China’s Rice Processing Industry Competition and Development Countermeasures

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Research Background

The research of Beijing Orient Agribusiness Consultant Ltd. shows that the annual consumption of rice as daily food by Chinese residents is about over 100 million tons. In 2010, the total rice consumption as daily food reached 93.45 million tons, which accounted for 51.39% of the total grain consumption of Chinese residents and increased by 3.81 percentages compared with that of 2000.

The position of rice consumption in the daily food consumption of residents further promoted the improvement of rice processing technique, the rapid enlargement of market capacity and the rapid changes of market structure in this industry. The market share of the small and medium-sized enterprises dropped from 85% in 2000 to less than 20% present, and the output of large-scale rice processing enterprises increased from 15 million tons in 2000 to 82.44 million tons in 2010, with an average annual growth rate of 18.6%. Especially in the recent two years, large-scale companies has kept growing at the annual growth rate of over 30%, and the market value of these companies increased from 2.6 billion Yuan in 2000 to 280.3 billion Yuan in 2010. They growth is ten times that of the original value and the compound annual growth rate reached 26.5%.

The large-scale rice processing industry became one of the most rapid-developing industries in China’s agricultural and sideline food processing industry. Especially in the recent two years, COFCO, Yihai and Sinograin also entered China’s rice processing industry, which made the competition in rice processing industry even more fierce, and led to a market situation of “strong-paddy vs. weak-rice” for two years. Many small and medium-sized rice processing enterprises fell into trouble.

What is the present competition in the rice processing industry? What is the future development trend? How should China’s rice processing enterprises to cope with the situation?
This report makes a survey about the market changes in the domestic rice industry since 2009 and provide answers to the above questions in accordance with the orientation of domestic industry policies, with the hope of providing reference for various industry and commercial enterprises, trade institutions, investment institutions as well as individuals who hope to make successful investment in grain industry in their effective decision-making, and also serve as reference for government policy making institutions, research institutions, international organizations and international institutions relevant to grain and agriculture industry in their research of China's grain and world grain industry.
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Chapter I Analysis of Relevant Policies for Rice Processing Industry

1 Basic Policy for Industry Access
Enterprises accessing and operating the rice processing industry shall observe not only the general relevant laws and regulations for industry, commerce, and taxation, but also other relevant laws and regulations such as Food Safety Law and Regulations for the Management of Grain Circulation.

1. Enterprises engaging in rice processing and operation shall pass the examination and verification of the industry and commerce department, the quality inspection departments, the food and drug administration departments as well as the competent departments for grain administration at or above the county level before they actually engage in the rice processing and operation industry.

2. The purchase of rice and the sale of produced rice shall be conducted only after the enterprise got the approval of the competent departments for grain administration at or above the county level.

3. Foreign enterprises intending to enter the rice processing industry shall observe the regulations in the Catalogue of Industries for Guiding Foreign Investment. Foreign enterprises shall observe the limits for entering the purchase, processing, circulation and delivery of rice, but foreign enterprises are encouraged to enter the comprehensive utilization and deep-processing of side products into food ingredients.

2 Preferential Policy for Rice Processing Industry

1. The NDRC issued the Revision of the Catalogue of Industries for Guiding Foreign Investment 2011 to encourage the following projects of rice processing industry:
   1) Development and production of nutritious-healthy rice (special rice for food, sprouted brown rice, germ-contained rice and nutritional-enriched rice) and related products, industrialized production of traditional rice staple food.
2) Production line of rice bran oil: adopt the technology of fast disperse-expansion, concentrated oil making and refined oil production.

3) The development and application of key technologies in the comprehensive utilization of rice shell, rice bran, rice meal, and rice germs.

4) The promotion and application of grain-oil drying and energy-saving equipment, biological grain storage technology for farmers, new grain granary for farmers.

5) The construction of modern logistics for the important goods such as grain, cotton, edible oil, sugar, chemical fertilizer, and petroleum, etc.

2 The 12th Five-year Planning for agriculture, food industry, grain-oil processing and grain circulation proposed a number of supporting projects for rice processing industry.

1) in rice production: support the production of high-quality rice in the main producing area, support the land transferring to realize the development and operation of large-scale and industrialized agriculture, improve the market competitiveness and innovative ability of rice planting industry, especially, speed up the transformation of the development code of state-owned grain enterprises to form a modern industrialized grain operation and service system led by the industrialized grain enterprises, connected by farmers’ professional cooperatives, and based on the grain production bases. The government will provide key support to over 150 leading enterprises in grain industrialization to promote the industrialization of domestic grain production and operation.

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