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SBS Grain Tenders Resume

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Report Highlights:

Following Japanese media allegations that certain Japanese importers and wholesalers of rice were exchanging money to adjust the price of rice imported under the simultaneous buy-and-sell (SBS) tender system, Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) suspended SBS tenders for rice in September 2016 and initiated an investigation. MAFF also suspended SBS tenders for food wheat and barley in September 2016 and feed wheat and barley in October 2016. MAFF subsequently concluded that SBS rice imports were not suppressing domestic rice prices, but that monies were exchanged between parties. Accordingly, MAFF revised the administrative rules of the SBS tendering system to prohibit monetary exchanges between companies involved in tenders. Upon making said revisions, MAFF re-opened the SBS tendering system in December 2016.

General Information:

Media Allegations

On September 14, 2016, Japan's Mainichi Newspaper, a national daily, reported that Japanese trading house, *Kanematsu*, imported rice under the SBS system and provided wholesalers with so called "adjustment money." By using this "adjustment money," the wholesalers reportedly sold imported rice at reduced prices to retailers. Following the Mainichi article, several additional newspapers (Nikkei, Yomiuri Shimbun, etc.) reported similar allegations which led MAFF to initiate an investigation and suspend SBS tenders until the completion of its investigation.

MAFF Investigation Results

After interviewing 26 importers and 113 wholesalers participating in SBS tenders over the most recent five years, MAFF completed its investigation and publicized its investigation results online (in Japanese) at <http://www.maff.go.jp/j/syouan/keikaku/soukatu/attach/pdf/161007-1.pdf>. MAFF acknowledged that an exchange of money between companies had occurred (to cover the change in price between tendering and delivery so as to share the financial impact of the price change, customer relations costs, sales promotions expenses, etc). The investigation could not confirm that this monetary exchange affected the price, supply, or demand of domestically produced rice. As a result of its investigation, MAFF prohibited importers and buyers from exchanging money by specifically barring it in the SBS contract, and noted it would suspend or cancel licenses (preventing an entity from operating as an eligible importer and buyer) in the event of a violation.

Resumption of SBS Tenders

On December 12, MAFF revised the "Guidelines for Buying and Selling Rice and Grains" to incorporate a provision formally prohibiting monetary exchanges between companies involved in tenders (see <http://www.maff.go.jp/j/seisan/boueki/nyusatu/attach/pdf/youryou-4.pdf>). MAFF also announced that SBS tenders for rice would resume on December 16, 2016, and for wheat and barley on December 21, 2016.