

# Filling the Hong Kong rice bowl

By Eric Collins

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## How did Golden Resources get started in the rice business?

It all started with a blunder. The Hong Kong government has always taken an interest in the rice trade, controlling the imports, licensing companies, and maintaining a reserve. The government used to control the business directly, but in the mid-1950s they made a mess out of it, buying a large quantity of rotten rice. The solution? Businesses were offered the chance to buy – and dispose of – the rotten rice. In return, whatever percentage a company took up, would be their future quota of the rice import market.

My grandfather had come to Hong Kong with a dollar in his pocket from Chaozhou, a city in eastern Guangdong. He started a general trading company, and when he heard about this offer, he scraped together enough to buy 0.8% of the rotten rice. That is how Golden Resources gained its license in 1955, and that was the start of our rice import business.

The richest guy could only take 5% in this quota system so no one could monopolise the rice market. Nowadays there are over 200 licensed “stockholders”. They must also place the rice in a licensed warehouse.

## What did the rice import business look like in the early days?

Rice was concentrated in the Western District on Hong Kong Island. Ships moored in the Sheung Wan area at the Triangular Pier, and coolies would walk with sacks of rice on their shoulders to the warehouses which were right by the edge of the sea.

The Chaozhou people were both wholesalers and coolies, whereas a lot of the importers were from elsewhere in Guangdong. In the olden times Chaozhou was a very poor area. There were fishing villages but it was a rice deficient area. When the Chaozhou people moved to Hong Kong they

started to get involved in the rice business, and then many moved on to Singapore, Thailand, Malaysia, Vietnam. It was a close community and the wholesale merchants helped the poorer people to get work. A lot of the trading went through a network of cousins, as it still does to this day.

## How did Golden Resources develop the market?

Pre-supermarket, you bought from a rice store. It was in open sacks, and you didn’t know what you were getting. The rice could be stale. It might contain weevils. Some of the stores would add oil to it to make it look fresh.

My grandfather imported Asian rice. Then my father, who was educated in Australia, made new connections and started to import Australian rice. At that time Thai rice dominated the Hong Kong market. It was very hard and a bit difficult to chew. Australian rice was a good alternative with its softer long grain. That was the beginning of the Kangaroo brand.

The growth of supermarkets helped bring packaged rice to the market. Then my father discovered Thai Jasmine rice. It was long grain, had aroma, and was soft. As the Australian rice had been successful, he tried out this new strain of Thai rice, and that was how the Golden Elephant brand started.

The Hong Kong rice market is more differentiated than the wider Guangdong market. Since the 1970s in Hong Kong we have productized the commodity as various brands. We blend northern hemisphere with southern hemisphere rice. The seasons are different and complement one another. When the northern hemisphere rice is new (wet, soft and soggy), southern hemisphere rice is old (harder, drier). Rice blending is very important to maintain a standard product taste. Modern blending will include rice of several origins as different countries

sow and harvest their rice at different times. The technology ensures that the right kind of rice is in the blend to maintain the quality throughout the year.

## How did the business expand?

Jasmine rice was imported into Hong Kong, and then the supermarkets started to promote packaged rice. We hit the jackpot with the Thai Jasmine – long grain, soft texture, and lightly aromatic. It still took time for people to learn and try this “new variety”, but it proved to be very much to Hong Kong customers’ taste. On top of that, up to 1997 Hong Kong people were emigrating all over the world and starting to demand Jasmine rice worldwide boosting demand.

The Thai government gave my father two medals to honour his contribution to the development of the industry. And the quality assurance and brand success of Golden Elephant has won numerous awards through recent years.

Photo courtesy of Harvard-Yenching Library of the Harvard College Library, Harvard University



Chaozhou migrants off-loading sacks in Western District, Hong Kong

**Where does Hong Kong's rice come from?**

When Hong Kong was a British colony, the rice supply from communist China was not trusted. Rice was bought elsewhere in Southeast Asia, primarily in Thailand, establishing an import pattern which continues to this day.

**How secure is Hong Kong's rice supply?**

According to the Reserved Commodities Ordinance, Hong Kong wholesalers must hold 15 days' supply of rice. We have to keep the rice at our own cost. Rotational stock by rice importers equals another two weeks, so in total Hong Kong holds one month's supply. The journey from Thailand including turnaround is about seven days so this reserve is about enough.

**What sort of innovation processes have you introduced?**

Rice can contain weevils. But if you look under a microscope the weevil eggs are on the surface of the bran. So, we remill the rice with water polishing. We spray a mist of water and let the rice grains rub against one another until they are smooth. This removes any weevil eggs and makes the rice shinier in appearance.

We also started working with Japanese technology for vacuum packaging. No air inside means weevil eggs cannot hatch. That's why we started packaging in Hong Kong where we polish the rice. Freshly vacuum packed, it smells better, and it tastes better. It's a big change from single source rice that was not remilled. In the old days the rice used to get quite stale by the end of the year because of the oxidisation of the bran oil.

Golden Resources was first to introduce small consumer-packs and vacuum treatment in Hong Kong. The development of our centre in Tsing Yi, the only complete premium rice processing plant in Hong Kong, was a huge achievement for the group. The plant is capable of producing over half of Hong Kong's total rice consumption.

**Have you made any environmentally friendly initiatives?**

In addition to our commitment to product excellence, Golden Resources is also concerned about environmental issues. Golden Elephant Rice has recently launched Hong Kong's first environmentally friendly rice bag. The plastic resin is blended with degradable catalyst resin to instigate the degradation of the plastic. This complies with European Union's packaging standards, enabling the plastic to become degradable after discarding and reducing plastic waste.

Eventually, our bags will turn to ash and disappear. But we were challenged by Green parties who told us that our bags cannot be recycled because of the use of the degradable catalyst resin. How do you define an environmentally friendly bag? It depends on the ecosystem – recycling or disposing. Although our bags are made with cutting edge European technology, the challenge for Hong Kong is to decide whether to choose recycling or disposing. For disposition of the bags (e.g. garbage bag), degradable technology is an important link to environmental protection.



Chairman of Golden Resources Laurent Lam, David Lo and Anthony Lam

**What are the current challenges to the business?**

The import of rice to Hong Kong is stable in terms of quantity – that includes the entrepot trade. But families are getting smaller and increasingly people are eating outside the home. Retail rice is under pressure. People are going to food service outlets such as restaurants, fast food chains, or even convenience stores. So, how do we move forward?

In the food services sector for restaurants and hotels, we are the biggest provider. But this is a whole new business game. How do you create value working with businesses? How do we recreate what we did in the retail sector – productization – in the food services sector? What do our buyers treasure? Some make steamed rice, some use rice cookers, some need rice for lunch boxes, and some want rice for congee. So, now I challenge my staff, to learn what our food services customers demand. We want to move beyond price. How do we productize the commodity?

**What quality assurance do you have in place?**

We have a supervisor looking after customer care. At our factory in Hong Kong, we reprocess everything so we can be very responsive. We have upgraded our

**Hong Kong per capita rice consumption**

1997	2016
52kg	43kg

robotic system. We do double water polishing, double colour sorting, metal detecting, and we rescan all our rice for glass.

Although suppliers all over the world typically mill, polish and sort their rice, we redouble our effort to re-do everything, and ensure product quality and safety. This quality assurance also extends to chemically testing of the rice from different origins, ensuring the safety and compliance with the food safety standards in Hong Kong.

**What about the future of your family-run business?**

There is a difference between the East and the West. In the West, many major companies separated the family and the management over a hundred years ago. If my son loves music, how can I force him into business? I can't. But if you separate shareholding and management, he can be a board member, and the board can select the management team.

**Rice imports into Hong Kong in 2017**

Thailand	66%
Vietnam	16%
USA	6%
Mainland China	4%
Cambodia	4%
Australia	2%
Others	2%

Source: Trade and Industry Department, HKSAR Government



Right now, we use a lot of professionals, but still I am meddling in the processes! On our rice retailing side, everything is already run by professionals. So, this is a testing ground for any future management and shareholding separation.

### What new technologies are on the horizon?

We have moved into convenience stores and people talk about full automation. I don't think it works. Who is going to replenish the automatic store? Who is going to clear up? If full automation works, Japan with its vending machine would have taken the market 30 years ago. But Japan still has the most convenience stores in the world.

Five years ago, there were retail SKU QR codes in one of the subway stations in Seoul, South Korea, but it proved not to be a success.

A lot of people are talking about Hong Kong being backward with the Octopus card compared to WePay. But it is actually still one of the most efficient technologies. In 0.2 seconds you can pay and go. The technology companies are always pushing progress, but in Hong Kong a lot of them admit that the Octopus system is the best and most convenient form of payment. The queues are so short because we are using Octopus!

## ANTHONY'S TOP TIP



### How to cook rice

Soak it for half an hour before you press the button to cook.

That's what they do in Japan. Hong Kong people are in such a hurry!

### Do convenience stores have a strategic future?

Yes, C stores are a base for last mile delivery. The modern e-business cannot be digital alone. It has to be on the ground as well. C stores are the ground staff. We have some 300 stores in Vietnam, it's early days, and we are still building. But we are working with the courier companies, for both pick up of goods ordered online and sending."

### Brown rice vs white rice

Brown rice is white rice plus bran. Brown rice has more fibre, and is harder to digest, so the glycaemic index is lower. It also takes more energy to consume, so it is less fattening. The downside of bran is that it oxidizes quickly. If there is residual bran on the rice, the fatty acid will go stale.

If you like brown rice my word of advice is that you put it in the fridge. Weevil eggs will not hatch under 18°C. Also look out for vitamin enriched rice. This is Swiss technology – white rice based but not as harsh as brown rice.

