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Tender for the 2014 U.S. Rice CSQ in Slow Progress

Report Categories:

Grain and Feed

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Report Highlights:

Eighty-eight percent, 28,884 MT, of Taiwan's 2014 U.S. rice Country Specific Quota (CSQ) under normal tender is yet to be complete. While Taiwan recently lifted a longstanding ban on U.S. long grain rice, restrictive specifications may limit shipments. Taiwan's recent changes to medium/short grain tender specifications may elevate risk for U.S. tender failures. Additionally, concerns regarding West Coast ports slowdowns resulted in the shortage of bidders. Report includes results of five U.S. rice CSQ tenders held during the week of December 8.

General Information:

Taiwan's 2014 Rice CSQ Tender Implementation, as of 12/18/14

Country of Origin	Awarded Quota	Uncommitted Quota
CSQ-Normal Quota (49,768/MT)		
USA	8,600	28,884 (7,000 turned global)
USA- turned global and awarded to Vietnam	1,150	0
Australia	0	11,134 - turned global
Sub-Total	9,750	40,018
CSQ-SBS Quota (44,300/MT)		
SBS-USA	26,000	0
SBS-Thailand	5,620	0
SBS-Thailand –turned global	680	0
SBS-Thailand –spec for Processing use	2,000	0
SBS-Egypt –turned global	330	2,170
SBS-Australia	7,500	0
Sub-Total	42,130	2,170
Grand Total		94,068/MT

Of 38,634 MT of the 2014 U.S. rice CSQ under normal tender scheme, only 12%, or 9,750 MT, has been awarded. Taiwan's Council of Agriculture (COA) Agriculture and Food Agency (AFA) announced a tender, GF4-103-136, for 12,384 MT of U.S. long grain rice scheduled for December 25. With this, 40%, or 15,384 MT, of the U.S. rice CSQ is specified for long grain rice. While the United States was encouraged to see Taiwan finally lift the ban on U.S. long grain rice, traders are concerned that strict tender specifications (high amylose content) may prevent actual sales. If the U.S. long grain rice tender fails three times, it will be made available for global sources where regional product may take away U.S. share. Thailand, for instance, has sufficient, competitively priced long grain supplies (see the "Reference Section" for the Tender GF4-103-013 for 2,000 MT of Thai-origin for processing use). In the December 10 tender for 1,500 MT of U.S. long grain rice, no bidder participated.

As the time running down toward the end of 2014, five tenders for U.S. rice were held during the week of December 8; results outlined below. Bidders' relay concerns regarding slowdowns at West Coast ports. As a consequence, 7,000 MT of the Tender GF4-103-107 for U.S. medium/short grain didn't complete in three tenders, and is now going to be opened on a global basis.

In particular for this year, Taiwan relaxed the tender specifications for medium/short grain to US No. 2 grade equivalent, instead of their customary specification for U.S. No. 1 grade. On the other hand, it is anticipated that U.S. medium grain is price competitive with Australian medium grain this year (see the "Reference Section" for the Tender GF4-103-106 for 11,134 MT of Australian medium/short grain). Details of individual tender result are as follows.

Update on the 2014 U.S. Rice CSQ Normal Tender

The 2014 U.S. Rice CSQ Allocation

U.S. Rice CSQ	1 st Tranche SBS	2 nd Tranche SBS	Normal Tender
64,634	10,000	16,000	38,634

December 10 & December 18:

- GF4-103-118 for 1,500 MT of U.S.-origin **long grain** brown rice with **amylose** content greater than or equal to 24% for delivery May 1-June 30, 2015. Two tenders failed two on December 10 and December 18, due to no bidder participating in the bid. No supply of such U.S. long grain might be the cause. The third tender is anticipated soon.
- GF4-103-119 for 1,500 MT of U.S.-origin **long grain** brown rice for delivery May 1-June 30, 2015. The tender was partially awarded on December 10 with only one participant who received 1,000 MT at NT\$24,490/MT or \$784.66/MT. The second tender for the remaining 500 MT was held on December 18 with the same sole bidder participating. However, the tender failed because this sole bidder increased the offered price in NT\$2,000/MT (approximately US\$63/MT) to NT\$26,490/MT or US\$845.63/MT. Reportedly, the price was added up for delivery risk associated with the West Coast ports situations.

December 11:

- GF4-103-107 for 12,000 MT of U.S.-origin **medium/short grain** brown rice. It had failed three tenders which were held on November 7, November 27 and December 11, respectively. The fourth tender for the remaining 7,000 MT will be scheduled for late December on a global basis, which means the bid is opened to all-origins of rice to compete with U.S. rice. The third tender on December 11 was partially awarded 2,000 MT to the sole bidder/participant at NT\$24,990/MT or US\$800.96/MT for delivery May 1-June 30, 2015. The November 27 tender failed, with three bidders participating in the bid. All the offered prices exceeded the pre-set ceiling price, with the lowest offered for NT\$25,449/MT or US\$822.71/MT. As for the November 7 tender, 3,000 MT was awarded at NT\$25,090/MT or US\$819.42/MT for delivery from March 1-May 31, 2015.

December 12:

- GF4-103-125 for 1,500 MT of U.S.-origin medium/short grain brown rice for May 1-June 30, 2015 delivery to AFA designated warehouses located at Eastern Taiwan. Although two bidders participated in the bid on December 12, but the tender failed due to offered bidding prices were all exceeded the pre-set ceiling price. The lowest offered bidding price was NT\$26,990/MT or US\$865.53/MT. Logistics arrangement to the eastern Taiwan and associated cost estimate discrepancy might be the blame for the tender failure. The second tender is anticipated in January 2015.
- GF4-103-126 for 8,600 MT of U.S.-origin medium/short grain brown rice for May 1-June 30, 2015 delivery to AFA designated warehouses located at Southern Taiwan. The tender was awarded partially 2,600 MT to two successful bidders at the same price of NT\$26,095/MT or US\$836.83/MT. The remaining 6,000 MT is anticipated in January 2015.

December 25:

- GF4-103-136 for 12,384 MT of U.S.-origin **long grain** brown rice for May 1-June 30, 2015 delivery. The technical tender is scheduled for December 23 and price tender on December 25.

Reference – 2014 Taiwan’s Rice CSQ Tender Implementation, Other Trading Partners

Australia:

The 2014 Australian rice CSQ allocation

Australian Rice CSQ	1 st Tranche SBS	2 nd Tranche SBS	Normal Tender
18,634	2,500	5,000	11,634

GF4-103-106 for 11,134 MT of Australian-origin medium/short grain rice, normal tender - The tender is going to be scheduled for its fourth tender soon on a global basis after the three failures which were held on November 7, November 24 and December 9, respectively. Failure of the November 7 tender was because of no bidder participating in the bid, while the second and third tender failure were due both to offered bidding prices exceeded the pre-set ceiling price levels, with the lowest offered of NT\$26,198/MT (US\$845.42/MT) and NT\$26,375/MT (US\$845.05/MT), respectively. **It is anticipated that U.S. medium grain rice will be competitive with Australian medium grain this year.**

GF4-103-088 for 5,000 MT of Australian-origin rice (2nd SBS tranche for delivery by April 30, 2015). The tender was succeeded on the second tender on October 29 by all three bidders who participated in the bid. One was awarded 1,000 MT at NT\$1.710/kg (US\$56.32/MT) and the other two were awarded 2,000 MT each at the same price of NT\$1.650/kg (US\$54.34/MT). Its first tender was failed on October 21, with the same old three bidders participated in the bid with the highest offered bidding price of NT\$1.375/kg (US\$45.27/MT).

GF4-103-014 for 2,500 MT of Australian-origin (1st SBS tranche for delivery by December 31, 2014) - The tender failed its first tender on March 25. Three bidders participated in the bid, with the highest offered bidding price of NT\$0.725/kg (US\$23.74/MT), whereas the second tender went successfully on April 7. With the same old three bidders participated in the bid and all succeeded the tender who were awarded 500 MT at NT\$0.889/kg (US\$28.38/MT), 1,000 MT at NT\$0.851/kg (US\$28.13/MT) and 1,000 MT at NT\$0.805/kg (US\$26.61/MT), respectively.

Thailand:

The 2014 Thai Rice CSQ Allocation

Thai rice CSQ	1 st Tranche SBS	2 nd Tranche SBS	Normal Tender
8,300	4,000 (2,000 out of which is specified for high amylose content)	4,300	0

GF4-103-089 for 4,300 MT of Thai-origin rice (2nd SBS tranche for delivery by April 30, 2015). Its first tender failed on October 21, with twelve bidders participated in the bid. And the highest offered

bidding price was NT\$8.309/kg (US\$273.62/MT). The second tender was held on October 29, at which partially 3,620 MT was awarded to five successful bidders out of seven who participated in the bid, of which 570 MT at NT\$7.886/kg (US\$259.74/MT), 690 MT at NT\$7.688/kg (US\$253.22/MT), 430 MT at NT\$7.600/kg (US\$250.32/MT), and 1,930 MT at NT\$7.501/kg (US\$247.06/MT). The remaining 680 MT failed the third tender on November 6. Two bidders participated in the bid with the highest offered price at NT\$7.301/kg (US\$238.80/MT). The fourth tender was held on December 9 on a global basis. One out of three bidders succeeded the bid and was awarded 680 MT at NT\$7.819/kg (US\$250.45/MT). Based on the offered price, the rice is going to be resourced from other origins than the U.S.

GF4-103-013 for 2,000 MT of Thai-origin rice, with specification for high amylose content equal or greater than 23%, (1st SBS tranche for delivery by December 31, 2014). The tender succeeded at the first tender on March 18. Seven bidders participated in the bid. Four out of them succeeded and were awarded 500 MT each at the same price of NT\$7.009/kg (US\$230.04/MT)

GF4-103-015 for 2,000 MT of Thai-origin rice, without amylose specification (1st SBS tranche for delivery by December 31, 2014) - The tender completed at the third tender held on April 21. Four out of six bidders who participated in the bid won 500 MT each, one at NT\$8.001/kg (US\$264.72/MT) and other three at the same price of NT\$7.850/kg (US\$259.72/MT).

Egypt:

The 2014 Egyptian Rice CSQ Allocation

Egyptian rice CSQ	1 st Tranche SBS	2 nd Tranche SBS	Normal Tender
2,500	0	2,500	0

GF4-103-090 for 2,500 MT of Egypt-origin rice (the 2nd SBS tranche for delivery by April 30, 2015) - On November 25, the tender was awarded partially 330 MT at NT\$7.780/kg (US\$251.51/MT) to one successful bidder out of five bidding participants on a global basis after three failures.

Exchange rates:

- US\$1 = NT\$30.539, quoted on 03/15/2014
- US\$1 = NT\$30.468, quoted on 03/18/2014
- US\$1 = NT\$30.539, quoted on 03/25/2014
- US\$1 = NT\$30.253, quoted on 04/07/2014
- US\$1 = NT\$30.224, quoted on 04/21/2014
- US\$1 = NT\$30.367, quoted on 10/21/2014
- US\$1 = NT\$30.361, quoted on 10/29/2014
- US\$1 = NT\$30.573, quoted on 11/06/2014
- US\$1 = NT\$30.933, quoted on three-day average 11/24-26/2014
- US\$1 = NT\$31.211, quoted on 12/09/2014 and 12/10/2014
- US\$1 = NT\$31.2, quoted on 12/11/2014
- US\$1 = NT\$31.183, quoted on 12/12/2014
- US\$1 = NT\$31.325, quoted on 12/18/2014

