

MARKET ACCEPTANCE OF U.S. HERBICIDE-TOLERANT RICE IN JAPAN, KOREA, TAIWAN, AND TURKEY

Prepared by Bryant Christie Inc. for the Rice Producers of California
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EXECUTIVE SUMMARY

The Rice Producers of California (RPC) retained Bryant Christie Inc. (BCI) to evaluate the potential for market acceptance of the genetically modified (GM) rice in Japan, Korea, Taiwan, and Turkey. These markets account for about 40% of California's annual rice crop and are therefore economically important to the California industry. Findings in this study come from desk research and interviews with the rice trade in each country. This report summarizes these findings.

Japan's rice import policies and its government's reaction to recent reports of certain GM rice in U.S. supplies, coupled with cultural sensitivities to rice, as well as low acceptance of GM foods by the Japanese public and the Japanese rice trade, reduce the likelihood of the market accepting U.S. GM rice. In fact, strong evidence demonstrates that without consumer education and changes in government policies, efforts to commercialize GM rice in the U.S. could result in the loss of the Japanese market to U.S. rice. Considering that Japan accounts for roughly half of all California rice export sales, or the equivalent of between 20% and 25% of California's annual rice production, loss of the Japanese market could significantly impact the California rice industry.

Korea is also economically important to the California rice industry as approximately 86% of Korea's rice imports from the U.S. is produced in California. As in Japan, rice is a politically sensitive topic in Korea. Although market access for U.S. rice under Korea's minimum market access (MMA) agreement is improving and GM soybeans and corn are currently imported for feed and processing, the majority of Korean rice trade members interviewed for this report opposed the purchase of GM rice. This sentiment is also shared by Korean consumers, though some evidence indicates that consumer education campaigns may be capable of changing this opinion in the future.

Unlike Japan and to a lesser extent Korea, Taiwan offers more commercial opportunities for U.S. rice imports. This is particularly the case for California rice which accounts for nearly all U.S. rice exports to Taiwan. However, like Japan and Korea, challenges for GM food products are present in Taiwan. While Taiwan imports GM soybeans for human use and animal feed, the Taiwanese rice trade members interviewed for this report were reluctant to accept imports of GM rice. Taiwanese consumers are generally less aware of GM foods than their Japanese and Korean counterparts and it is possible that their perception of GM foods could improve through consumer education efforts.

Turkey's restrictive import policies and ambiguous regulatory framework for GM foods create significant market access barriers for GM rice in the near-term. Further, while the results of the in-country surveys conducted for this report indicated that it may be possible to locate a Turkish buyer for GM rice, the results also indicate that consumers might reject GM rice given the information to which they are currently exposed. However, even with these obstacles, Turkey shows the most promise for U.S. GM rice relative to the three other markets covered in this report.

In conclusion, it would appear that the rice trade in Japan, Korea, Taiwan, and to a lesser extent Turkey has little interest in importing GM rice at this time, even in situations involving cost advantages and full regulatory approval of GM rice. Due to the risks involved, this report recommends that the U.S. industry not seek commercialization of GM rice in the near term and any longer term effort be accompanied by targeted and extensive education/communications campaigns in each market. Even then, there should be a full understanding that the pursuit of such commercialization could jeopardize existing U.S. rice exports to Japan.