

Voluntary Report – Voluntary - Public Distribution

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Report Name: Japan Announces Relief Package to Alleviate Rising Wheat and Agricultural Input Prices

Country: Japan

Post: Tokyo

Report Category: Agricultural Situation, Agriculture in the News, Dairy and Products, Grain and Feed, Livestock and Products

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Report Highlights:

On September 9, the Government of Japan (GOJ) announced a 3.5 billion yen (\$24.3 million) relief package to alleviate rising food and energy costs, funded through the Japanese Fiscal Year (JFY) 2022 reserve fund. The package includes a sales price freeze for imported wheat from October 2022 to March 2023, payments for livestock farmers to alleviate the increased cost of compound feed, support to mitigate rising fertilizers costs, and grants to localities to support local inflation countermeasures. The Japanese Cabinet is expected to approve the 3.5 billion yen package by the end of September.

Background

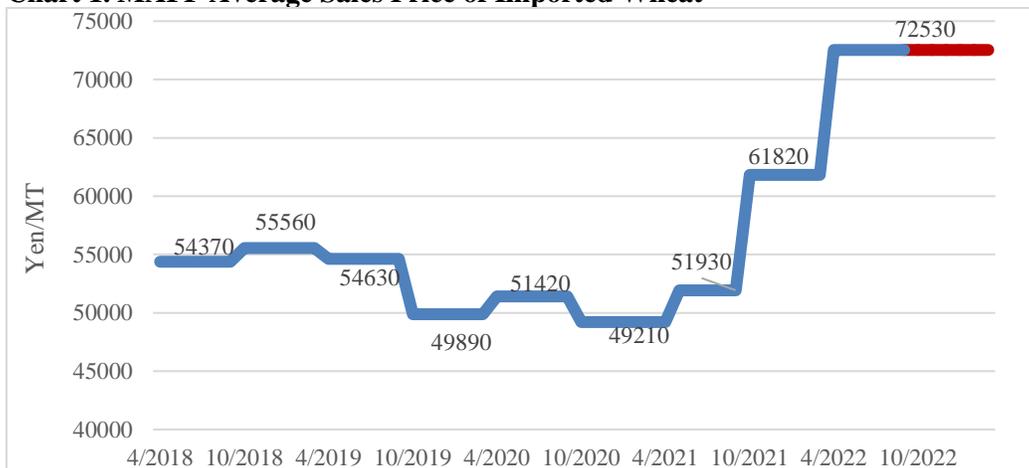
The Government of Japan's (GOJ) 3.5 billion yen (\$24.3 million¹) inflation relief package includes financial support for low income households, continuation of support payments to oil wholesalers to stabilize retail gasoline prices, a freeze on the GOJ's imported wheat sales price, and extending support to livestock farmers to contain retail compound feed prices. The GOJ has yet to announce a budget for each program. This relief package will be funded from the Japanese Fiscal Year (JFY) 2022 reserve fund and is a stopgap measure until the GOJ compiles a comprehensive economic package in October.

Imported Wheat Price

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), through a state-trading enterprise, controls Japan's import and distribution of imported food wheat. MAFF sets the price for imported wheat twice a year, for periods from April to September and October to March. MAFF bases the price on international wheat prices, freight costs, and exchange rates over the previous six months. For example, MAFF's sales price between April and September 2022 is based on these factors for the period between the second week of September 2021 and the first week of March 2022. MAFF raised the April – September 2022 average sales price for the five major classes² of wheat to 72,530 yen (\$504)/MT, up 17.3 percent from the previous six months. For the upcoming period, from October 2022 – March 2023, the standard formula would have further raised the average sales price to 86,818 yen (\$603)/MT, up 19.7 percent. However, with funding through the relief package, MAFF will maintain the sales price at 72,530 yen (\$504)/MT. For the April – September 2023 period, MAFF will calculate the sales price by extending the price-determining period from the previous six months to the previous 12 months.

Annually, Japan consumes approximately 5.8 million MT of food wheat, of which imported wheat accounts for roughly 85 percent. The GOJ explains that a freeze in the sales price of imported wheat for the next six months will help alleviate rising costs for food staples, such as bread and noodles.

Chart 1. MAFF Average Sales Price of Imported Wheat



Source: MAFF

¹ 144 yen/USD

² U.S. Dark Northern Spring, U.S. Hard Red Spring, U.S. Western White, Canadian Western Red Spring, and Australian Standard White.

Compound Feed

With relief package funding, MAFF will provide support payments to livestock farmers for the October – December 2022 quarter to compensate for rising compound feed prices.

Japanese feed mills revise their compound feed prices quarterly.³ With heavy reliance on imported feed ingredients, feed mills increased the average compound feed price 32 percent, to 88,599 yen (\$615)/MT, from April to June, and then an additional 13 percent, to 100,000 yen (\$694)/MT, for the following quarter. For the April to June quarter, the “Compound Feed Price Stabilization System,” jointly administer by MAFF and the livestock industry, distributed a 9,800 yen (\$68)/MT compensation payment to livestock producers. For the July – September quarter, MAFF estimates a 15,000 yen (\$104)/MT compensation payment will be provided to livestock farmers. These compensation payments were activated by a relaxed trigger level under the Emergency Economic Package in April 2022, when the GOJ replenished the compound feed price stabilization fund with 66.5 billion yen (\$462 million). See [JA2021-0128](#) for more on the compound feed price stabilization system and [JA2022-0039](#) for more on the Emergency Economic Package of April 2022.

MAFF expects the compound feed prices will remain around 100,000 yen (\$694)/MT from October to December while the compensation payment will drop to between 7,000 yen (\$49)/MT and 5,000 yen (\$35)/MT as a result of rolling averages in the support price mechanism. With support from the relief package, MAFF will provide support payments to livestock farmers to cover the reduction in the compensation payment. As a result, the compound feed price in the October – December 2022 quarter will remain largely unchanged from the previous quarter.

Table 1. Compound Feed Prices and Compensation Payments (Yen/MT)

	2022		
	April - June	July - September*	October - December*
Compound Feed Price	88,599	100,000	98,000 - 100,000
Compensation Payment	9,800	15,000	5,000 - 7,000
MAFF Emergency Payment	-	-	8,000
Livestock Farmers' Compound Feed Costs	78,799	85,000	85,000

Source: MAFF

*MAFF estimates

For dairy farmers, MAFF will extend additional, retrospective stopgap support payments to absorb some increased production costs between April and October 2022 until the raw milk price is revised in November.⁴ Annually, Japan imports two million MT of hay and straw to feed dairy cattle but unlike the compound feed price stabilization system, there is no safety net system to compensate dairy farmers for hay and straw price hike. MAFF considers the support payments to dairy farmers in accordance with the number of dairy cattle they keep.

³ Feed mills sell approximately 40 percent of compound feed directly to livestock farmers and the remaining 60 percent are sold through sales agents and local agricultural cooperatives.

⁴ The raw milk price will be revised in November through negotiations between farmers groups and dairy manufacturers.

Fertilizer

MAFF will provide support payments to cover 70 percent of the increased fertilizer costs to farmers who adopt measures to reduce chemical fertilizer use by 20 percent. Approved measures include use of livestock manure and sewage sludge compost, cover cropping, and fertilizer application based on soil analysis. The support payments will be applicable to autumn and spring fertilizers.

Grants for Prefectural and Municipal Governments

The GOJ will provide 600 billion yen (\$4.2 billion) to Prefectural and Municipal Governments to support their own inflation countermeasures. The GOJ recommends Prefectural and Municipal Governments to adopt support payments for school lunches, electricity use for agricultural waterways, and use of compost and other resources in lieu of chemical fertilizer.

Attachments:

No Attachments.