

The Rice Milling Business:

Quality and Profit

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In the June issue, we highlighted an awareness to the fact that the rice milling industry is often a low profit industry and that there are four basic methods to increase business profit for the agricultural sector. Satake has been promoting a shift to production of higher quality milled rice, which would result in an increment in profit margin by virtue of higher selling price.

Other methods are more general but remain inconsistent and imperfect. For example, increasing the operation and production rate has less impact in improving the fundamental cost structure. Similarly, any effort at decreasing variable costs is only a temporary solution, due to an increase in labor cost in developing countries. The only way to pursue fundamental business stability is therefore to embrace a change of business structure.

A unique market

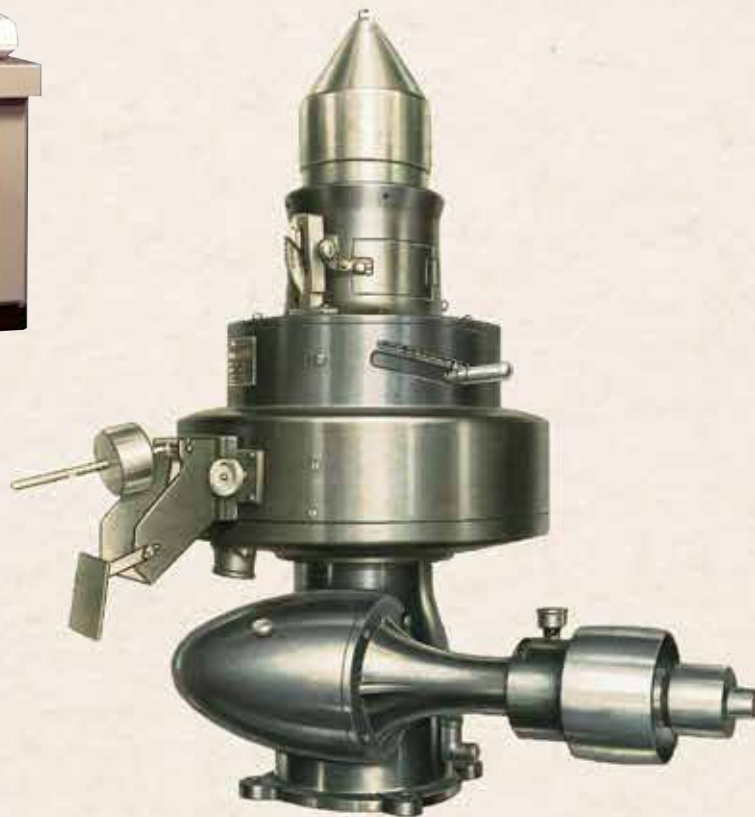
The Japanese rice market appears different in its behavior when compared to other markets. One example of this would be that Japanese short grain is well regarded by people who eat short grain rice. Tasty rice has seen an increase in demand by an increasingly discerning consumer, due to a change in their social conditions. However, understanding the differences between the current Japanese market and others means tracing the history of a relatively saturated rice market. It could however give important clues for owners of rice and flour mills in other countries to expand their business. The information described below may prove beneficial for businesses thinking of selling their rice in Japan to understand the Japanese consumer's demand, especially features exhibited by the Japanese market.

Quantity was the top priority for the Japanese market after the Second World War. To compensate for the rice production shortage, consumption of other grains, such as barley, increased. To meet the demand from the industry, Satake developed



equipment such as barley processing machines. Also, the Country Elevator (CE) was introduced to the industry during this era for mass rice production. In 1964, Satake completed the first CE built in Japan.

From around 1970, the market demand started to shift towards quality and away from quantity as a result of Japanese economic growth. In the beginning, rice product quality simply meant rice possessing a beautiful external appearance. To respond to the milling industry's request, Satake developed a mist polisher which polished the surface of the white rice grain.





Next, the market demand expanded toward the taste of the cooked rice. This led to an increase in rice varieties grown in Japan, along with accompanying facility processing of the many rice varieties with correspondingly smaller quantities of each. It also resulted in higher head rice yields. During this era, Satake developed a range of new equipment, such as the world's first rice taste analyzer, the optical sorter and smaller batch paddy dryers. For example, with a rapid increase in convenience stores carrying 'omusubi' (rice balls), bento boxes and other cooked rice products, this generated an increase in demand from rice cooking facilities and an improvement in cooked rice quality became noticeable, particularly rice breakage during the water soaking process and burnt rice in cooking process. Therefore, the industry, including rice production, processors, and Satake, gained tremendous knowledge - there being a positive effect of technique/technology on rice quality improvement.

Triggered by the major rice imports that arose due to rice



crop failure in 1993, safety also became vital in importance to the Japanese rice industry. At this time Satake responded by introducing various inspection equipment but also developed the Universal Transport System for contamination-free rice processing facilities.

By the year 2000, the combination of the market demand and the rice industry's effort to respond to this market gave rise to the establishment of an absolute quality of rice in Japan, both in product safety and tastiness.

Japan is therefore a good example of how consumers change in demand directly affected its rice industry and vice versa. It is vitally important for the industry to introduce products that the market demands, and also which the market may potentially demand, in a timely manner.

In the next article, we shall explore the importance of how to manage and control rice quality and how it can result in the introduction of profitable products to the market.