

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Update - October 2014 - Revised

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Grain and Feed

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Report Highlights:

As Japan's Ministry of Finance announced import statistics ending June 2014 for wheat, Post has finalized the 2013/2014 marketing year (MY) import number in its PS&D. Japan's feed production remains constant. Corn utilization in feed has continued to recover due to falling U. S. corn prices, resulting in the use of sorghum and wheat decreasing. Also, due in part to an increased supply of Canadian spring wheat, which is cheaper than its U.S. counterpart, wheat imports from the U. S. for MY2013/14 declined 14 percent. Japan's rice crop this season is forecast to be one percent above average historical yield.

General Information:

Author Defined:

Overall Market Situation

The Feed Stabilization organization issues a monthly feed report which provides feed production data and a detailed breakdown of ingredient utilization. Table 1 shows up-to-date feed production statistics. During the first quarter of Japan's fiscal year (JFY) 2014 (April - June) the average corn utilization ratio was 46.7 percent, up nearly three percentage points from the previous year and up 1.5 percentage points from the second half of last year (45.2 percent), showing the continuing recovery from the tight corn supplies resulting from the 2012 drought in the United States. Accordingly, use of sorghum and wheat in feed has continued to decrease compared to the previous year.

Table 1: Feed Utilization by Ingredients

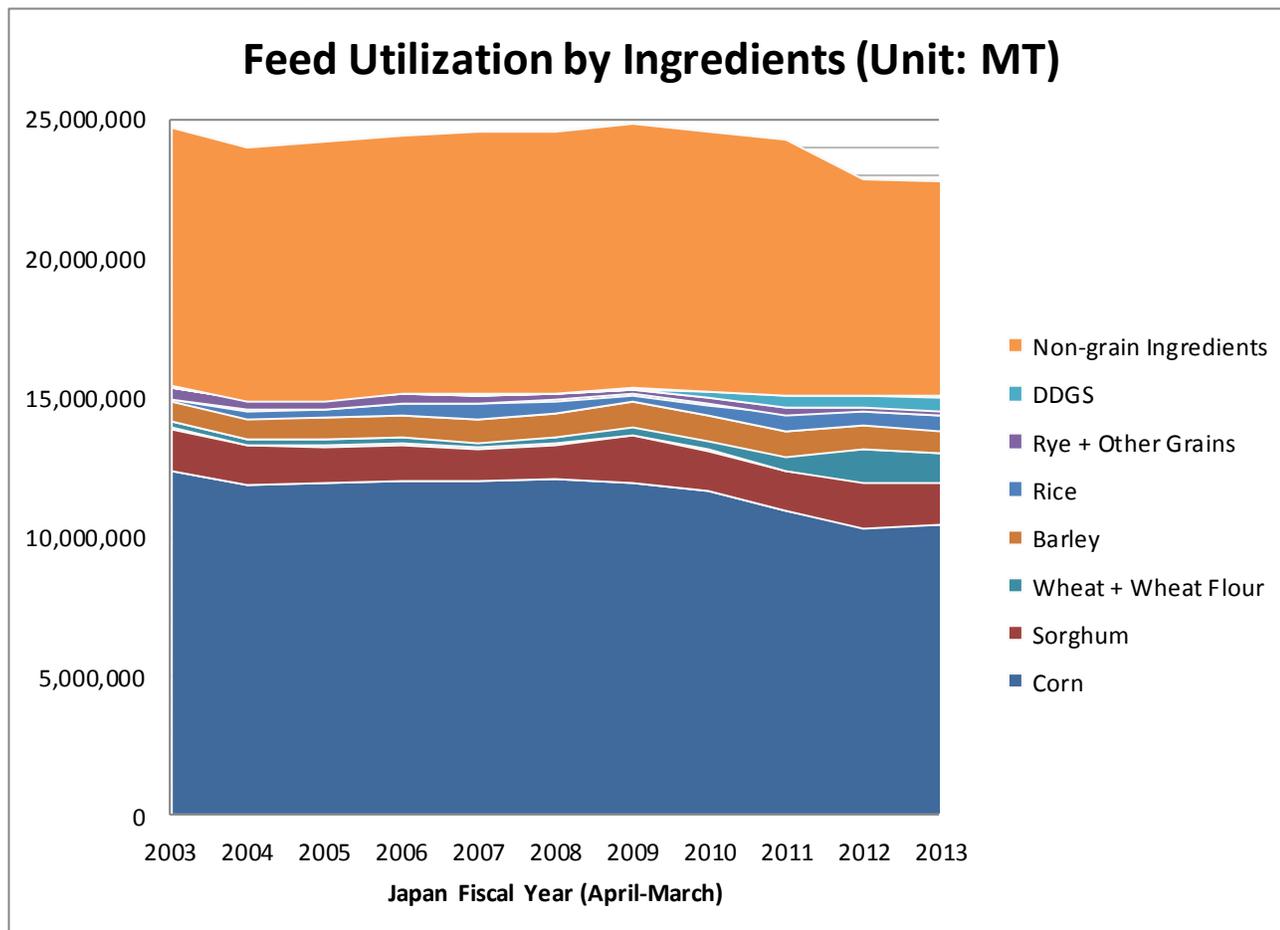
Unit: MT

Japan Fiscal Year (April- March)	Corn	Sorghu m	Whea t	Whea t Flour	Barle y	Rice	Rye	Other Grain s	DDGS	Non- grain Ingredie nts	TOTAL
2003	12,384, 237 50.2%	1,499, 279 6.1%	123,3 69 0.5%	127,5 00 0.5%	744,5 37 3.0%	13,46 4 0.1%	359,7 04 1.5%	120,3 10 0.5%	NA	9,282,5 79 37.6%	24,654, 979 100.0%
2004	11,853, 348 49.5%	1,395, 749 5.8%	90,30 6 0.4%	127,3 82 0.5%	770,9 21 3.2%	285,9 32 1.2%	259,4 42 1.1%	123,3 99 0.5%	NA	9,062,8 77 37.8%	23,969, 356 100.0%
2005	11,894, 303 49.2%	1,335, 574 5.5%	101,5 39 0.4%	122,7 38 0.5%	792,1 59 3.3%	325,6 05 1.3%	233,5 18 1.0%	119,1 50 0.5%	NA	9,228,7 22 38.2%	24,153, 308 100.0%
2006	12,017, 330 49.2%	1,280, 438 5.2%	103,6 40 0.4%	129,2 12 0.5%	826,6 82 3.4%	425,9 42 1.7%	219,2 54 0.9%	126,8 10 0.5%	NA	9,291,2 74 38.0%	24,420, 582 100.0%
2007	12,005, 863 49.0%	1,137, 809 4.6%	95,07 5 0.4%	131,6 95 0.5%	859,9 52 3.5%	557,5 71 2.3%	152,5 06 0.6%	143,9 79 0.6%	NA	9,434,0 64 38.5%	24,518, 514 100.0%
2008	12,059, 732 49.1%	1,240, 344 5.1%	111,5 97 0.5%	145,3 87 0.6%	859,0 24 3.5%	468,0 00 1.9%	60,73 9 0.2%	153,1 38 0.6%	NA	9,449,4 21 38.5%	24,547, 382 100.0%
2009	11,908, 859 47.9%	1,722, 923 6.9%	164,0 14 0.7%	136,5 67 0.5%	911,0 19 3.7%	256,0 20 1.0%	53,92 4 0.2%	145,6 14 0.6%	NA	9,554,4 96 38.4%	24,853, 436 100.0%
2010	11,614, 834 47.3%	1,464, 181 6.0%	223,4 29 0.9%	135,3 79 0.6%	901,6 80 3.7%	401,4 63 1.6%	103,3 89 0.4%	152,5 45 0.6%	219,1 89 0.9%	9,321,5 92 38.0%	24,537, 681 100.0%
2011	10,935, 808 45.1%	1,413, 787 5.8%	402,6 09 1.7%	151,5 37 0.6%	878,0 47 3.6%	652,5 73 2.7%	74,02 8 0.3%	149,3 93 0.6%	362,9 70 1.5%	9,218,9 96 38.0%	24,239, 748 100.0%
2012	10,317, 954	1,653, 888	969,3 06	159,8 86	901,2 40	472,1 31	16,73 9	150,2 36	426,9 65	9,055,4 70	24,123, 815

	42.8%	6.9%	4.0%	0.7%	3.7%	2.0%	0.1%	0.6%	1.8%	37.5%	100.0%
2013	10,445,387	1,511,159	853,567	158,600	896,342	512,132	16,870	146,597	472,613	8,925,489	23,938,757
	43.6%	6.3%	3.6%	0.7%	3.7%	2.1%	0.1%	0.6%	2.0%	37.3%	100.0%
2014/April	917,235	62,998	42,945	13,596	72,117	65,161	1,378	10,734	42,831	732,800	1,961,795
	46.8%	3.2%	2.2%	0.7%	3.7%	3.3%	0.1%	0.5%	2.2%	37.4%	100.0%
May	928,828	63,901	40,263	13,585	72,312	68,367	1,200	10,857	43,972	740,113	1,983,398
	46.8%	3.2%	2.0%	0.7%	3.6%	3.4%	0.1%	0.5%	2.2%	37.3%	100.0%
June	868,846	59,963	37,763	13,175	68,119	65,765	1,115	10,282	41,607	697,202	1,863,837
	46.6%	3.2%	2.0%	0.7%	3.7%	3.5%	0.1%	0.6%	2.2%	37.4%	100.0%
2014	2,714,909	186,862	120,971	40,356	212,548	199,293	3,693	31,873	128,410	2,170,115	5,809,030
(April-June)	46.7%	3.2%	2.1%	0.7%	3.7%	3.4%	0.1%	0.6%	2.2%	37.4%	100.0%

Source: Feed Supply Stabilization Organization

Chart 1: Feed Utilization by Ingredients



Japan has had a compound feed price stabilization system since 1968. The funding of this system is the combination of a subsidy by the Ministry of Agriculture, Forestry and Fisheries (MAFF) and three industry

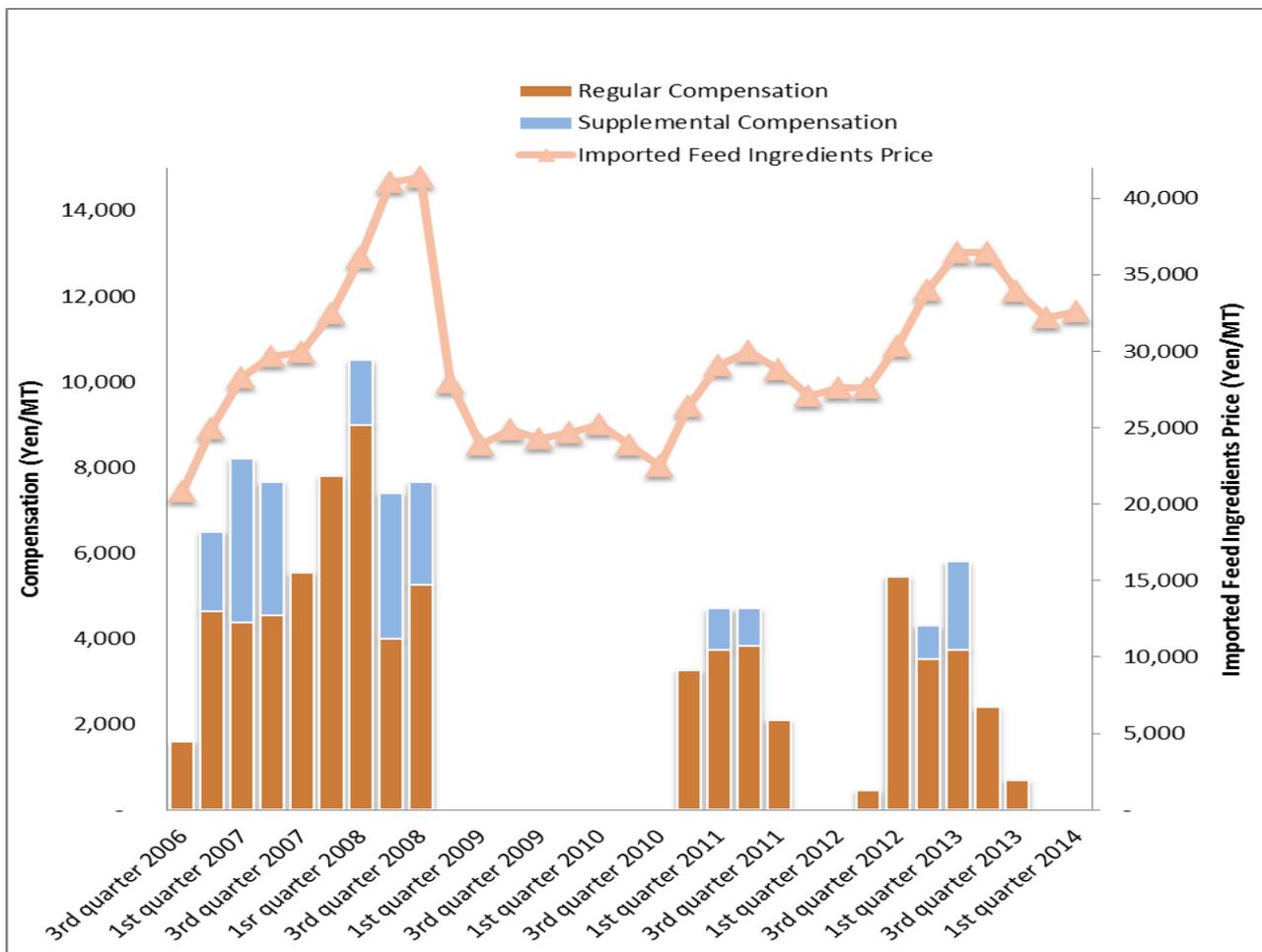
funds to mitigate the impact of a short-term and sudden price hike for compound feed, which has a high proportion (about 70 percent) of imported ingredients such as corn, sorghum, soy meal, barley, wheat and wheat bran. This system is important in helping to stabilize Japanese livestock management.

MAFF revised the system in April 2014 in order to allow for the activation of supplemental compensation during times of rising prices. In the old system, regular compensation funded by producers and feed manufacturers was activated when the average price of compound feed in a particular quarter exceeded that of the previous 12-month average. On the other hand, supplemental compensation funded by MAFF and feed manufacturers was activated when the average price of imported feed ingredients in a particular quarter was more than 15 percent over that of the previous 12-month average. Recently, there were cases when that system did not activate supplemental compensation, even as the average price of imported feed ingredients continued to rise after a price spike.

The new system is based on the 12-month average price of imported feed ingredients for both regular and supplemental compensations. The basic criteria to activate compensation are the same as the old system. If the situation does not meet the basic criteria of an upward trend in the price of feed ingredients, MAFF can, in special cases, allow the criteria to be based on a 6-month average.

Chart 2 shows the amount of compensation and the average price of imported feed ingredients under the old system. As shown, the significant imported feed ingredients price hike between the 2nd quarter of 2012 and the 1st quarter of 2013 activated the compensations, which absorbed a large portion of the cost increase. There was no compensation between the 4th quarter of 2013 (January-March 2014) and the 1st quarter of 2014 (April-June 2014) due to stable prices of the imported feed ingredients. As a result, the farmers' purchase price for compound feed was the highest level on record. However, Japan's feed production continues to be highly stable, with an annual output of approximately 24 million metric tons.

Chart 2: Imported Feed Ingredients Price and Regular and Supplemental Compensation



Wheat Update

Total wheat imports declined as use of wheat in feed continues to decline with the return of corn. Wheat imports from the U. S. for MY 2013/14 (ending June 2014) decreased by nearly 463,000 MT over MY 2012/2013. Of particular note, due to favorable weather conditions in the last couple of years, supply of price-competitive Canadian Western Red Spring (1CW) has increased and taken a share from U.S. Dark Northern Spring (DNS). Post has updated the PS&D based on these import statistics.

Table 2: Japan's Wheat and Wheat Product Imports
Wheat

Year Ending: June (Wheat, Group 60) Unit: MT							
Partner Country	Quantity			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	6,116,209	6,343,374	5,880,596	100.00	100.00	100.00	- 7.30
United States	3,545,674	3,429,955	2,935,006	57.97	54.07	49.91	- 14.43

Total Consumption	6,900	7,100	6,700	6,900	6,500	6,500
Ending Stocks	1,743	1,543	1,703	1,309	1,683	1,359
Total Distribution	8,918	8,918	8,672	8,478	8,483	8,159

1000 HA, 1000 MT, MT/HA

Rice Update

According to MAFF's forecast issued on September 26, as of September 15, Japan's rice crop index is slightly above average at 101. This translates to a harvest of 7,899,000 MT of table rice on a brown rice basis. MAFF will publish the final crop index in December.