

# China Rice



By Krishna Ravishankar for AIREA, 4 January 2013

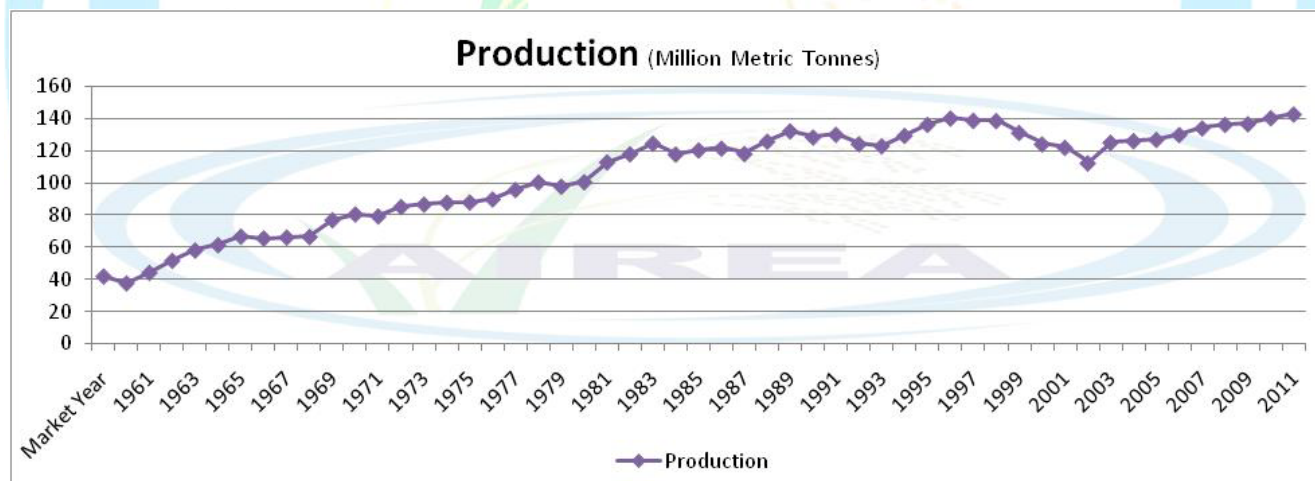
## Introduction

Agriculture is a vital industry in China, employing over 300 million farmers. China ranks first in worldwide farm output, primarily producing rice, wheat, potatoes, sorghum, peanuts, tea, millet, barley, cotton, oilseed, pork, and fish.

✚ Capital	: Beijing
✚ Population	: 1,343,239,923
✚ GDP	: \$11,440,000,000,000 (USD)
✚ Total Area	: 9,596,960 (sq kilometers)
✚ Currency	: Yuan (CNY)

## Production/Consumption

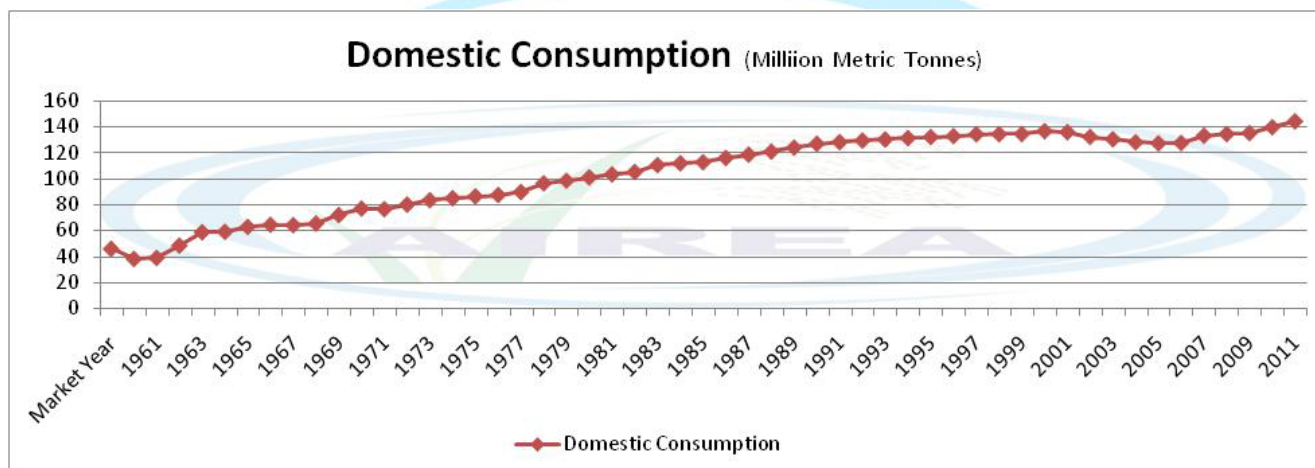
- China's 2012/13 crop a record 143.0 million tons, it was an increase of 1.0 million tons from 2011/12 and was attributed to a larger area estimate and favorable weather in most rice growing areas of the country this year.



Graph 1 - Production

- For MY 2011/12 and MY 2012/13, overall rice consumption is projected at 138.5 and 141 MMT respectively. Traditionally, southern Chinese prefer Indica rice while northern Chinese favor Japonica rice. That being said, although more expensive than Indica, on a national level Japonica rice has slowly become more popular due to its perceived superior flavor. Some sources estimate that 60 percent of China's population eats rice on a daily basis.
- China's Area under harvest for rice stood at 30.5 million hectares. This is the fifth consecutive year of expanded rice area in China.
- China is the world's largest producer of rice, and the crop makes up a little less than half of the country's total grain output. China accounts for 26% of all world rice production.

- In a given year total rice output came from four different crops. The early rice crop grows primarily in provinces along the Chang Jiang and in provinces in the south; it is planted in February to April and harvested in June and July and contributes about 34 percent to total rice output. Intermediate and single-crop late rice grows in the southwest and along the Chang Jiang; it is planted in March to June and harvested in October and. Double-crop late rice, planted after the early crop is reaped, is harvested in October to November and adds about 25 percent to total rice production. Rice grown in the north is planted from April to June and harvested from September to October; it contributes about 7 percent to total production.



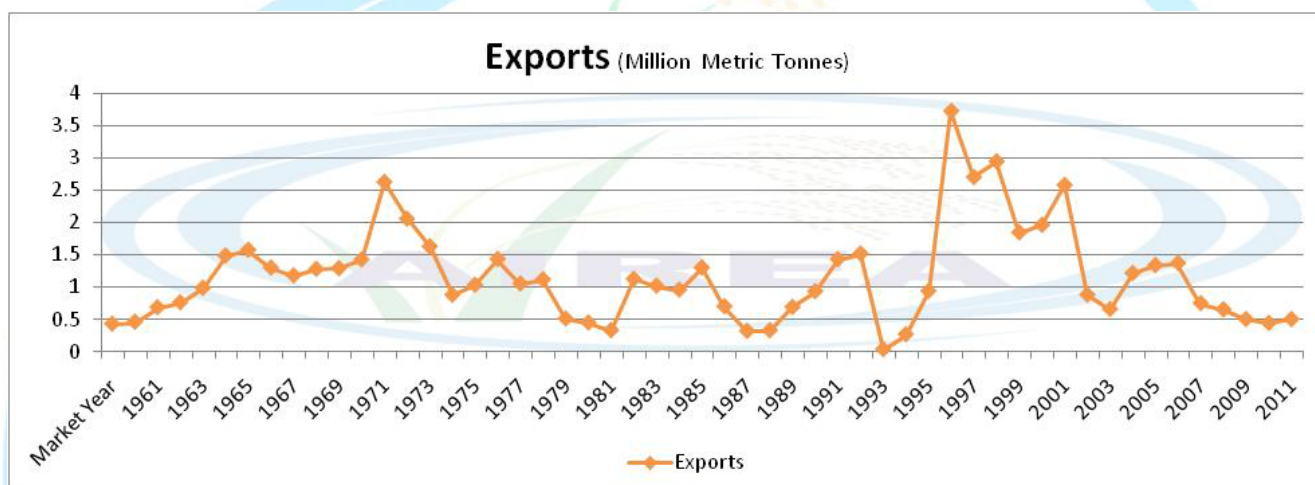
Graph 2 - Consumption

## Policy

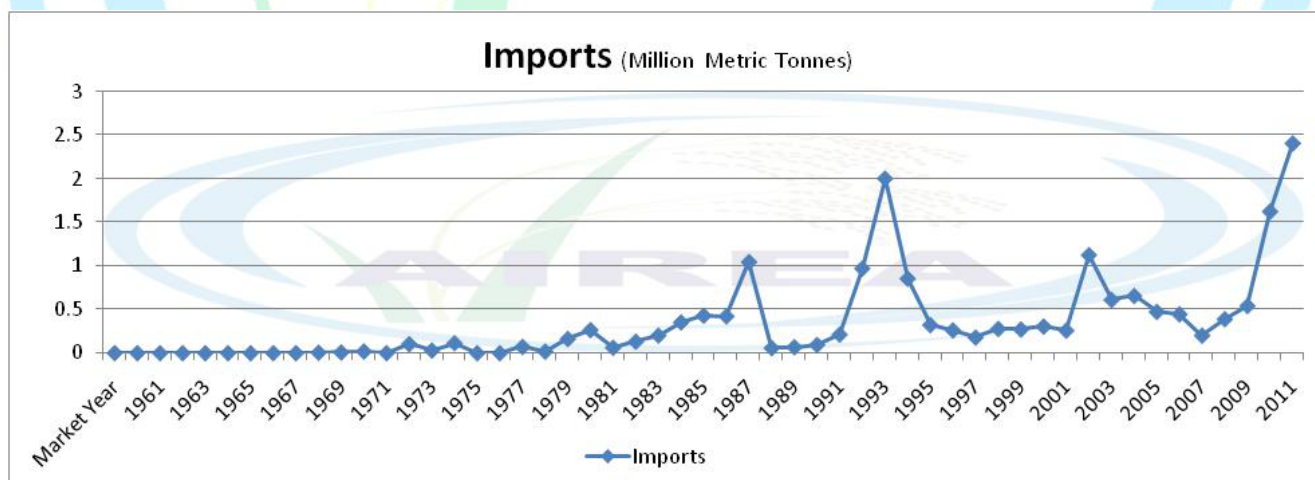
- Earlier this year, the Chinese government increased the minimum purchase price of indica paddy rice by about 17% to 1.25 yuan per 500 grams (about \$395 per ton). The Chinese government buys paddy rice from farmers only when market prices fall below the minimum purchase prices fixed by the government. Experts say that the hike has widened the price gap between local and cheaper imported rice.
- According to Ministry of Agriculture (MOA), there were a number of extension programs funded, implemented, and/or directed in 2010 and 2011. It awarded grants totaling RMB 21 and 22.5 billion to over 1000 counties as a reward for high grain production.
- During the same time frame, the Ministry allocated RMB 1 and 1.5 billion to build grain, oilseed, and sugar demonstration farms (totaling 56 million mu (1 HA= 15 mu)) to educate farmers on how to increase yields.
- In 2011, RMB 500 million in subsidies supported local disease prevention/control organizations that specialize in eradicating or controlling pest infestations in corn, rice, and wheat (the subsidy covered 800 counties and was applied towards pesticide procurement, field operation equipment, machinery maintenance, and pest surveys).
- MOA also provided subsidies for small-scale water conservancy or irrigation projects and agricultural insurance.
- Although the investments are large, it is unclear how effective or what impact they have on Chinese agricultural production, which supports more than 100 million farmers.

## Exports / Imports

- **China's imports of rice quadrupled in the first 10 months of this year, putting the world's biggest rice consumer on track to import record levels this year as changing diets boost demand.**
- China has imported almost 2 million tons from January to October 2012, almost four times the 500,000 tons imported in the same period last year. Total rice imports are expected to touch a record high of 2.6 million tons in 2012, and about 2.3 million tons in 2013.
- China has finally allowed imports of basmati rice from India, which comes as a big boost to exporters who would now get access to a huge market of 1.3 billion people for their about 4.5 million tonnes of aromatic rice. China had banned imports of several Indian agricultural products, including basmati rice, because of the issues of pest control and monitoring of quarantine pests in processing and storage houses in India.



Graph 3 - Exports



Graph 4 - Imports

- According to the UN's Food and Agriculture Organization (FAO), the price of indica variety milled rice in China increased to about 3,900 yuan (about \$625) per ton in September, up about 11% from last year. This is about 50% higher than high quality Vietnam 5% rice (quoted around \$415 per ton as of today).
- The spurt in rice imports has pushed rice prices down in the domestic market, hurting the returns of both rice farmers and small scale rice millers. Local rice farmers say that paddy rice purchase prices

have already declined about 6% from last year to around \$445 per ton; millers say that processed rice prices have dipped due to the influx of cheaper imported rice from Vietnam and Pakistan.

- Observers say that the government should reduce the minimum purchase prices to help reduce rice imports. However, this may be unlikely to happen as the domestic demand for rice in China of about 139.5 million tons is close to the total rice production of around 140.7 million tons and most analysts foresee imports making up a larger percentage of China's rice consumption in the future.
- The surge in imports marks a significant shift for China, the world's biggest producer of rice. The country has been mostly self-sufficient in rice over the past two decades but became a net importer last year, and analysts believe imports could continue to grow next year.
- The prospect of Chinese rice buying has raised concern in the past because the globally traded rice market is very small relative to the size of the Chinese market. China consumes nearly a third of the world's rice, so even small shifts in the market could have a big impact on global prices.

**Pakistan's rice exports to China have risen to about 800,000 tons in the year to September 2012 from negligible volumes a year ago, as the grain wins popularity for its taste and low price, according to traders and industry officials.**

- Rice is the staple food in China, the world's second largest economy, and Pakistani rice started making inroads into China in 2011 as a cheaper alternative to domestic and imported rice.
- The price of 5% broken Pakistani rice in the Chinese market is around \$435 a ton, including cost and freight, compared with domestic prices of more than \$500 a ton.

## Important Quotes

On China finally allowing imports of basmati rice from India

- "It is a very positive move by China ... We are in touch with basmati producers back home to see how to take this forward,"  
**S Jaishankar**, Indian Ambassador to China
- "It is good news for us. We are getting our basmati so far from Hong Kong. We can now directly buy it,"  
**M H Pastakia**, owner of Taj Pavilion restaurants in Beijing.

On the spike in Rice imports in China

- "This year China has been relying much more on the international market than in the past,"  
She said prices were the main reason for the surge in imports: "The country does not appear to be facing rice shortages, as China's production has been growing uninterrupted since 2003, reaching levels above estimated consumption and resulting in bulging stocks."  
**Concepcion Calpe**, senior economist with the Food and Agriculture Organisation of the UN in Rome.
- "We may see more and more crop imports, including grains, vegetables, fruits, cotton and corn. It's the result of economic growth."  
**Ma Wenfeng**, crop analyst at Beijing Orient Agribusiness

On surge in Pakistani rice exports to China

- "They have liked the taste and aroma of Pakistani white rice and the prices are very attractive," trader with an international trading company.
- "Looking at the demand and prices, we expect Pakistan to become a regular exporter of rice to China."



- “Pakistani rice is really competitive in the Chinese market as the freight is notoriously low. It is below \$10 a ton”
- “They can keep it for a longer period and when they cook it, the rice is fluffier”

#### Various Traders trading with China

SOURCE : <http://tribune.com.pk/story/472377/0-8m-tons-of-rice-exported-to-china-in-2011-12/>

Market Year	Production (MMT)	Domestic Consumption (MMT)	Exports (MMT)	Imports (MMT)
1960	41.811	46.383	0.428	0
1961	37.548	38.59	0.458	0
1962	44.09	39.406	0.684	0
1963	51.636	48.874	0.762	0
1964	58.1	59.115	0.985	0
1965	61.405	59.418	1.487	0
1966	66.773	63.196	1.577	0
1967	65.58	64.781	1.299	0
1968	66.17	64.491	1.179	0
1969	66.546	65.771	1.28	0.005
1970	76.993	72.209	1.292	0.008
1971	80.643	77.236	1.426	0.019
1972	79.348	76.717	2.631	0
1973	85.215	80.257	2.06	0.102
1974	86.733	83.633	1.63	0.03
1975	87.892	85.13	0.876	0.114
1976	88.063	86.53	1.033	0
1977	89.996	87.561	1.435	0
1978	95.85	89.868	1.053	0.071
1979	100.625	96.527	1.116	0.018
1980	97.934	98.587	0.509	0.162
1981	100.768	101.085	0.446	0.263
1982	113.117	103.35	0.328	0.061
1983	118.206	105.212	1.125	0.131
1984	124.779	110.461	1.019	0.201
1985	117.999	111.894	0.957	0.352
1986	120.557	112.685	1.301	0.429
1987	121.716	115.939	0.698	0.421
1988	118.377	118.605	0.315	1.043
1989	126.091	120.822	0.326	0.057
1990	132.532	123.911	0.689	0.068
1991	128.667	126.827	0.933	0.093
1992	130.354	128.135	1.431	0.212

<b>1993</b>	124.39	129.34	1.518	0.968
<b>1994</b>	123.151	130.117	0.032	1.998
<b>1995</b>	129.65	131.237	0.265	0.852
<b>1996</b>	136.57	131.954	0.938	0.322
<b>1997</b>	140.49	132.7	3.734	0.261
<b>1998</b>	139.1	134.1	2.708	0.178
<b>1999</b>	138.936	134.2	2.951	0.278
<b>2000</b>	131.536	134.3	1.847	0.27
<b>2001</b>	124.306	136.5	1.963	0.304
<b>2002</b>	122.18	135.7	2.583	0.258
<b>2003</b>	112.462	132.1	0.88	1.122
<b>2004</b>	125.363	130.3	0.656	0.609
<b>2005</b>	126.414	128	1.216	0.654
<b>2006</b>	127.2	127.2	1.34	0.472
<b>2007</b>	130.224	127.45	1.372	0.445
<b>2008</b>	134.33	133	0.747	0.201
<b>2009</b>	136.57	134.32	0.65	0.388
<b>2010</b>	137	135	0.5	0.54
<b>2011</b>	140.7	139.5	0.44	1.62
<b>2012</b>	143	144	0.5	2.4

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