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Japan

Grain and Feed Annual

Enter a Descriptive Report Name

Approved By:
Jeffrey V. Nawn, Senior Agricultural Attaché

Prepared By:
Hisao Fukuda, Senior Agricultural Specialist

Report Highlights:
Despite a series of animal disease outbreaks (foot-and-mouth disease and avian influenza) that have impacted Japan's livestock population, Japan continues to be a stable and consistent market for U.S. grains. The spike in commodity prices in the last several months has been stirring serious concerns amongst livestock producers, consumer, and traders, as practically all of Japan's grain supplies, except rice, rely on imports. Japan has a well-established feed price subsidy program that absorbs increases in the cost of feed ingredients (refer to the ***Corn*** section). The subsidy helped alleviate farmers' burdens when commodity prices soared in 2007-08. With the corn price hike that began in late 2010, the subsidy was activated once again in January 2011 (refer to ***Chart 3***). Although it is premature to fully evaluate the impact of the recent commodity price increases, Japan's imports of major grains are expected to remain stable in 2011.

Commodities:

Rice, Milled
Wheat
Corn
Sorghum
Barley
Rye

Author Defined:

RICE

Production Two Percent Lower Than Normal

Primarily due to high temperatures in many regions, overall national production of rice in 2010 ended 2 percent below a normal year at 8,483,000 metric tons (MT), brown rice basis, and remained at last year's level.

Table 1.
Japan's Rice Production (Brown Basis)

	Planted Area (1,000 hectares)			Production (1,000 MT)			Yield/10 ares (kilograms)	
	Total	Paddy	Upland	Total	Paddy	Upland	Paddy	Upland
2006	1,688	1,684	4	8,556	8,546	10	507	246
2007	1,673	1,669	4	8,714	8,705	9	522	257
2008	1,627	1,624	3	8,823	8,815	8	543	265
2009	1,624	1,621	3	8,474	8,466	8	522	276
2010	1,628	1,625	3	8,483	8,478	5	522	189

Source: MAFF

Stagnant Consumption and Chronic Surplus Continue

Per capita consumption of rice in Japan has been steadily declining since its peak in 1962, and finally went below the 60 KG mark in 2008. MAFF forecasts the aggregate rice demand for 2010/11 to be 8,108,000 MT. The 2010 harvest of 8,483,000 MT will add some 375,000 MT to the stocks. In order to reduce surplus rice supply, MAFF has been pushing rice into the feed sector where the utilization ratio of rice in compound and mixed feed increased from 0.1 percent (or 13,464 MT) in 2003 to 2.3 percent (or 557,571 MT) in 2007 (Chart 1). However, in 2008, the feed use of rice declined to 468,000 MT and to 256,020 MT in 2009. It appears that feed rice, competing with conventional feed grains, has to be discounted heavily to attract feed millers, but this incentive is beginning to expire. On the table rice side, the four-decade-long downward trend in consumption will not likely be reversed, given the demographic situation depicted in Chart 2, where Japan's population peaked in 2005, faster than previously forecast, and is also aging rapidly (one out of four Japanese will be older than 65 by 2015).

Table 2.
Annual Per Capita Consumption of Rice in Japan (Kilograms)

1962	1965	1975	1985	1995	2005	2008	2009	2010*
118.3	111.7	88.0	74.6	67.8	61.4	59.0	58.5	58.0

* Ag Office estimate

Source: MAFF

Chart 1: Use of Rice in Feed
Source: Feed Supply Stabilization Organization

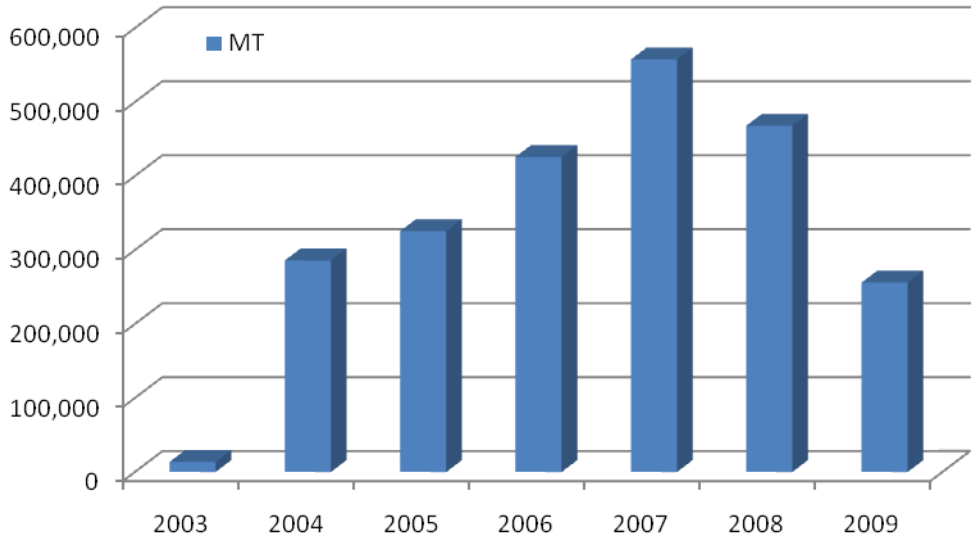
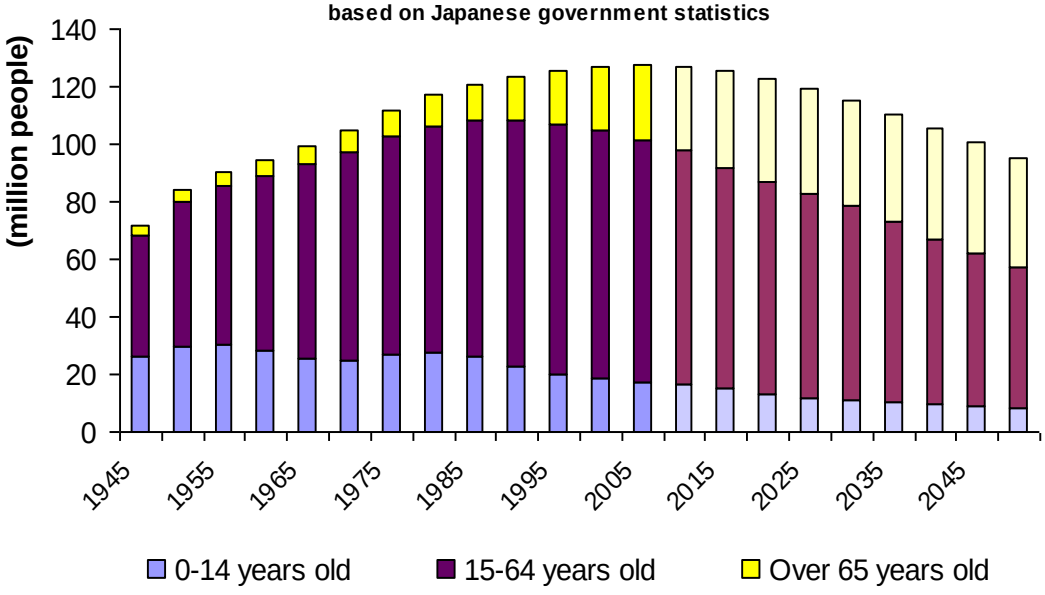


Chart 2: Japan's Past Demographic Trends and Future Forecast
Source: Compiled by AgAffairs/Tokyo
based on Japanese government statistics



As a result of a reduction in rice consumption, as well as a decline in price over the years, household expenditures on rice have been cut by more than half during the last two decades. The average Japanese household now spends less than four percent of food expenditures on rice.

Table 3.
Average Monthly Expenditures on Rice by Japanese Household (in Yen)

	2000	2005	2006	2007	2008	2009	2010
Total Expenditure	317,133	302,903	295,332	297,139	297,102	291,737	290,244
Food Expenditure	73,844	68,910	68,178	68,522	69,145	68,322	67,563
Expenditure on Rice	3,291	2,681	2,523	2,506	2,515	2,419	2,276
% rice/food	4.50%	3.89%	3.70%	3.66%	3.64%	3.54%	3.37%

Source: Ministry of Management, Home Affairs, Post and Telecommunications

Overall Downward Trend in Rice Price Continues

The table below shows the wholesale and retail process of three popular varieties/brands of rice: 1) Niigata Koshihikari, the most popular household brand; 2) Akitakomachi, another popular, yet less expensive brand and; 3) Kirara 397, the most popular brand by foodservice operators. Although there are some fluctuations, overall trend in rice prices is unmistakably down.

Table 4.
Wholesale and Retail Prices of Popular Rice Varieties
(Yen/10 kilograms)

Variety		2005 Crop	2006 Crop	2007 Crop	2008 Crop	2009 Crop
Niigata Koshihikari	Wholesale	4,311	4,239	4,125	4,147	4,015
	Retail	5,191	5,010	5,057	4,882	4,548
Akitakomachi	Wholesale	3,579	3,547	3,420	3,605	3,579
	Retail	4,220	4,107	4,189	4,117	3,855
Kirara 397	Wholesale	3,097	3,154	3,178	3,290	3,231
	Retail	3,599	3,561	3,680	3,632	3,472

Japan Expected to Meet Import Commitment in 2010

As of February 23, 2011, eight Simultaneous Buy and Sell (SBS) tenders and nine Ordinary Minimum Access (OMA) tenders have been held for the current Japan Fiscal Year 2010 (April 2010-March 2011). Every year, Japan is expected to fulfill its WTO commitment of 682,000 MT on the milled rice basis.

Table 5.
Results of Japan's Minimum Access Rice Tenders
JFY 1995-2010
(Actual Tonnage)

	U.S.	Thailand	Australia	China	Others	Total
JFY2010 (as of 02/24/11)						
SBS	18,274	9,700	0	3,028	418	31,420

Share	*58.2%*	*30.9%*	*0.0%*	*9.6%*	*1.3%*	*100.0%*
OMA	270,000	263,000	24,000	13,000	0	570,000
Share	*47.4%*	*46.1%*	*4.2%*	*2.3%*	*0.0%*	*100.0%*
Total	288,274	272,700	24,000	16,028	418	601,420
Share	*47.9%*	*45.3%*	*4.0%*	*2.7%*	*0.1%*	*100.0%*
JFY2009						
SBS	22,191	13,628	0	63,835	346	100,000
Share	*22.2%*	*13.6%*	*0.0%*	*63.8%*	*0.3%*	*100.0%*
OMA	296,500	283,710	0	0	0	580,210
Share	*51.1%*	*48.9%*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Total	318,691	297,338	0	63,835	346	680,210
Share	*46.9%*	*43.7%*	*0.0%*	*9.4%*	*0.1%*	*100.0%*
JFY2008						
SBS	18,652	15,548	0	65,254	546	100,000
Share	*18.7%*	*15.5%*	*0.0%*	*65.3%*	*0.5%*	*100.0%*
OMA	364,000	217,000	0	0	0	581,000
Share	*62.7%*	*37.3%*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Total	382,652	232,548	0	65,254	546	681,000
Share	*56.2%*	*34.1%*	*0.0%*	*9.6%*	*0.1%*	*100.0%*
JFY2007						
SBS	24,629	1,506	0	73,456	409	100,000
Share	*24.6%*	*1.5%*	*0.0%*	*73.5%*	*0.4%*	*100.0%*
OMA	294,550	215,000	0	0	7,000	516,550
Share	*57.0%*	*41.6%*	*0.0%*	*0.0%*	*1.4%*	*100.0%*
Total	319,179	216,506	0	73,456	7,409	616,550
Share	*51.8%*	*35.1%*	*0.0%*	*11.9%*	*1.2%*	*100.0%*
JFY2006						
SBS	22,566	1,048	7,535	68,013	838	100,000
Share	*22.6%*	*1.0%*	*7.5%*	*68.0%*	*0.8%*	*100.0%*
OMA	296,316	158,050	39,000	0	85,050	578,416
Share	*51.2%*	*27.3%*	*6.7%*	*0.0%*	*14.7%*	*100.0%*
Total	318,882	159,098	46,535	68,013	85,888	678,416
Share	*47.0%*	*23.5%*	*6.9%*	*10.0%*	*12.7%*	*100.0%*
JFY2005						
SBS	17,894	1,784	4,084	75,684	554	100,000
Share	*18.2%*	*1.1%*	*1.6%*	*78.8%*	*0.3%*	*100.0%*
OMA	304,000	163,500	13,000	0	98,078	578,578
Share	*52.2%*	*23.6%*	*13.7%*	*3.4%*	*7.1%*	*100.0%*
Total	321,894	165,284	17,084	75,684	98,632	678,578
Share	*47.4%*	*24.4%*	*2.5%*	*11.2%*	*14.5%*	*100.0%*
JFY 2004						
SBS	23,413	1,211	4,658	63,877	829	93,988
Share	*24.9%*	*1.3%*	*5.0%*	*68.0%*	*0.9%*	*100.0%*
OMA	298,500	163,300	13,000	24,000	85,944	584,744
Share	*51.0%*	*27.9%*	*2.2%*	*4.1%*	*14.7%*	*100.0%*
Total	321,913	164,511	17,658	87,877	86,773	678,732
Share	*47.4%*	*24.2%*	*2.6%*	*12.9%*	*12.8%*	*100.0%*
JFY 2003						
SBS	18,216	1,145	1,570	78,803	266	100,000
Share	*18.2%*	*1.1%*	*1.6%*	*78.8%*	*0.3%*	*100.0%*
OMA	298,000	134,700	78,400	19,500	40,500	571,100
Share	*52.2%*	*23.6%*	*13.7%*	*3.4%*	*7.1%*	*100.0%*
Total	316,216	135,845	79,970	98,303	40,766	671,100
Share	*47.1%*	*20.2%*	*11.9%*	*14.6%*	*6.1%*	*100.0%*
JFY 2002						
SBS	20,122	1,327	4,077	24,247	294	50,067
Share	*40.2%*	*2.7%*	*8.1%*	*48.4%*	*0.6%*	*100.0%*
OMA	301,676	134,808	82,500	75,690	34,800	629,474
Share	*47.9%*	*21.4%*	*13.1%*	*12.0%*	*5.5%*	*100.0%*
Total	321,798	136,135	86,577	99,937	35,094	679,541

Share	*47.4%*	*20.0%*	*12.7%*	*14.7%*	*5.2%*	*100.0%*
JFY 2001						
SBS	25,173	421	8,529	65,702	175	100,000
Share	*25.2%*	*0.4%*	*8.5%*	*65.7%*	*0.2%*	*100.0%*
OMA	298,877	129,376	91,500	55,516	4,700	579,969
Share	*51.5%*	*22.3%*	*15.8%*	*9.6%*	*0.8%*	*100.0%*
Total	324,050	129,797	100,029	121,218	4,875	679,969
Share	*47.7%*	*19.1%*	*14.7%*	*17.8%*	*0.7%*	*100.0%*
JFY 2000						
SBS	46,273	4,960	14,269	53,264	1,234	120,000
Share	*38.6%*	*4.1%*	*11.9%*	*44.4%*	*1.0%*	*100.0%*
OMA	284,000	144,370	94,000	35,000	15,669	573,039
Share	*49.6%*	*25.2%*	*16.4%*	*6.1%*	*2.7%*	*100.0%*
Total	330,273	149,330	108,269	88,264	16,903	693,039
Share	*47.7%*	*21.5%*	*15.6%*	*12.7%*	*2.4%*	*100.0%*
JFY 1999						
SBS	36,826	3,753	14,587	62,611	2,223	120,000
Share	*30.7%*	*3.1%*	*12.2%*	*52.2%*	*1.9%*	*100.0%*
OMA	276,000	138,200	90,000	13,900	15,000	533,100
Share	*51.8%*	*25.9%*	*16.9%*	*2.6%*	*2.8%*	*100.0%*
Total	312,826	141,953	104,587	76,511	17,223	653,100
Share	*47.9%*	*21.7%*	*16.0%*	*11.7%*	*2.6%*	*100.0%*
JFY 1998						
SBS	36,498	5,297	14,538	61,965	1,702	120,000
Share	*30.4%*	*4.4%*	*12.1%*	*51.6%*	*1.4%*	*100.0%*
OMA	265,400	130,000	87,000	10,000	20,000	512,400
Share	*51.8%*	*25.4%*	*17.0%*	*2.0%*	*3.9%*	*100.0%*
Total	301,898	135,297	101,538	71,965	21,702	632,400
Share	*47.7%*	*21.4%*	*16.1%*	*11.4%*	*3.4%*	*100.0%*
JFY 1997						
SBS	34,657	911	3,159	13,882	2,532	55,141
Share	*62.9%*	*1.7%*	*5.7%*	*25.2%*	*4.6%*	*100.0%*
OMA	237,900	133,900	82,400	30,000	5,000	489,200
Share	*48.6%*	*27.4%*	*16.8%*	*6.1%*	*1.0%*	*100.0%*
Total	272,557	134,811	85,559	43,882	7,532	544,341
Share	*50.1%*	*24.8%*	*15.7%*	*8.1%*	*1.4%*	*100.0%*
JFY 1996						
SBS	14,134	360	1,173	5,113	1,220	22,000
Share	*64.2%*	*1.6%*	*5.3%*	*23.2%*	*5.5%*	*100.0%*
OMA	201,000	127,650	80,000	35,000	0	443,650
Share	*45.3%*	*28.8%*	*18.0%*	*7.9%*	*0.0%*	*100.0%*
Total	215,134	128,010	81,173	40,113	1,220	465,650
Share	*46.2%*	*27.5%*	*17.4%*	*8.6%*	*0.3%*	*100.0%*
JFY 1995						
SBS	5,715	246	1,935	2,390	408	10,694
Share	*53.4%*	*2.3%*	*18.1%*	*22.3%*	*3.8%*	*100.0%*
OMA	188,000	95,100	85,000	30,000	0	398,100
Share	*47.2%*	*23.9%*	*21.4%*	*7.5%*	*0.0%*	*100.0%*
Total	193,715	95,346	86,935	32,390	408	408,794
Share	*47.4%*	*23.3%*	*21.3%*	*7.9%*	*0.1%*	*100.0%*

Source: MAFF

New Rice Traceability Program Begins

In an effort to prevent a recurrence of the tainted rice incident of 2008 (synopsis below), traceability on rice was legislated in 2009 and part of the new requirements under the law came into effect on October 1, 2010.

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Tainted Rice Incident of 2008

In September, 2008, a whistle blower unveiled that Mikasa Foods, an Osaka-based food processing company, had been fraudulently selling so called "incident rice" designated for non-human consumption to food processing and foodservice users since 2003 and perhaps longer. "Incident rice" is the term the Ministry of Agriculture (MAFF) uses for the rice, stored in government warehouses, whose quality is deemed unsuitable for human consumption due to pesticide residues exceeding the regulatory limits or to quality deterioration like mold. Since most of the government stocks of rice are imported under Japan's Uruguay Round Minimum Access (MA) commitment, to the rice industry "incident rice" generally refers to MA rice disqualified for human consumption. At the time MAFF allowed incident rice or what the media now calls "tainted rice" to be sold only for industrial uses such as glue manufacturing.

According to MAFF's records, Mikasa had bought some 1,800 metric tons of tainted rice from MAFF since 2003 and sold most of it to over 390 companies which then used it to make products for human consumption. These companies claim that they did not know the rice was tainted. The list of purchasers includes sake breweries, confectionery manufacturers, and even foodservice companies catering to day care centers and kindergartens.

There was actually suspicion of Mikasa'a fraudulent activity more than a year before and MAFF officials had inspected Mikasa almost a hundred times since the first whistle blowing but found no wrongdoing. New findings of other companies' involvement in similar activities kept surfacing and made the front page of the newspapers daily. This so-called "tainted rice incident" became MAFF's biggest crisis since BSE was discovered in Japan in 2001.

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The rice traceability program consists of two requirements: 1) record keeping of transactions; and 2) communication of place/country of origin. As stated in the law:

1. When a business entity buys/sells, transports or abolishes rice and rice products (Note 1), it is required (as of October 1, 2010) to keep the related records (Note 2) either on paper or electronically for three months up to three years depending on the product's use-by date.

   Note 1: Brown rice, milled rice, rice flour, rice malt, steamed rice, rice cake (*mochi* and *dango*), rice crackers, *sake*, *shochu* and *mirin*

   Note 2: Name of product, place of origin (prefecture in the case of domestic rice and country of origin in the case of imported rice), quantity, date of action/transaction, parties involved in the action/transaction, etc.

2. Starting July 1, 2011, each business entity involved in the sales of rice and rice products will be required to communicate the place/country of origin information to the buyer. This includes from the retailer to the consumer (Note 3). The method of communication can be either on the product label, on the company's website or via the company's customer service center (Note 4). Under the JAS Law, communication of the product's place/country of origin information is already required for brown rice, milled rice, and *mochi*/*dango,* therefore, excluded from this new regulation (Note 5).

   Note 3: Restaurants are exempt (except when they serve steamed rice or menu items using steamed rice as a main ingredient, e.g. curried rice).

   Note 4: e.g.) on the product label; on the point-of-sales materials; in the product brochure; information on the company's website; or by customer service on the phone/internet.

   Note 5: This new regulation now covers rice flour, rice malt, rice crackers, *sake*, *shochu* and *mirin.*

Stocks

MAFF holds emergency stocks of rice, whose appropriate level is targeted at 1 million MT. However, this does not include stocks of the Minimum Access (MA) rice, also at the 1 million MT level in the last few years. As shown below, stocks of

domestic rice have been reduced over the years, and since 2004 have been below the targeted level, subsequent to a poor crop in 2003. In contrast, stocks of MA rice had been piling up and peaked in 2006. However, MAFF has been selling MA rice aggressively into the feed sector for the last several years, running down the stock level. As reported in the earlier consumption section, about 256,000 MT of MA rice is now going into the feed sector. Post will continue closely monitoring this development where an increasing amount of high quality U.S. rice, intended for human consumption, is going into non-food sectors.

Table 6.
Japan's Rice Reserve
(MT)

	Commercial	Government		Total
		Domestic	MA rice	
1995	370,000	1,180,000	0	1,550,000
1996	390,000	2,240,000	310,000	2,940,000
1997	850,000	2,670,000	390,000	3,910,000
1998	470,000	2,970,000	420,000	3,860,000
1999	220,000	2,330,000	440,000	2,990,000
2000	110,000	1,620,000	560,000	2,290,000
2001	370,000	1,760,000	750,000	2,880,000
2002	460,000	1,550,000	950,000	2,960,000
2003	130,000	1,310,000	1,270,000	2,710,000
2004	20,000	570,000	1,480,000	2,070,000
2005	0	710,000	1,700,000	2,410,000
2006	0	680,000	1,890,000	2,570,000
2007	0	770,000	1,520,000	2,290,000
2008	0	990,000	970,000	1,960,000
2009	0	860,000	950,000	1,810,000
2010	0	980,000	880,000	1,860,000

Source: Food Department/MAFF

Minimum Access Commitment Continues into 2010

As a result of the Government of Japan's (GOJ) tariffication of rice in JFY 2000, the Minimum Access commitment was reduced to 7.2 percent of total domestic consumption from the non-tariffied rate of 8.0 percent. In terms of volume, 7.2 percent is equivalent to 682,000 MT (milled basis). This volume will remain in effect until renegotiated. Japan intends to position rice as a most sensitive item, therefore, excluding it from the across the board expansion of tariff rate quotas (TRQs) and tariff capping in the WTO Doha Round.

Table 7.
Japan's Market Access Obligations for Rice
(MT, Minimum Access as Percent of Domestic Rice Consumption)

	Without Tariffication		With Tariffication	
	Volume	Percent of Domestic Consumption	Volume	Percent of Domestic Consumption
JFY 2000 Onward	758,000	8.0 percent	682,000	7.2 percent

Source: MAFF

Export of Rice under Food Aid

The GOJ sets aside about 200,000 MT of rice under food aid programs on an annual basis. This amount does not show up in the export statistics by the Ministry of Finance, which appears to record only exports of Japanese domestic rice (38,242 MT

in the calendar year 2010 which includes a negligible amount of commercial exports). The discrepancy between the total food aid exports and the amount recorded in the official export statistics is considered to be rice imported under the OMA regime and diverted for food aid exports.

WHEAT

Production in 2010 Declines 16 Percent

The total planted area for wheat in 2010 stayed about the same as the previous year. However, the production volume declined 16 percent due to unfavorable weather conditions in the major production area of Hokkaido as well as Kyushu. Yield has significantly declined over the past several years.

Table 8.
Japan's Wheat Production

	Planted Area (hectares)	Production (MT)	Yield (MT/ha)
2006	218,300	837,200	3.84
2007	209,700	910,100	4.34
2008	208,800	881,200	4.22
2009	208,300	674,600	3.24
2010	206,900	567,800	2.74

Source: MAFF

Wheat Consumption Stays Flat

Up until the 1980's, wheat consumption had been increasing gradually as consumers shifted from rice to processed wheat products such as bread and pasta. However, consumption has been flat in the last three decades at 31-32 kilograms per capita. The Ministry of Agriculture, Forestry and Fisheries (MAFF) estimates the total food wheat demand to be 5.69 million metric tons for 2010/11 Japan fiscal year (April 2010-March 2011). In addition, Post estimates that the feed industry consumes 300,000 to 350,000 metric tons, which makes Japan's aggregate wheat demand around 6 million metric tons.

Table 9.
Per Capita Consumption of Wheat in Japan
(Kilograms)

1985	2000	2005	2006	2007	2008	2009	2010*
31.7	32.6	31.7	31.8	32.3	31.1	31.8	31.5

Source: MAFF

* Ag Office estimate

Wheat Utilization

Due to limited domestic wheat supplies, nearly 90 percent of Japan's wheat demand must be met by imports. Most of the imported wheat comes through the state trading system administered by MAFF. MAFF purchases different types/brands of wheat mainly from the United States, Canada and Australia to best meet the usage/needs by Japanese users.

Table 10.
Major Brands of Imported Wheat and Their Uses

(MT)

Brand	Use	FY2009 import Volume

U.S. Western White (WW)	Confectionery products	761,000
U.S. Hard Red Winter (HRW)	Bread and Chinese noodles	852,000
U.S. Dark Northern Spring (DNS)	Bread and Chinese noodles	1,348,000
Canada Western Red Spring #1 (1CW)	Bread	671,000
Canada Western Amber Durum (DRM)	Western noodles (pasta)	204,000
Australia Standard White (ASW)	Japanese noodles	803,000
Australia Prime Hard (PH)	Chinese noodles	159,000
		4,798,000

Source: MAFF

Wheat Resale Price Declines as International Wheat Prices Fall

MAFF controls both producer and resale prices of domestic and imported wheat. MAFF buys imported wheat at international prices and sells it to domestic flour millers at a markup. As shown in Table 11 below, the ratio has recently been around 2 to 1, which means MAFF sells imported wheat at twice the purchase price. On the other hand, MAFF buys domestic wheat at a high price and sells it to domestic flour millers at a significantly lower price, lower than imported wheat, so that the lower quality domestic wheat will be accepted. Revenues from transactions for imported wheat are used to help cover the cost difference between the purchase and resale of domestic wheat. This is referred to as the "Cost Pool System".

Until 2007 the resale price at which Japanese millers bought wheat from MAFF was set once a year for each brand/country and fixed at that price throughout the year. MAFF's purchase price (CIF price), however, has always fluctuated with international prices. Therefore, MAFF took the risk for changes in currency exchange rates and increases in import prices. This system was established in 1951 to ensure stable consumer prices as mandated under the Food Law.

The new system which started in JFY 2007 allows MAFF to revise the resale price twice a year (April and October), based on fluctuations in the market, and thus better reflects the market price situation (FOB price) on the resale price. Thus, the resale price, average of five brands (U.S. Western White, Hard Red Winter, Dark Northern Spring, Canadian Western Red Spring and Australian Standard White) in the second half of JFY2009 dropped over 20 percent to 49,820 yen per metric ton from 64,750 yen in the first half as international wheat prices fell.

Table 11.
GOJ Purchase and Resale Prices of Imported Wheat
JFY 2009
(Yen per MT)

Month-Year	Average CIF Price* (a)	Resale Price* (b)	(b)/(a)
Apr-09	28,889	64,750	2.2
May-09	30,574		2.1
Jun-09	30,998		2.1
Jul-09	27,466		2.4
Aug-09	27,210		2.4
Sep-09	26,816		2.4
Oct-09	26,123	49,820	1.9
Nov-09	26,260		1.9
Dec-09	26,158		1.9
Jan-10	26,298		1.9
Feb-10	26,426		1.9
Mar-10	26,911		1.9

Source: MAFF and Ministry of Finance
*Average of five brands: WW, HRW, DNS, 1CW and ASW
The price includes 5% consumption tax.

Wheat Imports Remain Steady in 2010

Total imports of wheat in calendar year (CY) 2010 increased by 16.4 percent to 5,475,586 MT. The increase is not as sharp on the marketing year (MY) basis (July-June): from 4,938,417 in MY07/08 to 5,280,149 MT in MY09/10, up 6.9 percent. MAFF's inflated purchase in mid-2008, when C&F prices started to come down, forced purchases to shrink in 2009. Considering Japan's aggregate wheat demand to be 6 million metric tons, minus 600,000-700,000 MT of domestic wheat in the market, expected annual import volume should be 5.3 to 5.4 million MT. In the medium term, imports of wheat are forecast to decline slowly but steadily as Japan's demographics change.

Table 12.
Japan's Wheat Imports
(MT)

Calendar Year

Year	U.S.	Share	Canada	Australia	TOTAL
CY 2008	3,658,265	63.3%	1,180,784	932,665	5,780,711
CY 2009	2,839,897	60.4%	942,449	878,043	4,702,565
CY 2010	3,305,142	60.4%	1,017,907	1,093,092	5,475,586

Source: Ministry of Finance

Marketing Year

Year	U.S.	Share	Canada	Australia	TOTAL
MY 2008	3,464,612	63.1%	1,151,695	855,689	5,491,503
MY 2009	3,051,697	61.8%	1,036,444	836,474	4,938,417
MY 2010	3,152,029	59.7%	971,924	1,081,542	5,280,149

Source: Ministry of Finance

MAFF allows flour millers to import wheat outside of MAFF's control as long as they export an equivalent amount of wheat flour. This so-called "free wheat" is imported at world prices and is thus very profitable. This system also provides millers with an export market for their lower quality flour, which otherwise would have little value in the domestic market.

Table 13.
Japanese Exports of Wheat Flour by Destination
(MT)

Destination	CY 2008	CY 2009	CY2010
Hong Kong	116,746	111,277	114,796
Vietnam	11,983	16,632	20,390
Singapore	32,164	29,574	31,635
Thailand	9,503	10,597	11,203
United States	985	703	723
Other	15,659	16,620	17,436
Total	187,040	185,403	196,183

Source: Ministry of Finance

Feed Wheat Imports through SBS System

In 1999, MAFF introduced the Simultaneous Buy and Sell (SBS) system for imported wheat and barley for feed use. Thus far in JFY 2010 MAFF has conducted twenty-nine SBS tenders, through which 125,180 MT of imported wheat has been contracted.

Table 14.
SBS Imports of Feed Wheat and Barley
(MT)

	Wheat	Barley
1st tender	0	0
2nd	12,720	61,130
3rd	7,200	137,800
4th	22,470	187,870
5th	0	18,000
6th	0	0
7th	0	0
8th	7,000	104,950
9th	13,735	91,360
10th	16,110	88,617
11th	0	90,218
12th	0	0
13th	0	0
14th	0	0
15th	0	21,200
16th	0	0
17th	0	97,133
18th	0	8,700
19th	0	0
20th	27,755	141,590
21th	350	31,520
22th	0	0
23th	700	300
24th	0	8,800
25th	0	0
26th	0	0
27th	16,240	77,885
28th	900	12,300
29th	0	8,000
Total	125,180	1,187,373

Source: MAFF

As of February 28, 2009

MAFF Introduces New SBS System for Food Quality Wheat and Barley

MAFF started a new Simultaneous-Buy-Sell (SBS) system for food quality wheat and barley in Japan's new fiscal year, beginning April 2007. The idea behind the SBS system is to allow for greater flexibility of imports and transparency in a portion of food quality wheat. However, MAFF still remains a "middle man" in the transaction.

Plans for Wheat SBS Tenders:

There are two categories of SBS wheat imports: Category I (vessel trade) and Category II (container trade). In Category I, MAFF plans to transfer state purchases of 240,000 to 250,000 MT of Australian Prime Hard and 240,000 to 250,000 MT of Durum to Category I (note: these quantities are tentative). Traditionally, MAFF has bought durum only from Canada, but this system will theoretically open up the system to U.S. durum. As for Prime Hard, Australia is the only supplier.

In Category II, MAFF designates wheat varieties that are not imported under the state trading regime into Category II. Category I is intended for vessel trade and Category II for container trade. The idea is that this would provide a vehicle for importing new varieties – including U.S. durum, which could be imported under Category I or II.

Category I: Prime Hard and Durum

Category II: Any variety/brand except:
U.S. Western White (WW)
U.S. Hard Red Winter (HRW)
U.S. Dark Northern Spring (DNS)
Australia Standard White (ASW)
Canada Western Red Spring (CWRS)

A total of about 362,000 MT of wheat (Category I and II combined) was imported under this system during JFY2010. Due to relatively expensive freight rates for containers, wheat imported by containers (Category II) was small in volume.

Table 15.
SBS Imports of Food Wheat - Japan Fiscal 2009 (April 2009-March 2010)
(MT)

Country	Brand	Category	Apr-Sept	Oct-Mar	Total
Australia	Prime Hard	Category I	53,700	68,250	121,950
		Category II	17,221	21,985	39,206
		Australia Total	70,921	90,235	161,156
Canada	Durum	Category I	102,400	94,200	196,600
		Canada Total	102,400	94,200	196,600
France	French	Category II	1,044	1,950	2,994
		France Total	1,044	1,950	2,994
Other	Other	Category II	546	944	1,490
Total			174,911	187,329	362,240

Source: MAFF

Stocks

Japan has held emergency stocks of wheat at a level equivalent to 2.6 months' worth of the amount of food wheat imported annually. Due to the shortened time necessary to obtain alternative supplies in case of an emergency, the government stocks have been reduced to 1.8 months' worth. Adding the stocks held by the private sector (about 0.5 month's worth), the government sets the targeted amount of stocks at 950,000 metric tons. Starting October 2010, the government stocks have been transferred to the private sector, and within 2011, all of Japan's wheat stocks will be held by the private sector. However, the government will subsidize the cost of storing the 1.8 months' worth of stocks the government used to keep.

CORN

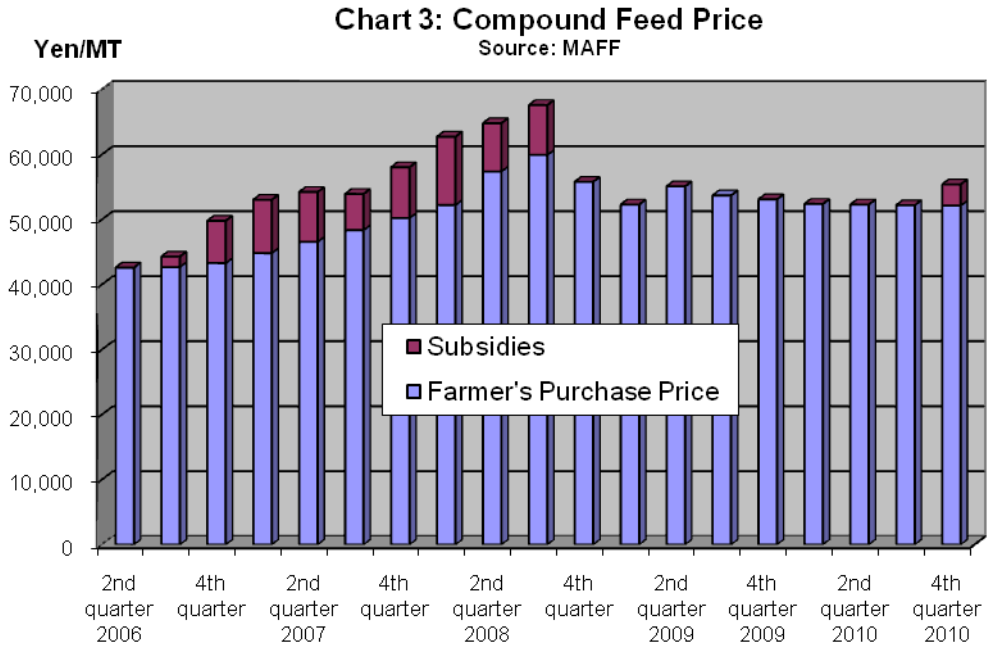
Production

Corn production is negligible in Japan.

Overall Demand Stable despite Foot-and-Mouth Disease and Avian Influenza

Corn is an indispensable ingredient in animal feed and starch making in Japan. Despite price fluctuations, demand for imported corn has generally remained stable, both in the feed sector and food sector.

From late 2006 until the third quarter of 2008 the price of compound feed increased by almost 60 percent. To help smooth livestock producers costs the GOJ manages a feed price stabilization program whereby a combination of a MAFF subsidy and an industry fund help absorb sudden surges in the compound feed price. As the graph below shows, since the second quarter of 2006 this subsidy has helped curb feed price increases. As grain prices declined in the fourth quarter of 2008, subsidies ceased. From the third quarter of 2006 through the third quarter of 2008 the total amount of subsidies reached 353 billion yen (approx. 4 billion dollars), 45 billion yen (approx. 500 million dollars) of which came out of MAFF's budget. Grain prices rose sharply in the last quarter of 2010 and subsidies were once again activated at 3,250 yen per metric ton. Post estimates that this fund will be able to provide a significant buffer for an extended period of time, as demonstrated during the 2007-2008 commodity price surge.



Japan experienced outbreaks of Foot and Mouth Disease (FMD) in spring/summer of 2010. Since the first case was reported in April, 292 cases were detected, and a total of 174,132 pigs and 37,454 heads of cattle were depopulated. Japan was successful in containing the outbreaks in the prefecture of Miyazaki on the island of Kyushu, and was able to obtain FMD-free status by the International Office of Animal Health (OIE) on February 5, 2010.

In late January 2011, a case of high-pathogenic avian influenza was detected in Miyazaki Prefecture. Since wild birds appear to be the carrier, outbreaks have spread to other prefectures and new cases have been reported every week. As of February 15, over 1.2 million birds have been depopulated.

Although these FMD and avian influenza outbreaks may shrink Japan's swine and poultry population slightly, the percentage of affected population will be too insignificant to expect any impact on the overall demand for feed.

Table 16.
Japan's Livestock Population
(1,000 heads)

	2000	2005	2006	2007	2008	2009	2010	*% change 2010/2000*
Dairy cows	1,764	1,655	1,636	1,592	1,533	1,500	1,484	***-15.9%***
Beef cattle	2,824	2,747	2,755	2,806	2,890	2,923	2,892	***+2.4%***
Swine	9,806	9,750*	9,620	9,759	9,745	9,899	9,750*	***-0.6%***

Layers	140,365	136,000*	136,894	142,765	142,523	139,910	139,200*	***-0.8%***
Broilers	108,410	102,520	103,687	105,287	102,987	107,141	106,400*	***-1.9%***

Source: MAFF (as of February each year)

* Ag Office Estimate

Utilization Patterns

Of the total demand for corn in Japan (approximately 16.3 million MT), roughly 70 percent comes from the feed sector, 22 percent from starch manufacturers, and 8 percent from other food-use sectors including manufacturers of corn grits (used as a fermentation ingredient in liquors), cornflakes and confections.

Corn is the largest ingredient used in compound and mixed feed. The ingredient ratio is adjusted from year-to-year, depending on the prices of various grains, but the corn ratio has been fairly constant at 47–50 percent in recent years. Of the total demand for feed corn (roughly 12 million MT), about 42 percent (5 million MT) comes from the poultry sector.

The declining trend in the livestock population appears irreversible and feed demand in Japan is expected to decline slowly but surely in years to come. The future of corn demand in Japan relies heavily on developing and enhancing demand in the non-feed sector. In the past several years, a robust demand for food corn has been driven by a strong beverage demand for corn sweeteners and for light beer called *happoshu*.

Table 17-1.
Feed Utilization by Ingredients 2009
(MT)

	Corn	Sorghum	Wheat	Barley	Rice	Wheat Flour
Layer Feed						
MT	3,371,571	265,617	2,045	0	58,990	3,033
%	52.9%	4.2%	0.0%	0.0%	0.9%	0.0%
Broiler Feed						
MT	1,667,704	713,346	1,892	996	99,661	10,688
%	41.9%	17.9%	0.0%	0.0%	2.5%	0.3%
Poultry Total						
MT	5,039,275	978,963	3,937	996	158,651	13,721
%	48.7%	9.5%	0.0%	0.0%	1.5%	0.1%
Dairy Cattle						
MT	1,355,482	22,644	33,536	47,968	25,891	28,237
%	43.3%	0.7%	1.1%	1.5%	0.8%	0.9%
Beef Cattle						
MT	1,825,186	66,725	49,331	762,113	10,150	40,898
%	39.8%	1.5%	1.1%	16.6%	0.2%	0.9%
Cattle Feed Total						
MT	3,180,668	89,369	82,867	810,081	36,041	69,135
%	41.2%	1.2%	1.1%	10.5%	0.5%	0.9%
Swine Feed						
MT	3,374,212	649,778	66,719	79,639	60,949	51,292
%	54.1%	10.4%	1.1%	1.3%	1.0%	0.8%
Feed, other						
MT	19,316	2,648	174	1,696	118	1,650
%	35.8%	4.9%	0.3%	3.1%	0.2%	3.1%
Compound Feed Total						
MT	11,613,471	1,720,758	153,697	892,412	255,759	135,798

%	47.7%	7.1%	0.6%	3.7%	1.0%	0.6%
Mixed Feed						
MT	295,388	2,165	10,317	18,607	261	769
%	61.0%	0.4%	2.1%	3.8%	0.1%	0.2%
Feed Total						
MT	11,908,859	1,722,923	164,014	911,019	256,020	136,567
%	47.9%	6.9%	0.7%	3.7%	1.0%	0.5%

Source: Feed Supply Stabilization Organization

Table 17-2.

Feed Utilization by Ingredients 2009

(MT)

Rye	Oats	Other Grains	Grain Total	Other Ingredients	Total
Layer Feed					
0	0	4,274	3,705,530	2,666,127	6,371,657
0.0%	0.0%	0.1%	58.2%	41.8%	100.0%
Broiler Feed					
84	0	8,906	2,503,277	1,477,973	3,981,250
0.0%	0.0%	0.2%	62.9%	37.1%	100.0%
Poultry Total					
84	0	13,180	6,208,807	4,144,100	10,352,907
0.0%	0.0%	0.1%	60.0%	40.0%	100.0%
Dairy Cattle					
15,861	5,247	16,132	1,550,998	1,581,739	3,132,737
0.5%	0.2%	0.5%	49.5%	50.5%	100.0%
Beef Cattle					
9,915	1,893	14,192	2,780,403	1,811,195	4,591,598
0.2%	0.0%	0.3%	60.6%	39.4%	100.0%
Cattle Feed Total					
25,776	7,140	30,324	4,331,401	3,392,934	7,724,335
0.3%	0.1%	0.4%	56.1%	43.9%	100.0%
Swine Feed					
24,622	10	77,615	4,384,836	1,852,996	6,237,832
0.4%	0.0%	1.2%	70.3%	29.7%	100.0%
Feed, other					
0	1,149	185	26,936	27,053	53,989
0.0%	2.1%	0.3%	49.9%	50.1%	100.0%
Compound Feed Total					
50,482	8,299	121,304	14,951,980	9,417,083	24,369,063
0.2%	0.0%	0.5%	61.4%	38.6%	100.0%
Mixed Feed					
3,442	771	15,240	346,960	137,413	484,373
0.7%	0.2%	3.1%	71.6%	28.4%	100.0%
Feed Total					
53,924	9,070	136,544	15,298,940	9,554,496	24,853,436
0.2%	0.0%	0.5%	61.6%	38.4%	100.0%

Source: Feed Supply Stabilization Organization

Table 18.

Japanese Compound and Mixed Feed Production by Type of Animal

(1,000 MT)

	Compound Feed				Mixed	Grand-
	Poultry	Swine	Cattle	Subtotal*	Feed	Total
JFY 2005	10,216	5,872	7,376	23,553	556	24,109

JFY 2006	10,301	5,964	7,504	23,863	517	24,381
JFY 2007	10,378	5,911	7,674	24,048	441	24,489
JFY 2008	10,282	6,033	7,761	24,138	360	24,498
JFY 2009	10,344	6,232	7,717	24,347	455	24,802
JFY 2010**	10,140	5,910	7,639	23,689	430	24,119

* Includes feed for other animals

** Ag Office preliminary estimates

Source: MAFF

Prices

The CIF price of U.S. corn, which jumped nearly 50 percent in 2008 over 2007, returned to the pre-2007 levels in 2009 and remained stable throughout 2010. Fluctuations in U.S. corn prices directly translate to feed prices in Japan as explained in the previous sections. The recent rise in corn prices has already resulted in a significant price increase of compound feed. (Refer to ***Chart 3***.)

Table 19.
Average CIF Price of Corn for Feed by Origin
($US per MT)

	CY 2008	CY 2009	CY 2010	*% change 2010/2008*
United States	333.04	224.90	239.27	***-28.2%***
Argentina	386.25	248.87	242.34	***-37.3%***
China	283.48	254.45	256.24	***-9.6%***
Brazil	218.60	220.74	230.16	***+5.3%***

Source: Ministry of Finance

Trade

The 2009 U.S. corn crop suffered from several quality concerns: BCFM (broken kernel, foreign materials), low test weight (low grain density), low protein content, and DON (vomitoxin). These quality issues drove Japanese importers to divert supply sources to Brazil and Argentina, as depicted in CY 2010 figures in Table 20 below.

Although the quick trade statistics report issued by the Ministry of Finance (MOF) shows that total feed corn imports in 2010 were 9,282,244 MT, Post estimates that they were actually higher by around 1 million MT. Food corn imports, on the other hand, should be lowered by 1 million MT to 4.1 MMT. Historically, MOF has often revised its corn import statistics later in the year.

The general trend in recent years is that increases in food corn imports have been compensating for declines in feed corn imports. The driving force in food corn demand comes from the beverage sector, particularly for high fructose corn syrup (HFCS) used in low alcoholic drinks like *happoshu* (light beer) and other alcoholic beverages, in addition to a continued strong demand for soft drinks. As a result of the lack of availability and higher premiums for identity preserved (IP) "non-GMO" food use corn, many Japanese users have started buying non-IP corn.

Table 20.
Imports of Corn by Origin
(MT)

	CY 2008	CY 2009	CY 2010
Corn for feed			
United States	11,726,815	11,066,051	9,282,244
Share	98.7%	96.1%	87.4%
Argentina	85,991	148,084	578,460

China	2,254	11,241	23,702
Brazil	1,050	23,532	515,503
Others	61,662	264,033	218,603
Total	11,877,772	11,512,941	10,618,512
Corn for manufacturing			
United States	4,550,373	4,655,059	5,097,527
Share	99.3%	97.4%	91.4%
Argentina	733	42,864	310,226
Australia	284	197	20
China	439	10,271	3
South Africa	0	0	10,000
Brazil	4,900	23,170	134,397
Others	23,944	47,689	25,476
Total	4,580,673	4,779,250	5,577,649
Total corn			
United States	16,277,188	15,721,110	14,379,771
Share	98.9%	96.5%	88.8%
Total	16,458,445	16,292,191	16,196,161

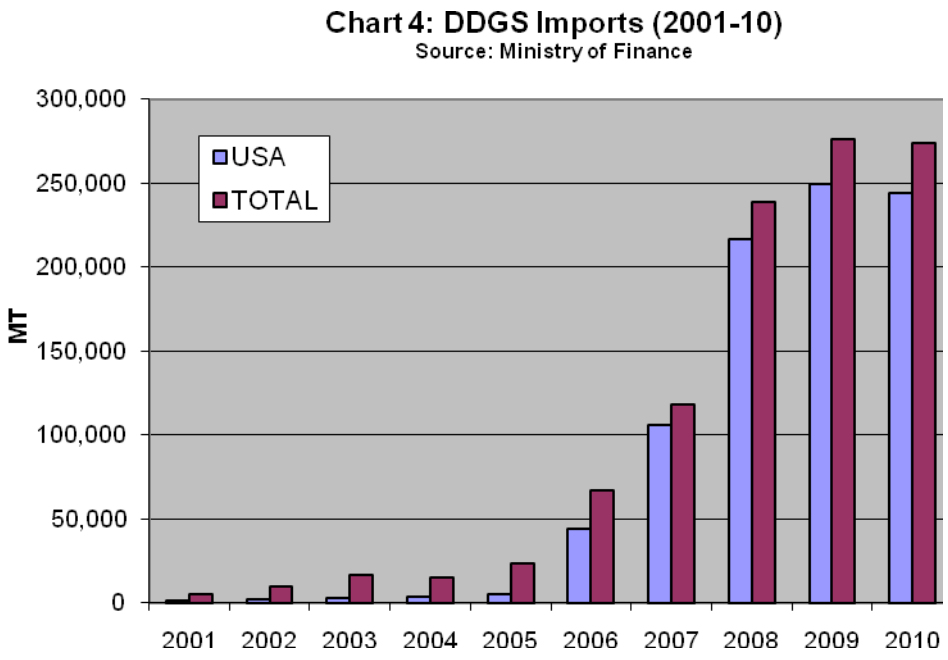
Source: Ministry of Finance

Stocks

Japan holds emergency stocks of essential feed grains, i.e. corn, sorghum, and rice. The stock level since 2005 has been set at approximately 950,000 MT in total. The breakdown is 600,000 MT of corn and sorghum combined (roughly 90 percent is corn) and 350,000 MT of rice. In addition, the government advises the feed manufacturers to hold inventory of major feed grains at the volume equivalent of one month demand.

DDGS Imports on the Rise

One of the positive side effects of the ethanol boom in the United States is the increasing availability of a high value co-product, Distiller's Dried Grains with Solubles (DDGS). As a result of aggressive educational activities led by the U.S. Grains Council, Japan's imports of DDGS from the United Sates have been increasing remarkably and surpassed the 100,000 MT mark in 2007, and 275,000 MT in 2009. In 2010, however, the demand for DDGS stalled as corn prices stabilized. The majority of these DDGS are currently used in dairy cattle feed. Given the recent surge in corn prices, DDGS imports will likely hit new highs in 2011.



SORGHUM

Production

Like corn, production of sorghum is negligible in Japan.

Consumption

As sorghum is a substitute for corn, its utilization rate in the production of compound and mixed feeds fluctuates depending on its relative price to corn and other ingredients. Due to a declining price appeal as well as to MAFF's aggressive promotion of "rice for feed," the utilization ratio of sorghum in feed has been declining steadily over the last several years. The sorghum utilization ratio went down to 4.6 percent in 2007 from 7.6 percent in 2001, but recovered to 6.9 percent in 2009 due to improved price relative to corn, as shown in Table 22 below.

Prices

Similarly to corn prices, CIF prices for sorghum rose sharply in 2008, returned to the 2007 level in 2009, and then returned to historically average prices throughout most of 2010.

Table 21.
Average CIF Price of Sorghum for Feed by Origin
($US per MT)

	CY 2008	CY 2009	CY 2010	*% change 2010/2008*
United States	336.44	221.59	245.12	***-27.1%***
Argentina	333.95	170.34	207.33	***-37.9%***
Australia	342.28	208.16	229.58	***-32.9%***
China	282.39	NA	NA	***NA***

Source: Ministry of Finance

Table 22.
Comparative CIF Price; US Sorghum versus Corn
($US per MT)

	CY 2008	CY 2009	CY 2010
Sorghum	336.44	221.59	245.12
Corn	333.41	224.90	239.27
Sorghum/Corn	100.9%	98.5%	102.4%

Source: Ministry of Finance

Trade

Since sorghum is mainly a substitute for corn, potential growth in Japan's sorghum imports largely depend on its relative price to corn. As the U.S. and Argentine sorghum prices soared in 2008, Australia returned as a major supplier in 2008 and further strengthened its position in 2009, lowering the U.S. share to below 23 percent in 2009. With the U.S. prices having stabilized, 2010 imports from the United States recovered in volume and market share.

Imports are classified as being either for feed or food, however, despite this technicality, much of the sorghum imported under the food HS code eventually ends up in the feed sector. Because the price of sorghum, relative to the price of corn, has declined since 2008, demand for sorghum has expanded. According to the 2009 industry statistics (Table 17) total demand for sorghum used in feed increased 39 percent, or .48 MMT, to 1.72 MMT over the previous year.

Table 23.
Imports of Sorghum by Origin
(MT)

	CY 2008	CY 2009	CY 2010
Sorghum for feed			
United States	427,469	348,656	627,656
Share	47.6%	23.4%	52.4%
Argentina	50,099	169,658	442,749
Australia	326,303	970,413	126,560
China	78,504	0	0
Total	898,223	1,492,025	1,197,464
Sorghum, others			
United States	92,797	51,551	188,133
Share	41.6%	19.9%	47.5%
Argentina	12,851	51,826	172,862
Australia	71,623	155,002	33,858
China	37,032	190	111
Total	222,827	258,896	395,764
Total sorghum			
United States	520,266	400,207	815,789
Share	46.4%	22.9%	51.2%
Total	1,121,050	1,750,921	1,593,228

Source: Ministry of Finance

Stocks

As written in the previous ***CORN*** section, Japan holds emergency stocks of essential feed grains, i.e. corn, sorghum, and rice. The stocks of sorghum had been kept at 130,000-170,000 MT over a decade until 2003. Following the policy of reducing the overall feed grain stocks, sorghum stocks were reduced to 75,000 MT in 2003, 66,000 MT in 2004, 65,000 MT in 2005 and 64,000 MT since then.

BARLEY

Production

According to Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF) survey for the 2010 barley crop, production decreased nearly 10 percent despite an increase in the planted area. Compared with the 2008 crop, production has shrunk by 25 percent. This is due to a significantly lower yields caused by a combination of wet weather conditions during the growing season and a lack of sunshine as well as low temperatures in spring in many growing areas, particularly on the island of Kyushu.

Table 24.
Crop Area and Production of Barley in Japan

	Crop Area (hectares)	Production (MT)
2006	53,820	174,200
2007	54,220	194,600
2008	56,650	217,300
2009	57,950	179,200
2010	58,720	161,600

Source: MAFF

Consumption

In Japan, roughly 80 percent of barley is consumed in the feed sector. Barley is used for compound and mixed feed production for the cattle sector (beef and dairy). It is particularly important in feeding beef cattle because it produces high quality beef with the white marbling that Japanese consumers favor. The largest non-feed uses are for the production of *shochu*, a traditionally distilled liquor, and beer. Other uses include *miso* (soybean paste) and barley tea. Aggregate consumption of barley (feed and food) is estimated to be 1.5-1.6 million MT. There is little indication that the demand will increase in the near future. On the contrary some decline is expected as Japan's cattle population shrinks.

Prices

As in the case with other feed grains, the average CIF price of barley soared in 2007 and 2008. In 2009 it returned to the pre-surge level. The U.S. CIF price increased by almost 50 percent in 2007 over 2006, by 45 percent in 2008 over 2007, and declined to the 2006 level in 2009 and remained stable in 2010.

Table 25.
Average CIF Prices of Barley for Feed by Origin
($US per MT)

	CY 2008	CY 2009	CY 2010	*% change 2010/2008*
United States	424.24	203.08	220.55	***-48.0%***
Canada	445.90	207.67	271.93	***-39.0%***
Australia	384.45	182.03	216.25	***-43.8%***
Ukraine	NA	202.08	198.16	***NA***

Source: Ministry of Finance

Trade

Along with rice and wheat, barley imports are controlled by MAFF as a "Staple Food". MAFF has been hesitant to remove barley from the state system entirely because it is a strategic alternative crop under the rice crop diversion program. As described in detail in the WHEAT section, starting April 2007, food barley can be imported under the Simultaneous Buy and Sell (SBS) system.

Since 2009 imports from the United States have dropped significantly due to the resurgence of Australia – which had suffered from drought - as the leading supplier due to its price competitiveness and proximity to Japan's major barley importing port in Kyushu. The Ukraine also came back on the supplier map with attractive price offers.

Table 26.
Imports of Barley by Origin
(MT)

	CY 2008	CY 2009	CY 2010
Barley for feed			
United States	413,662	26,598	35,214
Share	42.4%	2.3%	3.0%
Canada	226,289	198,589	148,756
Australia	315,566	697,162	917,910
Ukraine	0	159,160	70,710
China	4,759	0	0
Others	14,195	66,369	10,187
Total	974,471	1,147,878	1,182,777
Barley, others			
United States	2,107	1,117	837
Share	0.7%	0.5%	0.4%
Canada	55,907	66,760	61,880
Australia	257,804	169,005	166,629
Others	262	5,623	5,763
Total	316,080	242,505	235,109
Total Barley			
United States	415,769	27,715	36,051
Share			
Total	1,290,551	1,390,383	1,417,886

Source: Ministry of Finance

SBS Tender for Feed Barley

MAFF introduced the SBS system for barley for feed in JFY 1999 with approximately 360,000 MT contracted under three tenders. The allocation amount has been greatly raised since then, and for the Japanese fiscal year 2010, is set at 1.2 million MT. The frequency of bidding has been raised from ten in 2008 to fourteen in 2009, and to twenty-nine in 2010 to allow for more commercially viable trade.

Table 27.
SBS Imports of Feed Wheat and Barley
(MT)

	Wheat	Barley
1st tender	0	0
2nd	12,720	61,130
3rd	7,200	137,800
4th	22,470	187,870
5th	0	18,000
6th	0	0
7th	0	0
8th	7,000	104,950
9th	13,735	91,360
10th	16,110	88,617
11th	0	90,218
12th	0	0
13th	0	0
14th	0	0
15th	0	21,200
16th	0	0
17th	0	97,133
18th	0	8,700
19th	0	0
20th	27,755	141,590
21th	350	31,520
22th	0	0
23th	700	300
24th	0	8,800
25th	0	0
26th	0	0
27th	16,240	77,885
28th	900	12,300
29th	0	8,000
Total	125,180	1,187,373

Source: MAFF

As of February 28, 2009

New SBS Tender for Food Barley

As reported in the wheat section in detail, MAFF started a new Simultaneous-Buy-Sell (SBS) system for food quality wheat and barley in Japan's fiscal year (JFY) 2007 beginning April 2007. The idea behind the SBS system is to allow for greater flexibility of imports and transparency so that traders/users can obtain the quality and quantity they desire in a system that resembles commercial trade. Since Japanese fiscal year (JFY) 2008, all of food use barley has been imported under the SBS regime.

Plans for Barley SBS Tenders:

Annual imports of food barley have been around 250,000 MT: roughly 200,000 MT from Australia for *shochu,* a distilled liquor, and beer; 40,000 from Canada for beer and barley tea; and a few thousand tons from the United States mainly for beer. Post estimates 200,000 MT are intended for *shochu*, 45,000 MT for beer, and 5,000 MT for barley tea.

As with wheat there are two categories for barley. Category I is for vessel trade. Although most barley is imported by vessel, there is also Category II for container units. Category II provides a means for new varieties to enter the market.

Table 28.
SBS Imports of Food Barley - Japan Fiscal Year 2009 (April 2009-March 2010)
(MT)

Country	Category	Apr-Sept	Oct-Mar	Total
Australia	Category I	66,000	91,000	157,000
	Category II	4,008	1,008	5,016
	Australia Total	70,008	92,008	162,016
Canada	Category I	29,740	18,830	48,570
	Category II	2,200	52	2,252
	Canada Total	31,940	18,882	50,822
USA	Category I	0	0	0
	Category II	1,100	525	1,625
	USA Total	1,100	525	1,625
Other	Category I	0	0	0
	Category II	2,750	2,500	5,250
Total		105,798	113,915	219,713

Source: MAFF

Stocks

Japan used to hold 350,000 MT of emergency barley stocks, but since 2006 they have been replaced by rice stocks. Since practically all of feed barley Japan needs can be imported through the SBS tenders with an ample allocation (1.2 million MT), MAFF explains that government-held emergency stocks are no longer necessary.

RYE

Production

Production of rye is minimal in Japan.

Consumption

Rye is almost exclusively used for feed in Japan. The main uses of rye are for cattle feed and swine feed. Like sorghum, most rye users consider it as a substitute for corn. Since there is practically no domestic production, annual rye consumption and imports are directly linked with domestic cattle and swine production, and corn prices. In 2009, the latest statistics available (Table 17), total rye utilization in feed was 53,924 MT: 15,861 MT for dairy cattle; 9,915 for beef cattle; and 24,622 MT for swine. The ratio of rye in compound and mixed feed has been declining in the last several years due to declining price competitiveness, and the total utilization went down significantly from 150,000 MT in 2007 to 60,000 MT in 2008 because of the fall in imports from Germany as explained in the following trade section. With the price having stabilized since 2009, Post estimates the utilization of rye in feed has picked up to a 100,000 MT level in 2010 as reflected in increased imports.

Prices
As shown below, U.S. rye is significantly less price competitive than that of Germany or Canada, the two major suppliers for Japan. The price of German rye soared in 2008 due to a fervent demand in the EU caused by poor Russian and Ukraine crops, but it returned to the 2007 level in 2009 and stayed relatively flat in 2010.

Table 29.
Average CIF Price of Rye by Origin
($US per MT)

	CY2008	CY 2009	CY 2010	*% change 2010/2008*
United States	748.13	906.82	629.74	***-15.8%***
Canada	414.36	238.23	234.04	***-43.5%***
Germany	424.82	226.95	234.85	***-44.7%***
Poland	NA	222.53	255.04	***NA***

Source: Ministry of Finance

Trade

Germany dominates rye exports to the Japanese market because of its price competitiveness. Imports from Germany in CY 2008 declined dramatically due to the price situation as explained above. Although the price situation improved in 2009, imports did not recover in 2009 mainly because sorghum became more attractive. In 2010, as the rye/sorghum price ratio moved in favor of rye, imports of rye recovered to the 100,000 MT mark. In the medium term, rye imports are expected to be on a declining trend as Japan's cattle and swine populations will likely shrink. Prospects for U.S. rye exports to Japan are directly linked to the relative price of U.S. rye.

Table 30.
Imports of Rye by Origin
(MT)

	CY 2008	CY 2009	CY 2010
United States	1,087	640	1,267
Canada	53,241	13,761	22,904
Germany	4,911	44,717	56,603
Poland	0	5,548	40,128
Other	42	23	55
Total	59,281	64,689	120,957

Source: Ministry of Finance

Stocks

Unlike corn, sorghum and barley, Japan does not hold strategic emergency stocks of rye. Commercial stocks are estimated to be smaller than 20,000 MT.

Appendix

Table 31.
Japan's Self-Sufficiency Ratio (%)

	1960	1975	1985	1990	1995	2000	2005	2006	2007	2008	2009*
Rice	96	110	107	100	104	95	95	94	94	95	95
Wheat	28	4	14	15	7	11	14	13	14	14	11
Beans	25	9	8	8	5	7	7	7	7	9	8
Soybeans	11	4	5	5	2	5	5	5	5	6	6
Vegetables	100	99	95	91	85	82	79	79	81	82	83
Fruit	90	84	77	63	49	44	41	38	40	41	41
Meats	90	77	81	70	57	52	54	56	56	56	57
Beef	95	81	72	51	39	34	43	43	43	44	43
Eggs	100	97	98	98	96	95	94	95	96	96	96
Milk/Dairy Products	86	81	85	78	72	68	68	67	66	70	71
Seafood (for humans)	110	100	86	72	57	53	57	60	62	62	62
Sugar	31	15	33	32	31	29	34	32	33	38	33
Self-sufficiency (Calorie Basis)	73	54	53	48	43	40	40	39	40	41	40
Self-sufficiency (Major Food Grains)	80	69	69	67	65	60	61	60	60	61	58
Self-sufficiency (Major Feed Grains)	55	34	27	26	26	26	25	25	25	26	25
Self-sufficiency (Food + Feed Grains)	62	40	31	30	30	28	28	27	28	28	26

Source: MAFF

* Preliminary

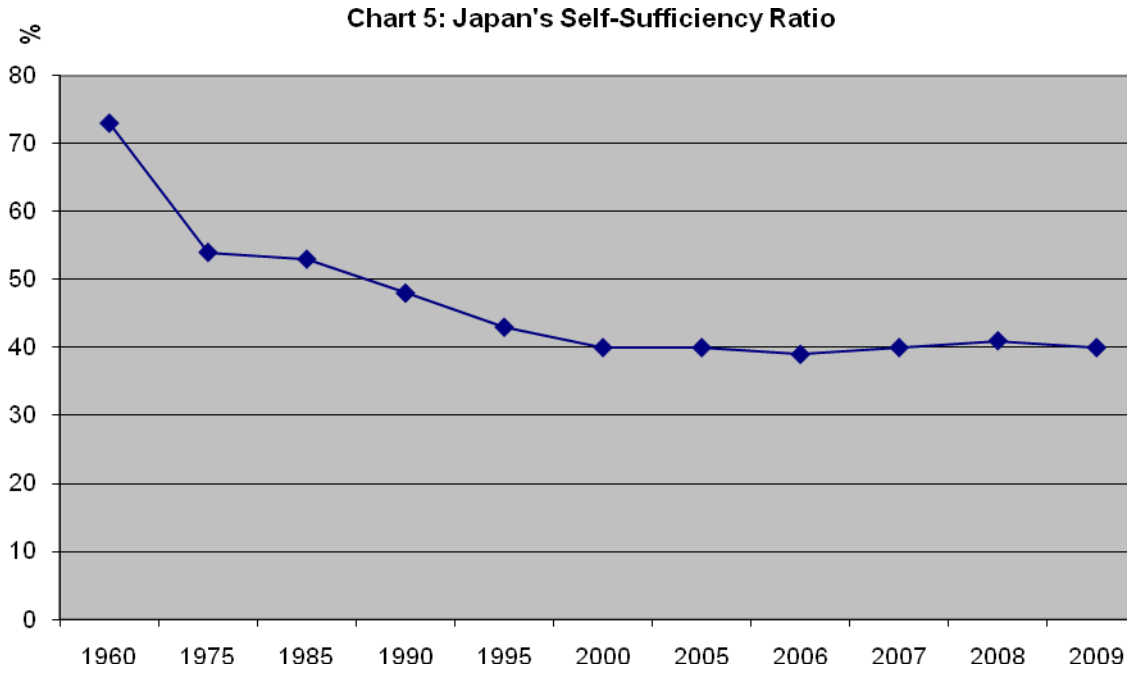


Table 32.

Japan's Agriculture, Forestry and Fisheries at Glance

Items	Data	Year	Note

Basic Indicators			
GDP	474,040 billion yen	2009	
Gross Agricultural Product	4,430 billion yen	2008	Peaked at 7,938 billion in 1990
Gross Forestry Product	387 billion yen	2009	
Gross Fisheries Product	766 billion yen	2008	
Self-sufficiency			
Calorie Basis	40%	2009	Goal: 50% by 2020
Production Value Basis	70%	2009	Goal: 70% by 2020
Food Industry			
Food Industry's Domestic Output	82,090 billion yen	2009	
% in all economic activities	8%	2008	
# of workers in food industry	8.07 million	2009	
% in all workers	13%	2009	
Consumption			
Final value of food and beverages consumed	73,584 billion yen	2005	
Trade			
Total Imports of Ag, Forestry and Fisheries Products	6,666 billion yen	2009	
Agricultural Products	4,561 billion yen	2009	
Forestry Products	809 billion yen	2009	
Fisheries Products	1,297 billion yen	2009	
Total Exports of Ag, Forestry and Fisheries Products	445 billion yen	2009	Goal: 1 trillion yen by 2017
Agricultural Products	264 billion yen	2009	
Forestry Products	9 billion yen	2009	
Fisheries Products	172 billion yen	2009	
Production			
Total Agricultural Output	8,049 billion yen	2009	Peaked at 11,717 billion in 1984
Rice	1,795 billion yen	2009	Peaked at 3,930 billion in 1984
Vegetables	2,033 billion yen	2009	Peaked at 2,801 billion in 1991
Fruit	675 billion yen	2009	Peaked at 1,103 billion in 1991
Livestock	2,510 billion yen	2009	Peaked at 3,290 billion in 1984
Farm			
Total # of People Living in Farming Households	6.98 million	2009	
# of Farming Households	2.53 million	2010	Peaked at 6.18 billion in 1950
# of Commercial Farmers	1.63 million	2010	
# of Noncommercial Farmers	0.90 million	2010	
Full-time Farmers	0.36 million	2010	
# of People Involved in Farming	2.61 million	2010	Peaked at 14.54 million in 1960
65 Years Old and Older	62%	2010	
Average Age	65.8 years old	2010	
# of New Comers	67,000	2009	
Younger than 40 Years Old	15,000	2009	
Arable Farmland	4.59 million hectares	2010	Peaked at 6.09 million in 1961
Rice Paddy	2.50 million hectares	2010	Peaked at 3.44 million in 1969
Farmland for Field Crops	2.10 million hectares	2010	Peaked at 2.72 million in 1958
Fallow Paddy/Land	0.40 million hectares	2010	0.24 million in 1995
Commercial Farmer"s Average Size of Farmland	20.50 hectares in Hokkaido	2009	17.46 in 2004
	1.41 hectares elsewhere	2009	1.26 in 2004
Average Income of Farming Households	4.57 million yen	2009	

Income from Farming	1.04 million yen	2009	
Average Income of Full-time Farmers	5.55 million yen	2009	
Income from Farming	4.38 million yen	2009	
Agricultural Co-ops (JA)			
# of Local JA's	754	2010	
# of Members	9.49 million	2008	
# of Regular Members	4.83 million	2008	
of Non-regular Members	4.67 million	2008	
Total Savings at JA Banks	85,394 billion yen	2010	
Forestry			
% of Woods/Forests in Japan's Land Mass	67%	2007	
Total Forestry Output	412 billion yen	2009	Peaked at 1,158 billion in 1970
# of Households Involved in Forestry	0.92 million	2005	
# of People Involved in Forestry	47,000	1005	
Average Income	103,000 yen	2008	Peaked at 1.27 million in 1979
# of Forestry Co-ops	711	2008	
# of Members	1.58 million	2008	
Fisheries			
Exclusive Economic Zone	4,470,000 km2		6th in the world
Total Fisheries Output	1.628 billion yen	2008	Peaked at 2,977 billion in 1982
Total Catch	5.43 million metric tons	2009	Peaked at 12.82 million in 1984
# of People Involved in Fisheries	212,000	2009	
# of Boats	185,465	2008	
Average Income	2.51 million yen	2009	
# of Fisheries Co-ops	1,028	2009	
# of Members	0.37 million	2008	

Source: Compiled by Ag Office based on GOJ data

Production, Supply and Demand Statistics

Rice, Milled Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,624	1,624	1,628	1,628		1,630
Beginning Stocks	2,715	2,715	2,693	2,533		2,395
Milled Production	7,711	7,711	7,720	7,720		7,887
Rough Production	10,592	10,592	10,604	10,604		10,834
Milling Rate (.9999)	7,280	7,280	7,280	7,280		7,280
MY Imports	667	698	700	700		700
TY Imports	650	698	700	700		700
TY Imp. from U.S.	0	345	0	350		350
Total Supply	11,093	11,124	11,113	10,953		10,982
MY Exports	200	200	200	200		200
TY Exports	200	200	200	200		200
Consumption and Residual	8,200	8,391	8,125	8,358		8,354
Ending Stocks	2,693	2,533	2,788	2,395		2,428
Total Distribution	11,093	11,124	11,113	10,953		10,982

1000 HA, 1000 MT						

Wheat Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	208	208	205	207		208
Beginning Stocks	1,331	1,331	1,312	1,019		937
Production	675	675	843	568		760
MY Imports	5,502	5,280	5,200	5,500		5,350
TY Imports	5,502	5,280	5,200	5,500		5,350
TY Imp. from U.S.	3,297	3,152	0	3,400		3,200
Total Supply	7,508	7,286	7,355	7,087		7,047
MY Exports	296	267	300	300		300
TY Exports	296	267	300	300		300
Feed and Residual	300	300	300	300		250
FSI Consumption	5,600	5,700	5,550	5,550		5,550
Total Consumption	5,900	6,000	5,850	5,850		5,800
Ending Stocks	1,312	1,019	1,205	937		947
Total Distribution	7,508	7,286	7,355	7,087		7,047
1000 HA, 1000 MT						

Corn Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1	1	1			
Beginning Stocks	998	998	978	676		627
Production	1	1	1	1		1
MY Imports	15,979	15,977	16,100	16,100		16,000
TY Imports	15,979	15,977	16,100	16,100		16,000
TY Imp. from U.S.	14,696	14,508	0	15,500		15,500
Total Supply	16,978	16,976	17,079	16,777		16,628
MY Exports	0	0	0			0
TY Exports	0	0	0			0
Feed and Residual	11,400	11,700	11,500	11,600		11,500
FSI Consumption	4,600	4,600	4,600	4,550		4,550
Total Consumption	16,000	16,300	16,100	16,150		16,050
Ending Stocks	978	676	979	627		578
Total Distribution	16,978	16,976	17,079	16,777		16,628
1000 HA, 1000 MT						

Sorghum Japan	2009/2010	2010/2011	2011/2012
	Market Year Begin: Oct 2009	Market Year Begin: Oct 2010	Market Year Begin: Oct 2011

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	118	118	117	66		66
Production	0	0	0	0		0
MY Imports	1,649	1,648	1,600	1,600		1,550
TY Imports	1,649	1,648	1,600	1,600		1,550
TY Imp. from U.S.	828	877	0	800		780
Total Supply	1,767	1,766	1,717	1,666		1,616
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	1,650	1,700	1,600	1,600		1,550
FSI Consumption	0		0	0		0
Total Consumption	1,650	1,700	1,600	1,600		1,550
Ending Stocks	117	66	117	66		66
Total Distribution	1,767	1,766	1,717	1,666		1,616
1000 HA, 1000 MT						

Barley Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	58	58	52	59		58
Beginning Stocks	449	449	439	488		420
Production	179	179	180	162		174
MY Imports	1,411	1,410	1,350	1,300		1,300
TY Imports	1,411	1,410	1,350	1,300		1,300
TY Imp. from U.S.	28	37	0	200		200
Total Supply	2,039	2,038	1,969	1,950		1,894
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	1,300	1,250	1,250	1,230		1,220
FSI Consumption	300	300	300	300		300
Total Consumption	1,600	1,550	1,550	1,530		1,520
Ending Stocks	439	488	419	420		374
Total Distribution	2,039	2,038	1,969	1,950		1,894
1000 HA, 1000 MT						

Rye Japan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	5	5	18	18		18
Production	0	0	0	0		0
MY Imports	103	103	65	65		60
TY Imports	103	103	65	65		60

TY Imp. from U.S.	1	1	0	1		1
Total Supply	108	108	83	83		78
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	80	80	55	55		50
FSI Consumption	10	10	10	10		10
Total Consumption	90	90	65	65		60
Ending Stocks	18	18	18	18		18
Total Distribution	108	108	83	83		78
1000 HA, 1000 MT						