

LOTUS FOODS



International Trade in
Specialty Rices

A WORLD OF RICE

Presentation Overview

- **About Lotus Foods**
- **Going From Point of Origin to Retail Shelf**
- **Consumer Trends**
- **SRI: Opportunities for People, Planet and Profit**

Sustainable Family Farms and Local Economies

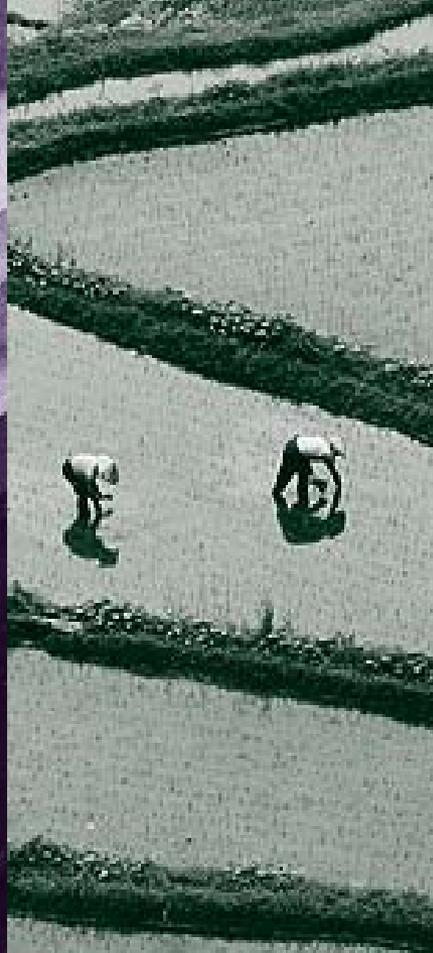
BHUTAN
RED RICE



CHINA
FORBIDDEN RICE



BENGAL
KALIJIRA RICE



ANDES
CARNAROLI RICE



Company and Mission

- Established 1995, pioneered the US introduction of exotic rice handcrafted on small family farms in remote areas of the world, such as Bhutan, Bangladesh and China
- Founded with the intent and vision to support sustainable global agriculture by promoting the production of traditional varieties while enabling small family farmers to earn an honorable living
- A small company with a big mission, Lotus Foods has emerged as a leader in the specialty rice category
- Provides consumers with new choices, offering a rare collection of rices that are a high-value alternative to commodity and other standard rice currently available

A World of Rice



- Forbidden Rice®, and Organic Forbidden Rice®
- Bhutanese Red Rice®
- Kalijira Rice, and Brown Kalijira Rice
- Carnaroli Rice
- Organic Jade Pearl Rice™
- Organic Jasmine Rice and Organic Brown Jasmine

Distribution Channels

Four Classes of Trade in the US & Canada

- **Natural & Organic Foods**

- Retailers whose merchandise is mainly natural and organic foods.
- Individual co-operatives, independent stores, and large chains like Whole Foods:
Fastest growing market sector

- **Specialty Gourmet Stores**

- Bring recognition to product and access to the most educated and wealthy consumer(s)
- Usually small boutique stores
- Premium high-end products

- **Supermarkets**

- Large mass-market chain stores, with broader scope of customers and larger scale
- Selling everything from refined sugars to toiletries
- Consumers are middle to upper income level

- **Food Service**

- Products are featured on menus of high visibility, in chef's restaurants, provide greater brand recognition. Thousands of food service establishments include: white tablecloth restaurants, corporate executive dining rooms, resorts, hotels, spas, caterers, private chefs.
- Prepared foods/deli departments in natural foods, specialty foods, and mass market.

Marketing & Sales

- Trade associations and trade shows
- Advertising
 - Distribution catalogs
 - Consumer publications
- In-store demos
- Consumer shows
- Media relations

From Origin to Retail Shelf



Conventional Business Model:

- Seller's price to Lotus Foods
includes fair-trade premium for farmers
- Lotus Foods price to distributor
30-50% profit margin
- Distributor's price to retailers
20-30% profit margin
- Retailer's price to consumers
30-50% margin based on class of trade



Rice Market Specifications:

- Seed pod hulls - rough rice to be totally removed (100%)
- Moisture - 12-14%
- Broken rice ratio - less than 5%
- Foreign matter - not to exceed 1%
- No 'off' odors (musty, sour, burnt)
- 1% allowable damaged kernels
- Free of insects
- Shipped not later than 14 days after processing and packaging.





Cost of Going to Market

- **COST OF GOODS**

- Ocean freight
- 1-2% transport shrinkage
- Drayage/port charges
- Warehouse
- Package design/copy
- Packaging material cost
- Co-packing freight
- Co-packing
- Co-packing shrinkage

Lotus Net Profit 4-7%
After above cost factors

- **DISTRIBUTION**

- Off-invoice discounts
- Catalog
- Advertising
- Broker commissions
- Spoilage & allowances
- Trade shows

- **RETAIL**

- Placement deals
- Shelf sale
- Advertising
- Product demos
- Customer returns
- Consumer shows



Consumer Trends

**HEALTHFUL
CHOICES**



**GROWING
MARKET**



**FARMING
PRACTICES**



**FAIR
WAGES**



CIIFAD/Lotus Foods Partnership

- Cooperation since 2005
- *Madagascar* linkages, 2006
- *Cambodia* linkages, 2007
- Plan is to launch **at least 2 SRI rice products** under LF brand in 2009
- Strategic partnership with **Whole Foods** could lead to imports of commodity rice and specialty varieties

SRI: Opportunities for People, Planet and Profit

LOWER PRODUCTION COSTS MEANS FARMERS ARE MORE COMPETITIVE

CONSERVES BIODIVERSITY

ORGANIC CULTIVATION HEALTHIER FOR GROWERS AND CONSUMERS

CLIMATE CHANGE, ENVIRONMENT AND SOCIAL BENEFITS



Strategic In-Country Interventions

- Meet the **quantities and quality** required by commercial buyers
- Targeted research is necessary to **improve value-chain performance** and **enhance marketability**
- Consolidation and sharing of **knowledge** to accelerate transfer and scaling-up of successful experience
- Challenges and opportunities for **partnerships**

Production Issues

- Commodity rice vs. niche varieties
- Seed purification, multiplication, distribution
- Access to mechanical weeders to scale up and increase efficiency
- Organic vs. conventional cultivation (need for more organic fertilizer)
- Microcredit for supplies, labor

Supply Chain Issues

- **Paddy storage** -- paddy needs to be adequately dried in the field and maintained at 12-14% moisture content to reduce loss from rotted or brittle grains
- Need access to **organically certified mill** to obtain organic certification; good quality mill is needed to reduce losses in milling; want less than 5% broken pieces
- **Vacuum packing** at the mill to reduce infestation of pests and to avoid treatment with non-organic chemicals.
- **Transportation** to port can be a problem; need to pay customs duties?
- **Phytosanitation** documentation is needed

Institutional Issues

- Buyers need to be able to work with strong farmer groups or representatives
- Ability for good communication
- Transparency, trust, reliability, long-term partnerships
- LF will not export rice from areas where there is a food deficit

Research to Improve Value

- **Nutritional content** of SRI/traditional varieties needs to be determined
- SRI and **GHG reduction** possibilities?
- SRI and **arsenic levels** in rice?
- SRI and **malaria/other health benefits**?
- SRI impact on **conservation of biodiversity** and fragile ecosystems (threatened animal/plant species?)
- **Value-added products** (rice bran oil)

Making a Global Difference

**SUSTAINABLE
FAMILY FARMS**



**CONSUMER
PREFERENCES**



**ENVIRONMENTAL
IMPACT**



**PROFITABILITY
SCALABILITY**

