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Japan

Grain and Feed

Grain and Feed Annual Report

2005

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Report Highlights:
In 2004, the U.S. maintained a 50 percent share in rice imports but the lack of true market access remains a serious concern. Feed corn consumption fell slightly due to the outbreak of avian influenza (AI) in Japan and a record breaking hot and long summer. However, the decline was offset by an increase in wet-milling demand. Both consumption and imports of grains will remain steady in the short term but are expected to decline over time. Feed grains will slowly decline due to a slow reduction in the overall livestock population and flour product consumption will shift as a result of changing appetites due to the rapidly aging population in Japan.

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

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RICE

Production Near Normal Year

The Ministry of Agriculture, Forestry and Fisheries (MAFF) has decided to phase out government controls on production by fiscal 2008 as part of its rice policy reforms. As an interim measure, starting rice marketing year (MY) 2004, MAFF has ended the production control scheme that was based on the acreage reduction program. Instead, a production volume target is set for each prefecture based on market demand forecasts which are provided by a third party (please see GAIN Report #JA3012, Japan's Proposed Rice Reforms for more information). For MY 2003 the national target volume has been set at 8,570,000 metric tons.

Indications in early summer were that the actual production volume would far exceed the target but due to a record number of typhoons that hit Japan in mid-late summer, production ended up with a near normal year yield for the total volume of 8,730,000 metric tons (MT). The MY 2005 target is set at 8,510,000 MT.

Table 1.

Japan's Rice Production (Brown Basis)

	Planted Area (1,000 hectares)			Production (1,000 metric tons)			Yield/10 acres (kilograms)	
	Total	Paddy	Upland	Total	Paddy	Upland	Paddy	Upland
2000	1,770	1,763	7	9,490	9,474	18	537	256
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

Source: MAFF

Downward Trend in Rice Consumption Trend

According to MAFF's latest "Food Balance Sheet", the average annual per capita consumption of rice in 2003 dropped 1.3 percent to 61.2 kilograms (from 62.7 kilograms in 2002) a level equal to almost one half of the peak of consumption of 118.3 kilograms in 1962. The fundamental reason for the decline is westernized and diversified Japanese eating habits. Reversing this downward trend in the medium term is acknowledged to be very difficult. Long-term prospects are also dim because of demographic changes with Japan's population forecast to peak in 2006 as well as a rapidly aging population (one out of four Japanese will be older than 65 by 2015).

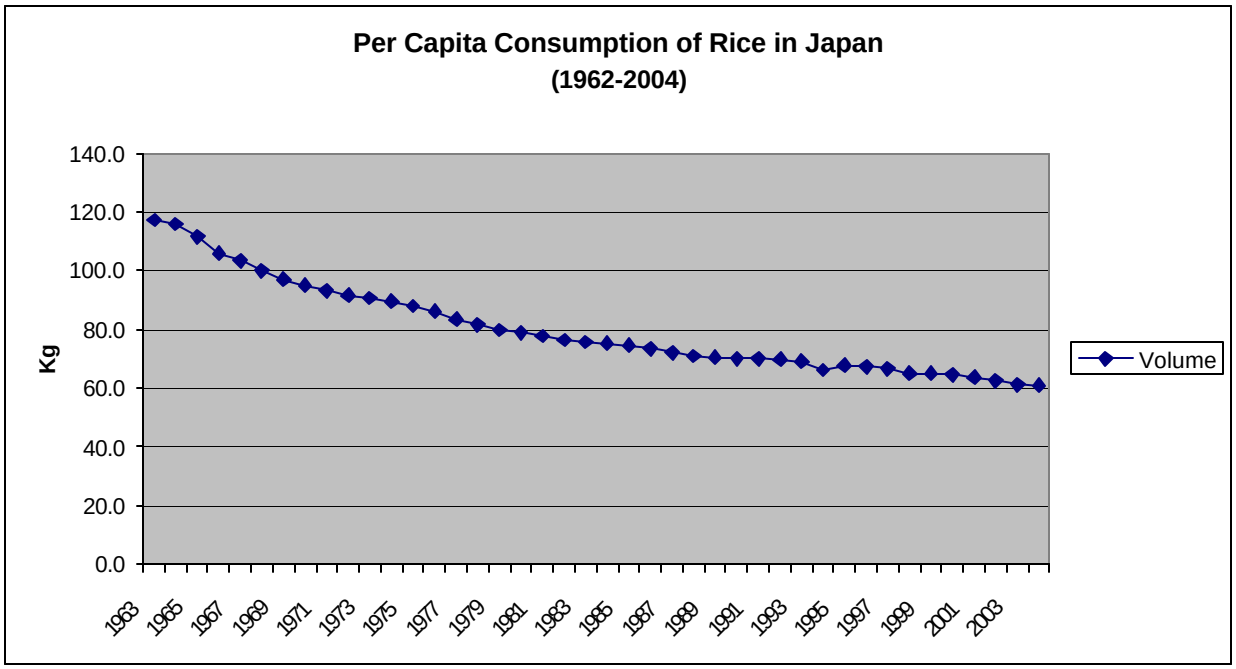
Table 2.

Annual Per Capita Consumption of Rice in Japan (Kilograms)

1962	1965	1975	1985	1995	2001	2002	2003	2004*
118.3	111.7	88.0	74.6	67.8	63.6	62.7	61.9	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	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Expenditure	273,114	328,849	333,313	328,186	323,008	317,133	308,692	306,129	302,623	304,203
Food Expenditure	73,735	77,042	78,306	78,156	76,590	73,844	71,534	71,286	70,260	70,116
Expenditure on Rice	6,233	4,092	3,863	3,712	3,527	3,291	3,113	2,992	3,041	3,044
% rice/food	8.50%	5.30%	4.90%	4.70%	4.60%	4.50%	4.40%	4.20%	4.30%	4.34%

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

Rice Price Returns to Normal

Due to the short crop in 2003, wholesale prices in early RY 2003 soared to 20 to 50 percent over the previous year, resulting in higher retail prices in CY 2004. For the 2004 crop, prices have been stable and returned to the 2002 level.

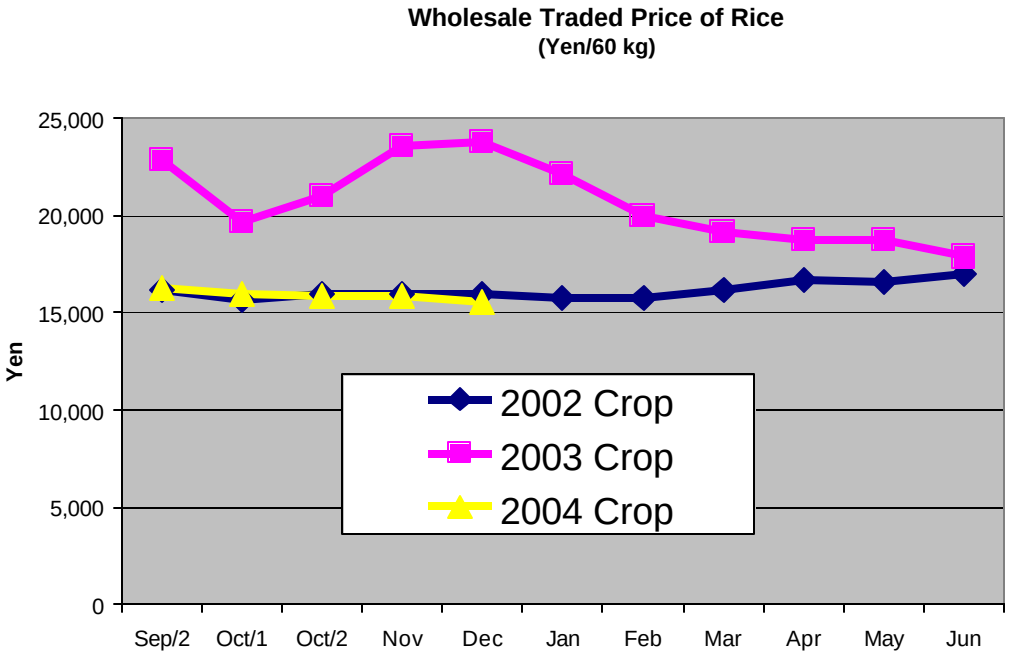


Table 4.
Retail Price of Rice in Tokyo Area (Yen/10 kg)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
5,675	5,374	5,218	5,017	5,059	4,934	4,745	4,788	4,983	5,527

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

U.S. Maintains 50% Share of Imports

Currently, for the Japanese fiscal year (JFY) 2004 (April 2004–March 2005), the total U.S. market share remains at the same level as previous years. To date MAFF has held five Simultaneous Buy and Sell (SBS) tenders and nine Ordinary Minimum Access (OMA) tenders. In the past Japan successfully filled its quota by holding four SBS tenders and six OMA tenders. However, this year Japan has still has fallen short of its minimum access commitment by over 76,000 MT, even after five SBS and nine OMA tenders. It is expected that another OMA tender will be held in March. This year's SBS tenders have been comparably orderly unlike last year when a shortage of domestic rice, particularly glutinous rice, caused disruption in the SBS tenders by displacing regular rice imports. The U.S. rice price under the SBS returned to the normal level as shown below. However, the uncertainty of supply, that is whether or not importers/users can make successful bids, limits market development efforts and undermines U.S. producers' commitment to produce Japan specific varieties of rice.

Table 5.
Results of Japan's Minimum Access Rice Tenders (JFY 1995 - 2004)
(Actual Tonnage)

	U.S.	Thailand	Australia	China	Others	Total
JFY 2004	One more OMA tender remaining					
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	286,000	157,300	13,000	7,000	48,000	511,300
Share	*55.9%*	*30.8%*	*2.5%*	*1.4%*	*9.4%*	*100.0%*
Total	309,413	158,511	17,658	70,877	48,829	605,288
Share	*51.1%*	*26.2%*	*2.9%*	*11.7%*	*8.1%*	*100.0%*
JFY 2003						
SBS	18,216	1,145	1,570	78,803	266	100,000
Share	*18.2%*	*1.1%*	*1.6%*	*78.8%*	*0.3%*	*100.0%*
OMA	298,000	134,700	78,400	19,500	40,500	571,100
Share	*52.2%*	*23.6%*	*13.7%*	*3.4%*	*7.1%*	*100.0%*
Total	316,216	135,845	79,970	98,303	40,766	671,100
Share	*47.1%*	*20.2%*	*11.9%*	*14.6%*	*6.1%*	*100.0%*
JFY 2002						
SBS	20,122	1,327	4,077	24,247	294	50,067
Share	*40.2%*	*2.7%*	*8.1%*	*48.4%*	*0.6%*	*100.0%*
OMA	301,676	134,808	82,500	75,690	34,800	629,474
Share	*47.9%*	*21.4%*	*13.1%*	*12.0%*	*5.5%*	*100.0%*
Total	321,798	136,135	86,577	99,937	35,094	679,541
Share	*47.4%*	*20.0%*	*12.7%*	*14.7%*	*5.2%*	*100.0%*
JFY 2001						
SBS	25,173	421	8,529	65,702	175	100,000
Share	*25.2%*	*0.4%*	*8.5%*	*65.7%*	*0.2%*	*100.0%*
OMA	298,877	129,376	91,500	55,516	4,700	579,969
Share	*51.5%*	*22.3%*	*15.8%*	*9.6%*	*0.8%*	*100.0%*
Total	324,050	129,797	100,029	121,218	4,875	679,969
Share	*47.7%*	*19.1%*	*14.7%*	*17.8%*	*0.7%*	*100.0%*
JFY 2000						
SBS	46,273	4,960	14,269	53,264	1,234	120,000
Share	*38.6%*	*4.1%*	*11.9%*	*44.4%*	*1.0%*	*100.0%*
OMA	284,000	144,370	94,000	35,000	15,669	573,039
Share	*49.6%*	*25.2%*	*16.4%*	*6.1%*	*2.7%*	*100.0%*
Total	330,273	149,330	108,269	88,264	16,903	693,039
Share	*47.7%*	*21.5%*	*15.6%*	*12.7%*	*2.4%*	*100.0%*
JFY 1999						
SBS	36,826	3,753	14,587	62,611	2,223	120,000
Share	*30.7%*	*3.1%*	*12.2%*	*52.2%*	*1.9%*	*100.0%*
OMA	276,000	138,200	90,000	13,900	15,000	533,100
Share	*51.8%*	*25.9%*	*16.9%*	*2.6%*	*2.8%*	*100.0%*
Total	312,826	141,953	104,587	76,511	17,223	653,100
Share	*47.9%*	*21.7%*	*16.0%*	*11.7%*	*2.6%*	*100.0%*
JFY 1998						
SBS	36,498	5,297	14,538	61,965	1,702	120,000
Share	*30.4%*	*4.4%*	*12.1%*	*51.6%*	*1.4%*	*100.0%*

OMA	265,400	130,000	87,000	10,000	20,000	512,400
Share	*51.8%*	*25.4%*	*17.0%*	*2.0%*	*3.9%*	*100.0%*
Total	301,898	135,297	101,538	71,965	21,702	632,400
Share	*47.7%*	*21.4%*	*16.1%*	*11.4%*	*3.4%*	*100.0%*
JFY 1997						
SBS	34,657	911	3,159	13,882	2,532	55,141
Share	*62.9%*	*1.7%*	*5.7%*	*25.2%*	*4.6%*	*100.0%*
OMA	237,900	133,900	82,400	30,000	5,000	489,200
Share	*48.6%*	*27.4%*	*16.8%*	*6.1%*	*1.0%*	*100.0%*
Total	272,557	134,811	85,559	43,882	7,532	544,341
Share	*50.1%*	*24.8%*	*15.7%*	*8.1%*	*1.4%*	*100.0%*
JFY 1996						
SBS	14,134	360	1,173	5,113	1,220	22,000
Share	*64.2%*	*1.6%*	*5.3%*	*23.2%*	*5.5%*	*100.0%*
OMA	201,000	127,650	80,000	35,000	0	443,650
Share	*45.3%*	*28.8%*	*18.0%*	*7.9%*	*0.0%*	*100.0%*
Total	215,134	128,010	81,173	40,113	1,220	465,650
Share	*46.2%*	*27.5%*	*17.4%*	*8.6%*	*0.3%*	*100.0%*
JFY 1995						
SBS	5,715	246	1,935	2,390	408	10,694
Share	*53.4%*	*2.3%*	*18.1%*	*22.3%*	*3.8%*	*100.0%*
OMA	188,000	95,100	85,000	30,000	0	398,100
Share	*47.2%*	*23.9%*	*21.4%*	*7.5%*	*0.0%*	*100.0%*
Total	193,715	95,346	86,935	32,390	408	408,794
Share	*47.4%*	*23.3%*	*21.3%*	*7.9%*	*0.1%*	*100.0%*

Source: MAFF

Trade for Processed Rice Products

The United States is the third largest exporter of rice flour preparations to Japan after Thailand and China. The shortage of glutinous rice last year resulted in an increase in imports of flour preparations in 2003. Japanese users' demand for imported rice flour preparations continued to be strong in 2004 because of a significant price advantage over domestic non-table rice. 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 2002		CY 2003		CY 2004	
	Total	U.S.	Total	U.S.	Total	U.S.
Flour preparations	102,499	28,018	111,761	28,173	122,468	29,983
Rice Crackers	6,700	8	7,478	1	9,023	3
Pilaf	902	3	611	2	1148	158
Sake (1,000 liters)	2,527	10	2,537	4	2,608	0

Source: Ministry of Finance

Stocks

MAFF currently sets a target level of 1 million MT of emergency rice stocks to be held in reserve. However, this does not include Minimum Access (MA) rice. MA Rice is also not included in MAFF's official supply and demand table. This omission has distorted the stock figures in the PS&D tables since minimum access imports began in 1996. Therefore, the PS&D has been revised to reflect a more accurate situation that includes the stocks of MA rice. While stocks of domestic rice have decreased over the years and even dropped below the targeted level in 2004 due to a poor crop in 2003 (see below), 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

Source: Food Department/MAFF

This is a major issue for MAFF since the storage costs have 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 several years old, which limits their marketability. MAFF does not want to release these stocks in order to not disrupt the supply and demand for domestic rice. In fact, MAFF and the ruling Liberal Democratic Party have told the domestic rice producers and co-op's that MA rice will not affect supply and demand for domestic rice.

In an effort to justify the storage cost for MA rice, MAFF has proposed the creation of stocks to be held for emergency situations by the ASEAN nations plus China and Korea. Stocks would be held internally by each participating each country but could be shipped within the region as needed by 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).

Minimum Access Commitment For 2005

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 levels mandated when tariff rates were set at 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 within the WTO Doha Round negotiations in order to have it excluded from the across the board expansion of tariff rate quotas (TRQs) and tariff capping.

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 for export under food aid programs on an annual basis. However, export statistics by the Ministry of Finance routinely show only a portion of this amount (48,504 MT in the calendar year 2004 which includes a negligible amount of commercial exports) since it only records exports of Japanese domestic rice. 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 MAFF Gives Up Target of 45 percent by 2010

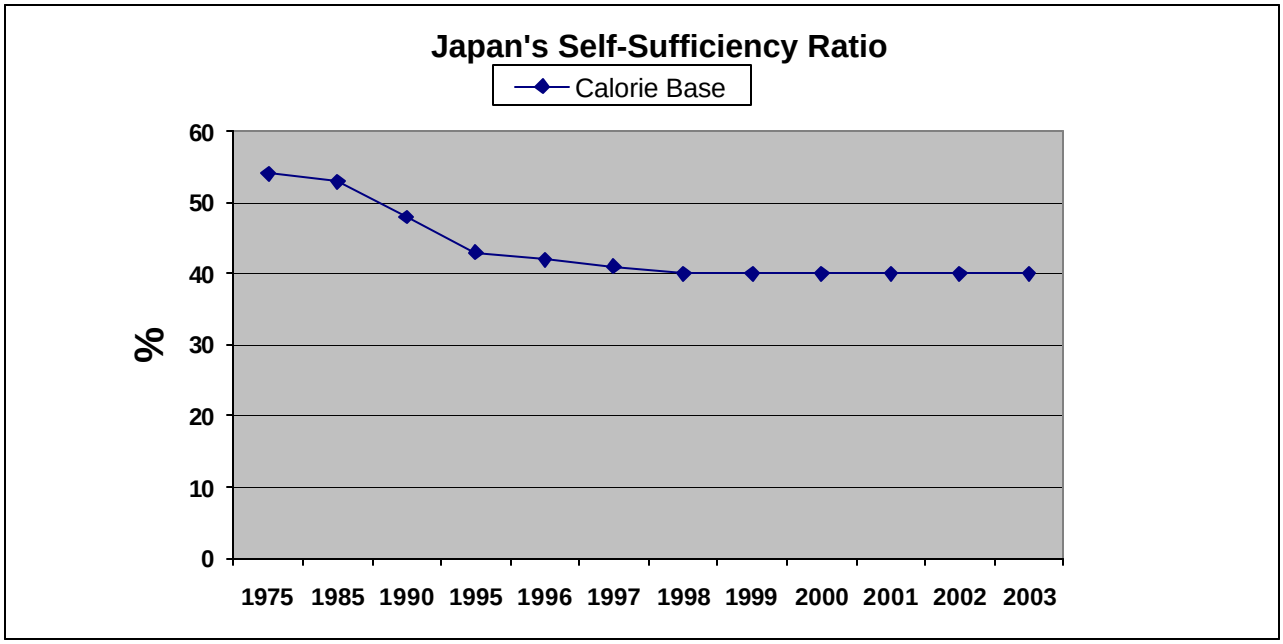
In 2000 MAFF announced a food self-sufficiency target of providing 45 percent of food consumed on a caloric basis by 2010. Japan's self-sufficiency consistently declined for many years but has remained steady at 40 percent since 1998. With the rate in 2003 again stalling at 40 percent, MAFF announced earlier this year that it had given up its 45% target for 2010, but will extend the deadline to 2015. As part of this effort, the government, along with the Ministry of Education, is planning to embark on a "Food Education" campaign by implementing a Basic Food Education Law sometime this year designed to promote the benefit of traditional Japanese diet and the concept of "*Chisan Chisho* (produce and consume locally)". However, many analysts doubt that Japan will be able to increase its self-sufficiency significantly as evidenced by the fact that a ban on U.S. beef over BSE did not result in increased consumption of domestic beef.

Table 9.
Japan's Food Self-Sufficiency Ratio (%)

	1960	1975	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Rice	96	110	107	100	104	102	99	95	95	95	95	96	95
Wheat	28	4	14	15	7	7	9	9	9	11	11	13	14
Beans	25	9	8	8	5	5	5	5	6	7	7	7	6
Soybeans	11	4	5	5	2	3	3	3	4	5	5	5	4
Vegetables	100	99	95	91	85	86	86	84	83	82	82	83	82
Fruit	90	84	77	63	49	47	53	49	49	44	45	44	44
Meats	90	77	81	70	57	55	56	55	54	52	53	53	54
Beef	95	81	72	51	39	39	36	35	36	34	36	39	39
Eggs	100	97	98	98	96	96	96	96	96	95	96	96	96
Milk/Dairy Products	86	81	85	78	72	72	71	71	70	68	68	69	69

Seafood (for food)	110	100	86	72	59	58	60	57	55	53	53	53	57
Sugar	31	15	33	32	31	28	29	32	31	29	32	34	35
Self-sufficiency (Calorie Basis)	73	54	53	48	43	42	41	40	40	40	40	40	40
Self-sufficiency (Major Food Grains)	80	69	69	67	65	63	62	59	59	60	60	61	60
Self-sufficiency (Major Feed Grains)	55	34	27	26	26	25	25	25	24	26	25	24	24
Self-sufficiency (Food + Feed Grains)	62	40	31	30	30	29	28	27	27	28	28	28	27

Source: MAFF



Marketing

There are 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 is over a million metric tons of OMA rice stored in the government-commissioned warehouses. If OMA stocks were released in a transparent and regular basis, potential users in the food service and processing sectors could be developed. Despite a highly restrictive marketing environment, the USA Rice Federation (USARF) continues to conduct a creative marketing program. In an effort to develop a consistent clientele, USARF launched a "USA Rice Shop Network" in 2002 of individually owned rice shops in Tokyo and Osaka metropolitan areas who have agreed to sell U.S. rice all year around. Now the network has been expanded to the Kyushu, Tohoku and Hokkaido areas. It has been proven that once U.S. rice is available on a consistent basis, even at similar prices to Japanese domestic rice (Price of U.S. rice is significantly raised through the SBS system.), Japanese consumers buy it repeatedly.

WHEAT

Production in 2004 Remains at 2003 Level

The total planted area for wheat in 2004 increased very slightly from 212,200 hectares in 2003 to 212,600 hectares in 2004. As a result of high yields from good weather conditions in the major production area of Hokkaido, production volume also remained at the 2003 level, 859,900 MT.

Table 10.
Japan's Wheat Production

	Planted Area (hectares)	Production (MT)	Yield (MT/ha)
2000	183,000	688,200	3.76
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

Source: MAFF

Beginning in JFY 2004, MAFF began encouraging a permanent switch to the production of wheat through the use of subsidies under its new rice policy, while it phases out its program to divert land from rice paddies by JFY 2008. While MAFF's goal is to continue the upward trend in wheat production, it is difficult to forecast at this point whether the new program will be successful or not. Out of the total planted area of 212,600 hectares, 119,800 hectares (56 percent) were planted on former rice paddies in 2004, which is not significantly different from the figures in 2003 (119,900 out of 212,200 or 57 percent). This indicates, on a macro basis at least, that there has not been an increased shift from rice paddy to wheat field.

Domestic flour millers prefer not to use domestic wheat because of its low quality unless the price is kept low with government subsidies. Therefore, an expansion of domestic wheat production will ultimately depend on whether or not Japanese producers will be able to produce the price and quality of wheat that is acceptable to end-users. For this to happen, an increased scale of farming in the areas suited for wheat production like Hokkaido (producing 65 percent of Japan's total wheat) will probably be necessary. MAFF is considering the introduction of de-coupled payments to producers, which will hold the key to achieving such objectives. Because politically influential agricultural co-op's, which represent small producers' interests, oppose such trends, overall wheat policy vis-à-vis rice policy reform is expected to face a rough road ahead as it moves toward completion in 2008. 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 2005, Post forecasts that the planted acreage will further increase but production may decline slightly if the yield returns to a normal year level.

For detailed information on Japan's wheat and barley production, consumption and policies, refer to the Electronic Outlook Report by the Economic Research Service (ERS) of November 2004 entitled "Wheat and Barley Policies in Japan" (www.ers.usda.gov).

Wheat Consumption Stays Flat

Over the long term, 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, as Post

estimated, last year's wheat consumption increased slightly as the overall downward trend was temporarily offset due to higher price of rice caused by a short crop. In 2004/05, Post projects consumption will return to the 2002 level or even slightly lower. In the long term it is expected that consumption will continue to decline slowly because of the growing size of the elderly population who tend to eat more traditional foods such as rice.

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

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

Source: MAFF

* Ag Office estimate

Utilization Patterns

In 2003 production of wheat based products increased slightly over 2002. This was primarily due to increased production in late 2003 as a result of confirmation that of a poor rice crop that resulted in an anticipation of increased demand for wheat products in 2004. Wheat consumption did increase slightly as mentioned in the previous section, but Post evaluates this as a temporary trend. Because of Japan's demographic trends and continued stagnant economic performance, domestic production of selected wheat products is estimated to be flat or decline slightly in coming years. In addition, flour millers continue to be threatened by increasing imports of premixes (flour preparations) and semi-finished or finished products such as frozen dough (see Table 15 in the following trade section.)

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

	2001	2002	2003	2004*
Wheat Flour	4,607	4,591	4,662	4,600
Bread	1,272	1,245	1,247	1,250
Noodles	1,441	1,423	1,425	1,430
Biscuit	218	210	219	215
Premix	353	347	352	355

* Ag Office Estimate

Source: MAFF

Government Resale Price for 2005 Lowered for U.S. Wheat while Raised for Others

MAFF controls both producer and resale prices for 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 2005 resale price for U.S. Western White was lowered by 0.5 percent from 2004, but prices for Australian and Canadian wheat have been raised so that the overall resale price will remain at the same level as 2004. 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".

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

	Average CIF Price* (a)	Resale Price** (b)	(b)/(a)
2001	22,312	43,610	2.0
2002	22,079	43,610	2.0
2003	21,767	43,610	2.0
2004	22,001	43,390	2.0
2005	NA	43,190	NA

*US Wheat (HS Code: 100190019)

*US Western White II

Source: MAFF and Ministry of Finance

Wheat Imports Return to Normal

Total imports of wheat in calendar year (CY) 2004 increased 4.7 percent, however, this represents a market correction as opposed to increase demand. Unusually high carry over stocks in CY 2002 skewed CY 2003 imports down approximately 200,000 to 300,000 metric tons as MAFF imported larger than normal amounts in the last few months of 2002 to take advantage of economic factors such as favorable prices or freight rates. The resulting high year-end stocks resulted in 200,000 to 300,000 metric tons fewer imports in CY 2003. Therefore, the increase in 2004 is not reflective of the actual demand situation. The three-year average (2002 – 2004) of 5.5 million MT represents the actual annual demand in Japan. However, over the medium term, increased imports of processed products will continue to reduce import demand for wheat.

The U.S. share of total imports in 2004 was maintained at the previous year's level of 56 percent. Although production in Australia is forecast to drop this season from the previous year's record harvest, trade should be stable in 2005 (see GAIN Report #AS4043, Australia Grain Update - January 2005, 12/30/04); and #CA4057, Canada Grain and Feed Update, 8/27/04).

Table 14.
Japanese Wheat Imports by Source
(MT)

Year	U.S.	Share	Canada	Australia	TOTAL
CY 2002	3,304,602	56.4%	1,415,823	1,132,643	5,862,826
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

Source: Ministry of Finance

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

	CY 2002		CY 2003		CY 2004	
	Total	US Share	Total	US Share	Total	US Share
Flour preparations	130,848	9.6%	132,603	7.3%	136,234	6.7%
Pasta (excl. stuffed)	101,415	18.1%	107,838	19.5%	111,527	20.3%
Biscuits	14,755	16.9%	20,647	11.5%	25,182	9.9%
Bread	6,927	38.5%	7,944	38.6%	9,052	41.4%

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 2002	CY 2003	CY 2004
Hong Kong	198,469	195,051	189,882
Vietnam	48,379	46,593	45,171
Singapore	30,586	38,537	30,878
Thailand	16,516	15,301	16,076
United States	679	623	587
Other	25,251	22,595	20,829
Total	319,880	318,700	303,423

Source: Ministry of Finance

Stocks

Japan holds emergency stocks of wheat at the level equivalent to 2.6 months' worth of demand. Although the actual stock figures are not disclosed, it is assumed to be around 1.2 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 2004, MAFF conducted five SBS tenders, through which 75,030 MT of imported wheat was contracted. Periodically Japan buys small amounts of wheat from non-traditional suppliers, such as the Ukraine and China, to test the market in the event of problems with their usual suppliers. In the near future Post does not see a significant advance by these low cost producers but they will continue to attract feed manufacturers as alternative suppliers in the future.

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

	Wheat	Barley

1st tender	16,370	160,000
2nd	18,810	170,000
3rd	12,120	180,000
4th	13,810	190,000
5th	13,920	200,000
Total	75,030	900,000

Source: MAFF

Marketing

The US Wheat Associates (USWA) has been diligently conducting activities to maintain and enhance trade relationships between U.S. industry and Japanese flour millers and other end users. In addition, 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 good reactions from the participants. The second mission is planned later this year.

Soybean Commingling in Wheat

Japan's Ministry of Health, Labor and Welfare (MHLW) enacted a new requirement for labeling of allergens in April 2003. Although it is labeling is voluntary for soybeans, flour millers are concerned that it might become mandatory in the near future. As a result, in January 2004, MAFF established a new specification in its purchase contract for shipments, effective last March, which sets a tolerance of soybean presence in wheat at 0.4 percent. Since then, no incidents of commingling have been reported.

CORN

Production

Corn production is negligible in Japan.

No Significant Impact on Feed Consumption from BSE Observed but Avian Influenza and Hot Summer Causes Slight Drop in Feed Corn Demand

With U.S. beef, which occupied one third of Japan's total beef consumption, absent from the market throughout 2004, it was expected that some replacement demand would go to chicken and pork. However, there was only a small increase in animal numbers but it did not translate into an increased demand for feed. Livestock numbers did not increase significantly as expected for a variety of reasons. The domestic price of calves soared, limiting expansion of the domestic cattle production (in any event, Japanese beef is produced and marketed in a way that producers have difficulty in producing the types of cuts traditionally supplied by the U.S.). With the outbreak of avian influenza (AI) in Japan in February 2004, domestic poultry producers became hesitant to build up the broiler/layer population. While pork consumption has increased, Japanese pork producers also face constraints. Since the majority of the additional demand is coming from the foodservice sector that relies on low cost supplies, cheaper imports have benefited over higher-priced domestic pork.

Japan found its first case of high-pathogenic AI in 79 years in Yamaguchi Prefecture in February 2004. The disease spread to several other prefectures in western Japan and disrupted poultry supplies in the first half of 2004. Coupled with a record breaking hot summer, which reduced feed consumption among all animals, demand for feed corn in 2004 (January – October) dropped by 3 percent from the same period in 2003.

While there is no expected 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 on feed consumption.

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

	2000	2001	2002	2003	2004	*%04/00*
Dairy cows	1,764	1,725	1,726	1,719	1,690	***95.8%***
Beef cattle	2,824	2,806	2,838	2,804	2,788	***98.7%***
Swine	9,806	9,788	9,612	9,725	9,724	***99.2%***
Layers	140,365	139,248	137,718	137,272	137,216	***97.8%***
Broilers	108,410	106,311	105,658	103,730	104,950	***96.8%***

Source: MAFF (as of February each year)

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

	CY 2002	CY 2003	CY 2004
Beef, fresh/chilled (HS Code: 0201)			
United States	89	114	1
Share	38.0%	42.2%	0.0%
Australia	138	151	204
Total	234	270	208
Beef, frozen (HS Code: 0202)			
United States	137	153	1
Share	54.4%	50.1%	0.0%
Australia	92	133	191
Total	252	306	224
Pork, fresh/chilled/frozen (HS Code: 0203)			
United States	249	245	256
Share	32.0%	32.6%	29.6%
Denmark	240	220	268
Canada	179	167	185
Total	778	753	864
Poultry, fresh/chilled/frozen (HS Code: 0207)			
United States	51	48	31
Share	9.5%	10.0%	8.5%
China	119	64	8
Thailand	188	179	13
Brazil	168	175	297
Total	539	480	360

Source: Ministry of Finance

Utilization Patterns

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 45 percent comes from the poultry sector.

Table 20.

Feed Utilization by Ingredients in 2003

	Corn	Sorghum	Wheat	Barley	Rice	Wheat Flour	Rye	Oats	Other Grains	Grain Total	Other Ingredients	Total
Layer Feed												
MT	3,930,884	116,384	4,338	59	3,833	1,465	29	0	2,939	4,059,931	2,808,787	6,868,718
%	57.2%	1.7%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	59.1%	40.9%	100.0%
Broiler Feed												
MT	1,583,197	719,648	6,261	1,512	4,509	3,546	74	0	6,402	2,325,149	1,330,822	3,655,971
%	43.3%	19.7%	0.2%	0.0%	0.1%	0.1%	0.0%	0.0%	0.2%	63.6%	36.4%	100.0%
Poultry Total												
MT	5,514,081	836,032	10,599	1,571	8,342	5,011	103	0	9,341	6,385,080	4,139,609	10,524,689
%	52.4%	7.9%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	60.7%	39.3%	100.0%
Dairy Cattle												
MT	1,372,354	44,224	26,902	65,136	1,224	24,774	107,209	7,611	11,722	1,661,156	1,641,952	3,303,108
%	41.5%	1.3%	0.8%	2.0%	0.0%	0.8%	3.2%	0.2%	0.4%	50.3%	49.7%	100.0%
Beef Cattle												
MT	1,622,428	96,108	37,108	620,984	488	44,686	53,732	5,705	15,053	2,496,292	1,548,109	4,044,401
%	40.1%	2.4%	0.9%	15.4%	0.0%	1.1%	1.3%	0.1%	0.4%	61.7%	38.3%	100.0%
Cattle Feed Total												
MT	2,994,782	140,332	64,010	686,120	1,712	69,460	160,941	13,316	26,775	4,157,448	3,190,061	7,347,509
%	40.8%	1.9%	0.9%	9.3%	0.0%	0.9%	2.2%	0.2%	0.4%	56.6%	43.4%	100.0%
Swine Feed												
MT	3,383,036	510,333	42,590	42,015	3,410	51,493	189,615	20	60,853	4,283,365	1,779,414	6,062,779
%	55.8%	8.4%	0.7%	0.7%	0.1%	0.8%	3.1%	0.0%	1.0%	70.7%	29.3%	100.0%
Feed, other												
MT	40,885	3,942	44	235	0	690	22	834	216	46,868	41,548	88,416
%	46.2%	4.5%	0.0%	0.3%	0.0%	0.8%	0.0%	0.9%	0.2%	53.0%	47.0%	100.0%
Compound Feed Total												
MT	11,932,784	1,490,639	117,243	729,941	13,464	126,654	350,681	14,170	97,185	14,872,761	9,150,632	24,023,393
%	49.7%	6.2%	0.5%	3.0%	0.1%	0.5%	1.5%	0.1%	0.4%	61.9%	38.1%	100.0%
Mixed Feed												
MT	451,453	8,640	6,126	14,596	0	846	9,023	1,885	7,070	499,639	131,947	631,586
%	71.5%	1.4%	1.0%	2.3%	0.0%	0.1%	1.4%	0.3%	1.1%	79.1%	20.9%	100.0%
Feed Total												
MT	12,384,237	1,499,279	123,369	744,537	13,464	127,500	359,704	16,055	104,255	15,372,400	9,282,579	24,654,979
%	50.2%	6.1%	0.5%	3.0%	0.1%	0.5%	1.5%	0.1%	0.4%	62.4%	37.6%	100.0%

Source: Feed Supply Stabilization Organization

Production of Feed Flat in 2003/04 but Expected to Decline in 2004/05

The total production of compound feed in JFY 2003 shows a continued slight increase from 2002, due to the post-BSE cattle feed demand (Japan's first BSE was detected in September 2001.) and increase in swine population. In JFY 2004, Post projects that this temporary increase will cease and turn to a decline of around 2 percent. 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.

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**	10,200	6,100	7,200	23,500	600	24,100

* Includes feed for other livestock animals

** Ag Office preliminary estimates

Source: MAFF

Prices

The cost of imported corn, including from China, jumped significantly in 2004, reflecting higher export prices and continued high trans-Pacific freight rates. The U.S. Gulf –Japan rates hit 70 US Dollars (USD) per long ton in February 2004, went down to 36 USD in June, and then took an upturn again to reach 60 USD in February 2005.

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

	CY 2002	CY 2003	CY 2004	*%04/03*
United States	118.6	138.1	178.1	***129.0%***
Argentina	107.5	137.9	164.1	***119.0%***
China	124.1	130.2	170.2	***130.7%***
Brazil	117.5	141.7	154.6	***109.1%***

Source: Ministry of Finance

Trade Returning to U.S. as Star link Issue Diminishing and China Becomes Less Competitive

As described above, feed corn imports in 2004 were down due to the impact of avian influenza and a hot summer, in addition to Japan's stock adjustment (See the following section on Stocks.).

Food corn imports increased significantly in CY 2004 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. This reflects an increased popularity for these drinks in addition to a higher demand for soft drinks during the record breaking hot summer. Since China did not have exportable supplies in the first half of the year, the United States took advantage of the situation and recorded an above 50 percent increase in food corn imports. Supporting factors include recent StarLink monitoring showing zero detections 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 2004. Looking at the marketing year (MY) imports (October 2003 – September 2004) total corn imports as well as imports from the United States were near the MY 2003 figures.

With the reported record production in the United States and expected recovery in production in both Argentina and Brazil, trade in 2005 is expected to be stable. As the U.S. and South American prices have come down, China's competitiveness has been weakened. Unless China resumes its export incentive program, China's share in the export corn market will not likely be recovered (see GAIN Report, #CH5015, China Grain and Feed Annual, 2/4/05).

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

	CY 2002	CY 2003	CY 2004
Corn for feed			
United States	11,840	10,358	10,177
Share	96.1%	92.7%	95.9%
Argentina	138	223	0
China	164	581	435
Brazil	179	10	4
Others	0	0	4
Total	12,321	11,172	10,616
Corn for manufacturing			
United States	3,339	4,889	5,501
Share	81.5%	82.9%	93.8%
Argentina	85	216	12
Australia	5	3	3
China	116	571	244
South Africa	168	21	6
Brazil	374	184	87
Others	11	11	10
Total	4,098	5,895	5,863
Total corn			
United States	15,179	15,247	15,678
Share	92.4%	89.3%	95.1%
Total	16,419	17,067	16,479

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 three grains with a total of 1,200,000 MT. Since the recent reduction in reduced government expenditures, beginning in 2003 stocks have been reduced to 1,000,000 MT in 2003 and 950,000 MT in 2004. The breakdown in 2004 is 534,000 MT for corn, 66,000 MT for barley 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. 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 June 2004, USGC took a delegation of Japanese food corn users to the United States to visit IP handling facilities and farms to gain their confidence in the U.S. IP handling system. In addition, USGC is 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 has been declining due to an increase in its price. In JFY 2003, the most recent year with confirmed statistics, the sorghum utilization ratio went down to 6.1 percent from 7.6 percent in 2001 and is expected to stay flat or decline slightly in 2005.

Prices

CIF prices for sorghum continued to rise in 2004. However, its relative price to corn has stayed close to that in 2003.

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

	CY 2002	CY 2003	CY 2004	*% 04/03*
United States	123.8	143.8	168.3	***117.0%***
Argentina	92.6	124.2	NA	***NA***
Australia	113.1	150.4	190.2	***126.5%***
China	0	143.7	162.6	***113.2%***

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 price in relation to corn. Overall imports declined in 2004, reflecting the increase in its price and the planned reduction in GOJ emergency stocks. As the crop situation recovered in Australia, it returned as the second largest supplier to Japan, displacing Argentina. With the strong comeback by Australia and the continued emergence of China, the U.S. share declined in 2004.

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

	CY 2002	CY 2003	CY 2004
Sorghum for feed			
United States	1,087	866	620
Share	69.6%	73.3%	54.5%
Argentina	175	244	0
Australia	300	16	380
China	0	56	114
Total	1,562	1,182	1,137
Sorghum, others			
United States	110	185	151
Share	53.1%	59.7%	54.9%
Argentina	55	115	0
Australia	42	1	113
China	0	8	8
Others	0	1	2
Total	207	310	275
Total sorghum			
United States	1,197	1,051	772
Share	67.7%	70.4%	54.7%
Total	1,769	1,492	1,412

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 for 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 and to 66,000 MT in 2004.

Marketing

The U.S. Grains Council (USGC) has been conducting a trade education program to promote white sorghum for food use in Japan. In this effort USGC held a trade seminar at FoodEx Japan in March and another seminar in June inviting potential users like casual dining restaurant chains.

BARLEY

Production

According to MAFF's survey for the 2004 barley crop, crop area declined by 5.9 percent. However, production declined only by 1.5 percent due to a better yields this year compared to last year when production was down 8.6 percent from 2002 due to the affects of the cool summer and rain at the harvest time. 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.) Since the success of the rice policy reform is yet uncertain, it is difficult to make medium term projections. However, Post does not expect a major change in either in crop area or production volume in 2005, given a normal yield.

Table 26.
Crop Area and Production of Barley in Japan

	Crop Area (hectares)	Production (1,000 MT)
2000	53,500	214,300
2001	60,540	206,400
2002	64,490	217,200
2003	63,600	198,500
2004	59,860	195,600

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 1.6 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 reaching higher levels since.

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

	CY 2002	CY 2003	CY 2004	***%04/03***
United States	142.1	169.8	161.3	***95.0%***
Canada	139.1	164.0	175.4	***107.0%***
Australia	139.8	172.0	166.1	***96.6%***

Ukraine	122.2	143.3	NA	***NA***

Source: Ministry of Finance

Trade

Along with rice and wheat, barley imports are controlled by MAFF as a "Staple Food". Even though the import system 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 with imports from the United States dropping. Part of this drop was attributed to smaller exportable supplies in the United State due to a bullish demand from the U.S. domestic wet-milling sector. For 2005 Post projects a similar situation where imports from Australia will continue to be the major force and imports from the United States will remain in the 150,000-200,000 range.

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

	CY 2002	CY 2003	CY 2004
Barley for feed			
United States	307	406	161
Share	27.2%	33.8%	14.2%
Canada	14	83	211
Australia	775	487	761
Ukraine	30	91	20
Germany	0	132	0
Others	1	2	0
Total	1,127	1,201	1,132
Barley, others			
United States	22	7	0
Share	9.8%	2.9%	0.0%
Canada	17	21	22
Australia	186	212	283
Others	0	1	1
Total	225	241	307
Total Barley			
United States	329	413	161
Share	24.3%	28.6%	11.2%
Total	1,352	1,442	1,439

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 has been raised again in JFY 2004 to 900,000 MT under five tenders.

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

	Wheat	Barley
1st tender	16,370	160,000
2nd	18,810	170,000
3rd	12,120	180,000
4th	13,810	190,000
5th	13,920	200,000
Total	75,030	900,000

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 for 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.

RYE

Production

Production of rye is minimal in Japan.

Consumption

Rye is almost exclusively used for feed in Japan. The annual rye consumption is roughly 350,000 MT. Japan imports about the same amount of rye annually. The main uses of rye are almost exclusively for cattle feed (160,000 MT) and swine feed (190,000 MT).

Prices

As shown below, U.S. rye is significantly less price competitive than that of Germany or Canada, the two major suppliers for Japan. In 2004, Germany's average CIF price of rye was nearly 5 times less than the U.S. average CIF price.

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

	CY 2002	CY 2003	CY 2004	*% 04/03*
United States	565.1	612.9	620.5	***101.2%***
Canada	209.6	156.7	196.6	***125.5%***
Germany	95.5	105.0	131.6	***125.3%***

Source: Ministry of Finance

Trade

Germany dominates rye exports to the Japanese market because of its price competitiveness. Imports in CY 2004 declined due to the carry-over from CY 2003 imports. Post projects demand in 2005 will stay flat, as a slight decline in the cattle feed demand will be compensated by a small increase in the swine feed demand. Therefore, imports in 2005 should return to the 340,000 – 350,000 MT level. In the medium term perspective, a decline is expected as Japan's cattle and swine populations are expected to decline.

Table 31.
Imports of Rye by Origin
(MT)

	CY 2002	CY 2003	CY 2004
United States	349	392	251
Canada	1,846	6,282	98,984
Germany	352,610	399,167	159,063
Other	24	24	31,804
Total	354,829	405,865	290,102

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 2004 increased 54 percent over the poor harvest in 2003. The production volume for kidney beans also increased 19 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)
2000	43,600	88,200	12,900	15,300
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

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 increased by 11.6 percent and 11.4 percent respectively in 2004 over 2003 to supplement for the decline in domestic bean supply. Due to recovered production of Japanese beans this season, Post projects imports in 2005 will decrease by 10,000 MT or more.

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

	CY 2002	CY 2003	CY 2004
Small Red Beans	27,931	29,696	33,127
China	24,787	26,005	25,282
Canada	981	1,567	3,635
USA	1,440	1,564	1,816
Kidney Beans	16,945	16,485	18,372
China	7,499	4,170	4,419
Canada	5,098	6,992	8,840
USA	2,450	3,167	2,481

Peas	18,557	15,955	16,177
Canada	11,829	8,807	8,588
New Zealand	499	1,449	803
U.K.	2,835	2,168	3,801
USA	977	998	832
China	1,385	1,850	1,340
Hungary	870	378	277
Broad Beans	7,717	7,046	7,882
China	6,774	6,173	6,658
Other Beans	32,716	33,682	30,570
Total	103,866	102,864	106,128

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.

PS&D

Rice PS&D Table

Commodity	Rice, Milled						(1000 HA)(1000 MT)
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		11/2003		11/2004		11/2005	MM/YYYY
Area Harvested	1665	1665	1695	1701	0	1680	(1000 HA)
Beginning Stocks	2466	2466	1700	1884	1850	2140	(1000 MT)
Milled Production	7091	7091	7950	7944	0	8006	(1000 MT)
Rough Production	9740	9740	10920	10912	0	0	(1000 MT)
MILLING RATE (.9999)	7280	7280	7280	7280	0	0	(1000 MT)
TOTAL Imports	700	700	700	662	0	700	(1000 MT)
Jan-Dec Imports	650	706	650	650	0	650	(1000 MT)
Jan-Dec Import U.S.	0	321	0	318	0	325	(1000 MT)
TOTAL SUPPLY	10257	10257	10350	10490	1850	10846	(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	8357	8173	8300	8150	0	8125	(1000 MT)
Ending Stocks	1700	1884	1850	2140	0	2521	(1000 MT)
TOTAL DISTRIBUTION	10257	10257	10350	10490	0	10846	(1000 MT)

Wheat PS&D

Country Japan

Commodity Wheat

(1000 HA)(1000 MT)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	212	212	220	213	0	215	(1000 HA)
Beginning Stocks	1606	1205	1709	1173	1784	1198	(1000 MT)
Production	855	855	825	860	0	850	(1000 MT)
TOTAL Mkt. Yr. Imports	5751	5561	5700	5550	0	5500	(1000 MT)
Jul-Jun Imports	5751	5561	5700	5550	0	5500	(1000 MT)
Jul-Jun Import U.S.	3254	3110	0	3100	0	3100	(1000 MT)
TOTAL SUPPLY	8212	7621	8234	7583	1784	7548	(1000 MT)
TOTAL Mkt. Yr. Exports	463	408	450	385	0	350	(1000 MT)
Jul-Jun Exports	463	408	450	385	0	350	(1000 MT)
Feed Dom. Consumption	350	350	330	330	0	320	(1000 MT)
TOTAL Dom. Consumption	6040	6040	6000	6000	0	5980	(1000 MT)
Ending Stocks	1709	1173	1784	1198	0	1218	(1000 MT)
TOTAL DISTRIBUTION	8212	7621	8234	7583	0	7548	(1000 MT)

Corn PS&D Table

Country	Japan						
Commodity	Corn						(1000 HA)(1000 MT)
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	1	1	1	1	0	1	(1000 HA)
Beginning Stocks	1457	1475	1339	856	1340	857	(1000 MT)
Production	1	1	1	1	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	16781	16780	16800	16800	0	16700	(1000 MT)
Oct-Sep Imports	16781	16780	16800	16800	0	16700	(1000 MT)
Oct-Sep Import U.S.	14928	15542	0	15450	0	15350	(1000 MT)
TOTAL SUPPLY	18239	18256	18140	17657	1340	17557	(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	12400	12400	12300	12300	0	12250	(1000 MT)
TOTAL Dom. Consumption	16900	17400	16800	16800	0	16750	(1000 MT)
Ending Stocks	1339	856	1340	857	0	807	(1000 MT)
TOTAL DISTRIBUTION	18239	18256	18140	17657	0	17557	(1000 MT)

Sorghum PS&D

Country	Japan						
Commodity	Sorghum						(1000 HA)(1000 MT)
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	278	281	212	213	212	163	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1434	1432	1400	1400	0	1380	(1000 MT)
Oct-Sep Imports	1434	1432	1400	1400	0	1380	(1000 MT)
Oct-Sep Import U.S.	882	857	0	800	0	800	(1000 MT)
TOTAL SUPPLY	1712	1713	1612	1613	212	1543	(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	1500	1500	1400	1450	0	1400	(1000 MT)
TOTAL Dom. Consumption	1500	1500	1400	1450	0	1400	(1000 MT)
Ending Stocks	212	213	212	163	0	143	(1000 MT)
TOTAL DISTRIBUTION	1712	1713	1612	1613	0	1543	(1000 MT)

Barley PS&D

Country Japan

Commodity Barley

(1000 HA)(1000 MT)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	64	64	65	60	0	60	(1000 HA)
Beginning Stocks	646	983	574	912	564	858	(1000 MT)
Production	199	199	240	196	0	190	(1000 MT)
TOTAL Mkt. Yr. Imports	1359	1360	1350	1350	0	1300	(1000 MT)
Oct-Sep Imports	1359	1360	1350	1350	0	1300	(1000 MT)
Oct-Sep Import U.S.	176	244	0	330	0	300	(1000 MT)
TOTAL SUPPLY	2204	2542	2164	2458	564	2348	(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	1330	1330	1300	1300	0	1300	(1000 MT)
TOTAL Dom. Consumption	1630	1630	1600	1600	0	1600	(1000 MT)
Ending Stocks	574	912	564	858	0	748	(1000 MT)
TOTAL DISTRIBUTION	2204	2542	2164	2458	0	2348	(1000 MT)

Rye PS&D

Country	Japan						
Commodity	Rye						(1000 HA)(1000 MT)
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	19	19	20	14	20	14	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	341	340	350	335	0	335	(1000 MT)
Oct-Sep Imports	341	340	350	335	0	335	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	360	359	370	349	20	349	(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	320	330	325	320	0	320	(1000 MT)
TOTAL Dom. Consumption	340	345	350	335	0	335	(1000 MT)
Ending Stocks	20	14	20	14	0	14	(1000 MT)
TOTAL DISTRIBUTION	360	359	370	349	0	349	(1000 MT)

Beans PS&D

Country Japan

Commodity Beans

(1000 HA)(1000 MT)

	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	0	55	0	54	0	52	(1000 HA)
Beginning Stocks	0	22	0	3	0	9	(1000 MT)
Production	0	82	0	118	0	110	(1000 MT)
TOTAL Mkt. Yr. Imports	0	109	0	95	0	95	(1000 MT)
Jul-Jun Imports	0	109	0	95	0	95	(1000 MT)
Jul-Jun Import U.S.	0	16	0	15	0	15	(1000 MT)
TOTAL SUPPLY	0	213	0	216	0	214	(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	210	0	207	0	205	(1000 MT)
Ending Stocks	0	3	0	9	0	9	(1000 MT)
TOTAL DISTRIBUTION	0	213	0	216	0	214	(1000 MT)