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GAIN Report

Global Agricultural Information Network

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Strong Demand for SBS Rice Despite Tightened SBS Rice Tender Rules

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Agricultural Situation

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Report Highlights:

The Japanese government has again revised the administrative rules for the Simultaneous Buy and Sell (SBS) tendering system. As of September 19, 2017, the sale, transfer, or hand-over of SBS imported rice between importers and buyers is prohibited. The likely purpose of the revision is to prevent SBS rice from being distributed at prices lower than the government's intended prices. Notwithstanding the rule change, the first SBS rice tender of the year for 25,000 MT was filled.

General Information:

SBS Rice Transactions between Importers and Buyers Prohibited

The Ministry of Agriculture, Forestry and Fisheries (MAFF) revised the administrative rules for SBS rice imports (the Basic Guidelines for Purchase and Sales of Rice) on September 19, 2017. MAFF added clause, Article 6-5-(6) prohibiting the sale, transfer or hand-over of SBS imported rice between importers and buyers. The new requirement to the Special Buy and Sell Contract for Imported Rice (hereinafter referred to as “the Contract”) will not apply if a wholesaler sells, gives or transfers the rice or part of the rice after processing, milling, mixing, or modifying the original form into forms (as yet undefined) that MAFF approves to importers. MAFF may cancel the contract if buyers and/or importers do not comply with the new requirements. The Contract does not set a penalty in case of non-compliance, but MAFF said they may consider removing the license to participate the SBS tenders in case of a violation.

This new requirement is meant to address situations where an importer and wholesaler are working in concert with one another to try to sell the rice at a price lower than what MAFF might envision during tendering, but which remains profitable.

This is the second rule change for the SBS system in the last year. In December 2016 MAFF revised administrative rules for the SBS tender system to prohibit monetary exchanges between importers and wholesalers ([JA7005](#)).

Strong Demand for SBS Rice in the First Tender

The first SBS rice tender of Japanese Fiscal Year 2017 (April 2017 – March 2018) was held September 27. For a 25,000 MT quota (22,500 MT of brown or milled whole-kernel and 2,500 MT of milled broken) in the first tender, 24,998 MT (22,500 MT for whole grain and 2,498 MT for broken rice) was successfully awarded out of 65,368 MT of valid bids. Of 22,500 MT of successfully bid volume of whole grain, 14,490 MT (64 percent) was awarded to U.S. non-glutinous medium grain milled rice, followed by 5,814 MT of Australian non-glutinous short grain rice (brown and milled combined) (26 percent). Domestic rice prices have increased for the third consecutive year and reasonably priced rice has been in short supply. Foodservice and home replacement manufacturers sought to procure imported rice for blending with domestic rice.

Reflecting strong demand, the fill rate reached nearly 100 percent for the first time since the 4th tender of JFY2012 when domestic rice distribution was disturbed by the Great Eastern Japan Earthquake. The number of bids increased significantly to 219 bids (of which 87 were successful) compared to the average of 89 bids (of which 65 were successful) in five tenders in JFY2016. The increased number of bids raised competition for successful bids which resulted in increasing MAFF’s mark-up. The mark-

up for U.S. non-glutinous medium grain milled rice in the first tender increased 78 percent from JFY2016 to 93,170 yen/MT (tax included). The mark-up for Australian non-glutinous short grain milled rice was 86,651 yen/MT (tax included), up 61 percent from JFY2016.

Results of the 1st SBS Tender by Country of Origin in JFY2017 (MT, Yen/MT)

Country of origin	Total amount of bids	Total amount of successful bids	Amount of bids	Whole grain					
				Variety	Amount of successful bids	Successful bids			
						Weighted average prices of successful bids			
						Purchasing price		Selling price	
Tax excluded	Tax included	Tax excluded	Tax included						
U.S.A.	53,069	17,744	44,309	Non-glutinous milled rice (medium grain)	14,490	103,893	112,204	190,161	205,374
			660	Non-glutinous milled rice (short grain)	660	117,273	126,655	202,791	219,014
			1,084	Glutinous milled rice (short grain)	496	141,265	152,566	227,247	245,427
			46,053	Total	15,646	105,642	114,093	191,870	207,220
Australia	10,215	5,814	4,349	Non-glutinous brown rice (short grain)	2,908	100,788	108,851	181,776	196,318
			5,866	Non-glutinous milled rice (short grain)	2,906	105,390	113,821	185,622	200,472
			10,215	Total	5,814	103,088	111,335	183,698	198,394
Thailand	804	440	504	Non-glutinous milled rice (long grain)	140	74,999	80,999	160,000	172,800
China	1,280	1,000	1,180	Non-glutinous milled rice (short grain)	900	86,889	93,840	173,429	187,303
Total	65,368	24,998	57,952		22,500	104,042	112,365	188,822	203,928

Country of origin	Amount of bids	Amount of successful bids	Broken rice					
			Variety	Amount of successful bids	Successful bids			
					Weighted average prices of successful bids			
					Purchasing price		Selling price	
Tax excluded	Tax included	Tax excluded	Tax included					
U.S.A.	6,916	1,998	Non-glutinous broken milled rice	65,406	70,638	114,610	123,779	
		100	Glutinous broken milled rice	107,882	116,513	167,882	181,313	
		7,016	Total	67,430	72,824	117,149	126,521	
Thailand	300	300	Non-glutinous broken milled rice	59,699	64,475	110,867	119,736	
China	100	100	Non-glutinous broken milled rice	179,999	194,399	239,000	258,120	
Total	7,416	2,498		71,008	76,689	121,272	130,974	

Source: MAFF

Annex

The following revisions (underlined) were made in the Basic Guidelines for Purchase and Sales of Rice and the Special Buy and Sell Contract for Imported Rice on September 19, 2017.

Basic Guidelines for Purchase and Sales of Rice

<http://www.maff.go.jp/j/seisan/boueki/nyusatu/youryou.html> (Japanese only)

Chapter1- III. Purchase and Sales of SBS Rice (SBS Rice Import)

Article 6-5 Sales to buyers

(6) Conditions for sale

i. Omitted

ii. (new) When implementing the contract for SBS imported rice, the Director-General of Crop Production Bureau of MAFF shall prohibit the sale, transfer, and hand-over of SBS imported rice between importers and buyers (including those who buy, be given or be transferred the products from buyers directly or indirectly).

Special Buy and Sell Contract for Imported Rice

(This contract document is not publicized)

Article 23. Restrictions on Resale of the Products

1. Omitted

2. (new) After receiving the products from MAFF, buyers must not sell, give or transfer the entire products or part of the products to importers, and importers must not buy, be given or be transferred the products from buyers (including those who buy, be given or be transferred the products from buyers directly or indirectly). However, these restrictions shall not apply if buyers sell, give or transfer the product or part of the product after processing, milling, mixing, or modifying the original form into forms that MAFF approves to importers.

Article 26. Cancellation of Contract

MAFF shall cancel the contract entirely or partially if it meets any of the following:

(1) ~ (5) omitted

(6) Buyers violate the Article 23-1 and/or the Article 23-2.