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Japan

Grain and Feed

Grain and Feed Annual Report

2006

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Report Highlights:
In 2005, the U.S. maintained a sound share in rice and wheat imports. Despite stagnant overall demand for feed grains in Japan, U.S. imports of corn, sorghum and barley combined reached the highest level in the last five years. This was attributed to the recovery of sorghum and barley imports. Although both consumption and imports of grains will remain steady in the short term, demand for rice and wheat is expected to decline over time with changing demographics (aging population). Demand for feed grains will also likely decline in the long term as Japan's livestock population continues to shrink.

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

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RICE

Production Near Normal Year

As part of its rice policy reforms the Ministry of Agriculture, Forestry and Fisheries (MAFF) has decided to phase out government controls on production by fiscal 2008. As an interim measure, starting 2004, the production control scheme based on the acreage reduction program ended. Instead, a production volume target is set for each prefecture based on demand forecasts by a third party. (Refer to GAIN Report #JA3012, Japan's Proposed Rice Reforms.) For 2005 the national target volume was set at 8,510,000 metric tons (MT).

Despite some damage caused by typhoons in the southern island of Kyushu, overall national production ended with 1% above a normal year yield for the total volume of 9,074,000 MT. This is 564,000 MT greater than the target volume.

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

	Planted Area (1,000 hectares)			Production (1,000 metric tons)			Yield/10 ares (kilograms)	
	Total	Paddy	Upland	Total	Paddy	Upland	Paddy	Upland
2001	1,706	1,700	6	9,057	9,048	9	532	144
2002	1,688	1,683	5	8,889	8,876	13	527	225
2003	1,665	1,660	5	7,792	7,779	13	469	250
2004	1,701	1,697	4	8,730	8,721	9	514	200
2005	1,706	1,702	4	9,074	9,062	12	532	266

Source: MAFF

Downward Rice Consumption Trend Continues

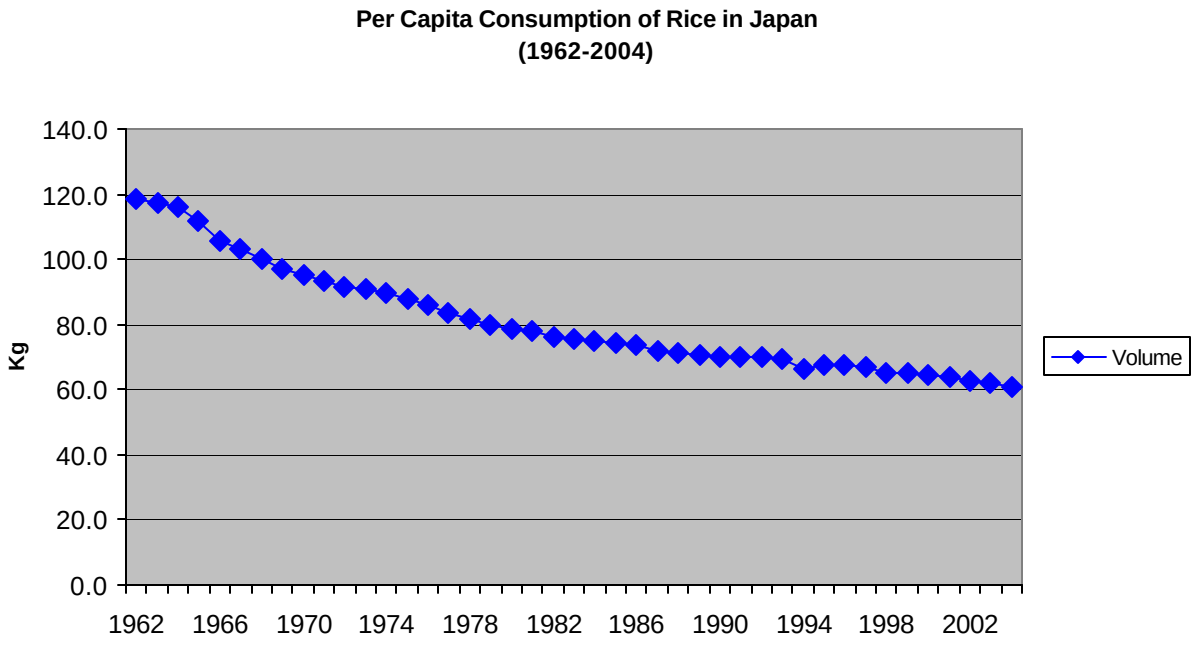
According to MAFF's latest "Food Balance Sheet", the average annual per capita consumption of rice in 2004 dropped slightly again to 61.5 kilograms from 61.9 kilograms in 2003, which is almost one half of the peak of consumption in 1962 of 118.3 kilograms. The fundamental reason for the decline is westernized and diversified Japanese eating habits, and reversing the downward trend appears difficult in the medium term. Coupled with the demographic situation where Japan's population peaked in 2005, faster than previously forecast, and it is also aging rapidly (one out of four Japanese will be older than 65 by 2015), longer term prospects are also grim.

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

1962	1965	1975	1985	1995	2002	2003	2004	2005*
118.3	111.7	88.0	74.6	67.8	62.7	61.9	61.5	61.0

* Ag Office estimate

Source: MAFF



As a result of the reduction in consumption, as well as a decline in the 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 about 4 percent of food expenditures on rice.

Table 3.

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

	1985	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Total Expenditure	273,114	333,313	328,186	323,008	317,133	308,692	306,129	302,623	304,203	302,903
Food Expenditure	73,735	78,306	78,156	76,590	73,844	71,534	71,286	70,260	70,116	68,910
Expenditure on Rice	6,233	3,863	3,712	3,527	3,291	3,113	2,992	3,041	3,044	2,681
% rice/food	8.50%	4.90%	4.70%	4.60%	4.50%	4.40%	4.20%	4.30%	4.34%	3.89%

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

*Preliminary

Rice Price Returns to Normal

Due to the short crop in 2003, wholesale prices in early RY 2003 soared 20 to 50 percent over the previous year (pushing up the retail price in 2004 due to a time lag). Since 2004 wholesale prices have been stable and the retail price returned to the 2002 level.

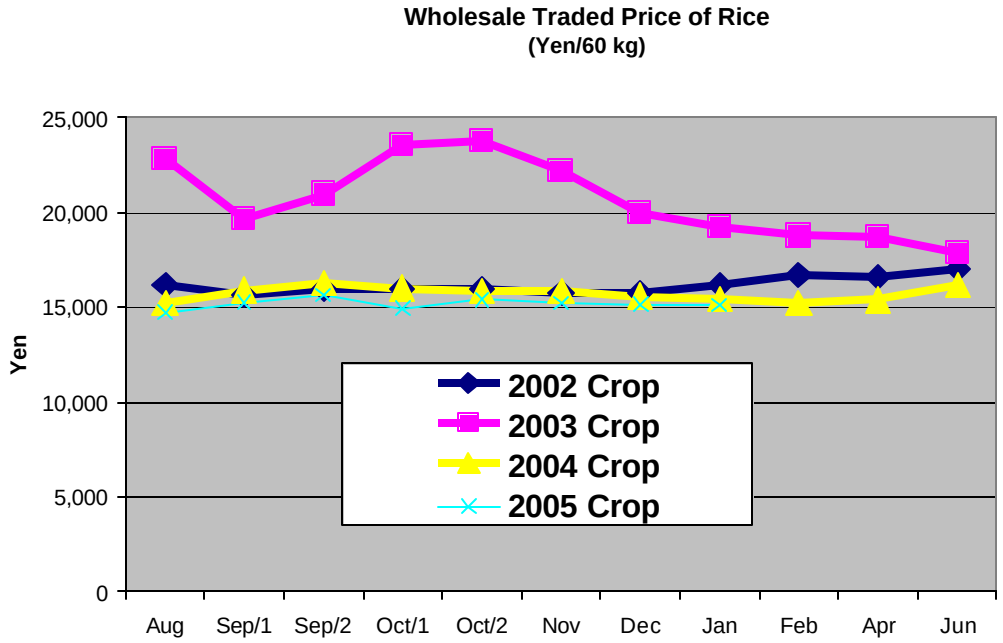


Table 4.
Retail Price of Rice in Tokyo Area (Yen/10 kg)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
5,374	5,218	5,017	5,059	4,934	4,745	4,788	4,983	5,527	4,749

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

U.S. Maintains Near 50% Share of Imports

Currently, for the Japanese fiscal year (JFY) 2005 (April 2005–March 2006), the total U.S. market share remains at the same level as previous years. To date MAFF has held four Simultaneous Buy and Sell (SBS) tenders and eight Ordinary Minimum Access (OMA) tenders. Although the SBS portion (100,000 MT) has been successfully filled, there remains about 80,000 MT under the OMA portion for Japan's commitment to be filled. Therefore, it is expected that another OMA tender will be held within March.

Early implementation of the Maximum Residue Levels (MRLs) disrupts rice imports

Japan's Ministry of Health, Labor and Welfare (MHLW) published comprehensive revisions to its regulations on allowable pesticide and veterinary drug residues in foods. The final version was published in Japan on November 28, 2005 following official notification to the World Trade Organization (WTO) with a 60-day comment period during the summer of 2005. MHLW announced that it would start to enforce the new MRL standards on May 29, 2006. (The provisional English version of this so-called "positive list" is posted on MHLW's website: http://www.mhlw.go.jp/english/topics/foodsafety/positivelist060228/index.html) Please also refer to GAIN Report JA6004: Summary of Japan's New Positive List System.

At the same time that MHLW was finalizing the new MRL standards, Japan's Ministry of Agriculture, Fisheries, and Forestry (MAFF) separately informed foreign shippers of rice,

wheat, and barley to Japan that it would require imported shipments of these commodities to be in compliance with the new MRL requirements as of December 2005, and not May 29, 2006 as provided in MHLW's proposal. Further, MAFF made other changes involving SBS rice tenders including tender dates, shipment size minimums, and testing protocols in conjunction with enforcement of the new MRL standards in December 2005.

Since these changes were enforced in the middle of the year, rice importers, particularly SBS rice importers who normally contract with suppliers in early spring, experienced difficulty dealing with the new requirements.

Adding to already existing difficulty in getting rice through the SBS system, the new MRL regime is expected to make the SBS business, which is practically the only way for U.S. rice to reach Japanese consumers, even more difficult, further limiting market development efforts and undermining U.S. producers' commitment to produce Japan specific varieties of rice.

Table 5.
Results of Japan's Minimum Access Rice Tenders (JFY 1995 - 2005)
(Actual Tonnage)

	U.S.	Thailand	Australia	China	Others	Total
JFY 2005	Two more OMA tenders remaining					
SBS	17,894	1,784	4,084	75,684	554	100,000
Share	*17.89%*	*1.78%*	*4.08%*	*75.68%*	*0.55%*	*100.00%*
OMA	273,000	148,500	13,000	0	70,000	504,500
Share	*54.11%*	*29.44%*	*2.58%*	*0.00%*	*13.88%*	*100.00%*
Total	290,894	150,284	17,084	75,684	70,554	604,500
Share	*48.12%*	*24.86%*	*2.83%*	*12.52%*	*11.67%*	*100.00%*
JFY 2004						
SBS	23,413	1,211	4,658	63,877	829	93,988
Share	*24.90%*	*1.30%*	*5.00%*	*68.00%*	*0.90%*	*100.00%*
OMA	298,500	163,300	13,000	24,000	85,944	584,744
Share	*51.05%*	*30.80%*	*2.50%*	*1.40%*	*9.40%*	*100.00%*
Total	321,913	164,511	17,658	87,877	86,773	678,732
Share	*47.43%*	*24.24%*	*2.60%*	*12.95%*	*12.78%*	*100.00%*
JFY 2003						
SBS	18,216	1,145	1,570	78,803	266	100,000
Share	*18.20%*	*1.10%*	*1.60%*	*78.80%*	*0.30%*	*100.00%*
OMA	298,000	134,700	78,400	19,500	40,500	571,100
Share	*52.20%*	*23.60%*	*13.70%*	*3.40%*	*7.10%*	*100.00%*
Total	316,216	135,845	79,970	98,303	40,766	671,100
Share	*47.10%*	*20.20%*	*11.90%*	*14.60%*	*6.10%*	*100.00%*
JFY 2002						
SBS	20,122	1,327	4,077	24,247	294	50,067
Share	*40.20%*	*2.70%*	*8.10%*	*48.40%*	*0.60%*	*100.00%*
OMA	301,676	134,808	82,500	75,690	34,800	629,474
Share	*47.90%*	*21.40%*	*13.10%*	*12.00%*	*5.50%*	*100.00%*
Total	321,798	136,135	86,577	99,937	35,094	679,541
Share	*47.40%*	*20.00%*	*12.70%*	*14.70%*	*5.20%*	*100.00%*
JFY 2001						

SBS	25,173	421	8,529	65,702	175	100,000
Share	*25.20%*	*0.40%*	*8.50%*	*65.70%*	*0.20%*	*100.00%*
OMA	298,877	129,376	91,500	55,516	4,700	579,969
Share	*51.50%*	*22.30%*	*15.80%*	*9.60%*	*0.80%*	*100.00%*
Total	324,050	129,797	100,029	121,218	4,875	679,969
Share	*47.70%*	*19.10%*	*14.70%*	*17.80%*	*0.70%*	*100.00%*
JFY 2000						
SBS	46,273	4,960	14,269	53,264	1,234	120,000
Share	*38.60%*	*4.10%*	*11.90%*	*44.40%*	*1.00%*	*100.00%*
OMA	284,000	144,370	94,000	35,000	15,669	573,039
Share	*49.60%*	*25.20%*	*16.40%*	*6.10%*	*2.70%*	*100.00%*
Total	330,273	149,330	108,269	88,264	16,903	693,039
Share	*47.70%*	*21.50%*	*15.60%*	*12.70%*	*2.40%*	*100.00%*

Source: MAFF

Trade for Processed Rice Products

The United States is the third largest exporter of rice flour preparations to Japan after Thailand and China. Japanese users' demand for imported rice flour preparations continues to be strong in 2005 because of a significant price advantage over domestic non-table rice.

In June 2005, the Ministry of Agriculture, Forestry and Fisheries (MAFF) started to release stocks of imported rice into the rice flour sector in an effort to curb the "surge" of imports of rice flour preparations. Although the statistics show that this new release program has not so far had a sizeable impact on the imports of rice flour preparations from the U.S. Post will continue monitoring the movements.

The U.S. share in the imports of rice crackers, pilaf and *sake* (rice wine) remains small due to high labor costs compared to those in countries like Thailand (the largest exporter of rice crackers), China (the largest exporter of pilaf) and the Republic of Korea (the largest exporter of *sake*).

Table 6.
Japanese Imports of Processed Rice Products
(MT, except sake)

	CY 2003		CY 2004		CY 2005	
	Total	U.S.	Total	U.S.	Total	U.S.
Flour preparations	111,761	28,173	122,324	29,983	120,633	31,890
Rice Crackers	7,478	1	9,023	3	9,475	0
Pilaf	611	2	1,148	158	1,117	74
Sake (1,000 liters)	2,537	4	2,608	0	3,016	0

Source: Ministry of Finance

Stocks

MAFF holds emergency stocks of rice whose appropriate level is currently targeted at 1 million MT. However, this does not include the Minimum Access (MA) rice. The official supply and demand table by MAFF does not include stocks of MA rice. As shown below, stocks of domestic rice have been reduced over the years, and in 2004 went below the targeted level due to a poor crop in 2003. In contrast, stocks of MA rice have been piling up.

Table 7.
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

Source: Food Department/MAFF

This is a major issue for MAFF since the storage cost has become exorbitant. It is also a great concern for the United States because the stocks are virtually all U.S. rice, some of which are few years old. In order not to disrupt the supply and demand for domestic rice, MAFF does not release these stocks. In an effort to reduce the MA stocks, while not greatly disrupting the supply and demand for domestic rice and simultaneously curbing imports of rice flour preparations, MAFF started releasing MA rice stocks for domestic rice flour manufacturers, as mentioned in the previous section.

In a more grand scheme to write the storage cost off of its books, MAFF has developed the idea of creating regional stocks with ASEAN nations plus China and Korea, where each country would contribute a certain amount of stocks (physically held in each nation) to be used for shortage or emergency situations in any of the member nations. The plan for this "East Asia Emergency Rice Reserve (EAERR)" was officially adopted in October 2002 at the ASEAN Plus 3 agriculture ministerial meeting, and currently a pilot program is being conducted. For details, see the EAERR English language website (http://www.eaerr.org/index.php). However, there appears to be little substantive progress in the multilateral discussion to realize this plan.

Minimum Access Commitment Continues into 2006

As a result of the GOJ's tariffication of rice in JFY 2000, the Minimum Access commitment was reduced to 7.2 percent of total domestic consumption from 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, to be excluded from the across the board expansion of tariff rate quotas (TRQs) and tariff capping in the WTO Doha Round.

Table 8.
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 Government of Japan 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 only records exports of Japanese domestic rice (12,052 MT in the calendar year 2005 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.

Japan's Food Self-Sufficiency Ratio Again Stays at 40 percent and GOJ Embarks on New "Food Education" Initiative

In 2000 MAFF announced a food self-sufficiency target of 45 percent on a caloric basis by 2010. Japan's self-sufficiency consistently declined for many years but has remained steady at 40 percent since 1998. With the rate in 2003 again stalling at 40 percent, MAFF announced earlier this year that it had given up achieving the target of 45 percent by 2010. But it will continue targeting 45 percent by 2015. In this effort the government, involving the Ministry of Education, has embarked on a "Food Education" campaign by legislating the Basic Food Education Law in 2005 to promote the benefits of a traditional Japanese diet and the concept of "*Chisan Chisho* (Produce locally and consume locally)". In this context, MAFF developed the Japanese version of the Food Pyramid in 2005. (Please refer to GAIN Report JA5057: Japan's Food Education Initiatives.)

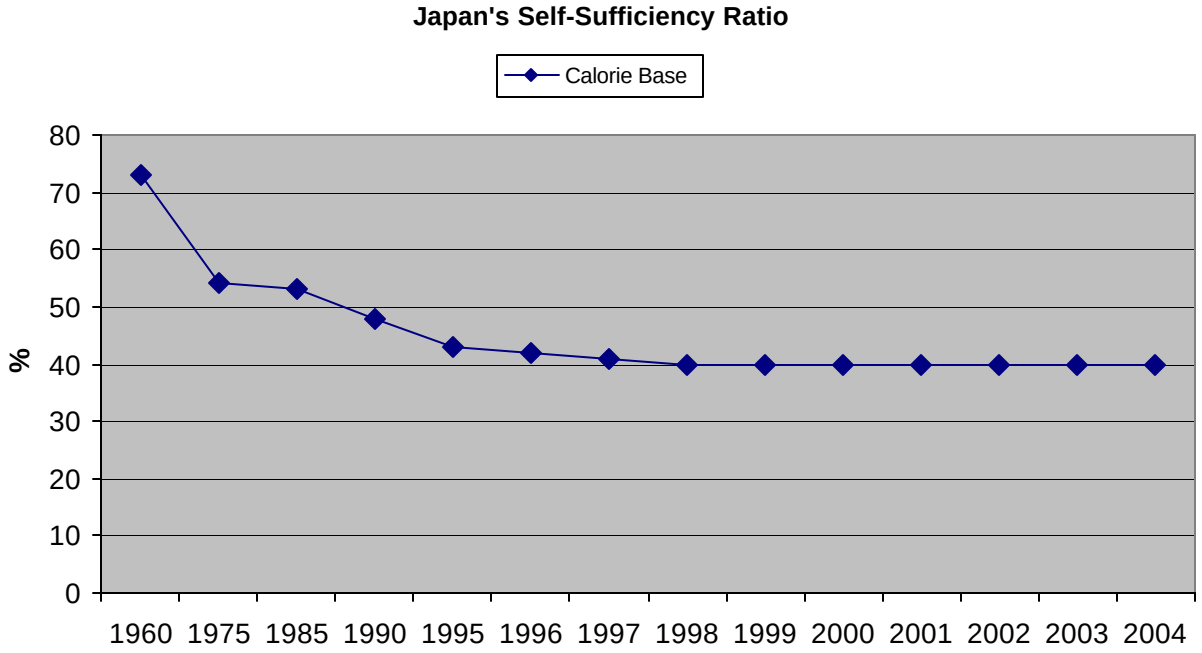
Table 9.

Japan's Self-Sufficiency Ratio (%)

	1960	1975	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Rice	96	110	107	100	104	102	99	95	95	95	95	96	95	95
Wheat	28	4	14	15	7	7	9	9	9	11	11	13	14	14
Beans	25	9	8	8	5	5	5	5	6	7	7	7	6	6
Soybeans	11	4	5	5	2	3	3	3	4	5	5	5	4	3
Vegetables	100	99	95	91	85	86	86	84	83	82	82	83	82	80
Fruit	90	84	77	63	49	47	53	49	49	44	45	44	44	39
Meats	90	77	81	70	57	55	56	55	54	52	53	53	54	55
Beef	95	81	72	51	39	39	36	35	36	34	36	39	39	44
Eggs	100	97	98	98	96	96	96	96	96	95	96	96	96	95
Milk/Dairy Products	86	81	85	78	72	72	71	71	70	68	68	69	69	67
Seafood (for food)	110	100	86	72	59	58	60	57	55	53	53	53	57	55
Sugar	31	15	33	32	31	28	29	32	31	29	32	34	35	34
Self-sufficiency (Calorie Basis)	73	54	53	48	43	42	41	40	40	40	40	40	40	40
Self-sufficiency (Major Food Grains)	80	69	69	67	65	63	62	59	59	60	60	61	60	60

Self-sufficiency (Major Feed Grains)	55	34	27	26	26	25	25	25	24	26	25	25	23	25
Self-sufficiency (Food + Feed Grains)	62	40	31	30	30	29	28	27	27	28	28	28	27	28

Source: MAFF



Marketing

As long as the current import and stock regime remains, there will always be two major constraints to marketing U.S. rice in Japan; 1) the difficulty of securing a steady supply at a stable price through the SBS system and 2) MAFF's reluctance to release stocks of OMA rice into the market. There are over a million metric tons of OMA rice stored in the government-commissioned warehouses. Without a transparent and regular release of OMA rice stocks, potential users in the food service and processing sectors cannot be developed.

Despite a highly restrictive marketing environment, the USA Rice Federation (USARF) continues to conduct a diligent marketing program. The development of the "USA Rice Shop Network" launched in 2002, where individually owned rice shops in major metropolitan areas are selling U.S. rice all year around, has proven that once U.S. rice is available on a consistent basis, Japanese consumers buy it repeatedly even at similar prices to Japanese domestic rice (the price of U.S. rice is significantly raised through the SBS system). In 2006, the USARF will be embarking on food service and Home Meal Replacement promotions by holding a creative U.S. rice *sushi* recipe contest, entitled "California-Style Sushi Master Contest," targeting professional chefs and recipe creators.

WHEAT

Production in 2005 up 2 Percent

The total planted area for wheat in 2005 increased slightly from 212,600 hectares in 2004 to 213,500 hectares in 2005. Due to a higher yield, the overall production increased by two percent from 859,900 MT in 2004 to 877,400 MT in 2005. The major production area of Hokkaido, however, saw a drop in production, due to a lower yield caused by dry weather after pollination, from 558,200 MT in 2004 to 540,100 MT in 2005.

Table 10.
Japan's Wheat Production

	Planted Area (hectares)	Production (MT)	Yield (MT/ha)
2001	196,900	699,900	3.55
2002	206,900	827,800	4.00
2003	212,200	855,200	4.03
2004	212,600	859,900	4.04
2005	213,500	877,400	4.11

Source: MAFF

New Subsidy Scheme Announced

In October 2005, MAFF announced the outline of a new farm subsidy program that departs from the current commodity-specific support given to practically all farmers and calls for direct payments targeting larger scale farmers. Following drafting of the necessary legislation in JFY 2006, the new scheme is scheduled to commence in JFY 2007. (Please refer to GAIN report JA5068: Japan Embarks on a Drastic Change in its Farm Subsidy Scheme.)

The core feature of the direct payment is to fill the cost/price gap between specific domestic farm products and imports. Wheat (as well as barley) is one of the most important commodities targeted in the new scheme. In the announced plan, farmers who meet certain criteria, such as cultivating more than a certain acreage, will receive a set amount of direct payments. For wheat, the tentative amount discussed is 40,200 yen per 10 ares (approximately 1,377 U.S. Dollars per acre).

While MAFF's goal is to encourage the upward trend in wheat production through the use of this direct payment, it is difficult to forecast at this point whether the new program will be successful or not. An expansion of domestic wheat production will ultimately depend on whether or not Japanese producers will be able to produce wheat that is acceptable to end-users in quality which is currently evaluated by Japanese flour millers as much inferior to imported wheat.

In the interim, Post projects that the current level of production is near the ceiling of what the market can absorb with the current level of price support. In 2006, Post forecasts that the planted acreage will further increase but production may decline slightly if the yield returns to a normal year level.

Wheat Consumption Stays Flat

Wheat consumption had been gradually increasing as consumers shifted from rice to processed wheat products such as bread and pasta. However, consumption has been flat

since 2000, stemming from Japan's depressed economy. In 2003/04, wheat consumption increased slightly as the overall downward trend was temporarily offset due to the higher price of rice caused by a short crop. As projected last year, consumption in 2004/05 went back to the 2001/02 level. In the long term, considering the growing size of the elderly population, who tend to eat more traditional foods, it is expected that consumption will continue to decline slowly.

Table 11.
Per Capita Consumption of Wheat in Japan
(Kilograms)

1985	1997	1998	1999	2000	2001	2002	2003	2004	2005*
31.7	32.4	32.2	32.4	32.6	32.1	31.9	32.6	32.3	32.0

Source: MAFF

* Ag Office estimate

Utilization Patterns

In 2004 production of wheat based products stayed at the level in 2003, following a slight increase in 2003 due to increased production in anticipation of increased demand in 2004, expected from a poor rice crop. Wheat consumption did increase slightly in 2003/04 as mentioned in the previous section, but this was a temporary trend. Domestic production of selected wheat products is estimated to be flat or decline slightly in coming years as Japan's demography changes.

As a more visible threat, flour millers continue having to compete with increasing imports of premixes (flour preparations) and semi-finished or finished products such as frozen dough (see Table 15 in the following trade section.). As a side note, MAFF is aggressively promoting use of rice flours in bread and other products in an effort to develop new demand for over-produced rice. Post expects the impact of this on wheat flour consumption on the macro basis is minimal.

Table 12.
Japanese Production of Selected Wheat Products
(1,000 MT)

	2001	2002	2003	2004	2005*
Wheat Flour	4,607	4,591	4,662	4,667	4,620
Bread	1,272	1,245	1,247	1,243	1,230
Noodles	1,441	1,423	1,425	1,414	1,410
Biscuit	218	210	219	214	215
Premix	353	347	352	365	360

* Ag Office Estimate

Source: MAFF

Government Resale Price for 2006 Lowered Again

MAFF controls both producer and resale prices of both domestic and imported wheat. MAFF buys imported wheat at international prices and sells it to domestic flour millers at higher prices. As shown in Table 13 below, the ratio in recent years has been consistent at 2.0, which means MAFF sells imported wheat at twice the purchase price. The table shows that

the 2006 resale price for U.S. Western White was lowered by 0.8 percent from 2005. 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".

Although this current state trading regime will likely be maintained in the foreseeable future, along with the introduction of a new direct payment scheme explained in the previous section, MAFF plans to introduce the Simultaneous Buy and Sell (SBS) system, as done for rice and feed wheat/barley. The idea is to separate certain specialty types/varieties like durum from the state purchase and set them aside for the SBS tenders where flour millers would be able to have an opportunity to directly purchase the product they like directly from suppliers they choose. The decision to actually introduce the SBS system should be made in early JFY 2006, followed by discussion of details, such as the types of wheat, quantities, and tender methods. If everything progresses without stalling, it can be implemented as early as JFY 2007. However, the total amount set aside for the SBS tender is expected to be very limited.

Table 13.
GOJ Purchase and Resale Price of U.S. Wheat
(Yen per MT)

	Average CIF Price* (a)	Resale Price** (b)	(b)/(a)
2002	23,183	45,790	2.0
2003	22,855	45,790	2.0
2004	22,923	45,560	2.0
2005	21,306	45,350	2.1
2006	NA	44,970	NA

*US Wheat (HS Code: 100190019)

*US Western White II

Source: MAFF and Ministry of Finance

The price includes 5% consumption tax.

Wheat Imports Stay Strong in 2005

Total imports of wheat in calendar year (CY) 2005 stayed strong at 5,472,347 MT. This is in line with the average over the last several years of 5.5 million MT. Over the medium term, however, increased imports of processed products will continue to reduce import demand for wheat. The U.S. share of total imports in 2005 was maintained at the previous year's level of 56-57 percent.

Table 14.
Japanese Wheat Imports by Source
(MT)

Year	U.S.	Share	Canada	Australia	TOTAL
CY 2003	2,983,496	56.9%	1,069,828	1,167,656	5,246,121
CY 2004	3,069,086	55.9%	1,162,371	1,216,749	5,490,227
CY 2005	3,102,469	56.7%	1,243,055	1,107,053	5,472,347

Source: Ministry of Finance

Table 15.
Japanese Imports of Processed Wheat Products
(MT)

	CY 2003		CY 2004		CY 2005	
	Total	US Share	Total	US Share	Total	US Share
Flour preparations	132,603	7.3%	136,256	6.7%	139,798	6.2%
Pasta (excl. stuffed)	107,838	19.5%	111,527	20.3%	109,606	20.5%
Biscuits	20,647	11.5%	25,182	9.9%	23,942	8.5%
Bread	7,944	38.6%	9,052	41.4%	9,500	37.9%

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 (less than half of MAFF's resale price) 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 16.
Japanese Exports of Wheat Flour by Destination
(MT)

Destination	CY 2003	CY 2004	CY 2005
Hong Kong	195,051	189,882	186,806
Vietnam	46,593	45,171	35,805
Singapore	38,537	30,878	28,320
Thailand	15,301	16,076	15,741
United States	623	587	705
Other	22,595	21,819	22,533
Total	318,700	304,413	289,910

Source: Ministry of Finance

Stocks

Japan has held emergency stocks of wheat at the level equivalent to 2.6 months' worth of demand. Due to the shortened time necessary to obtain alternative supplies in case of an emergency, the stocks have been reduced to 2.3 months' worth as of the end JFY 2005. Although the actual stock figures are not disclosed, it is calculated to be around 1.06 million metric tons.

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. During JFY 2005, MAFF conducted five SBS tenders, through which 89,935 MT of imported wheat was contracted. In 2002 and 2003 Japan purchased a small amount of Ukrainian wheat but discontinued that in 2004. Although it continues to purchase a small amount of Chinese wheat, in the near future Post does not see a significant advance by these low cost producers.

Table 17.
SBS Imports of Feed Wheat and Barley
(MT)

	Wheat	Barley
1st tender	17,720	200,000
2nd	18,710	190,000
3rd	16,280	190,000
4th	18,705	200,000
5th	18,520	220,000
Total	89,935	1,000,000

Source: MAFF

Marketing

The US Wheat Associates (USWA) has been a diligent and effective liaison between the Japanese trade and U.S. industry, conducting activities to maintain and enhance trade relationships. In order to further develop market potential for U.S. wheat, it has embarked on cultivating users of U.S. durum wheat. A reverse trade mission was conducted in 2004 for this particular purpose, and received a good reaction from the participants. The second mission was held in 2005.

CORN

Production

Corn production is negligible in Japan.

Overall Corn Demand Stable; Stagnant Feed Demand Offset by Increased Food Use

It was logically expected that the prolonged import ban of U.S. beef and beef products would lead to some build up of domestic cattle herd to take advantage of the lack of imports. This did not happen since the lack of U.S. beef imports was filled by imports from other countries, mostly Australia. Since the tight supply pushed up beef prices, some replacement demand has gone to chicken and pork, but again, resulted in increased imports of chicken and pork, not increased domestic production.

With the outbreak of avian influenza (AI) in Japan, first detected in February 2004, continuing, domestic poultry producers have become hesitant to build up the broiler/layer population. Therefore, overall feed demand was stagnant in 2005. While there is no change in the overall declining trend in Japan's livestock population over the years, with so many unknowns in animal health/quarantine issues at this point, it is extremely difficult to make any long-term forecast.

Table 18.
Japanese Livestock Population
(1,000 heads)

	2000	2001	2002	2003	2004	2005	*%05/00*

Dairy cows	1,764	1,725	1,726	1,719	1,690	1,655	***93.8%***
Beef cattle	2,824	2,806	2,838	2,804	2,788	2,747	***97.3%***
Swine	9,806	9,788	9,612	9,725	9,724	9,750*	***99.4%***
Layers	140,365	139,248	137,718	137,272	137,216	136,000*	***96.9%***
Broilers	108,410	106,311	105,658	103,730	104,950	102,521	***94.6%***

Source: MAFF (as of February each year)

* Ag Office Estimate

Table 19.
Imports of Meat by Origin
(1,000 MT)

	CY 2003	CY 2004	CY 2005
Beef, fresh/chilled (HS Code: 0201)			
United States	114	1	0
Share	42.2%	0.0%	0.0%
Australia	151	204	223
Total	270	208	230
Beef, frozen (HS Code: 0202)			
United States	153	1	0
Share	50.1%	0.0%	0.0%
Australia	133	191	188
Total	306	224	230
Pork, fresh/chilled/frozen (HS Code: 0203)			
United States	245	256	288
Share	32.6%	29.6%	33.0%
Denmark	220	268	231
Canada	167	185	195
Total	753	864	873
Poultry, fresh/chilled/frozen (HS Code: 0207)			
United States	48	31	30
Share	10.0%	8.5%	7.0%
China	64	8	1
Thailand	179	13	0
Brazil	175	297	380
Total	480	360	429

Source: Ministry of Finance

Utilization Patterns

Roughly 70 percent of total demand for corn in Japan 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 major ingredient used in compound and mixed feed. The ingredient ratio is adjusted from year-to-year, depending on prices of various grains, but the corn ratio has been fairly constant at 48–50 percent in recent years. Of the total demand for corn, about 44-45 percent comes from the poultry sector.

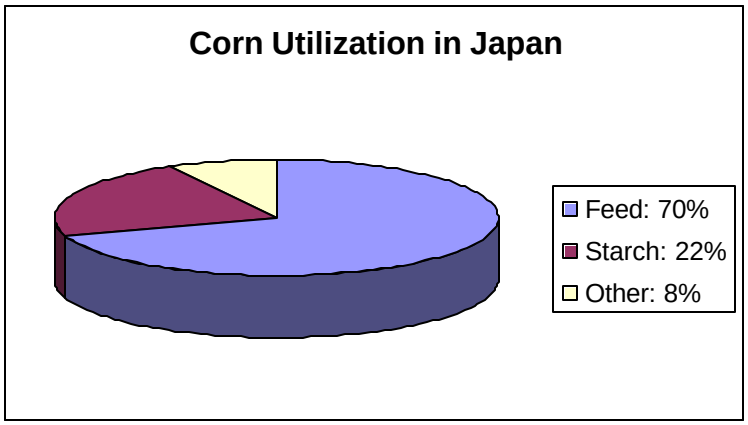


Table 20.
Feed Utilization by Ingredients 2004

	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

Production of Feed Likely to Stay Flat in 2005/06 while Strong Food Demand Expected to Continue

Following a temporary small increase in 2002/03 due to the post-BSE cattle feed demand (Japan's first BSE was detected in September 2001.) and increase in swine population, the total production of compound feed has since returned to a declining path. In JFY 2005/06, Post projects that feed demand will stay flat or decline slightly.

On the other hand, primarily due to a strong beverage demand for corn sweeteners, a robust demand for food corn is expected to continue. In the long term, the downward trend in livestock population appears irreversible (see Table 18.) and feed demand in Japan is expected to decline slowly but surely. The future of corn demand in Japan relies heavily on demand enhancement and development in the non-feed sector. Practically all food corn users in Japan still require non-biotech and therefore U.S. suppliers are expected to use the IP system to assure their customers this requirement is met.

Table 21.
Japanese Compound and Mixed Feed Production by Type of Animal
(1,000 MT)

	Compound Feed				Mixed	Grand-
	Poultry	Swine	Cattle	Subtotal*	Feed	Total
JFY 2001	10,312	5,856	7,114	23,364	735	24,099
JFY 2002	10,500	5,960	7,175	23,722	692	24,414
JFY 2003	10,491	6,059	7,329	23,968	634	24,602
JFY 2004	10,067	5,919	7,302	23,370	547	23,916
JFY 2005*	10,050	6,050	7,200	23,300	520	23,820

* Includes feed for other livestock animals

** Ag Office preliminary estimates

Source: MAFF

Prices

The cost of imported corn jumped significantly in 2004, reflecting higher export prices and sky rocketed trans-Pacific freight rates. The cost in 2005 declined but still remains at a high level.

Table 22.
Average CIF Price of Corn for Feed by Origin
($US per MT)

	CY 2003	CY 2004	CY 2005	***%05/04***
United States	138.0	175.8	151.2	***86.0%***
Argentina	136.9	NA	145.5	***NA***

China	130.2	174.2	152.5	***87.5%***
Brazil	141.7	173.0	NA	***NA***

Source: Ministry of Finance

Trade Returns to U.S. as Starlink Issue Diminishes, but Aflatoxin Concern Arises

Feed corn imports in 2005 were down due to the stagnant demand situation described in the previous section.

Food corn imports increased again in CY 2005 due to an aggregate demand increase in the beverage sector, particularly for high fructose corn syrup (HFCS) used in low alcoholic drinks like *happoshu* (light beer) and other alcoholic beverages, reflecting increased popularity for these drinks in addition to a continued strong demand for soft drinks. Since China continues to struggle in gathering exportable supplies, the United States share in the food corn imports increased. Supporting factors include StarLink monitoring showing zero detection continually and diligent efforts by the U.S. industry to educate Japanese users about its rigorous Identity Preserved (IP) handling program.

Therefore, the increase in food corn imports offset the decline in feed corn imports for CY 2005. Looking at the marketing year (MY) imports (October 2004 – September 2005) total corn imports declined 1.8 percent from the previous year, but imports from the United States increased by 1.3 percent.

While the StarLink issue is diminishing, detection of aflatoxin in U.S. food corn has caused serious concern among the Japanese trade. Since December 21, 2005 to date, 20 lots have been detected with above tolerance level (10 ppb) for aflatoxin B1. Post has been coordinating closely with the U.S. Grains Council and communicating with the Japanese trade organizations in order to address their concerns.

Table 23.
Imports of Corn by Origin
(1,000 MT)

	CY 2003	CY 2004	CY 2005
Corn for feed			
United States	11,659	11,587	10,258
Share	92.8%	96.3%	93.5%
Argentina	292	0	55
China	605	445	638
Brazil	10	4	0
Others	0	0	15
Total	12,566	12,035	10,966
Corn for manufacturing			
United States	3,582	4,090	5,422
Share	79.7%	92.1%	95.3%
Argentina	147	12	4
Australia	3	3	2
China	546	234	150
South Africa	21	6	101
Brazil	184	87	0
Others	11	10	10

Total	4,496	4,443	5,689
Total corn			
United States	15,241	15,677	15,680
Share	89.3%	95.1%	94.1%
Total	17,062	16,478	16,656

Source: Ministry of Finance

Stocks

Japan holds emergency stocks of essential feed grains, i.e. corn, sorghum, and barley. For over a decade until 2003, the stock level was set at approximately 630,000-670,000 MT, 130,000-170,000 MT and 390,000-400,000 MT respectively for the total of three grains fixed at 1,200,000 MT. In the scheme of regulatory reforms and downsizing of government expenditures, since 2003 the stock size has been reduced to 1,000,000 MT in 2003 and 950,000 MT in 2004. It was maintained at the same level in 2005. The breakdown is 535,000 MT for corn, 65,000 MT for sorghum and 350,000 MT for barley.

Government Stocks Released to Ease Impact of Hurricane Katrina

Shortly following the hurricane, MAFF announced that it would release the government stocks of corn/sorghum and barley on loan (i.e. recipients are required to return the same amount to the government at a later date). The set-aside volume was 300,000 MT for corn and sorghum combined and 100,000 MT for barley. As a result, although no request for barley was made, about half of the set-aside amount of corn/sorghum was released (145,600 MT to be exact). The impact of this devastating hurricane on the grain trade was greatly alleviated by tremendous efforts by all parties involved.

Marketing

With traditional markets for coarse grains expected to decline as Japan's domestic livestock production contracts, the U.S. Grains Council (USGC) continues to explore markets for "new use" products featuring Value Enhanced Grains (VEG) such as high oil corn. It held a symposium featuring experts from the U.S. in February 2005 in Tokyo and Osaka gathering over 100 key wet and dry millers, food manufacturers and traders. This was followed by a reverse trade mission in September 2005 where Japanese corn processors visited IP handling facilities and farms in the U.S. Promoting VEG aims at increasing the total monetary value of coarse grains exported to Japan, offsetting the forecast decline in export volume with a long-term perspective.

In addition, USGC continues to play a pivotal role in maintaining and enhancing the Japanese trade confidence in U.S. corn, e.g. IP handling system. Looking further into the future, USGC is also educating Japanese trade about the use of corn in ethanol production as well as in biomaterials.

SORGHUM

Production

Like corn, production of sorghum is negligible in Japan.

Consumption

Sorghum is a substitute for corn in the production of compound and mixed feeds. Therefore, the utilization rate for sorghum in these feeds fluctuates depending on its relative price to corn and other ingredients. In the last few years, the ratio had been declining due to an increase in its price. In JFY 2004, the most recent year with confirmed statistics, the sorghum utilization ratio went down to 5.8 percent from 7.6 percent in 2001, is and expected to stay flat or slightly decline again in 2005/06 since the import price is still not advantageous over corn.

Prices

CIF prices for sorghum continued to rise until 2004 and went down in 2005. The U.S. sorghum price was attractive over Australia, the second largest supplier to Japan after the U.S.

Table 24.
Average CIF Price of Sorghum for Feed by Origin
($US per MT)

	CY 2003	CY 2004	CY 2005	***%05/04***
United States	143.7	168.5	155.1	***92.0%***
Argentina	124.3	NA	122.5	***NA***
Australia	150.4	190.7	173.6	***91.0%***
China	143.7	162.8	NA	***NA***

Source: Ministry of Finance

Trade

The U.S. is the largest supplier of sorghum to Japan. Since sorghum is mainly a substitute for corn, its potential growth in imports largely depends on its relative price to corn, which did not change significantly in 2004 and 2005. Overall imports, thus, stayed flat in 2005. Due to absence of competition with Australia (having little exportable supply) and China (where the price of sorghum soared due to domestic demand), U.S. imports dominated in 2005, with the share exceeding 80 percent. This situation is expected to continue into 2006.

Table 25.
Imports of Sorghum by Origin
(1,000 MT)

	CY 2003	CY 2004	CY 2005
Sorghum for feed			
United States	942	696	991
Share	73.3%	55.4%	88.2%
Argentina	270	0	0
Australia	16	418	80
China	56	118	0
Total	1,285	1,256	1,123
Sorghum, others			
United States	102	69	234
Share	51.0%	46.9%	83.3%
Argentina	89	0	6

Australia	1	72	41
China	8	4	0
Others	0	2	0
Total	200	147	281
Total sorghum			
United States	1,044	765	1,224
Share	70.3%	54.5%	87.2%
Total	1,485	1,403	1,404

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 barley. The stocks of sorghum had been kept at 130,000-170,000 MT over a decade until 2003. With the policy to reduce the overall feed grain stocks, sorghum stocks were reduced to 75,000 MT in 2003, to 66,000 MT in 2004, and 65,000 MT in 2005.

Marketing

The U.S. Grains Council (USGC) has been conducting a trade education program to promote sorghum, particularly for food use, in Japan. In this effort USGC organized a trade mission in July 2005 for U.S. producers to learn about the Japanese market needs firsthand.

BARLEY

Production

According to MAFF's survey for the 2005 barley crop, although the yield was slightly better than 2004, production declined by 5.7 percent due to a decline in the crop area by 8.4 percent. Since over 90 percent of the total barley production area is on converted rice paddy land, production of barley is strongly affected by the rice policy and its reform. Therefore, this year's reduction in the crop area indicates more rice farmers chose to produce rice instead of barley. (Note the increase in rice planted area in *Table 1* in the RICE section.) The new direct payment program, explained in the WHEAT section, will also target barley. Once the new scheme is finalized and implemented in JFY 2007, it may encourage permanent production of barley, not merely as an alternative crop to rice. It is difficult to make medium term projections without evaluating the impact of this new subsidy program, once implemented, as well as the success of the rice policy reform to be completed by JFY 2008. In the interim, Post does not expect a major change in either in crop area or production volume in 2006/07, given a normal yield.

Table 26.
Crop Area and Production of Barley in Japan

	Crop Area (hectares)	Production (MT)
2001	60,540	206,400
2002	64,490	217,200
2003	63,600	198,500

2004	59,860	195,600
2005	54,840	184,500

Source: MAFF

Consumption

In Japan, over 80 percent of the total domestic consumption of barley is used for compound and mixed feed production for the cattle sector (beef and dairy). Barley is particularly important in feeding beef cattle because it produces high quality beef with the white marbling 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. Consumption of barley has been constant at around 1.65 million MT since 2001, and there is no indication that it will change significantly in the near future.

Prices

After reaching record high levels in 1996, the average CIF price of barley declined until 1999, rebounded in 2000 and has been hovering at high levels since. The U.S. CIF price dropped in 2004 but rebounded in 2005.

Table 27.
Average CIF Prices of Barley for Feed by Origin
($US per MT)

	CY 2003	CY 2004	CY 2005	***%05/04***
United States	169.8	161.3	167.1	***103.6%***
Canada	164.0	175.4	163.3	***93.1%***
Australia	172.0	166.1	179.9	***108.3%***
Ukraine	143.3	235.3	NA	***NA***

Source: Ministry of Finance

Trade

Along with rice and wheat, barley imports are controlled by MAFF as a "Staple Food". In fact, in the Japanese language wheat and barley are both called "*mugi*" where wheat is "*ko-mugi*" or small-*mug*i and barley is "*oh-mugi*" or big-*mugi*. Even though the import system for barley mimics the free market principle fairly closely, MAFF is hesitant to remove barley from the state system because it is a strategic alternative crop under the rice crop diversion program (see GAIN Report, #JA3058, Grain and Feed – Japan's Barley Policy, 8/22/03.)

Due to tight supplies and higher prices from traditional suppliers, Japan imported a small amount of barley from the Ukraine in 2002 for the first time in many years. In 2003 purchases from the Ukraine increased and Germany also emerged as a supplier. The United States also enjoyed a large increase in exports to Japan in 2003. However, because of a decline in production in Eastern Europe and a bumper crop in Australia, imports in 2004 returned to traditional supply sources, and imports from the United States also took a drop, attributed also to shrunk exportable supplies in the United State due to a bullish demand from the U.S. domestic wet-milling sector.

In 2005, contrary to a pessimistic earlier projection by Post, imports from the U.S. almost doubled. Although this may appear to be a dramatic increase, on the Marketing Year (MY) basis (October 2004 – September 2005), the increase rate is 56 percent. This is largely due

to a recovery in U.S. exportable supplies, and not related to major changes in external factors like competitors' supply capabilities. For 2006, there will be no significant change in the aggregate demand for imported barley, i.e. around 1.4 million MT.

Table 28..
Imports of Barley by Origin
(1,000 MT)

	CY 2003	CY 2004	CY 2005
Barley for feed			
United States	406	161	314
Share	33.8%	14.2%	27.3%
Canada	83	211	265
Australia	487	761	568
Ukraine	91	20	0
Germany	132	0	0
Others	2	0	0
Total	1,201	1,132	1,147
Barley, others			
United States	7	0	3
Share	2.9%	0.0%	0.0%
Canada	21	22	38
Australia	212	283	241
Others	1	1	1
Total	241	307	283
Total Barley			
United States	413	161	317
Share	28.6%	11.2%	22.2%
Total	1,442	1,439	1,430

Source: Ministry of Finance

SBS Tender for Feed Barley since 1999

As noted in the WHEAT Section of this report, MAFF introduced the Simultaneous Buy and Sell (SBS) system for barley for feed in JFY 1999. During JFY 1999, 359,940 MT of feed barley was contracted under three tenders. The amount had been raised every year to 850,000 MT in JFY 2002, remained at that level for 2003, and was raised in JFY 2004 to 900,000 MT, then to 1,000,000 MT in 2005 under five tenders.

Table 29.
SBS Imports of Feed Wheat and Barley
(MT)

	Wheat	Barley
1st tender	17,720	200,000
2nd	18,710	190,000
3rd	16,280	190,000
4th	18,705	200,000
5th	18,520	220,000

Total	89,935	1,000,000

Source: MAFF

Stocks

As written in the previous CORN and SORGHUM sections, Japan holds emergency stocks of essential feed grains, i.e. corn, sorghum, and barley. The stocks of barley had been kept at 390,000-400,000 MT over a decade until 2003. With the policy to reduce the overall feed grain stocks, barley stocks were reduced to 350,000 MT in 2003 and kept at the same level in 2004 and 2005.

Marketing

As the majority of barley is purchased through the SBS tenders, the U.S. Grains Council organized a reverse trade mission in August 2005 for Japanese buyers to obtain the latest information on barley production in the U.S.

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 almost exclusively for cattle feed and swine feed. Since there is practically no domestic production, annual rye consumption and imports are directly linked with domestic cattle and swine production. In 2004, the latest statistics available (Table 20), total rye utilization in feed was 259,442 MT: 73,875 MT for dairy cattle; 43,950 for beef cattle; and 137,966 MT for swine.

Prices

As shown below, U.S. rye is significantly less price competitive than that of Germany or Canada, the two major suppliers for Japan. Although the U.S. price dropped significantly in 2005, it is still more than twice as expensive as Canada or Germany.

Table 30.
Average CIF Price of Rye by Origin
($US per MT)

	CY 2003	CY 2004	CY 2005	***%05/04***
United States	612.9	620.5	344.3	***55.5%***
Canada	156.7	196.6	160.8	***81.8%***
Germany	105.0	131.5	143.4	***109.0%***

Source: Ministry of Finance

Trade

Germany dominates rye exports to the Japanese market because of its price competitiveness. Imports in CY 2005 declined slightly due to stagnant cattle and swine feed demand. As this situation continues into 2006, Post projects that imports in 2006 will remain

at the level between 280,000-300,000 MT. In the medium term, a continued decline is expected as Japan's cattle and swine populations will likely shrink.

Table 31.
Imports of Rye by Origin
(MT)

	CY 2003	CY 2004	CY 2005
United States	392	251	879
Canada	6,282	98,984	12,272
Germany	399,167	157,239	268,531
Other	24	31,804	0
Total	405,865	288,278	281,682

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 around 15,000 MT.

BEANS

Production

Small red beans (Azuki) and kidney beans account for almost all of Japan's dry bean production. Production volume of small red beans in 2005 declined 12.8 percent from a good harvest in 2004. This was due to a decline in the planted area coupled with a slightly dry weather condition in the major production areas of Hokkaido. The production volume for kidney beans also declined 5.9 percent with the production area shrinking by 5.1 percent.

Table 32.
Crop Area and Production of Major Beans in Japan

	Small Red (Azuki) Beans		Kidney Beans	
	Area (Hectares)	Production (MT)	Area (Hectares)	Production (MT)
2001	45,700	70,800	13,300	23,800
2002	42,000	65,900	14,700	34,000
2003	42,000	58,800	12,800	23,000
2004	42,600	90,500	11,800	27,300
2005	38,300	78,900	11,200	25,700

Source: MAFF

Consumption

Japan's annual bean consumption had been fairly constant at around 230,000 metric tons. However, because the stagnant domestic economy has negatively affected the demand for traditional Japanese confections (a major user of beans), bean consumption has been declining to 200,000 – 220,000 MT level in the last few years.

Table 33.

Utilization of Major Beans by Product
(Percent)

	Sweet Bean Paste	Candied Beans & Other Conf.	Cooked Beans	Fried & Roasted Beans	Other (mainly for home use)	Total
Small Red Beans	68.9	12.8	2.4	0.0	15.9	100.0
Lima & Kidney Beans	66.1	10.2	15.6	1.1	7.0	100.0
Peas	34.5	9.7	9.2	30.0	16.6	100.0
Broad Beans	21.8	0.0	10.0	68.2	0.0	100.0
Beans & Peas Total	60.9	10.5	9.8	8.0	10.8	100.0

Source: Unofficial estimate by MAFF

Trade

Japan's imports of small red beans and kidney beans combined decreased from 51,499 MT in 2004 to 37,296 MT in 2005. This was due to a recovered production of Japanese beans in 2004 and increasing imports of finished and semi-finished sweet bean paste. Post projects imports in 2006 will be flat or may recover slightly reflecting the decline in domestic production in 2005.

Table 34.
Japanese Major Bean Imports by Supplier
(MT)

	CY 2003	CY 2004	CY 2005
Small Red Beans	29,696	33,127	20,744
China	26,005	25,282	16,641
Canada	1,567	3,635	2,960
USA	1,564	1,816	738
Kidney Beans	16,485	18,372	16,552
China	4,170	4,419	3,358
Canada	6,992	8,840	9,277
USA	3,167	2,481	1,988
Peas	15,955	16,177	15,163
Canada	8,807	8,588	8,702
New Zealand	1,449	803	1,225
U.K.	2,168	3,801	1,695
USA	998	832	923
China	1,850	1,340	1,663
Hungary	378	277	636
Broad Beans	7,046	7,882	6,721
China	6,173	6,658	5,986
Other Beans	33,722	30,576	26,122

Total	102,904	106,134	85,302

Source: Ministry of Finance

Policy

With implementation of the Uruguay Round Agreement in JFY 1995, the quota system for bean imports was replaced by a low tariff rate quota system. A market access volume of 120,000 MT per annum is maintained with 10 percent duty applied within the current access volume. With a shrinking demand, caused mainly by increasing imports of finished/semi-finished products, particularly sweet bean paste, the quota has not been fully utilized.

PS&D

Rice PS&D Table

Country	Japan						
Commodity	Rice, Milled				(1000 HA)(1000 MT)		
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		11/2004		11/2005		11/2006	MM/YYYY
Area Harvested	1701	1701	1680	1706	0	1700	(1000 HA)
Beginning Stocks	1700	1700	1919	1884	2169	2391	(1000 MT)
Milled Production	7944	7944	8000	8257	0	7940	(1000 MT)
Rough Production	10912	10912	10989	11342	0	10907	(1000 MT)
MILLING RATE (.9999)	7280	7280	7280	7280	0	7280	(1000 MT)
TOTAL Imports	775	740	700	700	0	650	(1000 MT)
Jan-Dec Imports	750	662	650	787	0	650	(1000 MT)
Jan-Dec Import U.S.	318	318	0	372	0	350	(1000 MT)
TOTAL SUPPLY	10419	10384	10619	10841	2169	10981	(1000 MT)
TOTAL Exports	200	200	200	200	0	200	(1000 MT)
Jan-Dec Exports	200	200	200	200	0	200	(1000 MT)
TOTAL Dom. Consumption	8300	8300	8250	8250	0	8200	(1000 MT)
Ending Stocks	1919	1884	2169	2391	0	2581	(1000 MT)
TOTAL DISTRIBUTION	10419	10384	10619	10841	0	10981	(1000 MT)

Wheat PS&D

PSD Table

Country Japan

Commodity Wheat

(1000 HA)(1000 MT)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	212	213	215	214	0	215	(1000 HA)
Beginning Stocks	1709	1173	1890	1151	2020	1128	(1000 MT)
Production	860	860	860	877	0	868	(1000 MT)
TOTAL Mkt. Yr. Imports	5744	5543	5700	5500	0	5500	(1000 MT)
Jul-Jun Imports	5744	5543	5700	5500	0	5500	(1000 MT)
Jul-Jun Import U.S.	3875	3077	0	3030	0	3030	(1000 MT)
TOTAL SUPPLY	8313	7576	8450	7528	2020	7496	(1000 MT)
TOTAL Mkt. Yr. Exports	423	425	450	420	0	420	(1000 MT)
Jul-Jun Exports	423	425	450	420	0	420	(1000 MT)
Feed Dom. Consumption	330	330	320	320	0	310	(1000 MT)
TOTAL Dom. Consumption	6000	6000	5980	5980	0	5950	(1000 MT)
Ending Stocks	1890	1151	2020	1128	0	1126	(1000 MT)
TOTAL DISTRIBUTION	8313	7576	8450	7528	0	7496	(1000 MT)

Corn PS&D Table

Commodity	Corn						(1000 HA)(1000 MT)
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	1	1	1	1	0	1	(1000 HA)
Beginning Stocks	1339	1339	1125	1123	1026	824	(1000 MT)
Production	1	1	1	1	0	1	(1000 MT)
TOTAL Mkt. Yr. Imports	16485	16483	16500	16300	0	16200	(1000 MT)
Oct-Sep Imports	16485	16483	16500	16300	0	16200	(1000 MT)
Oct-Sep Import U.S.	15015	15740	0	15450	0	15400	(1000 MT)
TOTAL SUPPLY	17825	17823	17626	17424	1026	17025	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	12200	12200	12100	12100	0	12000	(1000 MT)
TOTAL Dom. Consumption	16700	16700	16600	16600	0	16500	(1000 MT)
Ending Stocks	1125	1123	1026	824	0	525	(1000 MT)
TOTAL DISTRIBUTION	17825	17823	17626	17424	0	17025	(1000 MT)

Sorghum PS&D

PSD Table

Country	Japan						
Commodity	Sorghum						(1000 HA)(1000 MT)
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	212	213	186	184	186	144	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1374	1371	1350	1350	1	1300	(1000 MT)
Oct-Sep Imports	1374	1371	1350	1350	0	1300	(1000 MT)
Oct-Sep Import U.S.	1101	1095	0	1080	0	1000	(1000 MT)
TOTAL SUPPLY	1586	1584	1536	1534	187	1444	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1400	1400	1350	1390	0	1380	(1000 MT)
TOTAL Dom. Consumption	1400	1400	1350	1390	0	1380	(1000 MT)
Ending Stocks	186	184	186	144	0	64	(1000 MT)
TOTAL DISTRIBUTION	1586	1584	1536	1534	0	1444	(1000 MT)

Barley PS&D

PSD Table

Country Japan

Commodity Barley

(1000 HA)(1000 MT)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	60	60	60	56	0	50	(1000 HA)
Beginning Stocks	574	912	642	930	582	865	(1000 MT)
Production	196	196	190	185	0	165	(1000 MT)
TOTAL Mkt. Yr. Imports	1522	1522	1400	1400	0	1300	(1000 MT)
Oct-Sep Imports	1522	1522	1400	1400	0	1300	(1000 MT)
Oct-Sep Import U.S.	0	381	0	350	0	330	(1000 MT)
TOTAL SUPPLY	2292	2630	2232	2515	582	2330	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1350	1400	1350	1350	0	1350	(1000 MT)
TOTAL Dom. Consumption	1650	1700	1650	1650	0	1650	(1000 MT)
Ending Stocks	642	930	582	865	0	680	(1000 MT)
TOTAL DISTRIBUTION	2292	2630	2232	2515	0	2330	(1000 MT)

Rye PS&D

PSD Table

Country Japan

Commodity Rye

(1000 HA)(1000 MT)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	20	14	20	14	20	19	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	300	260	150	265	0	250	(1000 MT)
Oct-Sep Imports	261	260	150	265	0	250	(1000 MT)
Oct-Sep Import U.S.	0	1	0	0	0	0	(1000 MT)
TOTAL SUPPLY	320	274	170	279	20	269	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	275	260	125	260	0	250	(1000 MT)
TOTAL Dom. Consumption	300	260	150	260	0	250	(1000 MT)
Ending Stocks	20	14	20	19	0	19	(1000 MT)
TOTAL DISTRIBUTION	320	274	170	279	0	269	(1000 MT)

Beans PS&D

PSD Table

Country Japan

Commodity Beans

(1000 HA)(1000 MT)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	0	54	0	50	0	48	(1000 HA)
Beginning Stocks	0	3	0	9	0	2	(1000 MT)
Production	0	118	0	105	0	101	(1000 MT)
TOTAL Mkt. Yr. Imports	0	95	0	92	0	90	(1000 MT)
Jul-Jun Imports	0	95	0	92	0	90	(1000 MT)
Jul-Jun Import U.S.	0	15	0	14	0	0	(1000 MT)
TOTAL SUPPLY	0	216	0	206	0	193	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	0	207	0	204	0	192	(1000 MT)
Ending Stocks	0	9	0	2	0	1	(1000 MT)
TOTAL DISTRIBUTION	0	216	0	206	0	193	(1000 MT)