



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/22/2000

GAIN Report #JA0105

Japan

Grain and Feed

Japan's Surplus Rice Situation: MAFF's Latest Policy Measures

2000

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Report Highlights:

To reduce the oversupply of rice and increase prices, the Ministry of Agriculture, Forestry and Fisheries (MAFF) is considering new policy options including purchases of the 2000 crop, expansion of the rice set-aside program, and additional rice aid for North Korea.

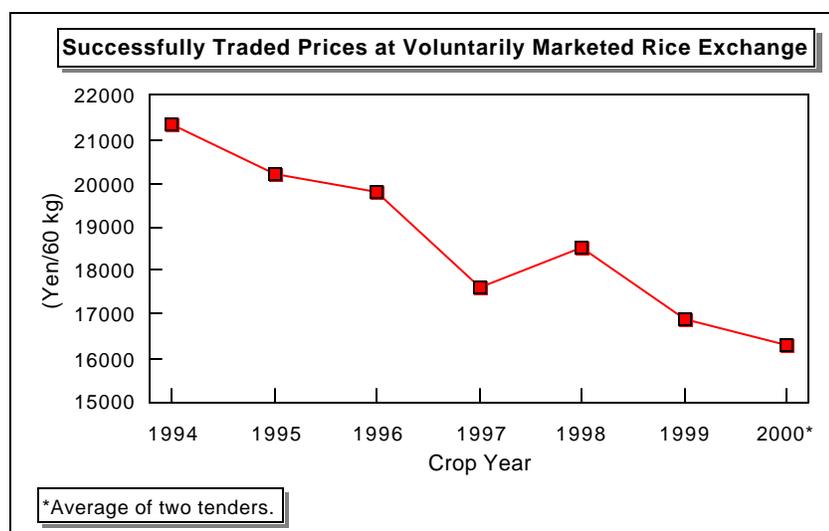
Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1], JA

Executive Summary

To reduce the oversupply of rice and increase prices, the Ministry of Agriculture, Forestry and Fisheries (MAFF) is considering new policy options including purchases of the 2000 crop, expansion of the rice set-aside program, and additional rice aid for North Korea.

Domestic Rice Prices Continues to Decline

As indicated in GAIN report JA0094, rice prices in Japan continue to decline reflecting the oversupply of rice. Two tenders for the 2000 crop have been held at the Voluntarily Marketed Rice Price Formation Center. Average successful rice prices of two tenders were 16,300 yen per 60 kilograms (\$2.54/kg¹), the lowest level in recent history. The following chart shows the past successful prices for voluntarily marketed rice.



To reduce the oversupply of government-owned rice and stop the declining trend of domestic rice prices, the Ministry of Agriculture, Forestry and Fisheries (MAFF) is considering the following new measures.

1. Government Purchases of 2000 Rice Crop

MAFF now plans to purchase about several hundred thousands metric tons of 2000 rice, a change in policy since FAS/Japan's most rice report, JA0094. Although MAFF was not expected to purchase any rice this year, MAFF now feels it must purchase a certain volume of 2000 rice as an exceptional case to ease the declining trend of domestic rice prices.

¹Exchange rate of 107 yen/USD

2. Rice Aid for North Korea

The GOJ has decided to furnish additional rice to North Korea in response to an emergency recommendation from the World Food Program (WFP). The WFP has asked for 194,000 MT to cover 4 months of demand. The GOJ will decide their exact donation by the end of September.

Recent History of Rice Donations:

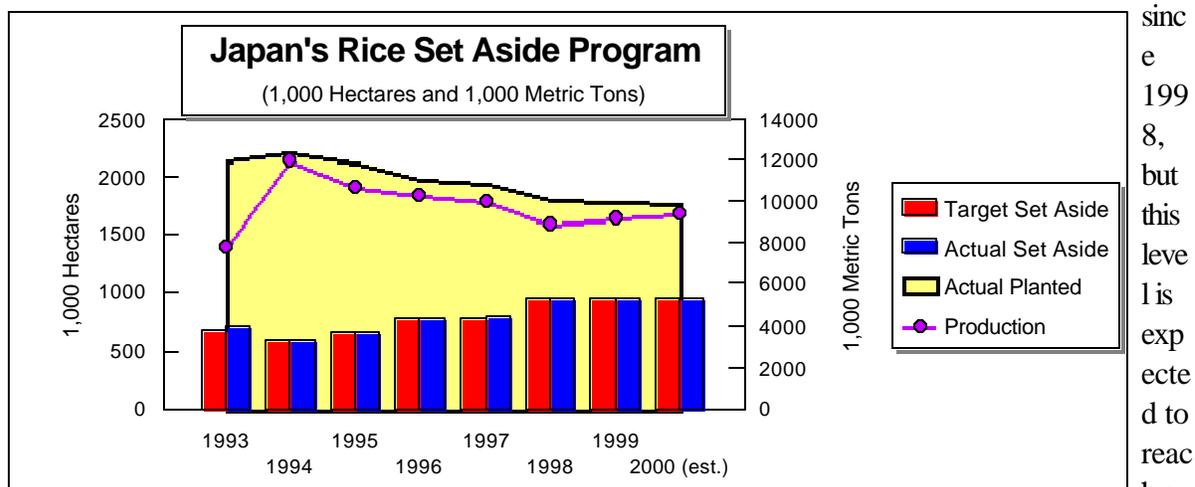
JFY 2000: 100,000 metric tons for North Korea, additional aid being discussed (breakdown of domestic vs. MA rice is unknown).

JFY 1999: About 150,000 metric tons for 21 countries in Asia, Africa and Central America (breakdown of domestic vs. MA rice is unknown).

JFY 1998: One million metric tons (420,000 metric tons of domestic rice, 280,000 metric tons of MA rice and 300,000 metric tons of rice from international market) for Indonesia.

3. Expansion of Rice Set Aside Program

Both MAFF and the Central Union of Agricultural Cooperatives (ZENCHU) plan to expand the current Rice Diversion Program in Japanese Fiscal Year 2001 (April 2001 - March 2002) in order to reduce production. The current level of the Rice Diversion Program has been set at 963,000 hectares



historical level of about 1 million hectares in JFY 2001. The following table shows Japan's rice set aside program since 1993.