

# Rice Producers Tasting Free Market

By Keisuke Kanda

**"K**oshihikari" and "Sasanishiki" were once the undisputed champion brands of the Japanese rice market. Recently, however, their popularity and large market shares have begun to dwindle. The reason is that the Japanese government's staple food control system, which had kept the production and distribution of rice under tight restrictions, is being revised to accelerate the domestic deregulation of rice. Increasing pressure from foreign countries to open the Japanese rice market to imports has also stimulated rice-producing regions throughout Japan to begin fierce competition to develop better-tasting, distinctive brands of rice.

A rice-trading spot market was opened in Tokyo and Osaka in October 1990, thus beginning the process by which market forces are allowed to affect trading and price setting of rice in Japan. These moves have not only begun to transform rice into a free-market commodity, they have triggered full-fledged "brand competition" among rice-producing regions hoping to grab market share from the erstwhile champions, the Koshihikari and Sasanishiki brands.

## Declining demand

The increasingly feverish competition to produce better-quality rice has also been stimulated by a long-term decline in consumer demand for rice in Japan.

Rice consumption in Japan reached its highest point in 1963, when Japanese ate 13.41 million tons of it, and has been decreasing ever since. In 1970, consumption decreased to 11.94 million tons, in 1980 to 11.2 million tons, and in 1988 to 10.5 million tons. To stop a continuing oversupply of rice, the government used its influence to reduce the total acreage of rice paddies in Japan. Rice production dropped by about 830,000 tons as a result, and the total acreage of paddies was reduced by nearly 30%.

The new efforts to produce higher-quality varieties of rice has also increased the volume of *jishu-ryutsu-mai* or "semi-rationed rice," which is generally agreed to have a finer flavor than government-controlled rice. Semi-rationed rice was first introduced in 1969, when the oversupply of rice first became pronounced. Starting in the first year with a modest 350,000 tons, the volume of rice distributed under this system increased steadily due to consumers' preference for better-quality rice, government promotional measures and rice-growers' efforts to produce better-tasting rice. Today, 4 million tons of semi-rationed rice is distributed annually, a figure which comprises roughly 70% of all rice consumed in Japan as staple food in terms of shipment and 60% in terms of distribution.

One can see that, to some degree, market forces are already at work in shaping the rice market in Japan. The high percentage of semi-rationed rice on the market indicates the large number of rice producers who, far from being coddled by government price supports, must adapt to slower consumption and oversupply by increasing their competitiveness with higher-quality products.

The spot trading market for semi-rationed rice is operated by a third-party organization of the Food Agency. The auction market is generally opened once every month, and bidding is held for 20% (1 million tons annually) of the total volume of semi-rationed rice. At the first bidding, 54 brands (143,000 tons) of rice were listed at the Tokyo and Osaka markets. Contrary to a pre-bidding forecast that prices might drop as a result of bumper crops and sluggish rice consumption, many of the brands were traded at high prices.

Price disparity among brands widened as a result of the bidding, and it was clear that the auction was a first step toward exposing Japan's rice production to free market forces. Rice-growing regions have subsequently stepped up efforts to grow

good-quality rice and to develop distinctive brands.

Some winners and losers emerged from the first auction. Koshihikari brand rice of Niigata origin, the relatively low-priced "Kirara-397" of Hokkaido, and "Akita-komachi," grown in Akita Prefecture, proved very popular. The Sasanishiki brand, however, which is cultivated widely in the Tohoku district, and the Koshihikari brand from the Kanto district, appeared to be somewhat expensive and were less popular.

Once the rice market starts to operate smoothly on a free-market basis—a change expected in the not-too-distant future—consumers will base their purchase decisions on price, taste and other factors. Producers, always looking to satisfy consumer demand, will grow rice with an eye on market trends, which will ultimately encompass not only taste but safety (e.g. chemical-free rice) and competitive pricing.

A look at one currently popular rice brand—Akita-komachi from Akita Prefecture—offers a good example of how regional rice producers are coping in the present competitive market.

Akita-komachi made its full-fledged debut in 1985, and its success has triggered a race among regional rice growers to improve taste. A hybrid variety, it was created by crossing the Koshihikari brand with the "Ou-292" brand, the latter being highly resistant to low temperature. Though it is only five years since its debut, Akita-komachi enjoys great popularity and a widespread reputation for being just as fine-tasting as the Koshihikari and Sasanishiki brands.

The popularity of Akita-komachi is attributable not only to its felicitous name and timely marketing but also to the steady marketing efforts of its producers. Early in the marketing campaign, the producers sent a 300-gram sample to each member of the association of Akita Prefecture natives in Tokyo, a move which set off tremendous word-of-mouth



advertising in a potentially lucrative market. At the same time, the producers created a strong brand image for Akita-komachi by packaging the rice in a specially designed bag bearing the likeness of a real Akita-komachi (Akita beauty) in traditional local costume. The Akita Prefectural Federation of Economic and Agricultural Cooperative Organizations has also gradually raised the ratio of Akita-komachi rice polished within the prefecture, thereby demonstrating its resolve to prevent Akita-komachi from being blended with other brands of rice during the course of distribution.

At the moment, despite the popularity of the Akita-komachi brand, it could plausibly be argued that its success is more a fad created by the mass media than the launch of a solid, long-term market staple. Now is the most important time for the brand to acquire a solid base for continuing success. "Producers should make the utmost efforts to ensure that the rice consistently maintains its distinctive, fine taste, and should also refrain from swelling supply by increasing yield per acre," says an official of the federation.

## Farmers irritated

The Akita-komachi growers have other worries as well. Among the biggest is a significant problem in distribution: their product is being blended with other brands as it passes through various distribution channels from the agricultural cooperative to retailers. In the process, the distinctive taste and appearance of the rice becomes obscured. Farmers who produce high-quality rice are justifiably irritated at being unable to learn directly from consumers their reactions to the rice they have produced. As long as the government's staple food control system remains in place, however, rice growers have no way to resolve this problem.

Meanwhile, in reaction to the outstanding success of Akita-komachi, farmers in the No. 1 rice-producing prefecture of Niigata are cultivating a new type of "specially cultivated rice," which will be delivered directly to consumers without going through normal distribution chan-

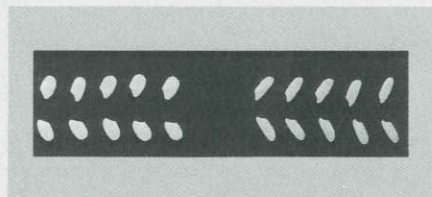
nels. Though rice transactions have remained strictly controlled by the "staple food control system," farmers who cultivate rice without using chemical fertilizers or agricultural chemicals have been allowed to deliver this organically grown rice directly to consumers since 1987.

Only compost and organic fertilizer are used in the cultivation of this kind of rice, and herbicide is sprayed only once. Farmers must work several times harder to weed the rice paddy. They polish the harvested rice themselves and pack it with utmost care, so that the taste will not spoil before the rice reaches consumers. Finally, the farmers deliver this specially grown organic rice directly to consumers' homes. Consumers appreciate that they know exactly what they are getting with the rice.

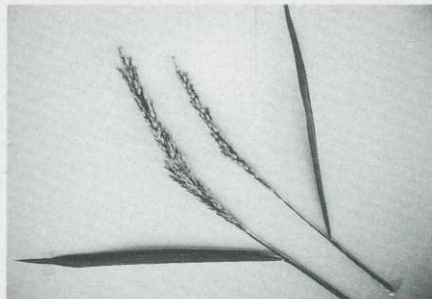
Leaders of the Council of Niigata Prefectural Rice Growers, which is organized by professional rice-growing farmers, argue that the law left them with no choice but to take matters into their own hands. "We don't like to trade with rice dealers who blend Koshihikari with other brands and sell the mixture as '100% Koshihikari,'" says one farmer. "We grow and distribute rice in a way that gives consumers a sense of safety, and that trust must be protected."

Rice traded under the special rice cultivation system amounted to only 34 tons when the system was inaugurated. The volume of trading increased, however, to 649 tons in 1988 and to 3,185 tons in 1989. As of the end of October 1990, it had reached 4,900 tons, of which the largest single fraction, 1,500 tons, was sold by Niigata prefectural farmers. Consumers who take advantage of this system number close to 80,000 today. The production of specially cultivated rice is showing signs of increasing, thanks to rising desire from consumers for healthy, superior-quality rice.

The Japanese are also beginning to develop a taste for varieties of rice originally cultivated outside of Japan. Thanks to the recent booming interest in gourmet foods, the long-grained "Indica rice" is gaining popularity in Japan. Indica rice is grown primarily in Southeast Asia and accounts for 90% of the worldwide rice



Japonica rice "Koshihikari" (left) and the longer, drier Indica rice.



"Hoshiyutaka," a hybrid of Indica and Japanese rice.

production. Compared with the short-grain rice popularly known as "Japonica rice," Indica rice is slender, long and dry.

The popularity of Indica rice in Japan seems to have stemmed from the recent ethnic cuisine boom created by a liking for pilaf and paella. The Kirin Brewery Co. began marketing Indica rice in Japan in 1987. Kirin has now entered the rice-growing business, anticipating that the Indica rice harvest in autumn 1991 will be more than 10 times larger than it was in 1990. The company is now trying to win over restaurants and other food caterers as clients.

Major rice retailers in Kanagawa Prefecture have established a joint private-public sector organization devoted to cultivating "Hoshiyutaka," a hybrid of Indica and Japanese rice. This organization will start shipping the Hoshiyutaka rice to the food catering industry, mainly for use in pilaf and fried-rice dishes, toward the end of this year. A great variety of rice, each type specially suited to a particular cuisine, is now in great demand as a result of the current gourmet boom.

Rice growers, in trying to respond to this growing demand, are beginning to free themselves from government "protection" and to seek new and innovative ways to survive on their own.

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Photo: Kirin Brewery Co.

Photo: Kumamoto prefectural government