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Grain and Feed

Grain and Feed Annual Report

2007

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Report Highlights:
The United States maintained a solid share in 2006 rice and wheat imports. Japan's imports of U.S. corn, sorghum and barley combined reached the highest level since 1999 in spite of stagnant overall demand for feed grains. The main driver is the strong recovery of U.S. corn imports for both feed and food use. U.S. grain exports to Japan are expected to be stable in the short term or may well increase in light of the tight supply situations in the rest of the world. However, volatility exists if the current soaring grain prices in the United States continue throughout the year. In the long term, demand for feed grains is forecast to decline as Japan's livestock population contracts. Rice and wheat consumption will also likely decrease over time as Japan's population shrinks.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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RICE

Production Four Percent Below Normal Year But Still Above Target

Due to significant damage caused by typhoons in the southern island of Kyushu, overall national production ended four percent below a normal year yield for the total volume of 8,556,000 metric tons (MT), brown rice basis. This is still slightly greater than the demand forecast of 8,440,000 MT. The planted area declined for the first time since the rice policy reform (*) began in 2004, and it may appear that in the third year of the reform, acreage reduction to alleviate surplus is beginning to function. However, given a normal yield, this year's production volume would have exceeded the target by almost 500,000 MT. The fundamental drive among rice producers to keep planting rice continues to prevail.

(*) *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. In 2004, MAFF ended the production control scheme based on the acreage reduction program. Instead, each year 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.)*

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
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
2006	1,688	1,684	4	8,556	8,546	10	507	246

Source: MAFF

Consumption in 2005 Stays Flat, While Long-term Trend Continues Downward

Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF) latest "Food Balance Sheet" shows the average annual per capita consumption of rice in 2005 staying at almost the same level as the previous year at 61.4 kilograms. However, there is no sign of recovery in the four-decade-long downward trend. On the contrary, it is more sound to project a further decline in the next decade, given the demographic situation where Japan's population peaked in 2005, faster than previously forecast, and the population is also aging rapidly (one out of four Japanese will be older than 65 by 2015).

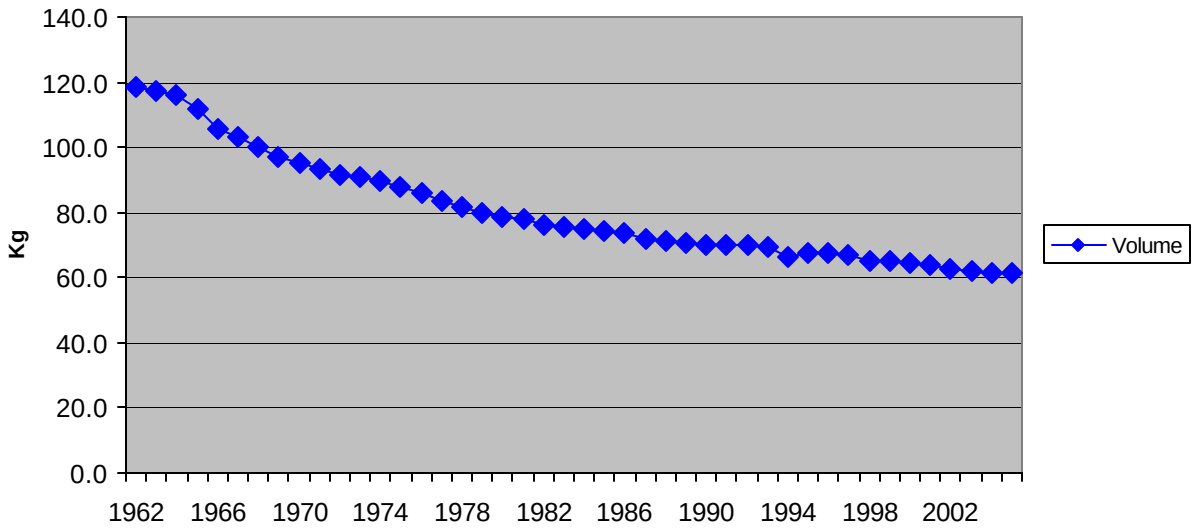
Table 2.
Annual Per Capita Consumption of Rice in Japan (kilograms)

1962	1965	1975	1985	1995	2003	2004	2005	2006*
118.3	111.7	88.0	74.6	67.8	61.9	61.5	61.4	61.2

* Ag Office estimate

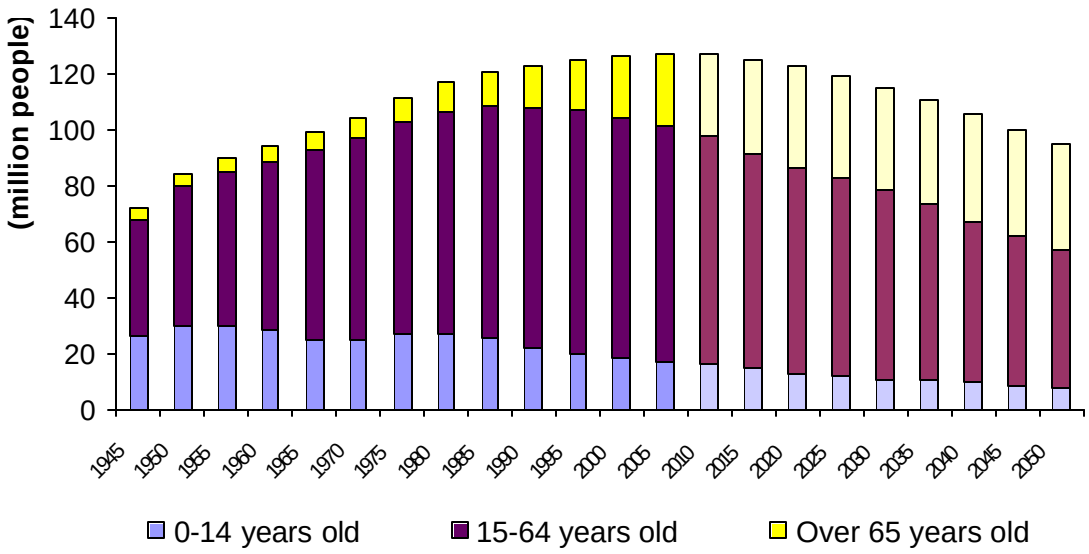
Source: MAFF

Per Capita Consumption of Rice in Japan
(1962-2005)



Source: MAFF

Japan's Past Demography Trend and Future Forecast



Source: Compiled by AgAffairs/Tokyo based on the statistics of the Ministry of Health, Labor and Welfare and National Institute of Population and Social Security Research

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

Table 3.

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

	1985	1998	1999	2000	2001	2002	2003	2004	2005	2006*
Total Expenditure	273,114	328,186	323,008	317,133	308,692	306,129	302,623	304,203	300,903	295,332
Food Expenditure	73,735	78,156	76,590	73,844	71,534	71,286	70,260	70,116	68,910	68,178
Expenditure on Rice	6,233	3,712	3,527	3,291	3,113	2,992	3,041	3,044	2,681	2,523
% rice/food	8.50%	4.70%	4.60%	4.50%	4.40%	4.20%	4.30%	4.34%	3.89%	3.70%

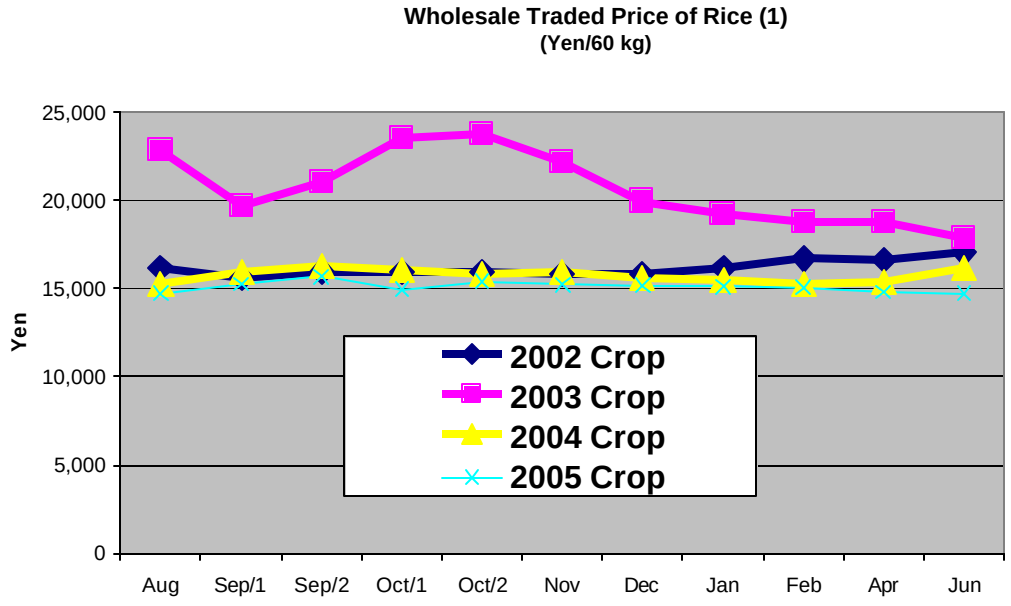
Source: Ministry of Management, Home Affairs, Post and Telecommunications

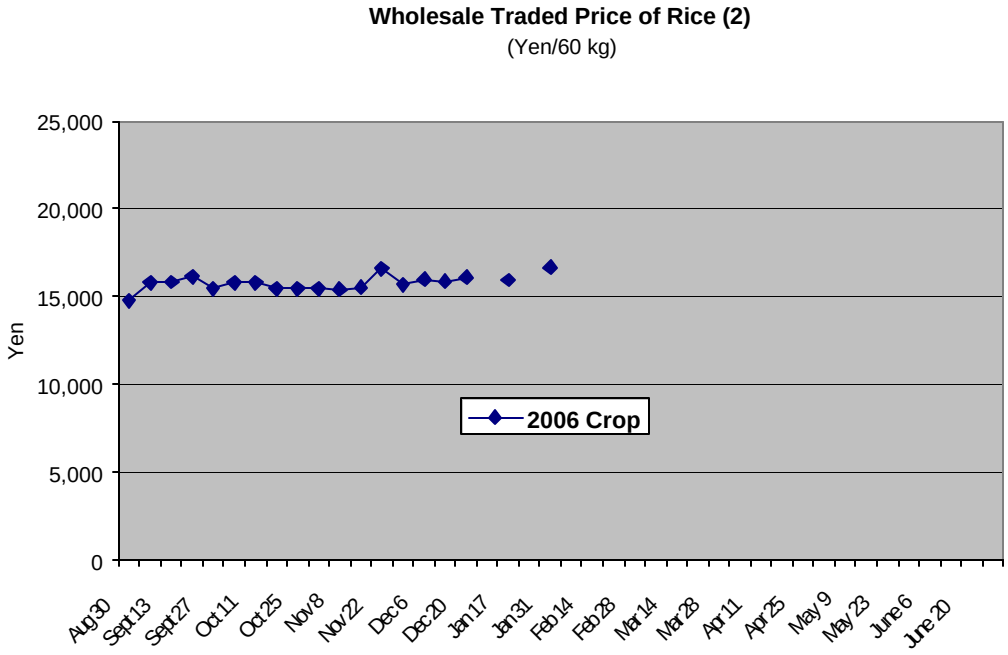
*Preliminary

Rice Price Stable But Wholesale Market Not Functioning Well

The graphs below show the trend in the wholesale traded price of rice at the quasi-governmental Rice Price Formation Center (PRFC). Due to the short crop in 2003, wholesale prices in early 2003 crop year 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 has returned to the 2002 level.

Up until this crop year, tenders were held on a monthly to bi-monthly basis. Starting with the 2006 crop, tenders are being held on a weekly basis. This major change was supposed to encourage more active trading, thus more market-driven price formation. However, as of February 2007, rice traded at PRFC remained at only 40,000 MT, 20 percent of the volume traded in the same period in the previous year. The main reason is that the sellers (co-ops), are maintaining high minimum (cut-off) prices in the bidding process despite a very low rate of unsuccessful tenders. The sellers are now clearly positioning this market as secondary to direct contracts with buyers. Therefore, contrary to MAFF's original intention of invigorating trade in this public wholesale market, its "raison d'?tre" of being the leading wholesale market to form an indicator price for the entire wholesale rice market is being challenged.





Source: Rice Price Formation Center
Note: No successful contracts were made on the January 10 and 24 tenders.

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

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
5,218	5,017	5,059	4,934	4,745	4,788	4,983	5,527	4,750	4,681

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

U.S. Maintains Near 50 Percent Share of Imports

To date, for the Japanese fiscal year (JFY) 2006 (April 2006–March 2007), 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 seven Ordinary Minimum Access (OMA) tenders. Although the SBS portion (100,000 MT) has been successfully filled, there remains about 70,000 MT left under the OMA portion for Japan's commitment to be filled. Therefore, it is expected that one more OMA tender will be held by the end of March.

Table 5.
Results of Japan's Minimum Access Rice Tenders (JFY 1995 - 2006)
(Actual Tonnage)

	U.S.	Thailand	Australia	China	Others	Total
(*) JFY2007						
SBS	22,566	1,048	7,535	68,013	838	100,000
Share	*22.6%*	*1.0%*	*7.5%*	*68.0%*	*0.8%*	*100.0%*
OMA	273,000	130,000	39,000	0	68,000	510,000
Share	*53.5%*	*25.5%*	*7.6%*	*0.0%*	*13.3%*	*100.0%*
Total	295,566	131,048	46,535	68,013	68,838	610,000

Share	*48.5%*	*21.5%*	*7.6%*	*11.1%*	*11.3%*	*100.0%*
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%*
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
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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

(*) As of February 16, 2007.

Implementation of the Maximum Residue Levels (MRLs) Burdens Rice Exporters

Japan's Ministry of Health, Labor and Welfare (MHLW) started to enforce the new MRL standards, so-called "positive list" on May 29, 2006. 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, 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 mandated by 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 an already difficult situation in getting rice through the SBS system, the new MRL regime has made 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.

Biotech Rice (LLRICE 601) Issue Contained

In August 2006, trace amounts of regulated biotech rice were detected in samples taken from commercial long grain rice. The regulated line is LLRICE 601 and it was field tested between 1998 and 2001. Two deregulated lines, LLRICE 62 and LLRICE 06, have been deemed safe for food use and safe in the environment, although these lines have not been commercialized. By September, the United Sates Department of Agriculture and Japanese regulatory ministry, MHLW, worked out a protocol whereby a certain number of laboratories in the United States can test for commingling in whole kernel rice, and with a "no-detect" certificate issued by these labs importation is permitted for rice itself or processed products using tested lots of rice as an ingredient. Concurrently, MHLW has started monitoring testing upon port entry targeting those products whose main ingredient is rice. MAFF also tested samples from all lots of medium grain rice it holds in stocks for commingling. No positive findings have been reported. In addition, as a precautionary measure, MAFF started testing SBS rice and OMA rice for LLRICE commingling as part of its testing upon loading in the United States.

Trade for Processed Rice Products

The United States is one of the three large exporters of rice flour preparations to Japan along with Thailand and China. The U.S. suppliers have long catered to the specific needs of Japanese end users and have developed a mutually beneficial stable business.

In June 2005, 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 and to reduce the inflating stocks of imported rice. Now that the program is in its second year and a full calendar year of import statistics is available, it is clear that this sector-specific release program is substantially affecting the U.S. exports (down 14.5 percent in 2006 from 2005). 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 2004		CY 2005		CY 2006	
	Total	U.S.	Total	U.S.	Total	U.S.
Flour preparations	122,324	29,983	120,633	31,890	107,790	27,270
Rice Crackers	9,023	3	9,475	0	10,788	0
Pilaf	1,148	158	1,117	74	961	1
Sake (1,000 liters)	2,608	0	3,016	0	3,534	0

Source: Ministry of Finance

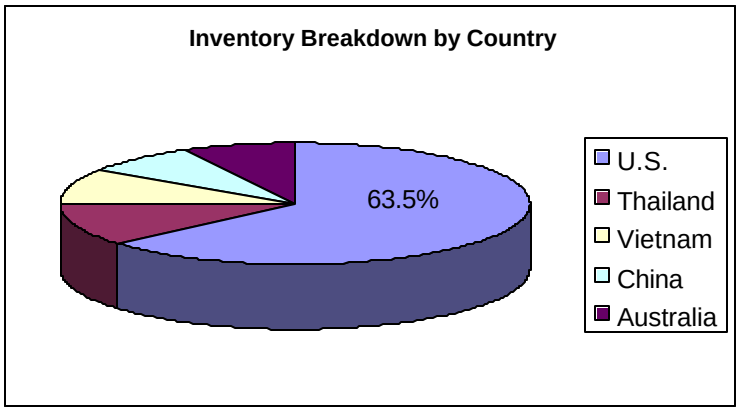
Stocks

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. MAFF's official supply and demand table does not include stocks of MA rice. As shown below, stocks of domestic rice have been reduced over the years, and since 2004 have been 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)

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

Source: Food Department/MAFF



This is a major issue for MAFF since the storage cost has become exorbitant. The Board of Audit, Japan's equivalent of the GAO, reported in October 2006 that the inflating inventory of imported rice has become a financial burden and urged MAFF to reduce it. (Refer to GAIN #6060: MAFF Needs to Reduce Stocks of Rice, Board of Audit Says) It is also a great concern for the United States because over 60 percent of the stocks are U.S. rice, some of which are a few years old. In order not to disrupt the supply and demand for domestic rice, MAFF does not release these stocks. As described in the previous section, in an effort to

reduce these MA stocks, and to simultaneously curb imports of rice flour imports, MAFF started releasing MA rice stocks to domestic rice flour manufacturers.

Furthermore, in July 2006, MAFF started releasing old MA rice stocks to the feed sector. MAFF plans to release about 25,000 MT per month. ***Table 20*** in the CORN Section of this report shows grain utilization in the feed sector. Approximately 325,000 MT of rice is being used for feed. If the release program goes as planned, 300,000 MT of additional rice will have to be absorbed by the feed sector, which will in turn cut into demand for other grains. It is disturbing to see high quality U.S. rice, kept in air-conditioned warehouses, going into the sector which had traditionally been supplied by Japan's domestic so-called "junk rice".

Minimum Access Commitment Continues into 2007

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

Table 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 GOJ sets aside about 200,000 MT of rice under food aid programs on an annual basis. This amount does not show up in the export statistics by the Ministry of Finance, which only appears to record exports of Japanese domestic rice (22,460 MT in the calendar year 2006 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 presumably rice imported under the OMA regime and diverted for food aid exports.

Japan's Food Self-Sufficiency Ratio Hovers at 40 percent

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. Without seeing any success in improving the situation, MAFF announced in 2005 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, including 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)". Although this movement has caught a certain degree of public/media attention, it appears unrealistic to assume a government-led campaign would be able to significantly influence diversified and complex consumer needs/preferences in this modern international age.

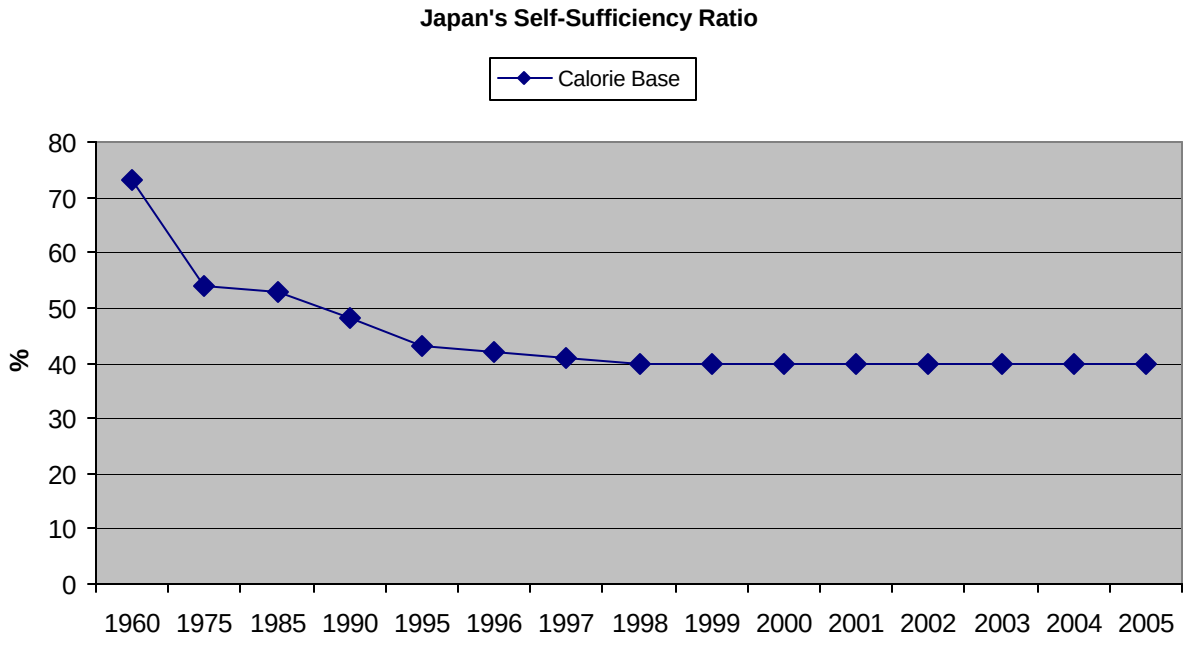
Table 9.

Japan's Self-Sufficiency Ratio (%)

	1960	1975	1985	1990	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Rice	96	110	107	100	102	99	95	95	95	95	96	95	95	95
Wheat	28	4	14	15	7	9	9	9	11	11	13	14	14	14
Beans	25	9	8	8	5	5	5	6	7	7	7	6	6	7
Soybeans	11	4	5	5	3	3	3	4	5	5	5	4	3	5
Vegetables	100	99	95	91	86	86	84	83	82	82	83	82	80	79
Fruit	90	84	77	63	47	53	49	49	44	45	44	44	40	41
Meats	90	77	81	70	55	56	55	54	52	53	53	54	55	54
Beef	95	81	72	51	39	36	35	36	34	36	39	39	44	43
Eggs	100	97	98	98	96	96	96	96	95	96	96	96	95	94
Milk/Dairy Products	86	81	85	78	72	71	71	70	68	68	69	69	67	68
Seafood (for food)	110	100	86	72	58	60	57	55	53	53	53	57	55	57
Sugar	31	15	33	32	28	29	32	31	29	32	34	35	34	34
Self-sufficiency (Calorie Basis)	73	54	53	48	42	41	40	40	40	40	40	40	40	40
Self-sufficiency (Major Food Grains)	80	69	69	67	63	62	59	59	60	60	61	60	60	61
Self-sufficiency (Major Feed Grains)	55	34	27	26	25	25	25	24	26	25	25	23	25	25
Self-sufficiency (Food + Feed Grains)	62	40	31	30	29	28	27	27	28	28	28	27	28	28

Source: MAFF

* Preliminary



Marketing

Under the current import and stock management regime, there are two fundamental 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) the political mandate to not release MA rice stocks to the table rice market (retail and foodservice sectors). As mentioned in the previous stocks section, there are now almost two million metric tons of high-quality MA rice stored in the government-commissioned warehouses. With transparent and regular releases of MA rice stocks to the foodservice chains or food processors such as manufacturers of frozen pilaf, stocks would likely be drastically reduced.

Despite a highly restrictive marketing environment, the USA Rice Federation (USARF) continues to conduct a creative marketing program. In 2006, the USARF embarked on successful food service and Home Meal Replacement promotions by holding a U.S. rice *sushi* recipe contest, entitled "California-Style Sushi Master Contest," targeting professional chefs and recipe creators. The event captured a tremendous amount of media exposure. Subsequent to this success, in December 2006, USARF launched the first-time-ever Cal Rose promotion in Japan. The promotion strategically positions medium grain U.S. rice as a light tasting food ingredient, as opposed to "heavy" image of steamed Japanese rice eaten as it is in a bowl. Several creative recipes like Cal Rose risotto were served at Japan's leading café restaurant chain and the month long campaign proved to be the most successful menu promotion the chain has ever experienced.

WHEAT

Production in 2006 Down Four Percent

The total planted area for wheat in 2006 increased 2.2 percent from 213,500 hectares in 2005 to 218,300 hectares in 2006. However, due to a yield 1.3 percent below the average year, the overall production decreased by 4.4 percent from 874,700 MT in 2005 to 836,500 MT in 2006.

Table 10.
Japan's Wheat Production

	Planted Area (hectares)	Production (MT)	Yield (MT/ha)
2002	206,900	827,800	4.00
2003	212,200	855,200	4.03
2004	212,600	859,900	4.04
2005	213,500	874,700	4.10
2006	218,300	836,500	3.83

Source: MAFF

New Subsidy Scheme Promulgated

In October 2005, the Ministry of Agriculture, Forestry and Fisheries (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. Its authorizing legislation was passed in the Diet in 2006, and the new scheme is

set to commence in Japan's new fiscal year beginning April 2007. Its content is described in GAIN report JA5068: Japan Embarks on a Drastic Change in its Farm Subsidy Scheme.

Wheat (as well as barley) is one of the most important commodities targeted in the new scheme. The new scheme consists of two support programs. The first is a standard payment where farmers who meet certain criteria, such as cultivating more than a certain acreage, will receive a set amount of direct payments. For wheat, the standard amount is 40,400 yen per 10 ares (approximately 1,363 U.S. Dollars per acre with the exchange rate of 120 yen to a dollar). The second component is an income discrepancy payment, which kicks in when farmers' income for a particular year (A) falls below the previous three years' average (B) taken from the previous five years with the highest and the lowest removed. Farmers who join the mutual fund, where the government and farmers pay in at a 3 to 1 ratio respectively, will be compensated for 90 percent of the difference between (A) and (B).

While MAFF's goal is to encourage the upward trend in wheat production through the use of this direct payment, an expansion of domestic wheat production will ultimately depend on end-users' evaluation and acceptance of the value (i.e. balance between quality and price) of domestic wheat, which Japanese flour millers currently consider as much inferior to imported wheat.

Wheat Consumption Stays Flat

Historically, 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 in the last two decades. 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. Consumption in 2005/06 went back to the level of 1985. There is no sign of reversing this trend. On the contrary, considering the growing size of the elderly population, who tend to eat more traditional foods, and increasing imports of semi-finished or finished wheat-based products such as frozen breads and doughs, consumption is expected to decline slowly but steadily.

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

1985	1998	1999	2000	2001	2002	2003	2004	2005	2006*
31.7	32.2	32.4	32.6	32.1	31.9	32.6	32.3	31.7	31.5

Source: MAFF

* Ag Office estimate

Utilization Patterns

In 2005 production of wheat based products declined slightly across the board. Wheat consumption did increase slightly in 2003/04 as mentioned in the previous section, but this was a temporary trend owing to price increases in rice. Domestic production of selected wheat products is estimated to be flat or to 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 explained in the rice section, MAFF is aggressively promoting the use of rice flours in bread and other products in an effort to

develop new demand for over-produced rice and to reduce piling MA rice stocks. However, Post expects the impact of this movement on wheat flour consumption on the macro basis to be minimal.

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

	2002	2003	2004	2005	2006*
Wheat Flour	4,591	4,662	4,667	4,623	4,579
Bread	1,245	1,247	1,243	1,232	1,222
Noodles	1,423	1,425	1,414	1,368	1,358
Biscuit	210	219	214	213	211
Premix	347	352	365	357	356

* Ag Office Estimate

Source: MAFF

MAFF to Implement More Market Driven Wheat Resale Price Fixing System

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 around 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”.

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

Over the past 15 years, the purchase price has been relatively stable from year to year while the domestic flour price has been declining. All of these factors plus the budgetary constraints facing MAFF have led them to propose a new system. The new system will allow MAFF to revise the resale price two or three times a year, based on fluctuations in the market, and thus better reflect the market price situation (FOB price) in each country on the resale price. The initial resale prices set for April - September 2007 (***Table 13-2***), were based on an average of the past half year or full year FOB prices. The "mark-up" ratio (coefficient) on an annual average should not change; 1.8 to 2.1, which means imported wheat under state trading will continue to be sold to Japanese flour millers at roughly twice the import price, but in a fluctuating manner. An exception to that rule is under consideration for instances when the price of any particular wheat soars. MAFF is considering devising a policy that would mitigate the burden on importers, such as reducing their mark-up.

While Post views this as a positive step toward adopting a more market-oriented grain import policy, the level of government intervention in wheat imports is still high. Under the current

market, with Australian wheat prices soaring, the United States could benefit from a noticeably lower-priced U.S. wheat that could attract new customers.

Table 13-1
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	21,521	45,350	2.1
2006	25,377	44,970	1.8

*US Wheat (HS Code: 100190019)

*US Western White II

Source: MAFF and Ministry of Finance

The price includes 5% consumption tax.

Table 13-2.
GOJ Resale Price for April-September 2007
Yen per MT

Brand/Variety	2006	April - Sept. 2007	% Change
U.S. Western White (WW)	44,970	42,730	95.0%
Australia Standard White (ASW)	46,350	48,660	105.0%
U.S. Hard Red Winter (HRW)	45,920	47,440	103.3%
Canada Western Red Spring #1 (1CW)	51,140	51,140	100.0%
U.S. Dark Northern Spring (DNS)	49,270	49,270	100.0%
Average of above 5 brands	47,820	48,430	101.3%

Source: MAFF

Wheat Imports Show Continued Small Decline in 2006

Total imports of wheat in calendar year (CY) 2006 declined 2.5 percent to 5,337,110 MT, reflecting the stagnant consumption of wheat-based products. Over the medium term, imports of wheat are forecast to decline slowly but steadily as Japan's demography changes. The U.S. share of total imports of wheat in 2006 was maintained at the previous year's level of 55-57 percent.

Table 14.
Japanese Wheat Imports by Source
(MT)

Year	U.S.	Share	Canada	Australia	TOTAL
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
CY 2006	3,002,097	56.2%	1,193,154	1,133,540	5,337,110

Source: Ministry of Finance

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

	CY 2004		CY 2005		CY 2006	
	Total	US Share	Total	US Share	Total	US Share
Flour preparations	136,256	6.7%	139,802	6.2%	138,510	6.5%
Pasta (excl. stuffed)	111,527	20.3%	109,603	20.5%	109,791	22.5%
Biscuits	25,182	9.9%	23,937	8.5%	24,489	6.1%
Bread	9,052	41.4%	9,500	37.9%	10,055	40.0%

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 2004	CY 2005	CY 2006
Hong Kong	189,882	186,806	182,023
Vietnam	45,171	35,805	30,877
Singapore	30,878	28,320	38,154
Thailand	16,076	15,741	15,826
United States	587	705	889
Other	21,819	22,533	22,224
Total	304,413	289,910	289,993

Source: Ministry of Finance

Stocks

Japan has held emergency stocks of wheat at a 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 of JFY 2005, and down further to 1.8 months' worth in 2006. Although the actual stock figures are not disclosed, 1.8 months' worth of stocks translates to around 900,000 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 2006, MAFF conducted six SBS tenders, through which 84,715 MT of imported wheat was contracted. In 2002 and 2003 Japan purchased a small amount of Ukrainian wheat but discontinued that in 2004. Imports from China, very small amounts to begin with, diminished in 2006. Post does not see a significant advance by these low cost producers in the foreseeable future.

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

	Wheat	Barley
1st tender	17,440	218,962
2nd	18,145	232,224
3rd	18,110	215,964
4th	17,720	180,610
5th	13,300	249,830
6th	0	10,500
Total	84,715	1,108,090

Source: MAFF

MAFF to Introduce New SBS System for Food Quality Wheat and Barley

MAFF has announced a new Simultaneous-Buy-Sell (SBS) system for food quality wheat and barley. This program will commence in Japan's new fiscal year beginning April 2007 and would allow for greater transparency in a portion of Japan's wheat purchases. However, MAFF still remains a "middle man" in the transaction.

Plans for Wheat SBS Tenders:

There are two categories of SBS wheat imports. First, MAFF will "transfer" state purchases of roughly 240,000 to 250,000 MT of Australian Prime Hard and roughly 240,000 to 250,000 MT of Durum to the SBS system. Note: the quantities have not yet been confirmed. Currently MAFF buys durum only from Canada but this system will theoretically open up the system to U.S. durum. As for Prime Hard, Australia is the only supplier. Given the current drop in Australia's crop, MAFF may delay conducting an SBS tender for Australian wheat until later in the year.

The second category includes about 5,000 MT of wheat that is not imported under the state trading regime (See below.) The idea is that this will provide a vehicle for importing new varieties – including U.S. durum, which can be imported under Category I or II. Currently, French wheat for baguettes is the main import that falls under this category. Tenders for SBS Category I wheat will be held monthly (the last week of the month) and Category II will be held twice a year (May and October). This is a one-year trial set to begin around April 2007 and if importers long for the good old days when the price was set once a year by MAFF they may revert back to it. In principle this is a move toward more market-driven transparent import mechanisms.

Category I: Prime Hard and Durum

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

Plans for Barley SBS Tenders:

The plan for food barley would allow for 200,000 MT of imports during the first year. Annual imports of food barley are about 250,000 MT: 220,000 from Australia for *shochu,* a distilled liquor; 30,000 from Canada for barley tea; and only a few thousand tons from the United States mainly for beer.

As with wheat there are two categories for barley. Category I is for vessel trade. Although most barley is imported by vessel, there will also be Category 2 for container units. Category 2 is basically reserved for varieties that MAFF does not import and is supposed to provide a means for new varieties to enter the market. (Note: for wheat there are quantity break-outs for Category I and II but there are currently not any quantity break-outs for barley.) Category I tenders will be held monthly (the last week of the month); Category II tenders will be held twice a year (May and Oct.).

MAFF will review how the system is working after the first year and may make adjustments to quantity and frequency.

The container option will be very beneficial for some of the specialty types of food barley, such as for *shochu,* organic barley for tea, and/or high beta glucan type food barley.

Marketing

The U.S. 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 been making efforts to cultivate users of U.S. durum wheat through two reverse trade missions in 2004 and 2005. Its Tokyo office has been the conduit in many of Post's activities with MAFF and the Japanese trade, and its role and function are indispensable in pursuing Post's mission.

CORN

Production

Corn production is negligible in Japan.

Overall Demand Stable While on the Watch for High-Path AI

U.S. beef imports finally resumed in July 2006. Considering that the two and half year absence of U.S. beef in the Japanese market did not substantially affect Japan's livestock population, it would be sound to argue that resumption of U.S. imports would not have a significant impact on demand for feed grains in Japan.

In January 2007 Japan reported its first case of high-pathogenic avian influenza (HPAI) since 2004. By mid February three additional cases have been confirmed. So far, consumers have reacted very calmly and sales of poultry meat and eggs have not been affected. It is premature to determine the impact of the outbreak on poultry consumption and production in the months to come. Post is monitoring the situation carefully and will report as needed.

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. On the other hand, a robust demand for food corn is expected to continue, primarily due to a strong beverage

demand for corn sweeteners. The future of corn demand in Japan relies heavily on demand enhancement and development in the non-feed sector.

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

	2001	2002	2003	2004	2005	2006	*% 06/01*
Dairy cows	1,725	1,726	1,719	1,690	1,655	1,635	***94.8%***
Beef cattle	2,806	2,838	2,804	2,788	2,747	2,755	***98.2%***
Swine	9,788	9,612	9,725	9,724	9,750*	9,620	***98.3%***
Layers	139,248	137,718	137,272	137,216	136,000*	136,916	***98.3%***
Broilers	106,311	105,658	103,730	104,950	102,520	104,236	***98.0%***

Source: MAFF (as of February each year)

* Ag Office Estimate

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

	CY 2004	CY 2005	CY 2006
Beef, fresh/chilled (HS Code: 0201)			
United States	0	0	5
Share	0.0%	0.0%	2.3%
Australia	204	223	208
Total	208	230	223
Beef, frozen (HS Code: 0202)			
United States	1	0	2
Share	0.0%	0.0%	0.9%
Australia	191	188	197
Total	224	230	237
Pork, fresh/chilled/frozen (HS Code: 0203)			
United States	256	288	252
Share	29.6%	33.0%	34.8%
Denmark	268	231	168
Canada	185	195	152
Total	864	873	725
Poultry, fresh/chilled/frozen (HS Code: 0207)			
United States	31	30	28
Share	8.5%	7.0%	7.4%
China	8	1	0
Thailand	13	0	0
Brazil	297	380	338
Total	360	429	380

Source: Ministry of Finance

Utilization Patterns

Of the total demand for corn in Japan (approximately 16.9 million MT), roughly 70 percent comes from the feed sector, 22 percent from starch manufacturers, and 8 percent from other

food-use sectors including manufacturers of corn grits (used as a fermentation ingredient in liquors), cornflakes and confections.

Corn is the major ingredient used in compound and mixed feed. The ingredient ratio is adjusted from year-to-year, depending on the prices of various grains, but the corn ratio has been fairly constant at 48–50 percent in recent years. Of the total demand for feed corn (roughly 11.9 million MT), about 44-45 percent (5.3 million MT) comes from the poultry sector.

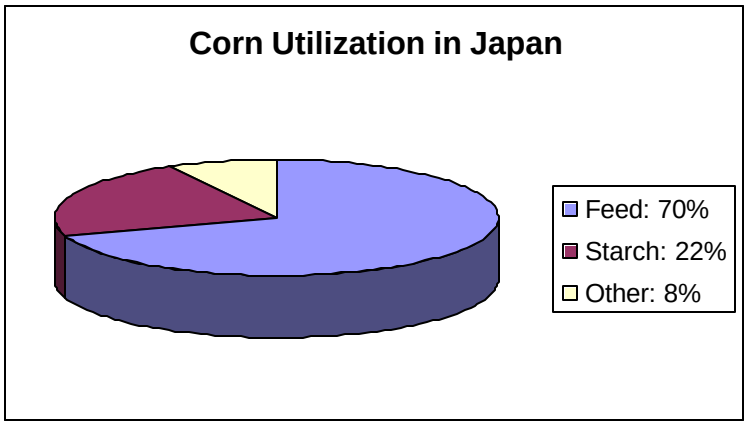


Table 20.
Feed Utilization by Ingredients in 2005

	Corn	Sorghum	Wheat	Barley	Rice	Wheat Flour	Rye	Oats	Other Grains	Grain Total	Other Ingredients	Total
Layer Feed												
MT	3,660,416	98,101	89	13	73,314	1,647	0	0	2,704	3,836,284	2,715,592	6,551,876
%	55.9%	1.5%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	58.6%	41.4%	100.0%
Broiler Feed												
MT	1,591,833	637,286	3,870	1,402	118,343	3,994	90	0	2,087	2,358,905	1,361,941	3,720,846
%	42.8%	17.1%	0.1%	0.0%	3.2%	0.1%	0.0%	0.0%	0.1%	63.4%	36.6%	100.0%
Poultry Total												
MT	5,252,249	735,387	3,959	1,415	191,657	5,641	90	0	4,791	6,195,189	4,077,533	10,272,722
%	51.1%	7.2%	0.0%	0.0%	1.9%	0.1%	0.0%	0.0%	0.0%	60.3%	39.7%	100.0%
Dairy Cattle												
MT	1,364,266	32,469	19,386	62,734	32,344	24,606	64,778	6,687	12,962	1,620,232	1,623,995	3,244,227
%	42.1%	1.0%	0.6%	1.9%	1.0%	0.8%	2.0%	0.2%	0.4%	49.9%	50.1%	100.0%
Beef Cattle												
MT	1,619,460	86,570	35,049	658,036	11,969	37,048	41,599	2,143	10,237	2,502,111	1,618,164	4,120,275
%	39.3%	2.1%	0.9%	16.0%	0.3%	0.9%	1.0%	0.1%	0.2%	60.7%	39.3%	100.0%
Cattle Feed Total												
MT	2,983,726	119,039	54,435	720,770	44,313	61,654	106,377	8,830	23,199	4,122,343	3,242,159	7,364,502
%	40.5%	1.6%	0.7%	9.8%	0.6%	0.8%	1.4%	0.1%	0.3%	56.0%	44.0%	100.0%
Swine Feed												
MT	3,233,664	473,367	38,841	60,895	89,135	52,664	122,648	237	68,354	4,139,805	1,730,900	5,870,705

%	55.1%	8.1%	0.7%	1.0%	1.5%	0.9%	2.1%	0.0%	1.2%	70.5%	29.5%	100.0%
Feed, other												
MT	37,672	3,752	85	349	398	996	812	817	241	45,122	41,285	86,407
%	43.6%	4.3%	0.1%	0.4%	0.5%	1.2%	0.9%	0.9%	0.3%	52.2%	47.8%	100.0%
Compound Feed Total												
MT	11,507,311	1,331,545	97,320	783,429	325,503	120,955	229,927	9,884	96,585	14,502,459	9,091,877	23,594,336
%	48.8%	5.6%	0.4%	3.3%	1.4%	0.5%	1.0%	0.0%	0.4%	61.5%	38.5%	100.0%
Mixed Feed												
MT	386,992	4,029	4,219	8,730	102	1,783	3,591	1,619	11,062	422,127	136,845	558,972
%	69.2%	0.7%	0.8%	1.6%	0.0%	0.3%	0.6%	0.3%	2.0%	75.5%	24.5%	100.0%
Feed Total												
MT	11,894,303	1,335,574	101,539	792,159	325,605	122,738	233,518	11,503	107,647	14,924,586	9,228,722	24,153,308
%	49.2%	5.5%	0.4%	3.3%	1.3%	0.5%	1.0%	0.0%	0.4%	61.8%	38.2%	100.0%

Source: Feed Supply Stabilization Organization

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 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	10,216	5,872	7,376	23,553	556	24,109
JFY 2006*	10,020	5,850	7,373	23,500	525	24,025

* Includes feed for other livestock animals

** Ag Office preliminary estimates

Source: MAFF

Prices

The CIF price of U.S. corn jumped significantly in 2004, reflecting higher farm gate prices and sky rocketed trans-Pacific freight rates. The price in 2005 and 2006 declined but still remained at a high level. With the new energy initiative in the United States where demand for corn from the domestic ethanol production sector may exceed exports, Japanese trade is expecting a bullish U.S. corn price at least for the first half of 2007. This is a serious concern for Japanese livestock producers. Although the government subsidies can absorb increases in the feed price for a while, if the corn price remains at the current record level throughout the year, the balance sheet of this fund will drastically deteriorate.

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

	CY 2004	CY 2005	CY 2006	*% 06/05*
United States	175.8	151.3	149.6	***98.9%***
Argentina	NA	145.5	151	***NA***
China	174.2	152.7	165.8	***108.6%***

Brazil	173.0	NA	NA	***NA***

Source: Ministry of Finance

Trade Normalizes as Starlink Issue Diminishes, but Aflatoxin Concern Continues

Although the quick trade statistics report issued by the Ministry of Finance (MOF) shows that total feed corn imports in 2006 were 10,946,000 MT, Post estimates that they were actually higher by at least 1 million MT. Food corn imports, on the other hand, should be lowered by 1 million MT to 4,937,000 MT. Historically, MOF has often revised its corn import statistics later in the year.

The general trend in recent years is that increases in food corn imports have been compensating for declines in feed corn imports. The driving force in the food corn demand comes from the beverage sector, particularly for high fructose corn syrup (HFCS) used in low alcoholic drinks like *happoshu* (light beer) and other alcoholic beverages, in addition to a continued strong demand for soft drinks. Since China continues to struggle in gathering exportable supplies, the United States share of food corn imports increased. With continual StarLink monitoring showing no detection and with diligent efforts by the U.S. industry to educate Japanese users about its rigorous Identity Preserved (IP) handling program, Japanese buyers' confidence in U.S. corn has been restored.

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, over 160 lots have been detected above the tolerance level (10 ppb) for aflatoxin B1. Although the detection rate in the new 2006 crop has been on a downturn, Post continues to coordinate closely with the U.S. Grains Council and to communicate with the Japanese trade organizations in order to address their concerns.

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

	CY 2004	CY 2005	CY 2006
Corn for feed			
United States	11,587	11,701	10,599
Share	96.3%	94.2%	96.8%
Argentina	0	55	69
China	445	649	278
Brazil	4	0	0
Others	0	13	0
Total	12,035	12,418	10,946
Corn for manufacturing			
United States	4,090	3,977	5,744
Share	92.1%	93.9%	96.7%
Argentina	12	0	11
Australia	3	2	1
China	234	142	171
South Africa	6	101	0
Brazil	87	0	0
Others	10	15	10
Total	4,443	4,237	5,937

Total corn			
United States	15,677	15,679	16,342
Share	95.1%	94.1%	96.8%
Total	16,478	16,654	16,883

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 government-wide mandate for regulatory reforms and downsizing of government expenditures, the stock size was reduced to 1,000,000 MT in 2003 and 950,000 MT in 2004. It was maintained at the same level in 2005 and 2006. The breakdown for 2006 is 536,000 MT for corn, 64,000 MT for sorghum and 350,000 MT for barley.

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 its annual VEG Conference featuring experts from the United States in February 2006 and 2007 in Tokyo. It has been aggressively promoting distillers dried grains with solubles (DDGS), working with potential users and importers of DDGS in the feed and livestock industry in Japan.

Another important issue this year in agricultural trade was Japan's introduction of Maximum Residue Limits (MRLs or "positive list"). In cooperation with the U.S. Wheat Associates, USGC held an Agricultural Chemical Management Conference in Tokyo and Osaka in April 2006. The seminar featured presentations by the Environmental Protection Agency and Federal Grains Inspection Service. A representative from Japan's Ministry of Health, Labor and Welfare, the enforcement agency of MRL's in Japan, also discussed Japan's MRL monitoring plan for imported grains.

In addition, USGC continues to play a vital role in maintaining and enhancing Japanese trade confidence in U.S. corn. Looking further into the future, USGC is also educating Japanese trade about the use of corn in ethanol production as well as for use in biomaterials, and the situation of biotechnology in regards to the U.S. grain production.

SORGHUM

Production

Like corn, production of sorghum is negligible in Japan.

Consumption

Sorghum being a substitute for corn, its utilization rate in the production of compound and mixed feeds fluctuates depending on its relative price to corn and other ingredients. In the last few years, the ratio had been declining due to an increase in its relative price. In JFY 2005, the most recent year with confirmed statistics, the sorghum utilization ratio went down to 5.5 percent from 7.6 percent in 2001.

Prices

CIF prices for sorghum continued to rise until 2004, went down in 2005 and stayed at that level in 2006. However, the U.S. sorghum price relative to corn prices increased slightly as shown in ***Table 24-2***.

Table 24-1.
Average CIF Price of Sorghum for Feed by Origin
($US per MT)

	CY 2004	CY 2005	CY 2006	*% 06/05*
United States	168.5	155.4	155.7	***100.2%***
Argentina	NA	122.5	135.7	***NA***
Australia	190.7	173.0	152.7	***88.3%***
China	162.8	NA	NA	***NA***

Source: Ministry of Finance

Table 24-2
Relative CIF Price; US Sorghum versus Corn
($US per MT)

	CY 2004	CY 2005	CY 2006
Sorghum	168.5	155.4	155.7
Corn	175.8	151.3	149.6
Sorghum/Corn	95.8%	102.7%	104.1%

Source: Ministry of Finance

Trade

The U.S. is the largest supplier of sorghum to Japan. Since sorghum is mainly a substitute for corn, potential growth in Japan's sorghum imports largely depends on its relative price to corn. As mentioned in the previous section, its relative price in 2006 increased slightly, thus reflected in the import volume decline in 2006. However, the U.S. dominance in the import share has been maintained in 2006 at over 80 percent.

As in the case of corn, the quick trade statistics report issued by the Ministry of Finance (MOF) tends to show total feed sorghum imports lower and food sorghum imports higher than the actual situation. Post estimates that roughly 100,000 MT should be transferred from food sorghum to feed sorghum imports for 2006. Imports are classified as being either for feed or food, however, despite this technicality, much of the sorghum imported under the food HS code must eventually end up in the feed sector, considering that the total demand for sorghum in the feed sector is approximately 1.3 million MT. (Refer to ***Table 20***.)

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

	CY 2004	CY 2005	CY 2006
Sorghum for feed			

United States	696	1125	898
Share	55.4%	89.2%	82.9%
Argentina	0	52	120
Australia	418	85	63
China	118	0	0
Total	1,256	1,261	1,083
Sorghum, others			
United States	69	93	215
Share	46.9%	68.4%	79.3%
Argentina	0	6	30
Australia	72	37	25
China	4	0	1
Others	2	0	0
Total	147	136	271
Total sorghum			
United States	765	1,217	1,112
Share	54.5%	87.1%	82.2%
Total	1,403	1,397	1,353

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. Following the policy of reducing the overall feed grain stocks, sorghum stocks were reduced to 75,000 MT in 2003, to 66,000 MT in 2004, 65,000 MT in 2005 and 64,000 MT in 2006.

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 it organized a reverse trade mission in April/May 2006 for Japanese food manufacturers to visit the U.S. to learn on-site about Identity Preserved (IP) handling of corn and explore the possibilities of using corn and sorghum in snack and bakery products.

BARLEY

Production

According to Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF) survey for the 2006 barley crop, production declined by 5.6 percent due to a slight decline in production area (down 1.9 percent) worsened by a reduced yield due to cold and cloudy weather conditions in the December-April period and sporadic rain after May. Since about 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, continued reduction in the production area indicates that the new policy is not encouraging rice farmers to expand barley production. As described in the WHEAT section, Post is attentively monitoring the impact of the new direct payment program that targets wheat as well as barley beginning in the new fiscal year in April. By design, it should encourage larger scale permanent

production of barley, not merely as an alternative crop to rice. (Refer to GAIN report JA5068: Japan Embarks on a Drastic Change in its Farm Subsidy Scheme.)

Table 26.
Crop Area and Production of Barley in Japan

	Crop Area (hectares)	Production (1,000 MT)
2002	64,490	217,200
2003	63,600	198,500
2004	59,860	195,600
2005	54,840	184,500
2006	53,820	174,200

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 that Japanese consumers favor. Annually, 750,000 to 800,000 MT of barley is consumed in the feed sector. 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 and there is no indication that it will show a significant increase in the near future. On the contrary some decline is expected as Japan's cattle population shrinks.

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 and reached an even higher mark in 2006 due to robust demand domestically and internationally.

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

	CY 2004	CY 2005	CY 2006	*% 06/05*
United States	161.3	167.1	194.8	***116.6%***
Canada	175.4	163.3	173.4	***106.2%***
Australia	166.1	179.9	171.5	***95.3%***
Ukraine	235.3	NA	167.6	***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 had been 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.) As described in detail in the WHEAT section, starting April 2007, food barley can be imported under the Simultaneous Buy and Sell (SBS) system.

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. Imports from the United States in 2004 also took a drop due to shrunken exportable supplies in the United State due to a bullish demand from the U.S. domestic wet-milling sector.

In 2005, contrary to an earlier projection by Post, imports from the United States almost doubled on the calendar year (CY) basis. Although this may appear to be a dramatic increase, on the marketing year (MY) basis (October 2004 – September 2005), the increase rate was 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.

In 2006, imports from the United States on the CY basis dropped to the 2004 level, and on the MY basis declined as much as 80 percent, from 380,000 MT to 65,000 MT. This is simply a timing issue. Successful U.S. bids in earlier Simultaneous Buy and Sell (SBS) tenders were small in volume and most of the successful bids were in the later bids for shipments arriving after October 2006. Although country origins of successful bids in the SBS tenders are not disclosed by MAFF, Post estimates that the United States captured about 30 percent of the 1.1 million MT within the feed barley SBS allocation or roughly 320,000 MT.

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

	CY 2004	CY 2005	CY 2006
Barley for feed			
United States	161	314	154
Share	14.2%	27.3%	13.7%
Canada	211	265	303
Australia	761	568	607
Ukraine	20	0	60
Germany	0	0	0
Others	0	0	0
Total	1,132	1,147	1,124
Barley, others			
United States	0	3	2
Share	0.0%	1.2%	0.7%
Canada	22	38	37
Australia	283	241	221
Others	1	1	0
Total	307	283	259
Total Barley			
United States	161	317	155

Share	11.2%	22.2%	11.2%
Total	1,439	1,430	1,383

Source: Ministry of Finance

SBS Tender for Feed Barley since 1999

MAFF introduced the 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 reaching 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. In 2006, the allocation was expanded further to 1,100,000 MT under six tenders.

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

	Wheat	Barley
1st tender	17,440	218,962
2nd	18,145	232,224
3rd	18,110	215,964
4th	17,720	180,610
5th	13,300	249,830
6th	0	10,500
Total	84,715	1,108,090

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, 2005 and 2006.

Marketing

As the majority of barley is purchased through the SBS tenders, the U.S. Grains Council (USGC) organized a reverse trade mission in July/August 2006 for Japanese buyers to obtain the latest information on barley production in the United States. USGC has also been preparing the industry both in the United States and Japan for the SBS tender program to start in April 2007.

RYE

Production

Production of rye is minimal in Japan.

Consumption

Rye is almost exclusively used for feed in Japan. The main uses of rye are for cattle feed and swine feed. Since there is practically no domestic production, annual rye consumption and imports are directly linked with domestic cattle and swine production. In 2005, the latest statistics available (***Table 20***), total rye utilization in feed was 233,518 MT: 64,778 MT for dairy cattle; 41,599 for beef cattle; and 122,648 MT for swine.

Prices

As is apparent from the table 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 went back up in 2006 to the 2004 level. It is now 3.5 times more expensive than Canadian rye and 4.5 times German rye.

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

	CY 2004	CY 2005	CY 2006	***% 06/05***
United States	620.5	344.3	615.6	***178.8%***
Canada	196.6	160.8	176.8	***110.0%***
Germany	131.5	143.4	138.1	***96.3%***

Source: Ministry of Finance

Trade

Germany dominates rye exports to the Japanese market because of its price competitiveness. Imports in CY 2006 declined slightly due to stagnant cattle and swine feed demand. As this situation continues into 2007, Post projects that imports in 2007 will remain at a level between 270,000-290,000 MT. In the medium term, a continued decline is expected as Japan's cattle and swine populations will likely continue shrinking. Prospects for U.S. rye exports to Japan are directly linked to the relative price of U.S. rye, and no significant advance is expected in the near future.

Table 31.
Imports of Rye by Origin
(MT)

	CY 2004	CY 2005	CY 2006
United States	251	879	284
Canada	98,984	12,272	8,350
Germany	157,239	268,531	263,236
Other	31,804	0	0
Total	288,278	281,682	271,870

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 2006 declined 19.0 percent. This was due to a reduction in the planted area, coupled with a decline in yield caused by slightly unfavorable weather in July. This year's yield of 198 kilograms per 10 ares was, however, higher than an average year by 11 percent. The production volume for kidney beans also declined 25.7 percent with the production area shrinking by 10.7 percent, and worsened by high temperatures from August onward. The yield was down 4 percent compared to an average year.

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)
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
2006	32,200	63,900	10,000	19,100

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

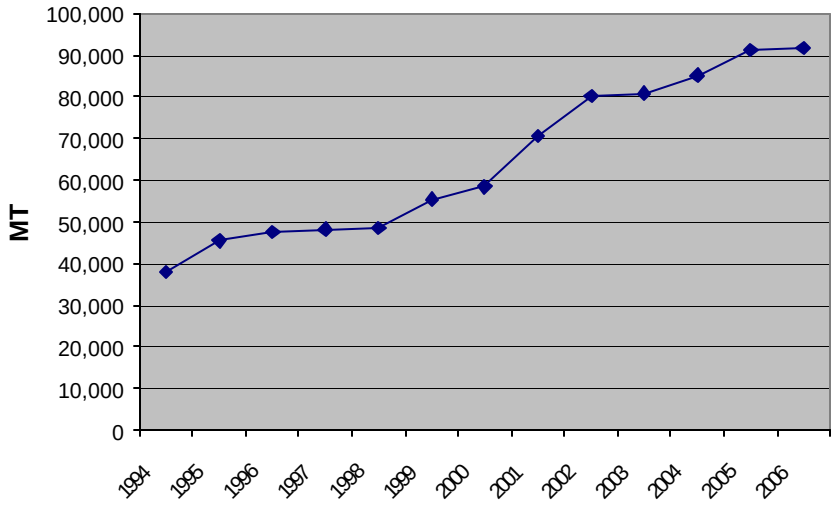
Japan's imports of small red beans and kidney beans combined increased slightly from 37,296 MT in 2005 to 39,900 MT in 2006, reflecting reductions in Japanese domestic bean production in 2005. Another important trend to monitor is increasing imports of finished and semi-finished sweetened bean paste, shown in the chart below. Imports, predominantly from China, of processed sweetened bean paste (HS code 2005-40.190, 2005-51.190, and 2005-90.119) have more than doubled: from 37,970 MT in 1994 to 91,808 MT in 2006. This has had a substantially negative impact on the imports of dry beans.

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

	CY 2004	CY 2005	CY 2006
Small Red Beans	33,127	20,744	25,277
China	25,282	16,641	18,917
Canada	3,635	2,960	4,747
USA	1,816	738	1,076
Kidney Beans	18,372	16,552	14,623
China	4,419	3,358	2,927
Canada	8,840	9,277	7,462
USA	2,481	1,988	1,986
Peas	16,177	15,163	15,592
Canada	8,588	8,702	9,791
New Zealand	803	1,225	706
U.K.	3,801	1,695	2,309
USA	832	923	1,265
China	1,340	1,663	395
Hungary	277	636	638
Broad Beans	7,882	6,721	7,056
China	6,658	5,986	6,059
Other Beans	30,576	26,122	28,693
Total	106,134	85,302	91,241

Source: Ministry of Finance

Imports of Sweetened Bean Paste
(1994-2006)



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. As mentioned in the previous section on trade, with a shrinking demand, caused mainly by increasing imports of finished/semi-finished products, particularly sweetened bean paste, the quota has not been fully utilized since 2000.

PS&D

Rice PS&D Table

PSD Table

Country **Japan**

Commodity **Rice, Milled** (1000 HA)(1000 MT)(MT/HA)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYYY
Area Harvested	1706	1706	1706	1700	1700	1688	0	0	1650	(1000 HA)
Beginning Stocks	1919	1884	1919	2426	2391	2414	2616	2581	2550	(1000 MT)
Milled Production	8257	8257	8257	7940	7940	7786	0	0	7943	(1000 MT)
Rough Production	11342	11342	11342	10907	10907	10695	0	0	10911	(1000 MT)
Milling Rate (.9999)	7280	7280	7280	7280	7280	7280	0	0	7280	(1000 MT)
MY Imports	700	700	688	650	650	700	0	0	700	(1000 MT)
TY Imports	650	787	688	650	650	700	0	0	700	(1000 MT)
TY Imp. from U.S.	0	372	322	0	350	350	0	0	350	(1000 MT)
Total Supply	10876	10841	10864	11016	10981	10900	2616	2581	11193	(1000 MT)
MY Exports	200	200	200	200	200	200	0	0	200	(1000 MT)
TY Exports	200	200	200	200	200	200	0	0	200	(1000 MT)
Total Consumption	8250	8250	8250	8200	8200	8150	0	0	8150	(1000 MT)
Ending Stocks	2426	2391	2414	2616	2581	2550	0	0	2843	(1000 MT)
Total Distribution	10876	10841	10864	11016	10981	10900	0	0	11193	(1000 MT)
Yield (Rough)	6.6483	6.6483	6.6483	6.415882	6.415882	6.3359	0	0	6.612727	(MT/HA)

Wheat PS&D Table

PSD Table

Country	**Japan**									
Commodity	**Wheat**						(1000 HA)	(1000 MT)	(MT/HA)	
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	214	214	214	215	215	218	0	0	220	(1000 HA)
Beginning Stocks	1890	1151	1060	1833	1128	930	1816	1126	927	(1000 MT)
Production	877	877	875	868	868	837	0	0	858	(1000 MT)
MY Imports	5469	5500	5264	5500	5500	5400	0	0	5350	(1000 MT)
TY Imports	5469	5500	5264	5500	5500	5400	0	0	5350	(1000 MT)
TY Imp. from U.S.	3084	3030	2971	0	3030	3150	0	0	3050	(1000 MT)
Total Supply	8236	7528	7199	8201	7496	7167	1816	1126	7135	(1000 MT)
MY Exports	423	420	409	425	420	420	0	0	420	(1000 MT)
TY Exports	423	420	409	425	420	420	0	0	420	(1000 MT)
Feed Consumption	320	320	200	310	310	180	0	0	150	(1000 MT)
FSI Consumption	5660	5660	5660	5650	5640	5640	0	0	5640	(1000 MT)
Total Consumption	5980	5980	5860	5960	5950	5820	0	0	5790	(1000 MT)
Ending Stocks	1833	1128	930	1816	1126	927	0	0	925	(1000 MT)
Total Distribution	8236	7528	7199	8201	7496	7167	0	0	7135	(1000 MT)
Yield	4.098131	4.098131	4.088785	4.037209	4.037209	3.83945	0	0	3.9	(MT/HA)

Corn PS&D Table

PSD Table

Country	**Japan**									
Commodity	**Corn**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	1	1	1	1	1	1	0	0	1	(1000 HA)
Beginning Stocks	1025	1123	1025	1045	824	943	946	525	644	(1000 MT)
Production	1	1	1	1	1	1	0	0	1	(1000 MT)
MY Imports	16619	16300	16617	16500	16200	16200	0	0	16100	(1000 MT)
TY Imports	16619	16300	16617	16500	16200	16200	0	0	16100	(1000 MT)
TY Imp. from U.S.	16521	15450	15924	0	15400	15700	0	0	15600	(1000 MT)
Total Supply	17645	17424	17643	17546	17025	17144	946	525	16745	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	12100	12100	12000	12000	12000	11900	0	0	11700	(1000 MT)
FSI Consumption	4500	4500	4700	4600	4500	4600	0	0	4500	(1000 MT)
Total Consumption	16600	16600	16700	16600	16500	16500	0	0	16200	(1000 MT)
Ending Stocks	1045	824	943	946	525	644	0	0	545	(1000 MT)
Total Distribution	17645	17424	17643	17546	17025	17144	0	0	16745	(1000 MT)
Yield	1	1	1	1	1	1	0	0	1	(MT/HA)

Sorghum PS&D Table

PSD Table

Country	**Japan**									
Commodity	**Sorghum**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	186	184	186	179	144	189	129	64	159	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	1393	1350	1393	1350	1300	1350	0	0	1300	(1000 MT)
TY Imports	1393	1350	1393	1350	1300	1350	0	0	1300	(1000 MT)
TY Imp. from U.S.	1202	1080	1106	0	1000	1100	0	0	1000	(1000 MT)
Total Supply	1579	1534	1579	1529	1444	1539	129	64	1459	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	1400	1390	1390	1400	1380	1380	0	0	1350	(1000 MT)
FSI Consumption	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Consumption	1400	1390	1390	1400	1380	1380	0	0	1350	(1000 MT)
Ending Stocks	179	144	189	129	64	159	0	0	109	(1000 MT)
Total Distribution	1579	1534	1579	1529	1444	1539	0	0	1459	(1000 MT)
Yield	0	0	0	0	0	0	0	0	0	(MT/HA)

Barley PS&D Table

PSD Table

Country	**Japan**
Commodity	**Barley**

(1000 HA)(1000 MT)(MT/HA)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	56	56	55	50	50	54	0	0	50	(1000 HA)
Beginning Stocks	642	930	642	594	865	594	509	680	518	(1000 MT)
Production	185	185	185	165	165	174	0	0	165	(1000 MT)
MY Imports	1417	1400	1417	1400	1300	1350	0	0	1300	(1000 MT)
TY Imports	1417	1400	1417	1400	1300	1350	0	0	1300	(1000 MT)
TY Imp. from U.S.	62	350	65	0	330	300	0	0	300	(1000 MT)
Total Supply	2244	2515	2244	2159	2330	2118	509	680	1983	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	1350	1350	1350	1350	1350	1300	0	0	1250	(1000 MT)
FSI Consumption	300	300	300	300	300	300	0	0	300	(1000 MT)
Total Consumption	1650	1650	1650	1650	1650	1600	0	0	1550	(1000 MT)
Ending Stocks	594	865	594	509	680	518	0	0	433	(1000 MT)
Total Distribution	2244	2515	2244	2159	2330	2118	0	0	1983	(1000 MT)
Yield	3.303571	3.303571	3.363636	3.3	3.3	3.222222	0	0	3.3	(MT/HA)

Rye PS&D Table

PSD Table

Country **Japan**

Commodity **Rye** (1000 HA)(1000 MT)(MT/HA)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	20	14	20	20	19	20	20	19	15	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	279	265	279	175	250	270	0	0	270	(1000 MT)
TY Imports	279	265	279	175	250	270	0	0	270	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	299	279	299	195	269	290	20	19	285	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	255	260	255	150	250	250	0	0	245	(1000 MT)
FSI Consumption	24	0	24	25	0	25	0	0	25	(1000 MT)
Total Consumption	279	260	279	175	250	275	0	0	270	(1000 MT)
Ending Stocks	20	19	20	20	19	15	0	0	15	(1000 MT)
Total Distribution	299	279	299	195	269	290	0	0	285	(1000 MT)
Yield	0	0	0	0	0	0	0	0	0	(MT/HA)

Beans PS&D Table

PSD Table

Country	**Japan**
Commodity	**Beans**

(1000 HA)(1000 MT)(MT/HA)

	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2005	01/2005		01/2005	01/2005	MM/YYYY
Area Harvested	0	50	50	0	48	42	0	0	45	(1000 HA)
Beginning Stocks	0	9	9	0	2	5	0	1	0	(1000 MT)
Production	0	105	105	0	101	83	0	0	85	(1000 MT)
MY Imports	0	92	85	0	90	91	0	0	85	(1000 MT)
TY Imports	0	92	85	0	90	91	0	0	85	(1000 MT)
TY Imp. from U.S.	0	14	11	0	0	13	0	0	10	(1000 MT)
Total Supply	0	206	199	0	193	179	0	1	170	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	0	0	0	0	0	0	0	0	0	(1000 MT)
FSI Consumption	0	204	194	0	192	179	0	0	170	(1000 MT)
Total Consumption	0	204	194	0	192	179	0	0	170	(1000 MT)
Ending Stocks	0	2	5	0	1	0	0	0	0	(1000 MT)
Total Distribution	0	206	199	0	193	179	0	0	170	(1000 MT)
Yield	0	2.1	2.1	0	2.104167	1.97619	0	0	1.888889	(MT/HA)