



Foreign Agricultural Service

**GAIN Report**

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## **Japan**

### **Grain and Feed**

#### **Japan's Surplus Rice Situation**

**2000**

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#### **Report Highlights:**

Japanese newspapers report that bumper domestic rice production is expected this year due to favorable weather conditions. On September 12, the Government of Japan (GOJ) announced the crop index is above last year. A rice research company anticipates total rice production in 2000 could reach 9.4 million metric tons, an increase 2.5% from last year. GOJ rice stocks at the end of October 2000 are forecast at 2.8 million metric tons, far exceeding target levels. To reduce the oversupply of government-owned rice, MAFF is considering several policy options including more food aid, rice for feed, or plowing the plants under before harvest.

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

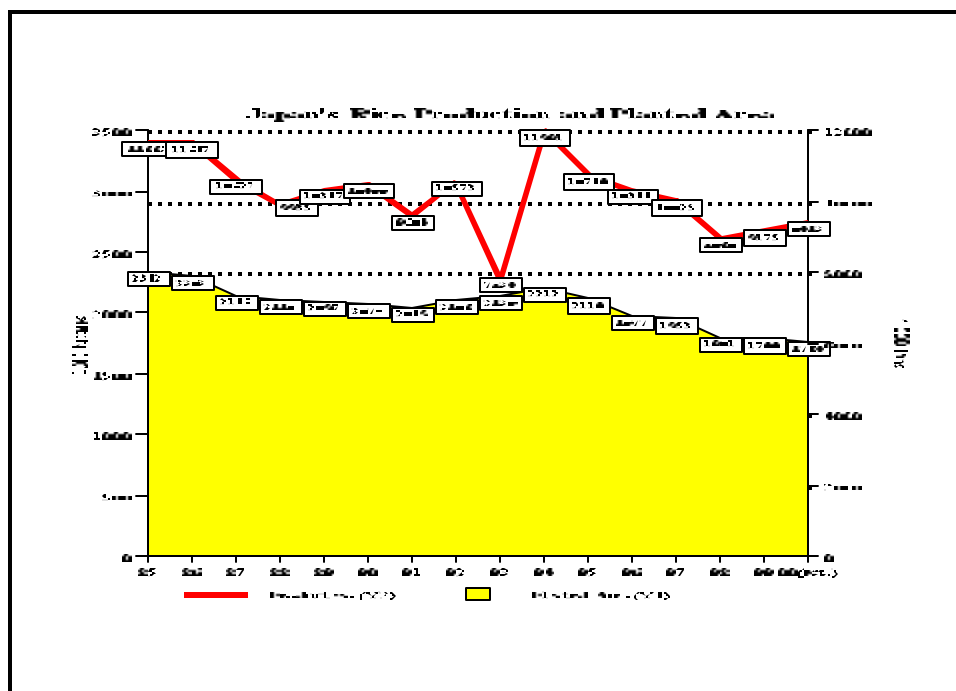
Tokyo [JA1], JA

## Executive Summary

Major Japanese newspapers report that bumper domestic rice production is expected this year due to favorable weather conditions. On September 12, the Government of Japan announced the crop index is above last year. A rice research company anticipates total rice production in 2000 could reach 9.4 million metric tons, an increase 2.5% from last year. Accordingly, Government of Japan (GOJ) rice stocks at the end of October 2000 are forecast at 2.8 million metric tons, far exceeding target levels. MAFF is considering several policy options to reduce the oversupply of government-owned rice including food aid use, rice for feed use, or plowing the plants under before harvest.

## Bumper Production Expected

Japanese newspapers report that bumper domestic rice production is expected this year due to favorable weather conditions. On August 25, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced the results of a rice crop survey as of August 15. According to the survey, growing conditions for most of the rice production area are regarded as "better than an average year's level". Although the MAFF survey does not show estimated total production, a private rice research company anticipates total rice production for this year could increase 2.6% from last year to reach 9.4 million metric tons.

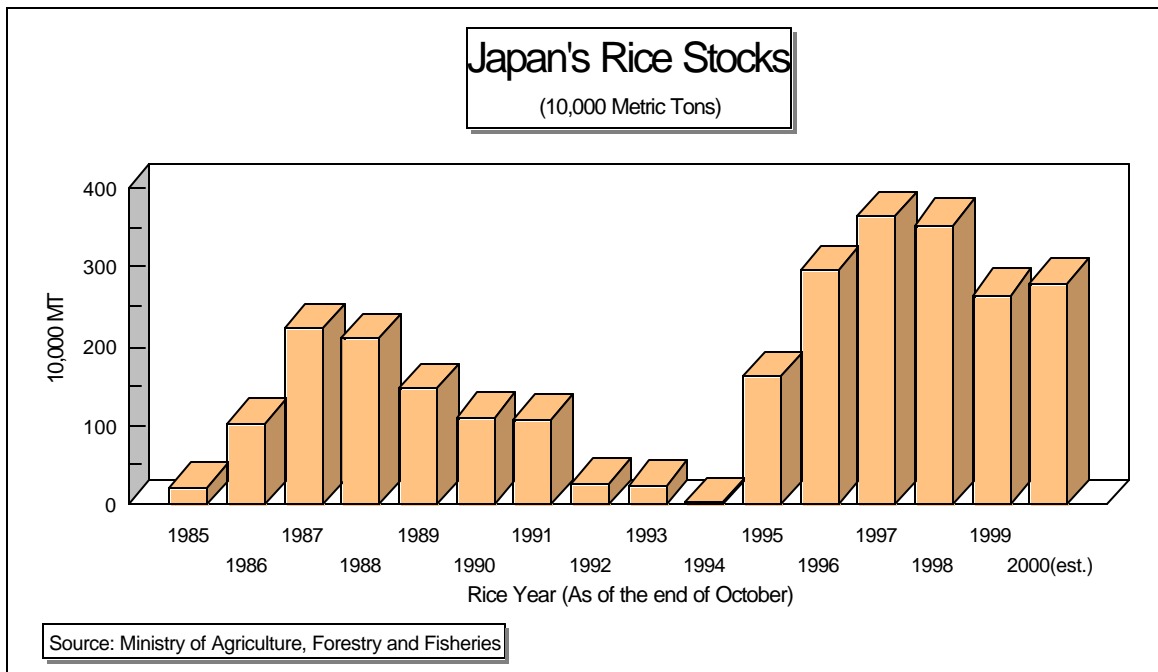


## Government Stocks Reach 2.8 Million Metric Tons

Reflecting the anticipated bumper rice production, GOJ rice stocks at the end of October 2000 are

forecast at 2.8 million metric tons. MAFF's original plan was to reduce GOJ rice stocks to 2.2 million metric tons at the end of October 2000. The appropriate GOJ's stock levels are range of 1.5 - 2.0 million metric tons.

Due to the lackluster sales of government-marketed rice from the oversupply of rice, the GOJ may not purchase any 2000 crop as government-marketed rice. Some of the policy options MAFF is considering to cope with the rice oversupply include shipping more rice for food aid, using rice for feed, and cutting rice plants down before harvest. Japan's rice stocks the last 15 years are listed below.



## Food Aid

In 1998, MAFF established a fund for food aid programs and designated the Japan International Agricultural Council (JIAC), a quasi-governmental organization, as the implementing organization. JIAC was established in 1983 to promote public relation activities of Japanese agriculture, to exchange technical experts, and to conduct agricultural research in other countries. JIAC keeps about 100,000 metric tons of government-owned rice as stocks for food aid program.

In March 2000 Japan agreed to donate to North Korea, through the United Nations World Food Programme (WFP), about 100,000 metric tons of rice, and actual shipments were completed in mid-August. Major Japanese newspapers recently reported that GOJ plans to provide an additional 200,000 - 300,000 metric tons of rice aid to North Korea. The shipments will be comprised of a mixture of domestic rice and rice imported under the ordinary minimum access system.

The official decision on the additional food aid program for North Korea is expected to be made in September.

Japan announced in September it will finance rice food aid for Haiti during 2000. The value of the aid is 400 million yen (CIF), approximately \$3.8 million. The quantity of the tender, depending on the value offered, will be about 13,000 metric tons, and the tender date is September 11, 2000. The shipping date is before December 4, 2000.

### **Domestic Rice Prices Continues to Decline**

Reflecting the excess supply of domestic rice, rice prices continue to decline. According to the rice tender held on August 29 by the Voluntarily Marketed Rice Price Formation Center, average successful rice prices dropped 3.3 percent from 1999 average successful rice prices. At the rice tender, 52,081 metric tons of voluntarily marked rice was listed and 10,300 metric tons was left unsold.

Due to the forecast bumper rice production, rice prices are expected to decline further. The decline in successful prices will eventually affect both wholesale and consumer prices of both domestic and imported rice.

### **Impact on Opportunities for U.S. Rice in the Japanese Market**

Because of the oversupply of domestic rice and its declining prices, all imported rice faces tough competition against Japanese domestic rice. Among rice suppliers to Japan, Chinese rice has gained the most competitiveness, particularly over U.S. rice, due to improved quality and lower production costs. Chinese rice has been mainly used for blending with domestic rice as their rice is almost identical to Japanese domestic rice.

Despite the tough competition U.S. rice is likely to face against both Japanese domestic rice and Chinese rice, market opportunities exist in the high-value rice market such as organic rice.