CHINA RICE IMPORT & PROSPECT FOR U.S. RICE TRADE

WILLIAM JUTING LI

DRAGON OCEAN HING CEREALS & OIL SUPPLY
REACTION


Chinese Consumers:
1) “Does America grow rice?”
2) “Promoting imports is correct in lowering the trade surplus; let consumers eat cheap and better food.”
3) “American rice tastes so bad. Does it have a market in China?”
4) GMO?
WHO CARES ABOUT US RICE?

Importers who care about retail sales and branding.

Consumers who have tried US rice. Or have a request for healthy living. And understand that US rice is non-GMO.
### IMPORTED RICE

<table>
<thead>
<tr>
<th>Rice</th>
<th>Retail Price</th>
<th>Usage</th>
<th>Consumer’s Tags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai rice (Hom Mali)</td>
<td>0.82 USD/lb</td>
<td>Retail/High end Restaurants</td>
<td>“High End”, “Popular”, “Hard to find real Thai rice.”</td>
</tr>
<tr>
<td>Cambodian rice (phka Malis)</td>
<td>0.60 USD/lb</td>
<td>Retail/High End Restaurants</td>
<td>“Reasonable price”, “Natural”, “</td>
</tr>
<tr>
<td>Vietnamese Rice (White &amp; Fragrant)</td>
<td>0.27 USD/lb – 0.41 USD/lb</td>
<td>Trading/Blending/Industrial/Restaurant</td>
<td>“Cheap”, “Does not taste good”</td>
</tr>
<tr>
<td>Pakistan Rice (White)</td>
<td>0.27 USD/lb</td>
<td>Trading/Blending/Industrial/Restaurant</td>
<td>“What is Pakistan rice?” “Where I can buy”</td>
</tr>
</tbody>
</table>

US Californian Rice Retail price: around 0.82–0.96 USD/lb – acceptable price
# Other Imported Rice

<table>
<thead>
<tr>
<th></th>
<th>Retail Price</th>
<th>Usage</th>
<th>Consumers’ Tags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korean Rice</td>
<td>1.72 USD/lb</td>
<td>Retail</td>
<td>“Too Expensive” “Same as local rice” “THAAD”</td>
</tr>
<tr>
<td>Pakistan (Basmati)</td>
<td>1.1 USD/lb</td>
<td>Retail/Halal Restaurants</td>
<td>“Never Heard of it”</td>
</tr>
<tr>
<td>Laos Rice</td>
<td>3.25 USD/lb</td>
<td>Retail/Gifts</td>
<td>“Too Expensive” “Very Natural”</td>
</tr>
</tbody>
</table>
IMPORTED RICE

China – largest rice production country

Then why Import?

• Diversity, healthiness

• Common Utilization for Imported rice
  • Background
    • Land Contamination
  • Blending with local rice
    • Lower the cost
    • Lower the heavy metal content.
  • High-end Rice
FOOD SECURITY

Current Situation:

1. Contamination
   - Heavy Metal Content.
     - NO.48 EVIL - Cadmium
   - Pesticide Residue

Result in:

- Cultivation Land - Decrease
- Trust?
- Northeastern Rice - Popular
- Imported Rice - Popular
中国大米污染不完全分布图

四川德阳地区
中国地质大学金立新等人
2008年研究显示，绵竹、什邡等地区居民大米、小麦镉摄入量超标2倍至10倍

湖南湘西凤凰铅锌矿区
中科院地理所李永华等人
2008年研究表明，稻米铅、砷污染严重

湖南株洲马家河镇新马村
稻米镉污染主要来自一公里外的湘江，本刊记者
2011年1月探访

浙江遂昌
浙江丽水卫生防疫站黄永源等人
1987年研究显示，遂昌金矿附近污染区稻米镉含量严重超标，人群尿镉、发（头发）镉均严重超标

江西大余钨矿区
江西有色地质4队吕文广等人
1997年研究显示，水稻镉超标，人群尿镉含量高于对照区

贵州铜仁万山特区
中科院地球化学所冯新斌等人
2010年研究显示，成人通过稻米平均每天摄入汞49微克之多

广西阳朔兴坪镇的村
多位村民疑似“痛痛病”初期症状，本刊记者
2010年12月探访

广东大宝山矿区
中山大学陈桂珠等人
2010年研究显示，21个水稻品种镉和铅超标率分别达100%和71%

资料来源：本刊记者根据实地探访和公开发表的论文整理
制图：王可
FOOD SECURITY

2. GMO – Controversial

- Media, propaganda
- Considered as “terrible,” “affect the next generation.”
- Need education
非转基因压榨葵花籽油

SUNFLOWERSEED OIL

商品名称：非转基因压榨葵花籽油
5L 桶 + 900ml 瓶
工艺：压榨
质量等级：一级
保质期：18个月
配料：葵花籽油、食品添加剂
净含量：5L/桶+900ml/瓶
产品标准号：GB 10464
# IMPORTED RICE

## Background: 2012

<table>
<thead>
<tr>
<th>Origin</th>
<th>2011</th>
<th>2012</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>282 TMT</td>
<td>198 TMT</td>
<td>-42.6%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>275 TMT</td>
<td>1,545 TMT</td>
<td>561%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8.8 TMT</td>
<td>580 TMT</td>
<td>6,590%</td>
</tr>
</tbody>
</table>
Rice Product in China

Domestic
- Indica
- Japonica
- Glutinous

Import
- Long Grain
- Medium/Short Grain
- Brokens
- Glutinous
- White Rice
- Fragrant Rice

Early Indica
Late Indica
Indica
Japonica
White Rice
Fragrant Rice
Glutinous Rice
White Brokens
Fragrant Brokens
## LENGTH & WIDTH FOR DOMESTIC RICE

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Type</th>
<th>Average Length/mm</th>
<th>Average Width/mm</th>
<th>Average Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heilongjiang</td>
<td>Japonica</td>
<td>5.4</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Jilin</td>
<td>Japonica</td>
<td>5.2</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Anhui</td>
<td>Japonica</td>
<td>5.1</td>
<td>2.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>Japonica</td>
<td>4.9</td>
<td>2.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Fujian</td>
<td>Indica</td>
<td>6.8</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>Indica</td>
<td>6.3</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Hubei</td>
<td>Indica</td>
<td>6.3</td>
<td>2.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Hunan</td>
<td>Indica</td>
<td>6.5</td>
<td>2.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Guangdong</td>
<td>Indica</td>
<td>6.3</td>
<td>2.0</td>
<td>3.2</td>
</tr>
</tbody>
</table>

≈ Pakistan White: Length 6.4, Width 2.0, ratio 3.2
## SAMPLES FROM CHINA CUSTOMS

<table>
<thead>
<tr>
<th>Samples Varieties</th>
<th>Average Length/mm</th>
<th>Average Width/mm</th>
<th>Average Length-Width Ratio</th>
<th>Grain Shape</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai White (Cofco)</td>
<td>7.2</td>
<td>2.1</td>
<td>3.4</td>
<td>Long</td>
</tr>
<tr>
<td>Viet White</td>
<td>6.2</td>
<td>2.2</td>
<td>2.8</td>
<td>Long</td>
</tr>
<tr>
<td>Viet Fragrant</td>
<td>6.6</td>
<td>2.0</td>
<td>3.3</td>
<td>Long</td>
</tr>
<tr>
<td>Pak White</td>
<td>6.4</td>
<td>2.0</td>
<td>3.2</td>
<td>Long</td>
</tr>
<tr>
<td>Viet VD20</td>
<td>5.6</td>
<td>2.0</td>
<td>2.8</td>
<td>Medium/Short</td>
</tr>
<tr>
<td>Viet Zhengui</td>
<td>5.4</td>
<td>2.2</td>
<td>2.5</td>
<td>Medium/Short</td>
</tr>
<tr>
<td>US Long Grain</td>
<td>6.4</td>
<td>2.2</td>
<td>3.0</td>
<td>Long</td>
</tr>
<tr>
<td>US Medium Short</td>
<td>5.9</td>
<td>2.2</td>
<td>2.7</td>
<td>Medium/Short</td>
</tr>
<tr>
<td>US Short</td>
<td>4.7</td>
<td>2.7</td>
<td>1.7</td>
<td>Medium/Short</td>
</tr>
</tbody>
</table>
WHAT CONSUMERS WANT IN GENERAL

• Appearance
  • Color – White
  • Chalkiness less than 2% (1/2 basis)
  • Polish – extremely important
    • Transparent instead of Milky
    • Glossy
  • Rice to use for blending – similarity.
IMPORT LICENSES

<table>
<thead>
<tr>
<th></th>
<th>Government Owned Companies</th>
<th>Private Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Grain/Indica</td>
<td>1.3 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>Short Grain/Japonica</td>
<td>1.3 million</td>
<td>1.3 million</td>
</tr>
</tbody>
</table>
CALROSE: USE LONG OR MEDIUM/SHORT QUOTA?

July 5th 2017

LS/T 6116-2016 Classification of Rice Grain Shape (Translation)

<table>
<thead>
<tr>
<th>Grain Shape</th>
<th>Length</th>
<th>Length-Width Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Grain</td>
<td>&gt;6.0</td>
<td>OR ≥2.0</td>
</tr>
<tr>
<td>Medium/Short Grain</td>
<td>≤6.0</td>
<td>AND &lt;2.0</td>
</tr>
</tbody>
</table>

So, for now importers need to use Long Grain Quota to import Calrose. (Cost around 70USD higher than using short grain quota)
IMPORT LICENSES

Before 2015

- Given to rice import companies based on:
  - Annual application
  - Previous year import records

2015

- Given to rice import companies based on
  - National Paddy Reserve Auction.

2016

- Given to rice import companies based on:
  - record of 2015 Auction
  - Previous year import record

2017, 2018...

Same As 2016
US RICE IN CHINA
REGIONAL DIFFERENCES IN RICE PREFERENCES

Central West & South China - Indica Rice

East/ North China - Mostly Japonica Rice
SUGGESTIONS

1. Focus on the taste, smell, appearance and market position
2. Fumigation and vacuum
3. Chinese seed?
4. Chinese Standard
SOUTHERN LONG GRAIN RICE

1. Competing with Vietnamese rice & Cambodian rice

2. Examples:
   1. ST21 very popular this year.
      1. Light fragrant.
      2. Thin, and close to Guangdong Local rice.
      3. 500-550 USD/ton
RICE PRODUCT IN CHINA

• **Indica Rice**
  • Early – G Feb-May; H Jun-July
  • Mid – G Mar-May; H Aug-Oct
  • Late – G Jun-July; H Oct-Nov

• **Japonica Rice**
  • North – G Apr-Jun; H Sep.

• **Glutinous Rice**
  • Indica Glutinous
  • Japonica Glutinous
Yellow numbers indicate the percent each province contributed to the total national production. Provinces not numbered contributed less than 1% to the national total.

Major areas combined account for 75% of the total national production.

Major and minor areas combined account for 99% of the total national production.

Note: Major and minor areas and provincial production percentages are derived from prefecture-level and provincial production data from 2008-2010. These data were obtained from provincial agricultural departments.
NORTHEASTERN RICE

- Climate, geographical position
- Main growing region for premium rice
- Northeastern Rice = Highest Quality
- Recent years, rapidly capturing Southern China Market.
WUCHANG RICE

- Mild taste, a little bit of sweetness
- Soft, and sticky
- Aromatic
- Glossy on the surface
- Tasty when cold

- Varieties: Daohuaxiang-02
- Average Length: 6.0-6.2mm
- Average Width: 2.2-2.7mm
- Aspect Ratio: 2.6-2.7
SOCIO-ECONOMICS DIFFERENCES IN RICE PREFERENCES

• First tier cities: Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin.
• NEW first tier cities: Hangzhou, Chongqing, Chengdu, Ningbo, ....
• Strong Economy Area:
  • Yangtze River Delta
  • Pearl River Delta
  • Central Capital Economy Zone(JingJinJi)
RICE IN SUPERMARKETS

- Buying in Bulk
- Buying in Package
- Buying Online

Packaging:

5KG
10KG
E-COMMERCE

Obstacles & Opportunities for rice E-Commerce in China:
1. Local Rice
2. Price War
3. Unit price and logistics cost
4. Customers experience
5. Regional and localize (Online to Offline)
RICE IN GAS STATION
RICE IN COMMUNITY
RICE AS GIFTS
<table>
<thead>
<tr>
<th></th>
<th>US Californian Rice</th>
<th>US Southern Rice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Position</strong></td>
<td>Retail</td>
<td>Retail</td>
</tr>
<tr>
<td><strong>Area Focus</strong></td>
<td>East and first tier cities</td>
<td>South and first tier cities</td>
</tr>
<tr>
<td><strong>Major Competitors</strong></td>
<td>Thai Hom Mali Rice, Wuchang Rice/Northeastern Rice, Organic Rice, Japanese Rice, Korean Rice</td>
<td>Thai Hom Mali Rice, Cambodian Fragrant Rice, Vietnamese Fragrant Rice, Local Rice</td>
</tr>
<tr>
<td><strong>Appearance comments</strong></td>
<td>Similar to Local Medium/Short rice</td>
<td>Chalkiness and polish not as good as Southeastern Asian rice</td>
</tr>
<tr>
<td><strong>Advantage</strong></td>
<td>Healthy/Import products no blending</td>
<td>Healthy/Import products no blending</td>
</tr>
<tr>
<td><strong>Disadvantage</strong></td>
<td>GMO issue/Appearance no significant difference/price higher than local rice</td>
<td>GMO issue/Appearance too much chalkiness/taste not too good for Chinese consumers/ price higher than Local rice</td>
</tr>
</tbody>
</table>
THANK YOU!