



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - internal distribution

Date: 6/27/2000

GAIN Report #JA0062

Japan

Grain and Feed

China to Increase Market Share Under SBS Rice

Tenders–Industry Update

2000

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Report Highlights:

According major Japanese newspaper, China is likely to increase its market share under SBS tender up to 70% for current fiscal year due to its improved quality and reduced production cost.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1], JA

Executive Summary

According major Japanese newspaper, China is likely to increase its market share under SBS tender up to 70% for the current fiscal year due to its improved quality and reduced production cost.

The major Japanese economic newspaper (Japan Economic News) recently carried an article on Japan's imports of table rice. The summary of the article is listed below:

" Major Trading Companies including Mitsubishi Co., Sumitomo Co. and Itochu Co. will shift rice imports from U.S. to China due to improved Chinese rice quality and reduced production cost.

" These companies plan to cut forward contract with Californian rice growers and shift the difference to China as listed below:

Company	1999 Contract with U.S. (Metric Ton)	2000 Contract with U.S. (Metric Ton)
Mitsubishi	50,000	20,000
Sumitomo	3,000	About 500 - 600
Itochu	1,000	About 300
Tomen	2,000	500

" Trading companies have been conducting technical advice for Chinese farmers. As a result, production technology has been improved which resulted in improved quality and increased competitiveness.

" Chinese rice price is about 240 yen/kg which is about 10% cheaper than domestic low quality rice used for blending purpose. As Chinese rice is similar to Japanese rice, demand for blending for institutional use has been increasing. On the other hand, U.S. rice price is about 280 yen/kg which is about 5% higher than domestic low quality rice.

" Chinese rice share under SBS tenders last year reached 52%. The share is likely to go up to about 70% for the Japanese Fiscal Year 2000 (April 2000 - March 2001). The current WTO agreement will be completed by the end of 2000. Whether the current minimum access rice system continues or tariff would be reduced beyond 2000 is unclear but there is a strong chance that Chinese share would grow for both cases.

AgOffice comments:

AgOffice contacted several trading companies and rice wholesalers about the credibility of the article. Trading companies quoted in the article were cautious about verifying the figures in the article (reduced

contract with the U.S. in 2000) and did not give any concrete figures as they view such information as proprietary. However, all contacts agreed that China will become the largest player under SBS, and they wouldn't be surprised to see Chinese market share reach near 70%. Rice wholesalers also agreed that under the weak Japanese economy, consumers and institutional rice users are seeking cheaper but high quality rice. In this regard, they believe Chinese rice meets both price and quality requirements and that Chinese rice is becoming more attractive than U.S. rice. China's market share under the SBS tender increased 22.3% in JFY 1995 to 52.2% in JFY 1999. Conversely, U.S. share dropped from 53.4% to 30.7% during the same period.