



USA RICE

JAPAN Marketing Program Implementation

REQUEST FOR PROPOSAL

I. INTRODUCTION AND OVERVIEW

USA Rice

USA Rice is a nonprofit trade association representing all segments of the U.S. rice industry, including but is not limited to producers, millers, exporters, and merchants, as well as other entities involved in the production and marketing of U.S. rice. The organization was founded in 1994 by the leadership of the industry's three national associations: the Rice Millers Association, USA Rice Council and the USA Rice Farmers (formerly known as US Rice Producers Group).

USA Rice's grower representation includes approximately 90% of the U.S. rice crop. The organization also represents virtually all U.S. rice millers and processors, as well as the nation's major rice exporters, which account for nearly 100% of U.S. rice supplies and exports. Furthermore, associate members of the USA Rice cover almost the entire marketing and distribution channels for U.S. rice.

USA Rice operates a domestic promotion program as well as export promotion programs in more than 20 countries. Programs are funded by both USA Rice members and through various public programs for which USA Rice competes annually.

USA Rice is headquartered in Arlington, Virginia, and has subsidiary offices in Arkansas, Louisiana and Germany. Consultants and agencies are used as appropriate, for a wide variety of projects, including domestic and international promotion programs.

USA Rice is an equal opportunity employer and prohibits discrimination in all programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or familial status.

II. MARKET SITUATION IN JAPAN

As a result of the WTO Uruguay Round Agricultural Agreement, Japan is required to import 682,000 MT (milled basis) of rice each year under a "minimum access" agreement until said agreement is renegotiated. Japan strongly protects rice production from import competition. The minimum access quota consists of two components: ordinary tenders and Simultaneous Buy Sell (SBS) tenders. Through government policy and administrative

procedures, Japan relegates the majority of the “ordinary tender” imported rice for industrial purposes, food aid and animal feed. The SBS tenders, which are typically limited to a maximum 100,000 MT per year, are the avenue in which private importers can purchase rice from their origin of choice. In 2021, about 97 percent of the U.S. rice imported was brought in by the Government of Japan (GOJ) through ordinary tenders and stored in government warehouses.

While Japan relies heavily on food imports, which account for sixty percent of the nation’s caloric needs, they are self-sufficient in terms of rice production. Following several years of bumper crops and falling consumption, table rice production hit 7,000,000 MT of short grain rice (brown basis) in 2021 after government efforts to adjust the balance of supply and demand. The GOJ has spent years working towards agricultural reform to make Japanese agriculture more competitive by subsidizing the production of rice for feed; farmers growing rice for feed can earn more income than growing table rice. In 2021 acreage of rice for feed increased by 63% from the year prior, getting close to the GOJ’s target of 700,000 tons by 2030. The GOJ has also been promoting the production of other crops such as soybeans and wheat instead of rice. The aim is to reduce table rice production to match lower per capita consumption, keep rice paddies in crop production and reduce the amount of other coarse grains in animal feed, much of which is imported. The government estimated that approximately 1.2 million tons of rice, including MA rice and government stocks was used in animal feed. In recent years, the GOJ has instituted additional measures such as development of newer higher yielding varieties of rice, an intensive program to increase exports, and support programs for foodservice and manufacturers of rice deli products. The support measures became available for more traders under the difficult business situation brought on by the pandemic.

Additionally, the government decided to abandon the fifty-year-old acreage-reduction policy in 2018. The GOJ has been trying to maintain the price of Japanese table rice for growers and conducting various activities to increase exports of Japanese rice and rice-related products. Due to higher production, the wholesale price of the 2021 crop was lower than the 2020 crop by more than 10%, as of January 2022. The GOJ immediately started new measures to decrease the production volume of 2021 crop rice and additional subsidies were announced to accomplish production controls. The measures will be further strengthened to lower 2022 rice production.

Per capita consumption continues to decline due to declining population and the westernization of diets; the amount the average family spends on bread surpassed rice for the first time in 2010. Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF) data shows that per capita rice consumption has declined by 57 percent over the past 50 years, from 118 kg in 1962 to 50.7kg in 2020. This decline, estimated at 80,000 MT per year and recently revised to 100,000 MT per year, is expected to continue. At the same time, the use of rice in compound animal feed has increased substantially in the past several years and has exceeded one million metric tons annually since MY2014/15 (480,000 MT from local production).

For the first time in decades, Japan became the largest single country market for U.S. rice in terms of value in 2020, and third in terms of volume accounting for about 18 percent of total U.S. worldwide milled rice exports. In 2021, the U.S. exported 314,278 metric tons to Japan, valued at US\$289.3 million (*Source: Global Agricultural Trade System*). Medium grain rice accounted for about 97 percent of U.S. exports to Japan and the remainder was short grain. The imported U.S. medium grain rice is a California variety known as “Calrose” and the short grain U.S. rice imports are the California-grown Japanese premium varieties Koshihikari, Calhikari and mochi (short grain glutinous) rice.

Market Access:

Japan is unique among Asian markets to the extent it protects its domestic rice industry from imports. Ordinary tender rice all ends up in government warehouses where it languishes until released into the market only after the whole kernels are broken, thus degrading quality and ensuring that such rice will be used only for industrial or feed uses and not high value foodservice or table rice uses. Additionally, the government has complete control of the SBS tenders and imposes a high “mark up” to imported rice to protect domestic producers. The mark-up has been ¥61/kg, the equivalent of approximately \$520 per metric ton at March 2022 exchange rates. Without the mark up, all imported rice would be much cheaper than domestic rice. Notably, other Asian countries like South Korea, Taiwan and China have WTO required minimum access quotas that are not marked up to disadvantage imported rice as is done in Japan, although Taiwan takes other measures to manipulate the rice import market. In 2021, the mark-up, under the market condition of having much lower priced Japanese rice, became a more significant burden for imported rice. Discussions with MAFF to reduce the mark-up or at least reduce it to the level used for Australian rice have been unsuccessful to date.

Regardless of the high markup, there continues to be great demand for imported rice, particularly U.S. rice. The SBS tenders are an important avenue for identified U.S. rice to reach the Japanese market. When domestic rice prices are higher than imported rice (even with the markup), rice importers increasingly turn to imported rice to provide reasonably priced and safe rice for their foodservice customers. However, the 2021 U.S. rice prices were high, due to drought-reduced production and soaring transportation costs related to the pandemic. On the other hand, the Japanese rice industry, holding heavier stocks, started to suffer lower wholesale prices in 2020. As a result, the Japanese and U.S. rice prices reversed in 2021. The SBS tender price (including the mark-up) of U.S. milled medium grain became higher than Japanese rice widely consumed by foodservice operators and reasonably priced rice sold at retailers. In the FY2021 SBS tenders, there was a higher share of long grain rice due to the high medium grain prices.

Under this market situation, traders’ interests in foreign rice became very limited in the FY2021 SBS tenders. As a result, the total awarded volume of FY2021 SBS tenders was only 21,386 tons of the allocated 100,000 tons. The allocated volume for the annual SBS tender, 100,000 tons, has not been fulfilled since 2017. Major competitors are Thailand, China, Australia and, more recently, Taiwan. Due to multiple food safety issues with

Chinese foods, Japanese consumers tend to not favor Chinese rice, therefore most of those imports (1,110 MT imported under SBS in 2021) go to foodservice and food manufacturing, where its identity is lost. Australia has historically been a large supplier to Japan; however, drought has severely reduced their rice production and ability to export. Imports of Australian rice in 2021 from SBS under the CPTPP quota was only 620 tons. The Australian CPTPP quota started at 6,000 MT in 2019 with implementation of the agreement and increases in equal increments each year to reach 8,400 MT in 2030. It is estimated that the production of Australian rice will recover in the coming season, but as an alternative to Australian short grain, Japan imported 2,240 tons of Taiwanese short grain in FY2021 SBS tenders. We saw continued demand for imported rice, including in the foodservice sector, despite their limited usage due to COVID-19 situation in 2020, but the price comparison with lower-priced Japanese rice weakened their interest in FY 2021 SBS tenders.

III. USA RICE FEDERATION OBJECTIVES IN JAPAN

USA Rice objectives in Japan include:

U.S. medium grain rice has unique properties that are more suitable than Japanese rice for certain applications (salads, rice bowls, soups, etc.) – these could see growth as the Japanese diet diversifies and convenience becomes a more important factor, thus having the potential to increase rice demand in the consumer segment.

Japan grows only short grain rice as a staple food, and short grain is traditionally consumed as cooked plain rice (gohan). The evaluation of the quality, taste, and flavor of rice is made based on cooked plain rice. U.S. medium grain rice attributes are different from short grain rice and work even better for certain cooking styles or menus. The rice trade started to be aware of the characteristics of U.S. medium grain through messages of its versatility for menus. Younger consumers are not so particular about rice with the changes in eating habits to consume more western-type cuisine. We should promote new rice menus such as rice salad, soup, rice bowls, deli items, “new style” rice bowls, desserts, etc., that are new in Japan and significantly different from traditional Japanese rice menus.

The target audience includes the younger generation of consumers in the Kanto area (the Greater Tokyo area and seven prefectures around Tokyo), and new promotional areas including Fukuoka in Kyushu and Osaka.

The overall objective is to increase awareness of U.S. rice unique characteristics with consumers, retailers, foodservice and food manufacturers compared to domestic rice and maintain U.S. rice dominant position in SBS tenders for rice.

IV. SCOPE OF WORK



1. Conduct consumer activities to increase awareness and understanding of U.S. rice including events such as cooking, taste-testing and sampling to provide consumers with opportunities to taste and use U.S. medium grain rice. The activities may be supported by consumer media advertisement, educational materials, public relations and the USA RICE Japan website to effectively reach a more targeted audience. Conduct trade seminars, attend trade meetings, and conduct public relations activities to enhance the image of U.S. rice.
2. Operate Facebook and other social media to synergistically strengthen communication with traders and consumers and increase their access to the USA RICE Japan website.
3. Enhance and maintain the USA Rice Japan website by incorporating one or more blogs and/or other social media enhancements to expand the reach of the website to the Japanese consumer and foodservice industry. Create links to the websites of Japanese foodservice companies that handle U.S. rice. Identify third party endorsers and writers who will voice support for USA RICE and U.S. rice.
4. Conduct media activities and develop web content to support U.S. rice in the market, which could include the development of promotional materials, press kits, news releases, press conferences, media tastings and press clipping services.
5. Submit a monthly written report to USA Rice; the report will include, at a minimum:
 - a. Copies of all advertisements being placed, flyers and information sheets generated;
 - b. List of contacts made in media and industry;
 - c. Summary of activities undertaken during the period covered by the report, including an evaluation of the impact on the target audience
6. Provide a year-end self-evaluation that addresses the goals and performance measures as outlined in the marketing plan and the impact on the target audience of each activity undertaken.

The firm or consultant shall successfully complete the above scope of work from January 2023 through December 31, 2023. The firm will work directly with the USA Rice Director of Asia Promotion Programs. The agency or individual selected to conduct activities will contract with the USA Rice and will be subject to the regulations applicable to the Market Access Program (MAP) as administered by the Foreign Agricultural Service of the United States Department of Agriculture.

V. PROPOSALS

USA Rice requests that you include the following components in discussing your capabilities:

- A. Describe how you/your agency will achieve the Objectives outlined in Section III and the Scope of Work outlined in Section IV.



- B. Explain why your qualifications and background make you the best individual/agency to represent the USA Rice in Japan (please mention language proficiencies).
- C. Provide information regarding your past work, especially related to representing U.S. agricultural commodities in Japan.
- D. Please detail which of your staff members will make-up the USA Rice team and explain their roles and experience.
- E. Include a detailed estimate of all costs necessary to complete this scope of work including staff fees, third party expenses, administrative overhead, travel, and other direct/indirect costs needed to support your program.
- F. Include any additional information that demonstrates the ability to perform the functions outlined in this Request for Proposal.

VI. CONFLICTS OF INTEREST

Potential conflicts of interest relative to this program are as follows: agency representation of another entity that is directly competitive to rice, e.g., pasta, tortillas, potatoes; or a firm of record for any U.S., or other rice company. Please disclose any conflicts of interest.

VII. SELECTION CRITERIA

USA Rice reserves the right to award the contract to the individual/agency with the best combination of attributes and ability to successfully serve as the organization's marketing representative in Japan, not necessarily the lowest bid.

VIII. ADMINISTRATION

The individual or agency selected for the position will report directly to Jim Guinn, Director, Asia Promotion Programs, with further oversight by the Vice President, International.

IX. FINANCIAL

The total budget for all aspects of this scope of work, including all fees, overhead, third party expenses, travel and other expenses is approximately \$425,000. Submitted proposals should reflect this budget. Funds for this project come from the U.S. Department of Agriculture's Market Access Program (MAP) and is subject to the annual availability of funds in that program.



X. PROPOSAL DUE DATE / PROJECT TIMING

Proposals are due by close of business on November 30, 2022. For the individual or agency selected to complete this scope of work, the contract will run for one year commencing in January 2023 and ending on December 31, 2023. If mutually acceptable, the contract may be renewed at the end of the fiscal year at the option of the USA Rice.

XI. SUBMISSION OF PROPOSALS

Individuals / agencies are invited to submit proposals to USA Rice by close of business (5pm EST) November 30, 2022. Please direct your proposal to the following email address: jguinn@usarice.com.