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Grain and Feed

MAFF Needs to Reduce Stocks of Imported Rice, Board of Audit Says

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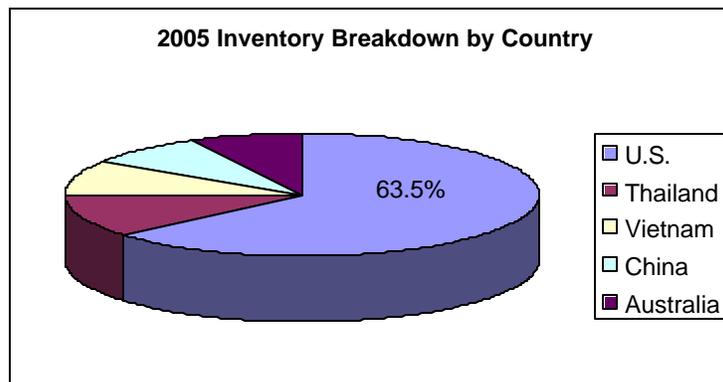
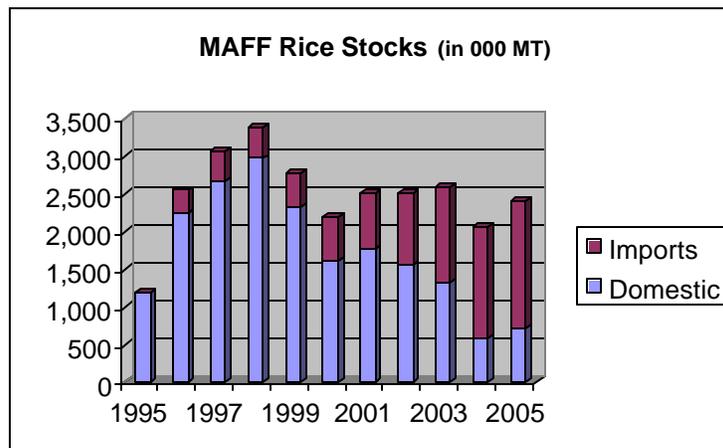
Report Highlights:

The Board of Audit, Japan's equivalent of the GAO, reports that the inflating inventory of imported rice has become a financial burden -- 2 mmt costing roughly \$144 million annually -- and urges the Ministry of Agriculture, Forestry and Fisheries (MAFF) to take action to reduce it. In response, in July MAFF started to release old import stocks to the feed sector, given its mandate to keep imported rice out of the food/table market. MAFF expects to release about 25,000 mt per month through June 2007. U.S. rice makes up 63.5% of MAFF's stocks.

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

Inventory Costing 17 billion Yen Annually

The Board of Audit, Japan's equivalent of the GAO, reports that the inflating inventory of imported rice, also referred to as Minimum Access rice or MA rice, has become a financial burden to the Government of Japan. The inventory has expanded by some 1.6 million metric tons (MT) over the last ten years and reached the record level of 2 million MT at the end of March this year, about 64 percent of which is U.S. medium grain rice. MA rice is kept in the most modern refrigerated warehouses and costs the Japanese government 17 billion yen (144 million dollars) annually. The Board of Audit is urging the Ministry of Agriculture, Forestry and Fisheries (MAFF) to take expeditious action to shrink the inventory, thus reducing its storage cost. In response, MAFF has begun releasing some of the old MA rice (some of the inventory goes all the way back to rice imported in 2000.) whose quality had deteriorated to the feed sector. This is the first time MA rice has been used for animal feed.



Source: MAFF

MAFF's Dilemma

About 280,000-300,000 MT of rice is used in Japan's feed sector annually. Because this year's domestic crop size is expected to be 4 to 5% lower than a normal year and there is little inventory of old domestic rice, MAFF's plan for this year is to supply all of 300,000 MT using old MA rice. Sales started in July with 25,000 MT released per month. Use of MA rice in the feed sector may be a quick fix but when domestic rice production returns to a normal year level, there will be unsold domestic rice that needs to find its way to the feed sector. MAFF will face the dilemma of balancing between domestic and MA rice stocks. In addition,

the price of feed rice is very low: about 120 dollars/MT. Considering the import cost of MA rice at about 530 dollars/MT, MAFF loses over 400 dollars for every ton of MA rice it sells to feed manufacturers: 120 million dollars for 300,000 MT. The cost of storage is, of course, additional.

Feed Utilization by Ingredient

	Corn	Sorghum	Wheat	Barley	Rice	Wheat Flour	Rye	Oats	Other Grains	Grain Total	Other Ingredients	Total
Layer Feed												
MT	3,646,520	104,250	150	79	70,030	1,426	2	0	3,161	3,825,618	2,676,332	6,501,950
%	56.1%	1.6%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	58.8%	41.2%	100.0%
Broiler Feed												
MT	1,547,339	660,709	3,691	1,429	84,753	3,538	100	0	5,825	2,307,384	1,304,970	3,612,354
%	42.8%	18.3%	0.1%	0.0%	2.3%	0.1%	0.0%	0.0%	0.2%	63.9%	36.1%	100.0%
Poultry Total												
MT	5,193,859	764,959	3,841	1,508	154,783	4,964	102	0	8,986	6,133,002	3,981,302	10,114,304
%	51.4%	7.6%	0.0%	0.0%	1.5%	0.0%	0.0%	0.0%	0.1%	60.6%	39.4%	100.0%
Dairy Cattle												
MT	1,364,326	35,984	12,056	64,648	33,468	25,322	73,875	7,389	11,827	1,628,895	1,634,458	3,263,353
%	41.8%	1.1%	0.4%	2.0%	1.0%	0.8%	2.3%	0.2%	0.4%	49.9%	50.1%	100.0%
Beef Cattle												
MT	1,615,794	89,973	33,213	635,747	11,290	41,576	43,950	4,721	10,805	2,487,069	1,558,797	4,045,866
%	39.9%	2.2%	0.8%	15.7%	0.3%	1.0%	1.1%	0.1%	0.3%	61.5%	38.5%	100.0%
Cattle Feed Total												
MT	2,980,120	125,957	45,269	700,395	44,758	66,898	117,825	12,110	22,632	4,115,964	3,193,255	7,309,219
%	40.8%	1.7%	0.6%	9.6%	0.6%	0.9%	1.6%	0.2%	0.3%	56.3%	43.7%	100.0%
Swine Feed												
MT	3,258,831	497,017	36,557	56,340	85,864	53,323	137,966	19	67,706	4,193,623	1,727,367	5,920,990
%	55.0%	8.4%	0.6%	1.0%	1.5%	0.9%	2.3%	0.0%	1.1%	70.8%	29.2%	100.0%
Feed, other												
MT	36,087	3,554	45	222	501	769	22	735	256	42,191	39,574	81,765
%	44.1%	4.3%	0.1%	0.3%	0.6%	0.9%	0.0%	0.9%	0.3%	51.6%	48.4%	100.0%
Compound Feed Total												
MT	11,468,897	1,391,487	85,712	758,465	285,906	125,954	255,915	12,864	99,580	14,484,780	8,941,498	23,426,278
%	49.0%	5.9%	0.4%	3.2%	1.2%	0.5%	1.1%	0.1%	0.4%	61.8%	38.2%	100.0%
Mixed Feed												
MT	384,451	4,262	4,594	12,456	26	1,428	3,527	2,245	8,710	421,699	121,380	543,079
%	70.8%	0.8%	0.8%	2.3%	0.0%	0.3%	0.6%	0.4%	1.6%	77.6%	22.4%	100.0%
Feed Total												
MT	11,853,348	1,395,749	90,306	770,921	285,932	127,382	259,442	15,109	108,290	14,906,479	9,062,878	23,969,357
%	49.5%	5.8%	0.4%	3.2%	1.2%	0.5%	1.1%	0.1%	0.5%	62.2%	37.8%	100.0%

Source: Feed Supply Stabilization Organization

The Root of the Problem

One may wonder why the MA rice inventory has accumulated to this level. Firstly, Japan is bound by its WTO commitments to import 682,000 mt of rice per year. The reason why MAFF does not simply release that imported rice to the market is because it is bound by a Cabinet Resolution adopted by the Hosokawa Cabinet on December 17, 1993 that reads: "Imported rice is not to disrupt the supply and demand of domestically grown rice." A Cabinet Resolution is the Japanese government's highest policy decision. As a result, MAFF only allows a very limited amount of imported rice onto the table rice market. The rest is either: 1) sold to food/beverage manufacturers as an ingredient so that its identity is lost; 2) re-exported under food aid programs; 3) now going into the feed market; and 4) kept in air-conditioned warehouses at a huge cost to taxpayers. While this practice may seem to contradict the spirit of the WTO agreement it is not contradicting any written rules.

Results of Japan's Minimum Access Rice Tenders (1995-2005)

(in actual tonnage)

	U.S.	Thailand	Australia	China	Others	Total
JFY2005						
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%
	U.S.	Thailand	Australia	China	Others	Total
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