USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 4/21/2015
GAIN Report Number: JA5015

Japan

Oilseeds and Products Annual

Oilseeds and Products Situation and Outlook

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Report Highlights:
While Japan's soybean production recovered in MY 2014/15, domestic production accounts for only 25 percent of soybeans consumed for food and a mere 8 percent of total soybean utilization. On steady feed demand and relatively stable crushing margins, soybean and soybean meal imports are expected to remain flat in MY 2014/15 and MY 2015/16. Following the resolution of Canadian rail-freight disruptions that suppressed imports in MY 2013/14, rapeseed imports should recover in MY 2014/15 and remain flat in MY 2015/16. Tropical oil imports are expected to flatten out in MY 2014/15 and MY 2015/16, as Japanese end-users approach the limits of their ability to replace temperate oils without altering final products or processes.

Commodities:
Oilseed, Soybean
Oilseed, Rapeseed
Meal, Soybean
Meal, Rapeseed
Meal, Fish
Oil, Soybean
Oil, Rapeseed
Oil, Palm
Oil, Palm Kernel
Oilseed, Sunflowerseed

Production

On higher planted area and favorable weather in Hokkaido and Tohoku (accounting for 46 percent of planted area) during the grain filling period, Japanese soybean production in MY 2014/15 climbed 13 percent to 225,600 metric tons (MT).

Table 1. Planted Area, Production and Yield of Soybeans in Japan

MY	Planted Area (Hectares)	Production (MT)	Yield (MT per hectare)	Yield – U.S.* (MT per hectare)
2010/11	137,700	222,500	1.62	2.98
2011/12	136,700	218,800	1.60	2.82
2012/13	131,100	235,900	1.80	2.69
2013/14	128,800	198,000	1.55	2.96
2014/15	131,600	225,600	1.71	3.21

Source: MAFF (approximate figures for MY2014/15) and *USDA-National Agricultural Statistics Service, Crop Production 2014 Summary (January, 2015)

Planted area was up two percent in MY 2014/15, as the subsidy payment for diverting rice paddy fields into soybean production improved prospective returns for soybeans ahead of planting decisions (see the 2013 Oilseeds and Products Annual Report JA3011 for more details on this subsidy policy). In MY 2014/15, 84 percent of soybeans were planted in fields converted from paddy rice production. However, since Japanese farmers prefer to grow paddy rice in paddy fields, the effectiveness of this subsidy is likely to wane in MY 2015/16, as the increased subsidies for producing rice for feed and for flour in MY 2015/16 (see Table 2 below) are expected to draw some MY 2014/15 soybean planted area back into paddy rice production in MY 2015/16. In tandem with the increased subsidies, JA Zen-Noh (the marketing arm of the National Federation of Agricultural Cooperative Associations), which bought 34 percent of Japan's total rice production in MY 2013/14, has set the feed rice target production level for
MY 2015/16 at 600,000 MT, which is three times the production volume of MY 2014/15.

Table 2. GOJ Table Rice Diversion Subsidies

Crop/Subsidy	JFY 2013	JFY 2014 - 2015
Wheat, Soybeans, Feed Crop	35,000	35,000
Paddy Rice for WCS	80,000	80,000
Buckwheat, Rape Seed	20,000	0
Rice for Industrial Use	20,000	20,000
Feed Rice, Rice for Flour	80,000	55,000 - 105,000

Unit: Yen/0.1 hectares, WCS: Whole Crop Silage

As the inherently poor drainage of rice paddy soils results in significantly lower yields, national average yields remained stubbornly low, at little more than half of U.S. yields (see Table 1). For example, in Mie prefecture, where 98 percent of soybean area is planted in diverted rice paddies, yields were 0.84 MT/hectare in MY 2014/15, compared to yields of 2.56 MT/hectare in Hokkaido, where the paddy planting rate is only 54 percent. Where soils do provide better drainage than the average rice paddy, heavy rains and even typhoons often occur during key developmental periods for soybean plants. Recently published research has shown that Japanese paddy cultivation conditions are associated with a variety of yield-reducing maladies, including moisture damage, black root rot and low soil nitrogen levels caused by continuous soybean planting.

Though Japan has approved 14 genetically engineered (GE) soybean varieties for commercial production, potential yield improvements through GE technology remain unattainable as social and administrative hurdles preclude the technology's use (see JA4015, the 2014 Japan Agricultural Biotechnology Annual Report, for more details). While Japanese public research organizations and private companies have developed new, higher-yielding soybean varieties, Japanese soy food producers' commitment to five traditional, lower-yielding varieties renders demand for these new varieties virtually non-existent. In addition, limited access to farm capital and traditional cultural aversions to debt have also prevented many farmers from introducing newer technology and cultural practices that could enhance yields in the absence of higher-yielding varieties.

Based on the factors described above, Post forecasts soybean planted area to decline approximately one percent in MY 2015/16 to 130,000 hectares and production to fall to
220,000 MT, based on historical average yields.

Domestic rapeseed production is primarily for ornamental or for hobby purposes. Despite a production subsidy of 9,640 yen per 60kg, rapeseed production continued at negligible levels in MY 2014/15, with planted area amounting to just 1,470 hectares. With duty free access for imported rapeseed, the high cost of domestic rapeseed relative to import prices, and little available land for expansion of rapeseed planting, Post projects that domestic rapeseed production will continue at an inconsequential scale in MY 2015/16.
With regard to longer-term production projections, the Ministry of Agriculture, Forestry and Fisheries (MAFF) released its Basic Plan for Food, Agriculture, and Farm Villages in March 2015. This 10-year

agricultural policy blueprint for the national government was last updated in 2010. Of note in the 2015 Basic Plan, MAFF reduced the national food self-sufficiency ratio target for 2025 from 50 to 45 percent; this was the first time the Government of Japan (GOJ) has reduced the target, which has been used to justify fiscally unsustainable agricultural subsidies for decades. Accordingly, the 2025 target production volumes for soybean and rapeseed have been significantly reduced in the 2015 Basic Plan, with soybeans 47 percent lower and rapeseed down 60 percent. Despite these revisions, the new targets (320,000 MT of soybeans and
4,000 MT of rapeseed in 2025) still remain highly ambitious, due to the fact that there is little chance of introducing yield-improving varieties (conventional or genetically engineered), limited available land for oilseed area expansion, and a concerted effort by the GOJ and JA Zen-noh to expand production of rice for feed and for flour that should further reduce Japan's soybean planted area.

Consumption

Crushing

As a result of a shrinking population and the steady exit of aging farmers from production agriculture, Japanese livestock numbers are expected to continue their gradual decline in
MY 2014/15 and in MY 2015/16. While this will suppress some of the demand for imported oilseeds through reduced demand for oilseed meals, Japan's recent pattern of importing well over 1 million MT of soybean meal demonstrates the considerable domestic demand that Japan is unable to meet through oilseed imports and domestic crushing. With duty free access for soybean meal, rapeseed meal and fish meals, high tariff barriers for temperate oils, and an upper limit on total domestic vegetable oil utilization, Japanese oilseed import volumes will continue to hinge on the profitability of domestic crushing relative to the price of imported oilseed meals and oils.

Table 3. Japanese Livestock Population (1,000 heads)

CY	Dairy Cows	Beef Cattle	Swine	Layers	Broilers
2010	1,484	2,892	9,750*	NA	NA
2011	1,467	2,763	9,768	175,917	NA
2012	1,449	2,723	9,735	174,949	NA
2013	1,423	2,624	9,685	172,238	131,624
2014	1,395	2,567	9,537	172,349	135,747

Source: MAFF Monthly Statistics of Agriculture (as of February each year)

While rapeseed meal is a critically important feed component, displacing large volumes of soybean meal in feed rations over the last 30 years on lower prices and expanding volumes, feed millers have reached the theoretical limit to how much soybean meal they can replace while still maintaining the necessary minimum nutritional value for the animal. Although the somewhat healthier image of rapeseed oil continues to sustain retail consumer demand, rapeseed oil already accounts for 80 percent

of oil for household use, and there is not much room for increasing market share. These factors together may be tantamount to an effective ceiling on Japanese rapeseed imports going forward.

The benefits of recent global oilseed commodity price declines have been largely offset by depreciation of the Yen against the Dollar, keeping crushers' profit margins thin. However, as a result of the April 1, 2014 national consumption tax increase from five percent to eight percent, and the continued monetary expansion by the Bank of Japan, inflationary pressures are rising and consumers are showing the first signs of inflationary expectations. Price increases in the fiercely competitive Japanese retail and food service segments began to emerge in CY 2014, and are expected to continue through CY 2015. The ability to raise vegetable oil prices should improve crushers' profitability in MY2014/15 and MY 2015/16.

There are 13 large-scale crushing plants in Japan with a combined crushing capacity of approximately 90 percent of annual oil consumption. Although there has been no change in oil crushing capacity, slack in the crushing industry has grown wider since 2001, when crushers began converting additional production lines to handle greater volumes of rapeseed. The influx of duty free palm oil from 2005, brought even more lower-priced (relative to soybean) vegetable oil to the Japanese market, placing additional strain on soybean crushers' profitability and leading to the idling of additional crushing capacity.

Many large crushing plants were built in the late 1960s and the cost of maintaining and/or refurbishing these older plants continues to rise every year. A major oilseed crusher recently announced planned construction of a new soybean crushing plant in collaboration with a feed miller and grain storage company, all of which will relocate around the new site. This new plant is scheduled to begin operation in 2017, when the company will decommission one of its plants that was built in 1968. While the crushing capacity of the new plant will be slightly smaller, the facility will require only half the staff and is estimated to save ¥700 million to ¥1 billion
($5.8 to $8.3 million USD) in annual operating costs. This example illustrates the future direction the crushing industry will need to travel to continue to profitably service the demands of Japanese vegetable oil users and feed millers.

Table 4. Japan's Oil Crushing Capacity

CY	Number of Mills*	Crushing Capacity* (1,000 MT)	Production (1,000 MT)	Operating Ratio* (percent)
2010	40	8,587	5,388	62.7
2011	40	8,587	5,087	59.2
2012	40	8,587	4,977	58.0
2013	40	8,587	4,977	57.5

2014	40	8,587	5,068	59.0

Source: MAFF (Vegetable oil production report), * Post estimate

Based on steadily, albeit slightly, declining demand from Japanese feed millers, and relatively flat (if not declining) temperate oil consumption, Post expects Japanese oilseed crush to remain relatively flat in MY 2014/15 and MY 2015/16. With effective limits on the volume of palm oil that can be used for processed foods and rapeseed meal that can be used for gradually declining feed production, as well as the high level of market penetration of rapeseed oil in the retail marketplace, Post expects the 45:55 ratio of soybeans to rapeseed for crushing to hold steady in MY 2014/15 and MY 2015/16.

Food

While the Japanese oilseed market is dominated by the crushing industry, food grade soybeans represent a significant volume at well over 900,000 MT of consumption. As seen in Table 5, Japan uses soybeans for oil, food, and feed in a roughly 20:10:1 ratio, with Japan crushing nearly 2 million MT of soybeans for oil in MY 2013/14. Japanese domestic soybeans are generally never used for oil production, as Japanese soybean prices are far higher than imported soybeans and often lack desired crushing characteristics.

In line with the continuing decline of the Japanese population and the increasing diversity of the Japanese diet, Post expects that soy food consumption in Japan will continue its steady decline, falling to 929,000 MT in MY 2014/15 and 925,000 in MY 2015/16. (See the 2013 Oilseeds and Products Annual Report JA3011 for a more detailed explanation of the dynamics of declining soy food consumption). The contrast of efforts to sustain, if not expand, the consumption of soy foods in Japan is neatly illustrated by tofu and soy milk.

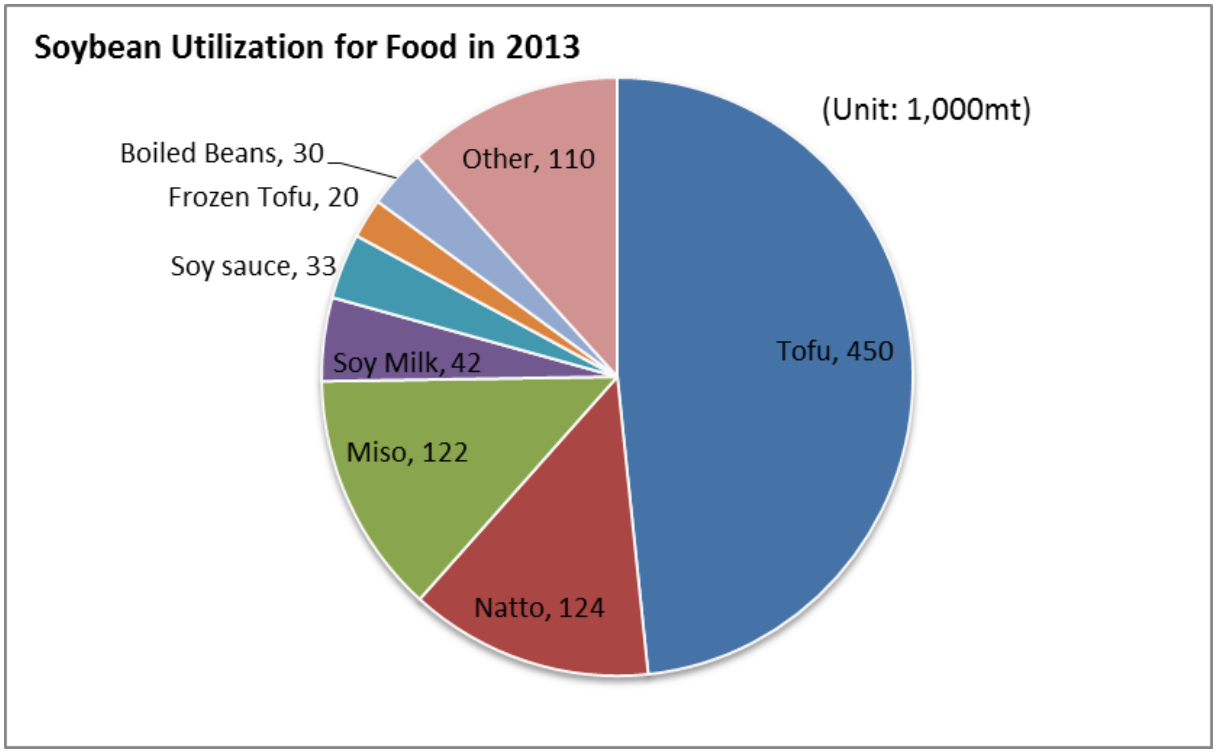
Tofu production continues to dominate utilization of food grade soybeans in Japan, accounting for almost half of total consumption. While there are over 8,500 companies and shops producing tofu in Japan, that number has decreased by 40 percent over the last ten years as the proprietors of ‘mom and pop’ operations retire without successors. The majority of tofu manufacturers are small, geographically dispersed businesses. As single-person households in Japan continue to increase, home-meal replacement and dining out continues to chip away at the level of tofu consumption. Though some tofu manufacturers have successfully developed and marketed innovative new products, including tofu with various flavors and individual-serving sized packages, the industry has not been able to overcome the factors listed above.

As the only soy food product to consistently show year-on-year growth over the last ten years, soymilk represents the counterpoint to the tofu industry’s progressive decline. Despite representing only about five percent of total food grade soybean consumption, utilization of soybeans for soymilk set yet another record high in CY 2014. Soy milk manufacturers have developed new products to match changing Japanese consumption patterns, offering tasty, health-conscious beverages. The concentration

of soymilk production among five manufacturers has helped the industry work cooperatively to pursue new consumers through national educational and promotional campaigns.

In October 2014, the Japan Soymilk Association held the first soymilk recipe contest for students, receiving over 900 recipes from 43 schools across Japan (a very robust response for a Japanese recipe contest). By using childhood nutritional education as a vehicle to promote the product, soymilk manufacturers have succeeded in elevating the profile and recognition of their product and generating positive, incremental growth, in spite of the continued decline of the overall population.

Fig.1 Volume of soybean used for food



Source: MAFF

Trade

Japan's total soybean imports were up two percent in MY 2013/14 to approximately 2.9 million MT, because of a slight recovery of demand for soybean for crushing on improved meal profitability and relatively stable demand for soybean oil. Although overall domestic livestock numbers have been trending downward in recent years and total feed production in CY 2014 was down two percent from CY 2013, total utilization of soybean meal for mixed and compound feed remained unchanged in CY 2014 as inclusion rates rose slightly to meet the needs of

growing poultry flocks (both broilers and layers), which account for about 55 percent of soybean meal consumption.

Imported soybean meal prices are projected to remain relatively high through MY 2014/15 on tighter global exportable supplies and the relatively weak Yen, providing additional demand for domestically crushed soybean meal. As global soybean prices have descended from recent heights and soybean meal demand remains steady, soybean crushing profitability has improved, narrowing the profit margin advantage of rapeseed crushing. Post expects total imports of soybeans to remain at 2.9 million MT in MY 2014/15 and MY 2015/16 in response to the trends discussed above.

The United States continued to dominate total Japanese soybean imports in MY 2013/14, expanding its market share by nearly 5 percentage points to 66 percent. Despite consistent low prices, Brazil's underdeveloped transport infrastructure and long shipping times continue to undercut the attractiveness of Brazilian soybeans in the Japanese market. While increasing familiarity with Brazilian soybeans may lead Japanese crushers to further diversify their supply sources in the future, at this time, Post projects imports of U.S. soybeans to remain stable at
1.85 million MT in MY 2014/15 and MY 2015/16.

Over the last ten years, Canadian non-GE, food grade soybeans have steadily displaced Chinese supplies and eroded U.S. market share (just 43 percent in CY 2013, down nearly 10 percentage points from CY 2008). With little projected improvement in Japanese production in the near future, Japanese demand for imported food grade soybeans should remain flat, if not slightly lower, in MY 2014/15 and MY 2015/16.

Table 5. Demand and supply of soybeans in Japan (1,000 MT)

CY	Demand			
	Total	Oil	Food	Feed
2010	3,562	2,473	976	113
2011	3,123	2,067	950	106
2012	2,987	1,935	946	106
2013	2,951	1,911	963	104
2014	3,013*	1,992	929*	104*

MY	Supply					
	Japan	Import Total**	U.S.	Brazil	Canada	China
2009/10	230	3,401	2,492	495	495	46
2010/11	223	2,917	2,032	496	346	40
2011/12	219	2,759	1,718	624	372	42
2012/13	236	2,830	1,746	635	385	42
2013/14	194	2,894	1,896	576	369	38

Source: MAFF; * estimate; ** includes residual suppliers.

All imported rapeseed (99.99 percent of total annual new supply) is used for crushing. Canada continued to dominate the Japanese rapeseed market in MY 2013/14, with a 93 percent market share in spite of significant shipment disruptions as expanded Canadian petroleum production monopolized available rail freight (see GAIN CA14073 for more information on the Canadian rail transportation issue). With Canadian freight issues largely resolved, Post expects total rapeseed imports to recover to MY 2012/13 levels in MY 2014/15 and MY 2015/16. Australia remains a residual supplier due to higher unit costs. Based on the market dynamics explained above, Post estimates that rapeseed imports

will not continue to expand beyond MY 2014/15, but rather should remain at 2.45 million MT in MY 2015/16.

Table 6. Demand and supply of rapeseeds in Japan (1,000 MT)

MY	Demand	Supply				
		Canada	Australia	Import total	Domestic	Total
2009/10	2,277	2,068	207	2,275	2	2,277
2010/11	2,342	2,266	54	2,321	2	2,323
2011/12	2,367	2,273	76	2,350	2	2,352
2012/13	2,438	2,338	157	2,495	2	2,497
2013/14	2,400	2,211	167	2,378	2	2,380

Source: Global Trade Atlas (GTA), MAFF

Table 7. MY Average CIF Import Price Comparison of Soybeans, Rapeseeds and Soybean Meal (Dollars per MT)

	2009/10	2010/11	2011/12	2012/13	2013/14	% change	2015 Feb.
Soybeans (World)	523	617	636	698	672	-3.6	555
U.S.	502	606	604	681	646	-5.1	528
Brazil	463	516	611	635	621	-2.3	667
Canada	699	781	779	833	844	1.3	764
China	866	969	1056	1,114	1002	-1.2	1040
Rapeseed (World)	476	642	681	713	559	-21.7	502
Canada	469	636	674	713	556	-22.0	507
Australia	492	724	738	695	589	-15.2	494
Soybean Meal (World)	456	479	481	611	607	-0.5	538

Source: GTA, HS 1201, HS 1205, HS 2304

Stocks

The Government of Japan (GOJ) does not maintain reserve stocks of oilseeds. All stocks in Japan are privately held, the majority by oil crushers and silo companies, which traditionally keep 30 to 40 days of production on hand.

Meals

The soybean crushing process produces 190 kg of soybean oil and 760 kg of soybean meal from one MT of soybeans. According to a GOJ estimate, 89 percent of soybean meal was used for feed in CY 2014, with the rest being used for soy sauce, miso, soy protein foods, and as an improving agent for processed foods.

Although Japan's compound and mixed feed production decreased by two percent in CY 2014, demand of soybean meal for feed remained unchanged in MY 2014 at 2.85 million MT because of a modest recovery of soybean meal inclusion. In CY 2014, Japan's feed manufacturers reached the limits of their

ability to replace higher priced soybean meal with other lower cost protein sources, including rapeseed meal, feed wheat, and distillers dried grains with solubles (DDGS). While typical feed rations before CY 2011 contained about 14 percent soymeal, that percentage had fallen to 12 percent in CY 2014 because of a hike in its import price (see Table 7). Based on Post projections for livestock populations and projected consistent inclusion rates in compound feed, Post anticipates total domestic utilization of soybean meal is expected to remain relatively flat at 3,335,000 and 3,365,000 MT in MY 2014/15 and MY 2015/16 respectively.

Table 8. Demand and supply of soybean meals (1,000 MT)

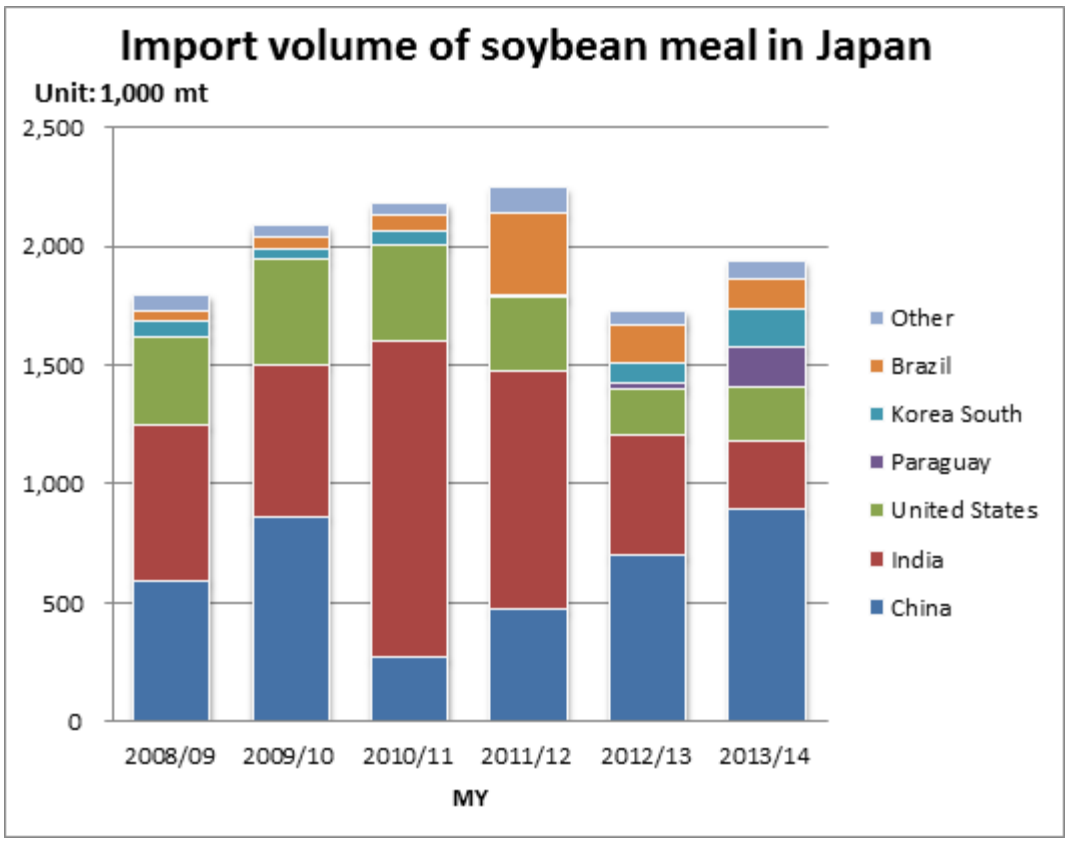
CY	Demand		
	Total	Feed	Food & Other
2010	4,048	3,505	543
2011	3,798	3,313	485
2012	3,567	3,112	455
2013	3,209	2,862	347
2014	3,260[*1]	2,850[*3]	350[*1]

MY	Supply			
	Total	Initial Stock	Domestic	Import[*2]
2009/10	4,165	111	1,866	2,091
2010/11	3,905	117	1,602	2,183
2011/12	3,757	107	1,489	2,250
2012/13	3,315	111	1,453	1,729
2013/14	3,366[*1]	106[*1]	1,493	1,939

Source: MAFF; [*1] estimate; [*2] Trade Statistics of Japan; [*3] Post estimate

Soybean meal imports from India fell by 44 percent in MY 2013/14 as Indian domestic consumption increased and soybean crush fell. In response, Japan increased imports from China, South Korea, Paraguay, and the United States. Japan will have to further expand imports from alternate suppliers in MY 2014/15, as Indian exportable supplies of soybean meal are forecast lower than MY 2013/14 levels. Based on the market dynamics described above, Post projects imports will remain flat in MY 2014/15 and MY 2015/16.

Fig. 2. Import volume of soybean meal in Japan



Source: Trade Statistics of Japan

Rapeseed meal and fish meal are used in feed and fertilizer production in Japan. Rapeseed crushing produces 410 kg of rapeseed oil and 570 kg of rapeseed meal for every MT of rapeseed. Post expects rapeseed meal production will remain stable in MY 2014/15 at 1.36 million MT, due to scant prospects for expanding feed production or for increasing rapeseed meal inclusion rates. Post expects this trend to continue in MY 2015/16.

Table 9. Demand and supply of rapeseed meals (1,000 MT)

CY	Demand			Supply			
	Total	Feed	Fertilizer and other	Total	Initial Stocks	Domestic	Import MY
2010	1,300	1,032	268	1,361	55	1,267	58
2011	1,298	1,022	274	1,323	61	1,234	25
2012	1,390	1,139	246	1,447	85	1,326	14
2013	1,402	1,197	205	1,467	57	1,342	75
2014	1,392*	1,182*	210*	1,460*	65*	1,361	76

Source: MAFF; * estimate

Fish meal is primarily used as an ingredient in feed for aquaculture and livestock, while a small amount is utilized for fertilizer. Ninety percent of fish meal produced in Japan is derived from "fish residue"

(essentially the unsaleable portions of fish prepared for direct consumption); the remaining ten percent is produced from whole raw fish. Domestic fish residue volumes have been decreasing as the fishery processing industry has continued to move offshore from Japan. Fish meal consumption and imports are projected to be relatively flat in MY 2014/15 and
MY 2015/16.

There is no tariff on soybean meal, rapeseed meal, or fishmeal.

Oils

According to MAFF, the total supply of vegetable oil in CY 2014 was roughly 2.47 million MT, including 1.67 million MT from domestic production and 0.71 million MT from imports. Japanese demand for vegetable oil has increased dramatically since the 1960s, as the Japanese diet has steadily shifted more towards a Western-style diet. While the composition of Japanese vegetable oil utilization has changed significantly over the last ten years, vegetable oil demand and utilization patterns appear to have finally reached a stable equilibrium.

Table 10. Demand and Supply of Vegetable Oil (1,000 MT)

CY			**2010**	**2011**	**2012**	**2013**	**2014**[*1]
Demand	Domestic demand		2,330	2,311	2,319	2,326	2,340
	Export[*2]		11	8	11	11	11
	Total		**2,341**	**2,319**	**2,330**	**2,337**	**2,351**
Supply	Initial stock		119	109	128	124	121
	Domestic production	Soybean oil	468	401	377	380	392[*3]
		Rapeseed oil	993	1,027	1,064	1,044	1,074[*3]
		Other oil	196	207	199	198	199[*3]
		Total	1,656	1,635	1,640	1,622	1,665
	Import[*2]		675	703	686	712	705
	Total		2,450	2,447	2,454	2,458	2,491
Year-end stock			109	128	124	121	140

Source: MAFF; *1 MAFF estimate; *2 Temperate products include oil from soybean, rapeseed, mustard, rice, cotton seed, safflower, sesame, corn, peanut and sunflower; *3 Actual

While soybeans have historically dominated the Japanese oil crushing market, rapeseed oil production has outpaced soybean oil since 1988. However, since rapeseeds produce more than twice as much oil

as soybeans pound-for-pound, it wasn't until 2011 that total rapeseed consumption surpassed soybeans for the first time. Since reaching peak production of 1.89 million MT in 2000, Japanese vegetable oil production has been on a downward trend due to declines in human and livestock populations as well as competition from lower-priced tropical oil imports; the volume of imported palm oil first exceeded the production of soybean oil in Japan in CY 2008. Though imported palm oil helped to displace significant volumes of soybean oil in the Japanese market between 2005 and 2010, annual Japanese imports of palm oil have leveled off to between 550,000 and 600,000 MT over the last five years.

Though exchange rate movements have largely mitigated potential gains from recent declines in global soybean prices, Post anticipates Japanese soybean oil production to be roughly flat at 389,000 MT MY 2014/15 and 390,000 MT MY 2015/16, as relatively high prices for imported soybean meal drive improved soybean crushing profitability. With Canadian rail transportation issues resolved and Japanese rapeseed imports rebounding in MY 2014/15, Post projects rapeseed oil production will bounce back to 1,075,000 MT in MY 2014/15 and MY 2015/16.

Japanese imports of soybean oil and rapeseed oil have been negligible as the crushing industry is protected by high tariffs on imported soybean and rapeseed oils; the tariff for both products is either 10.9 yen/kg or 13.2 yen/kg depending on the acid value. Post forecasts that imports of soybean and rapeseed oils will continue to be minor relative to consumption at approximately 30,000 MT and 10,000 MT respectively in MY 2014/15 and MY 2015/16.

The rise of palm oil to its current position as the second most commonly utilized oil in Japan began with the signing of Japan's Economic Partnership Agreements with Malaysia (in 2005) and Indonesia (in 2008), which granted duty free access to palm oil. Following passage of the EPA agreements, the CIF price for palm oil in Japan was approximately 60 to 70 percent of the price of domestically produced soybean oil. Given its advantageous properties for shelf-stability and institutional scale frying, palm oil quickly displaced temperate oils in suitable applications. However, the significant refining process required to neutralize palm oil's reddish color and less palatable aroma strips the oil of any particular flavor, while its high melting point, which renders the product solid at room temperature, further limits its attractiveness in the retail market, which accounts for 16 percent of total vegetable oil utilization. Though palm oil had once been used in the manufacture of various industrial products such as soap, detergent, industrial lubricant, resin paint, and cosmetics, cost effective fatty acids and processed products with similar properties have replaced palm oil, limiting the market for industrial consumption, creating a virtual ceiling on the potential demand for additional volumes of palm oil in the Japanese market. As such, Post anticipates that imports of tropical oils will be stable in MY 2014/15 and MY 2015/16.

End uses for high oleic sunflower seed oil include food production, cosmetics and other industrial applications that benefit from its high oxidative stability; high oleic sunflower seed oil is most commonly used as a substitute for cacao butter. The United States and Argentina have been the major

suppliers of sunflower seed oil to Japan over the last ten years. The total imports from these two countries account for 72 percent of Japan's imports in MY 2013/2014. Based on recent trends, Post anticipates Japan will import around 30,000 MT in MY 2014/15 and MY 2015/16.

Table 11. Japan's tariff on major oilseeds and oils (as of January 2015)

HS Code	Commodity	Duty
1201.10,.90	Soybeans	Free
1205.10,.90	Rapeseed	Free
1507.10-100	Soybean oil, crude, of an acid value exceeding 0.6	10.9 yen/kg
1507.10-200	Soybean oil, crude, other	13.2 yen/kg
1507.90-000	Soybean oil, other	13.2 yen/kg
1508.10-100	Peanut oil, crude, of an acid value exceeding 0.6	8.5 yen/kg
1509 & 1510	Olive oil	Free
1511.10-000	Palm oil, crude, EPA preferential rate for Malaysia and Indonesia	Free
1511.90-010	Palm stearin, EPA preferential rate for Malaysia and Indonesia	Free
1511.90-090	Palm oil, other, EPA preferential rate for Malaysia and Indonesia	Free
1512.11-110	Sunflower-seed oil, crude, of an acid value exceeding 0.6	8.5 yen/kg
1512.11-210	Safflower oil, crude, of an acid value exceeding 0.6	8.5 yen/kg
1512.11-120	Sunflower-seed oil, crude, other	10.4 yen/kg
1512.11-220	Safflower-seed oil, crude, other	10.4 yen/kg
1512.19-010	Sunflower-seed oil and its fractions	10.4 yen/kg
1514.11-100	Low erucic acid rapeseed oil, crude, of an acid value exceeding 0.6	10.9 yen/kg
1514.11-200	Low erucic acid rapeseed oil, crude, other	13.2 yen/kg
1514.19-000	Low erucic acid rapeseed oil, other	13.2 yen/kg
1514.91-100	Rapeseed oil, other, crude, of an acid value exceeding 0.6	10.9 yen/kg
1514.91-200	Rapeseed oil, other, crude, other	13.2 yen/kg
2301.20	Fish meal	Free
2304.00	Soybean meal	Free
2306.41,.49	Rapeseed meal	Free

Source: Japan Tariff Association

Production, Supply and Demand Data Statistics:

Oilseed, Soybean	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2016	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	130	129	130	132	0	130
Area Harvested	127	129	125	132	0	130
Beginning Stocks	184	184	231	228	0	260
Production	198	200	205	226	0	220
MY Imports	2,894	2,894	2,900	2,850	0	2,850
MY Imp. from U.S.	1,896	1,896	1,900	1,850	0	1,850
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3,276	3,278	3,336	3,304	0	3,330
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	1,940	1,969	1,970	1,970	0	1,970
Food Use Dom. Cons.	975	936	980	929	0	925
Feed Waste Dom. Cons.	130	145	135	145	0	152
Total Dom. Cons.	3,045	3,050	3,085	3,044	0	3,047
Ending Stocks	231	228	251	260	0	283
Total Distribution	3,276	3,278	3,336	3,304	0	3,330
1000 HA, 1000 MT						

Oilseed, Rapeseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		May 2016	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	0	2	0	2	0	2
Area Harvested	2	2	2	2	0	2
Beginning Stocks	109	109	114	84	0	81
Production	2	2	2	2	0	2
MY Imports	2,378	2,378	2,450	2,450	0	2,450
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,489	2,489	2,566	2,536	0	2,533
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	2,370	2,400	2,450	2,450	0	2,450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	5	5	6	5	0	5
Total Dom. Cons.	2,375	2,405	2,456	2,455	0	2,455
Ending Stocks	114	84	110	81	0	78
Total Distribution	2,489	2,489	2,566	2,536	0	2,533
1000 HA, 1000 MT						

Meal, Soybean	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2016	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	1,940	1,969	1,970	1,970	0	1,970
Extr. Rate, 999.9999	1	1	1	1	0	1
Beginning Stocks	71	71	91	203	0	308
Production	1,465	1,493	1,491	1,490	0	1,490
MY Imports	1,976	1,939	2,000	1,950	0	1,950
MY Imp. from U.S.	230	228	250	250	0	250
MY Imp. from EU	0	1	0	0	0	0
Total Supply	3,512	3,503	3,582	3,643	0	3,748
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	345	259	350	260	0	260
Food Use Dom. Cons.	130	125	130	125	0	125
Feed Waste Dom. Cons.	2,946	2,916	3,020	2,950	0	2,980
Total Dom. Cons.	3,421	3,300	3,500	3,335	0	3,365
Ending Stocks	91	203	82	308	0	383
Total Distribution	3,512	3,503	3,582	3,643	0	3,748
1000 MT, PERCENT						

Meal, Rapeseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	2,370	2,400	2,450	2,450	0	2,450
Extr. Rate, 999.9999	1	1	1	1	0	1
Beginning Stocks	0	0	0	20	0	38
Production	1,330	1,353	1,370	1,360	0	1,360
MY Imports	76	76	100	75	0	75
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1,406	1,429	1,470	1,455	0	1,473
MY Exports	2	3	2	2	0	2
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	310	249	310	250	0	250
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,094	1,157	1,158	1,165	0	1,165
Total Dom. Cons.	1,404	1,406	1,468	1,415	0	1,415
Ending Stocks	0	20	0	38	0	56
Total Distribution	1,406	1,429	1,470	1,455	0	1,473
1000 MT, PERCENT						

Meal, Fish	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2014		Jan 2014		Jan 2015	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Catch For Reduction	860	860	860	860	0	860
Extr. Rate, 999.9999					0	
Beginning Stocks	9	9	16	43	0	58
Production	175	187	175	185	0	185
MY Imports	254	254	240	240	0	240
MY Imp. from U.S.	16	160	5	10	0	10
MY Imp. from EU	1	3	0	0	0	0
Total Supply	438	450	431	468	0	483
MY Exports	2	3	5	5	0	5
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	50	50	50	50	0	50
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	370	354	360	355	0	355
Total Dom. Cons.	420	404	410	405	0	405
Ending Stocks	16	43	16	58	0	73
Total Distribution	438	450	431	468	0	483
1000 MT, PERCENT						

Oil, Soybean	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2016	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	1,940	1,969	1,970	1,970	0	1,970
Extr. Rate, 999.9999					0	
Beginning Stocks	24	24	21	35	0	44
Production	375	389	381	389	0	390
MY Imports	16	16	15	30	0	30
MY Imp. from U.S.	2	3	1	5	0	5
MY Imp. from EU	0	0	0	0	0	0
Total Supply	415	429	417	454	0	464
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	35	35	35	35	0	35
Food Use Dom. Cons.	359	359	363	375	0	375
Feed Waste Dom. Cons.	0	0	0	0	0	0
-	0	0	0	0	0	0
Total Dom. Cons.	394	394	398	410	0	410
Ending Stocks	21	35	19	44	0	54
Total Distribution	415	429	417	454	0	464
1000 MT, PERCENT						

Oil, Rapeseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	2,370	2,400	2,450	2,450	0	2,450
Extr. Rate, 999.9999					0	
Beginning Stocks	118	118	116	160	0	204
Production	1,010	1,054	1,012	1,075	0	1,075
MY Imports	10	10	10	10	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1,138	1,182	1,138	1,245	0	1,289
MY Exports	2	2	1	1	0	1
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	60	60	60	60	0	60
Food Use Dom. Cons.	960	960	965	980	0	1,000
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,020	1,020	1,025	1,040	0	1,060
Ending Stocks	116	160	112	204	0	228
Total Distribution	1,138	1,182	1,138	1,245	0	1,289
1000 MT, PERCENT						

Oil, Sunflowerseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Japan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	5	5	5	5	0	5
Production	0	0	0	0	0	0
MY Imports	28	28	30	30	0	30
MY Imp. from U.S.	15	10	15	15	0	15
MY Imp. from EU	0	5	0	5	0	5
Total Supply	33	33	35	35	0	35
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	28	28	30	30	0	30
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	28	28	30	30	0	30
Ending Stocks	5	5	5	5	0	5
Total Distribution	33	33	35	35	0	35
1000 MT, PERCENT						

Author Defined:

CY: Calendar Year
JFY: Japanese Fiscal Year (April – March next year)
MY: Market Year for oilseeds, meal made from oilseeds, oil: October – September next year
MY for fish meal: January – December

Conversion Ratio: Oil : Meal (weight basis)
- Soybean: 0.1975 : 0.7563
- Rapeseed: 0.4388 : 0.5551