commercial variety most commonly used in irrigated land is the TCS 10, developed by the Taiwanese government mission. This variety has acceptable yields and represents over 50% of production.

Newer varieties are: “Madam Gogote,” “Shela” and “Sheida”. *Sheida* is handled differently after harvest in order to retain its yellowish color, a quality that is considered better than white rice. These new varieties have a shorter vegetative cycle and almost double the yield, are gaining ground over the TCS 10. Additionally, all of these varieties are planted twice a year and are all long grain.

In the Northern provinces, where over 15% of the rice is produced, some varieties used have been developed in the Dominican Republic with acceptable yields. For example, “Prosequisa” provides a second and smaller harvest without replanting.

Inputs: Fertilizer use is limited because of the high cost. The general formulation applied is 46-00-00 with excessive amounts of urea. A more appropriate and general formulation used in rice production around the world is 20-20-10 with nitrogen in the form of ammonium sulphate. Nonetheless, most of the fertilizer use is based on the first formula. In recent years, the Haitian Government has been able to subsidize the fertilizer. The general subsidized price for fertilizer is approximately Haitian Gourds \$500/bag of 100 lbs (the exchange rate on 11/01/2010 was about G\$40=US\$1). Dominican and non-subsidized fertilizer sells for Haitian Gourds \$1,800/bag.

Production costs: Production costs have been difficult to estimate and no data is available at this time.

The current prevailing high costs for inputs in a general election year should continue to restrain major increases in rice production. As a result, local needs will continue to be supplemented with imports from the United States because of proximity, quality and price.

Harvest: Spring (March-April) and Fall (August-September).

Consumption:

Consumption estimates for CY 2010 are 380,000 MT which includes 300,000 MT of donations and commercial imports, supplemented with 90,000 MT of domestic production. Please see figure two. The forecast for CY 2011 does not anticipate any changes from the current year.

Along with corn, beans, tubers and plantains, rice has an increasing share in the basic domestic diet due to the relatively low cost. Haitians used to consume rice once-a-week in the 1980's. The higher food demand induced by the fast population growth and lower import tariffs implemented in the late 1980s to

address this need made rice imports one of the least expensive carbohydrate sources. As a result, rice has become a basic item for daily use today. The low prices of imported rice have helped change consumption patterns of some consumers, enticing them to insert rice as a less expensive alternative source of carbohydrate. Blending imported rice with other starchy foods such as bread and imported pasta, and other staple foods like, plantains, sweet potato, cassava and dasheen has become part of the Haitian diet.

Phytosanitary concerns: No restrictions are applied on imported rice, even from sources of paddy rice where *Trogoderma spp.* is often found, such as in the United States (mainly along the Mississippi river region). Nonetheless the effect of this fungus on polished rice is negligible. The rice water weevil, *Lissorhoptus oryophilus* (order Coleoptera) and stem borers that consist primarily of insects in the *lepidopterous* families, *Noctuidae* and *Pyralidae*, appear to affect locally grown rice. No IPM (Integrated Pest Management) programs are in place that could have a significant impact on minimizing the amount of pesticide used, and, in turn, in increasing the profitability of rice production. It has been estimated that the cost savings of IPM on rice in Haiti is enormous. The rice black bug appears to be present in some fields, but no further information is available at this time.

Prices: As Haitian input prices increased and domestic policies allowed lower import tariffs, imported rice has continued to gain market share. The increase of rice as a staple in daily diet has not motivated Haitians sufficiently to increase the production of rice. As a result, rice imports began to fulfill this shortage of low cost carbohydrate demanded in the diet.

Recent FOB Louisiana prices place U.S. long grain 4% broken at approximately US\$440/MT FOB (9/3/2010). According to importers, C+F prices are currently at about US\$800-900/MT. Guyana rice appears to be US\$50-60/MT less, but its size, appearance and quality does not compare favorably to the U.S. product. Domestically grown rice prices reported by the importers are currently US\$1,200/MT and prices verified at the Haiti-Dominican border of U.S. long grain were found to be equivalent to US\$950/MT in 50 lbs. bags.

As a reference, current Dominican prices at the wholesale level for the two higher-quality rice varieties are in the range of US\$800-950/MT. Retailers in turn sell it at about US\$1,200-1,300/MT and U.S. rice faces a 99% tariff in the DR.

Distribution channels: Producers generally sell their individual production to intermediaries, who sell to nearby mills which process, store and sell to wholesalers. Some larger and financially sound producers and a couple of large cooperatives have their own mills where they process their own production and additional quantities of product from small farmers nearby. These in turn sell to wholesalers. Several of these producers have developed private labels and market directly to retailers, such as Schaco. Small quantities of rice also move across the border to the Dominican Republic, mostly imported.

Trade:

Imports: Imports have gradually gained ground over domestic production since the mid eighties at a very high rate. The quality of imported U.S. rice at affordable prices gained ground over the more expensive yellow and “criollo” varieties produced. As a result, rice imports penetrated this market and became necessary to meet the increasing domestic demand. Figure 2 below shows a production deficit that began in 1984 and continued to expand due to stagnant local production and increasing population

growth.

The four or five major importers of rice import mostly long grain, 4% broken from the United States. Only about 10-15% of imports are from other origins, mainly Guyana. Some of the most common brands in the market place are Tchaco and Mega Rice.

Donations: Right after the earthquake, large amounts of rice were donated to Haiti due to the market disruptions caused by the disaster. A total of about 90,000 MT (milled basis) for relief are anticipated to enter the market in CY2010, causing prices to decline. This aid, mostly from the U.S. and Vietnam, created discontent among producers who have had difficulties selling their product in the market place. However, prices in markets are now back to pre-earthquake levels. In August, prices were up to 25% lower than their levels in February 2010 and 20% lower than in July 2008, when high world market prices for commodities causes riots in Haiti and unrest in other countries around the world.

Exports: Current rice prices between Haiti and the Dominican Republic do not show enough margins to trade, not even for the low cost of U.S. imports in Haiti to the ones in the Dominican Republic. Very little movement of rice was confirmed at two of the major crossing sites into the Dominican Republic. Pastas, wheat flour, vegetable oils, soaps and detergents as well as an enormous list of products consumer ready products are sold from the Dominican Republic to Haiti.

Tariffs: The GOH does not limit rice imports, although the GOH claims that they need to protect the local industry with a low tariff 3.5%.

Stocks:

There is no reliable numbers on stocks. Importers try to keep thirty day supply in hand. This would add up to 23-25,000 MT.

Figures, Tables and Graphs
(see next page)



Figure 1: Rice production areas in Haiti

Source: FAS Santo Domingo

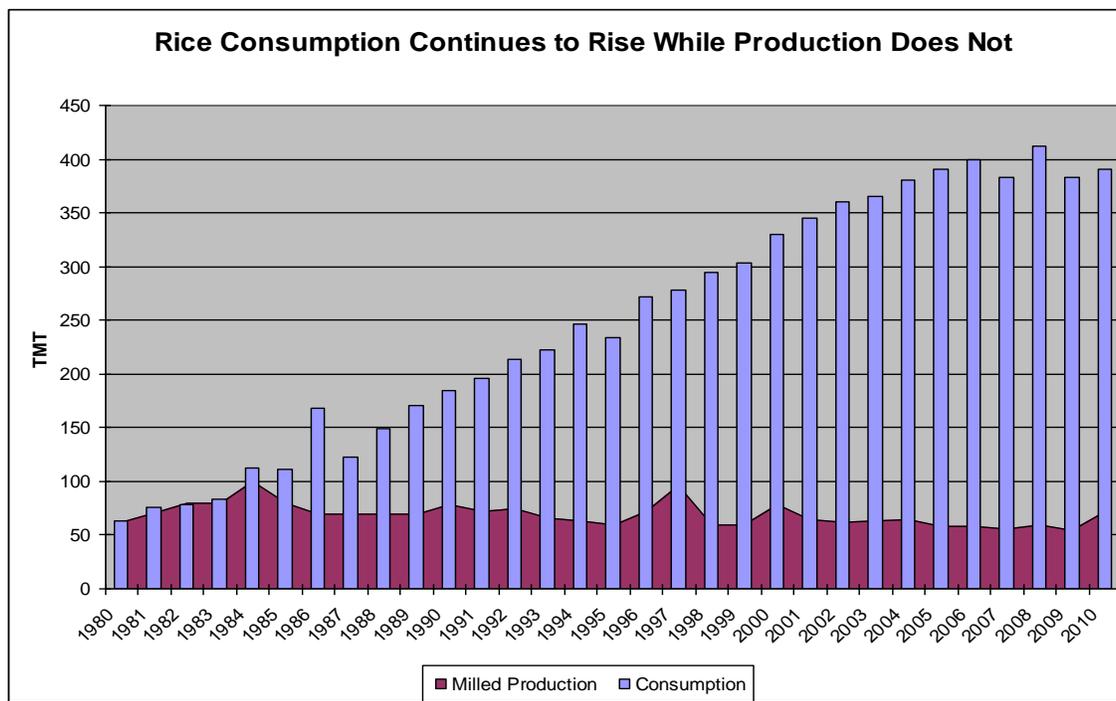


Figure 2: Rice production areas in Haiti

Source: FAS PS&D