

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** New to China Market Product Report - Rice

**Country:** China - Peoples Republic of

**Post:** Guangzhou ATO

**Report Category:** Grain and Feed

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**Report Highlights:**

U.S. rice was one of a number of U.S. agricultural products that received new or expanded access under the U.S.-China Economic and Trade Agreement, which was signed on January 15, 2020. This report briefly mentions the market access conditions for U.S. rice, discusses several key factors of China's rice market (including import competition), and offers market-entry recommendations to consider when exporting U.S. rice to China.

## **Product Description and Access Overview**

The U.S.-China Economic and Trade Agreement, which was signed on January 15, 2020, provided U.S. rice producers with expanded access to the Chinese market. The General Administration of Customs of China (GACC) granted market access for U.S. milled rice at the end of December 2018.<sup>1, 2</sup> The trade agreement clarified the procedures and timeline for listing U.S. establishments as eligible to export and reaffirmed China's commitment to administer its rice tariff rate quota (TRQ) in compliance with the country's WTO commitments.

China has already registered 32 U.S. rice facilities as approved to export to China. New establishments will be added within 20 business days of the United States notifying GACC that APHIS has approved the facility and found it in compliance with the phytosanitary protocol for U.S. rice exports to China.

## **Market Overview**

China is the largest rice producing and consuming nation. About two-thirds of the country's rice production is long grain, with the remaining one-third made up of medium and short grain varieties. China is also one of the world's top importers and exporters of rice.

Rice is a key staple in the Chinese diet, with most consumers eating it at least once or twice a day. However, like other North Asian consumers, many Chinese people are diversifying away from rice to new foods, such as yogurt, meat, nuts, and produce. This change in dietary patterns has largely been fueled by rising consumer incomes and globalization.

In addition to mealtime consumption, China uses limited amounts of older rice stocks, which are no longer considered edible, for industrial and fuel ethanol. Nominal amounts of rice are used in livestock feed.

## **Competitors**

China imports sizeable volumes of milled rice, most of which comes from neighboring Southeast Asian countries. Import volumes from the top five suppliers – Pakistan, Myanmar, Thailand, Vietnam and Cambodia – accounted for 95 percent of total imports in 2019. Most of this rice is long grain. Imported long grain rice is used in the HRI sector and at home. U.S. long-grain rice is not expected to be price competitive with imported rice from these origins.

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<sup>1</sup> [USTR Phase One Agreement Rice Fact Sheet](#)

<sup>2</sup> On December 27, 2018, GACC granted market access to U.S. milled rice, including husked (brown), semi-milled, or wholly milled (white), and broken rice (HS Codes 1006.20, 1006.30, and 1006.40). See GAIN report for more details - [China Grants U.S. Market Access for Milled Rice Exports](#)

<b>China: 2019 Milled Rice Imports by Variety and Country/Region</b>								
	Pakistan	Thailand	Myanmar	Vietnam	Cambodia	Taiwan	Others	Total
Long Grain 1/	577,922	496,548	445,472	440,135	224,865	-	68,597	2,253,539
Medium-Short Grain 2/	25,686	29,708	78,588	38,972	-	48,513	5,157	226,624
<b>Total</b>	<b>603,608</b>	<b>526,256</b>	<b>524,060</b>	<b>479,107</b>	<b>224,865</b>	<b>48,513</b>	<b>73,754</b>	<b>2,480,163</b>
<b>% of Total Imports</b>	<b>24%</b>	<b>21%</b>	<b>21%</b>	<b>19%</b>	<b>9%</b>	<b>2%</b>	<b>3%</b>	<b>100%</b>

Source: China Customs trade data as reported in TDM

1/ Long Grain HTS: 1006.2020 (brown), 1006.3020 (milled), 1006.4020 (broken)

2/ Medium-Short Grain HTS: 1006.2080 (brown), 1006.3080 (milled), 1006.4080 (broken)

China also imports medium-short grain rice, most of which comes from the above-mentioned Southeast Asian countries. Medium-short grain rice is also imported from Taiwan and Japan. In early April 2020, China granted Italy market access for rice, most of which will probably be risotto-type rice. U.S. medium-short grain rice is expected to compete with some of the higher end varieties of medium-short rice from these origins as well as Chinese rice. See chart below for 2019 milled rice import data. Annex 1 contains supplementary trade tables and charts.

In 2019, slightly less than half of all imported rice entered through Guangdong province in South China, followed by Beijing municipality at 17 percent, and the remainder spread across nearly 12 other provinces. The bulk of China's imported rice has traditionally come through Guangdong province given the region's proximity to Southeast Asian supplying countries.

Imported rice is subject to a tariff rate quota (TRQ). The TRQ is evenly divided between long grain and medium-short grain varieties with a combined total of 5.32 million metric tons.<sup>3</sup> The in-quota rate is 1 percent, while the out-of-quota rate is 65 percent. Most U.S. rice exports are expected to fall under the medium-short grain TRQ allocation. See table below for details on China's 2020 milled rice TRQ.

In addition to the TRQ duties, imports of U.S. rice are subject to the retaliatory Section 301-tariffs of 25 percent. Importers can apply for a waiver of this 25 percent retaliatory duty even though rice is not among the approximately 150 products listed as eligible for tariff exclusions. For more details on the tariff exclusion process, please refer to the following GAIN reports: [China Announces a New Round of Tariff Exclusions](#), [China Publishes Step-By-Step Tariff Exclusion Guide](#), [China Publishes Frequently Asked Questions Document on Tariff Exclusion Process](#).

<sup>3</sup> [USTR Phase One Agreement Rice Fact Sheet](#)

<b>China's 2020 Tariff Rate Quota for Milled Rice</b>					
Commodity HTS	TRQ Volume	Private Allocation	SOE Allocation	In- Quota	Out-of-quota
Long Grain 1006.2020 (brown), 1006.3020 (milled), 1006.4020 (broken)	2,660,000	50%	50%	1%	65% (China-ASEAN FTA 50%)
Medium-Short Grain 1006.2080 (brown), 1006.3080 (milled), 1006.4080 (broken)	2,660,000	50%	50%	1%	65% (China-ASEAN FTA 50%)
<b>Total</b>	<b>5,320,000</b>				

**Note:** On July 1, 2019, China adjusted its HTS codes for imported rice. These new codes are reflected in the above table.

<b>Countries and Regions Eligible to Export Rice to China</b>	
Paddy Rice	Russia
Milled Rice	Cambodia*, India (both Basmati and Non-Basmati), Japan, Laos*, Myanmar*, Pakistan**, Thailand*, Uruguay, Vietnam*, Taiwan, United States, Italy

Source: China Customs

\*ASEAN member countries are eligible for preferential out-of-quota access (at 50%) under the China-ASEAN FTA.

\*\* The China-Pakistan FTA does not contain concessions for Pakistani rice.

## Regulations

Most of the relevant regulations for exporting U.S. milled rice to China are referenced in FAS-China's step-by-step [guide](#) published in March 2019. This how-to guide spells out the various export requirements such as facility registration, shipment fumigation and inspection, and required certificates. In addition to this guide, China's [national standard for rice \(effective May 2019\)](#), which applies equally to both domestic and imported rice, includes grading specs, quality requirements, inspection methods, and packaging standards.

## Distribution Channels

The primary channels for selling U.S. rice is initially expected to be through medium to high-end restaurants, especially Japanese-style restaurants, and niche grocery retailers looking to capitalize on the cachet of U.S. rice. Pending a favorable consumer response, U.S. rice could expand its presence into more mainstream retail and online platforms. Imports of U.S. rice are expected to come packaged for both retail and HRI use.

Recipe development, chef training, and tasting events that highlight and profile the unique characteristics of U.S. rice are considered important steps towards building awareness and demand within the HRI sector. Similar types of events have been done in other North Asian markets to introduce U.S. rice to end-users. In addition, making connections with wholesale and retail markets

where major HRI buyers (and consumers) frequent is considered an important step in effectively accessing the HRI sector.

Livestream broadcasting, which surged in use and popularity during the COVID-19 epidemic in China, is currently among the most effective methods for promoting online food sales. The star power of celebrities and dignitaries is one means of attracting consumer attention and boosting sales on these online platforms.

### **Industry Outreach and Market Entry Recommendations**

The [China Exporter Guide \(2019\)](#) contains practical information for U.S. agricultural, forestry, and fishery exporters interested in doing business in China. The report includes useful information on local business practices, a review of consumer preferences, food standards and regulations, and import and inspection procedures.

#### *Trade shows*

There are couple trade shows that could be useful in promoting U.S. rice in China including:

[SIAL China](#), Shanghai, September 28-30, 2020: SIAL China is the country's largest food trade show, and an excellent opportunity to showcase new-to market food products and make new business contacts.

[Food & Hotel China](#), Shanghai November 10-12, 2020: As China's leading showcase for imported food and drinks, this show offers exhibitors the opportunity to meet buyers from wholesale and retail outlets, as well as manufacturers, importers, distributors, and representatives from the hospitality and catering trades in China and across Asia.

#### *Major Chinese trade/industry associations*

[China National Association of Grain Sector \(CNAGS\)](#) is the largest and best-known grain industry group with more than 2,500 members handling various parts of the grain business, including production, processing, buying/selling, and trading.

[China Oil and Foodstuffs Corporation \(COFCO\)](#) – one of the country's food and agricultural state-trading enterprises – is the largest and most influential member of CNAGS. According to its [website](#), COFCO is one of the largest rice processing and trading enterprises and is the “main channel for China's rice imports and exports.”

[Sino-Grain \(China Grain Reserves Group Ltd. Company\)](#) is the state-owned enterprise responsible for purchasing grains, oilseeds, and cotton both domestically and abroad for the state reserves. The company has previously imported U.S. soybeans and corn.

[China Cuisine Association \(CCA\)](#) is the leading national association for the Chinese HRI sector. Members include food service operators, chefs, and business operators. CCA is the primary industry association responsible for providing the government industry information and suggestions for policy and regulations. It provides necessary industry training for food service professionals, as well as issuance of restaurants awards on national level.

### *Market Entry Recommendations*

U.S. exporters should not only consider working directly with end-users in the HRI and retail sectors, but also importers that supply rice to these sectors. In addition to the traditional HRI and retail channels, specialty food retailers and e-commerce platforms provide a useful avenue for reaching a large segment of consumers interested in premium rice. A list of prospective rice importers can be provided by FAS-China's Agricultural Trade Offices.

Premiumization, health, and convenience are important selling points for new-to-market products.

**Premiumization:** As China's economy continues to grow, albeit at a slower pace than previous years, Chinese consumers are looking for safe, higher quality branded food products. Consumers are increasingly conscious of taste, texture, aroma, appearance and nutrient content. Consumers also value food safety, sustainability, and brands that are backed up with an impactful story that creates an emotional connection between the product and consumers.

Premium varieties of local rice as well as comparable rice from Thailand, Cambodia, and Japan are growing in market share. The retail price for domestic high-end varieties of rice typically ranges from USD \$1-3 per pound. In contrast, premium rice from Japan ranges from USD \$5-7 per pound.

**Health:** Chinese consumers are increasingly health conscious and seek foods that promote healthy lifestyles. In addition to taste, versatility, and sustainability, the health and safety of U.S. rice are important selling points that are attractive to a wide base of Chinese consumers.

Last year, in response to rising consumer interest in low-glycemic foods, major home appliance makers started promoting rice cookers that have a new feature that lowers the glycemic index of cooked white rice.

Brown rice is considered a healthier alternative to white rice but has not gained in popularity among Chinese consumers because of its unfamiliar taste and difficulty cooking. U.S. parboiled rice – with its comparable cooking times to white rice and its nutritional characteristics – may find opportunities in selling to certain health conscious consumers looking for low-glycemic foods. Market research, culinary development, chef trainings, and promotions would be essential in assessing the market potential for parboiled rice in China.

Convenience: Time-pressed consumers appreciate convenient foods, such as self-heating rice, which is growing in popularity in China. A water-activated heat packet is used to cook the rice in about 15 minutes. Some online and retail shops may carry as many as 30 different flavors (e.g. pork, beef, spicy) and brands of self-heating rice in consumer-ready packages ranging in price from USD \$2-5.

#### *Additional Considerations*

According to [the April 28, 2016 Foreign Non-governmental Organization \(FNGO\) Management Law](#), China requires all FNGOs, including agricultural trade associations, to register before undertaking certain marketing activities (e.g., public gatherings, promotions, trainings, conferences). The requirements include securing a Chinese sponsoring organization and registering a permanent office or filing for a temporary activity permit. This typically takes up to six months to complete. Certain activities may exempt from this law, and it does not apply to for-profit businesses and governmental organizations. For more information about the Law, see the USDA GAIN report [China's Foreign NGO Management Law: A Review for U.S. Agricultural Trade Associations](#).

**For more information about this report, please contact:**

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This office covers Guangdong, Guangxi, Fujian, Hunan and Hainan Provinces

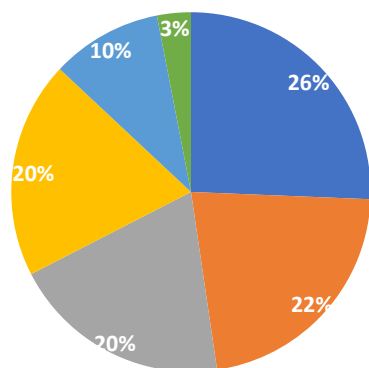
## Annex 1: China Milled Rice Imports

<b>China: 2019 Milled Imports - Long Grain vs Medium-Short Grain</b>			
	Long Grain	Medium-Short Grain	<b>Total</b>
Semi-milled	1,816,094	164,255	1,980,349
Broken	437,311	62,360	499,671
Brown	134	9	143
<b>Total</b>	<b>2,253,539</b>	<b>226,624</b>	<b>2,480,163</b>
<i>Percentage of total imports</i>	<i>91%</i>	<i>9%</i>	

Source: China Customs as reported in TDM

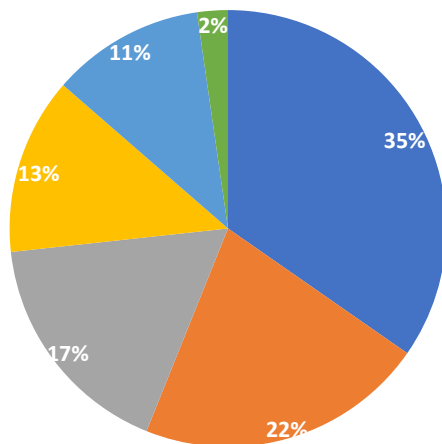
### CHINA: LONG GRAIN RICE IMPORTS (MT)

■ Pakistan ■ Thailand ■ Myanmar ■ Vietnam ■ Cambodia ■ Others



### CHINA: MEDIUM-SHORT GRAIN RICE IMPORTS (MT)

■ Myanmar ■ Taiwan ■ Vietnam ■ Thailand ■ Pakistan ■ Other





**Attachments:**

No Attachments.