5. Cereals

This chapter defines cereals according to the H.S. code of the Tariff Schedule (Fig. 5-1), including domestically produced wheat, maize (corn), rice, and soya beans, as well as prepared food such as breakfast cereals.

Fig. 5-1: Scope of coverage for spices and herbs in this chapter

Category	Description	H.S. code
Wheat	Durum wheat	1001.10-010, -090
	Meslin	1001.90-011, -092
	Other	1001.90-019, 099
Maize (corn)	Maize (corn)	1005
Rice	Rice in the husk	1006.10
	Husked (brown) rice	1006.20
	Semi-milled or wholly milled rice	1006.30
	Broken rice	1006.40
Soya beans	Soya beans	1201
Prepared foods	Prepared foods	1904
	Breakfast cereals	1904.10-010, 1904.20-100
	Other Prepared foods	1904.10, 1904.20

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of cereals is regulated primarily by the following laws: 1) the Act on Stabilization of Supply, Demand and Prices of Staple Food; 2) the Customs Act; 3) the Act on Temporary Measures concerning Customs; 4) the Plant Protection Act; and 5) the Food Sanitation Act.

<Act on Stabilization of Supply, Demand and Prices of Staple Food>

Under the Staple Food Act, the government controls the importing of staple food, including certain cereal grains, and the private sector is not permitted to import the following: wheat, barley / naked barley (Article 3.1. of the Act), muslin / triticale, and processed or prepared foods made from them (rye, oats, etc. are excluded).

The government imports them directly through either trading houses, or the simultaneous buy and sell (SBS) system, in which a buyer and a seller can select the brand, port, and time, etc. of importing in advance.

<Customs Act and Act on Temporary Measures concerning Customs>

The ministerial ordinance on the tariff-rate quota system for maize (corn), etc. under the Customs Act and the Act on Temporary Measures concerning Customs establishes the tariff-rate quota system for the purpose of domestic producers, and applies to maize (corn) among cereals.

When maize (corn) is imported, a lower tariff rate, or the primary tariff rate, is applied only to imports of below certain quantity for the purpose of securing that imported products are available to consumers at lower prices, while imports above the quota limit are subject to a higher tariff rate, or the secondary tariff rate.

In addition, importing of cargos with labeling that falsify the origin of the contents, etc. is banned under the Customs Act.

<Plant Protection Act>

Cereals undergo quarantine procedures, including screening for contamination by any pests or harmful plants, under the Plant Sanitation Act. Quarantine procedures performed at airports and ports are under the authority of the regional Quarantine Stations.

In accordance with Appendix 2. of the Ordinance for Enforcement of the Plant Protection Act, the import of some cereals is prohibited from a number of countries and regions as of March 2011 due to the issues of quarantine pests such as the Hessian fly, rice stem nematode, and citrus burrowing nematode.

Care should be taken as infestation with pests or harmful plants may occur during the process of storage and transportation, even if there is no contamination at the production stage.

No item with soil attached to it may be allowed for import; any soil must be removed before the importing process.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed

additives and drugs for animals) which are included therein, cereals are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, cereals should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, cereals that are subject to compulsory testing by order of the Health Minister include maize (corn) produced in the USA (which is tested for aflatoxin). The approved limit for aflatoxin B1 content is 0.01 ppm.

(2) Regulations and Procedural Requirements at the Time of Sale

There is no specific law applicable to the sales of cereals. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of cereals in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable.

<Rice Traceability Act>

Under the Rice Traceability Act, enterprises that handle rice, including importers, are obliged to create and retain records on receipt and shipment, including information on the source, when engaging in the trade of rice and certain types of rice for processed rice products.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of cereals in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (paper containers and packaging, plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Import Control>

In order for private enterprises to import wheat, etc. subject to import quota, they are required to make advance notification, and in addition to normal tariff duties, pay to the government an amount determined by referring to the amount specified and announced by the Agriculture Minister and multiplying by the quantity of wheat, etc. to be imported, with certain exceptions stipulated in government ordinances or regulations, for the sake of protection of domestic producers.

In accordance to the ministerial ordinance on the tariff-rate quota system for maize (corn), etc. under the Customs Act and the Act on Temporary Measures concerning Customs, those who wish to receive import quota for maize (corn) must file required documents to International Economic Affairs Division, International Affairs Department, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries. In order to apply to become an enterprise approved for import quota, one must qualify for requirements such as "having experience in import custom clearance for maize (corn) and being trusted to handle importing by themselves."

Issuance of certificates is handled by the Agricultural Production and Livestock Industry Division, Agriculture, Forestry and Fisheries Department, Okinawa General Bureau, Cabinet Office.

<Plant Inspection>

Because the Plant Protection Act rules that bulk importing of cereals is handled only at certain seaports and airports that are capable of sufficient plant protection measures for the purpose of preventing diseases and pests from entering the country, care should be taken in selecting the seaport/airport of entry before exporting from the country of origin. (*Note that not all Quarantine Stations perform the plant inspection.)

In filing an application for the inspection with the Ministry of Agriculture, Forestry and Fisheries Quarantine Station, the required documents must be submitted (Fig. 5-3) promptly after the entry to port. In the event of rejection due to the detection of diseases or pests as a result of quarantine, fumigation or other measures are ordered.

<Food Sanitation Inspection>

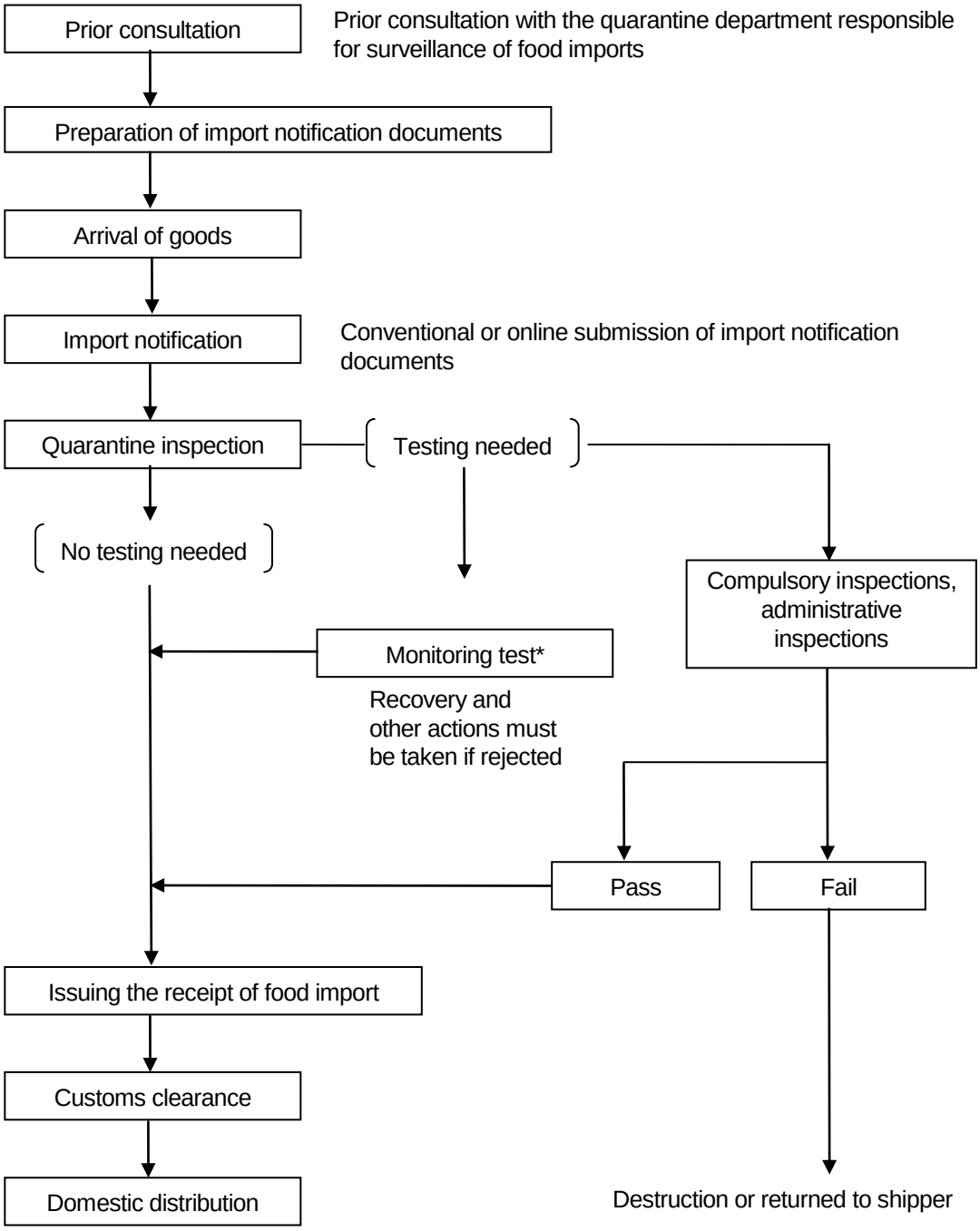
Under the Food Sanitation Act, the required documents must be submitted (Fig. 5-3) when filing an application for the inspection with the Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 5-2).

<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry to Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, import permit may be given in principle.

Fig. 5-2: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare
* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

(2) Required Documents

Documents required for importing are summarized below in Fig. 5-3 according to the authorities to which each document is submitted.

Fig. 5-3: Documents required for import clearance

Submitted to	Required documents	Fresh products	Processed products
International Economic Affairs Division, Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries	Tariff rate quota application	△	―
	Import clearance record	△*1	―
	Sales results and plan	△*1	―
	Import clearance statistics summary	△*1	―
	Documents to prove that the applicant is the genuine entity that will import cereals	△	―
Quarantine Information Office, Ministry of Health, Labour and Welfare (Plant quarantine under the Plant Protection Act)	Application for import inspection	○	―
	Phytosanitary certificate issued by the plant quarantine service of the exporter	○	―
Departments responsible for surveillance of food imports of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods	○	○
	Material/ingredient table	―	○
	Production flow chart	―	○
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)	―	○
Local customs offices (Customs clearance under the Customs Act)	Declaration of import	○	○
	Invoice	○	○
	Packing list	○	○
	Bill of lading (B/L) or airway bill	○	○

Source: Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare
○: Required △: Required for particular articles ―: Not required *1: Maze (corn) imports

As a phytosanitary (inspection) certificate, in principle the original copy that indicates the absence of pathogen or pest contamination, issued by the plant protection authority of the exporting country in a form in compliance with the International Plant Protection Convention, must be submitted. While the Convention stipulates that the phytosanitary certificate submitted to the authorities of the importing country be the original copy, the following two are deemed valid in Japan, taking into consideration such cases where the original copy is lost or the delivery of the original copy is delayed:

a) A "carbon copy" of the original copy produced simultaneously; and

b) A copy that has been proven as being identical to the original copy by the plant protection authority of the exporting country.

(3) Competent Authorities

Fig. 5-4: Contacts of competent authorities

Act on Stabilization of Supply, Demand and Prices of Staple Food／Rice Traceability Act		
	Consumption and Marketing Division, Staple Food Department, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Plant Protection Act		
	Plant Protection Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Food Sanitation Act		
	Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp
Customs Tariff Act / Act on Temporary Measures concerning Customs		
	Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp

Fig. 5-4: Contacts of competent authorities (continued)

Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
	Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Measurement Act		
	Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Health Promotion Act		
	Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act against Unjustifiable Premiums and Misleading Representations		
	Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on Specified Commercial Transactions		
	Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp
Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources		
	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
	Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp
Unfair Competition Prevention Act / Trademark Act		
	Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of cereal products must be in Japanese and conform to the following laws and regulations: 1) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 2) Food Sanitation Act, 3) Measurement Act, 4) Health Promotion Act, 5) Act on the Promotion of Effective Utilization of Resources, 6) Act against Unjustifiable Premiums and Misleading Representations, and 7) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

When selling cereals as fresh products, the importer must provide the following information on labels in accordance with the quality labeling standards for fresh foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 1) product name, 2) country of origin, 3) content, and 4) name and address of importer.

When selling cereals as processed foods, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article.

With regard to beans containing cyan compounds, independent labeling standards are prescribed for additives, etc. (Labeling requirements for food and additives included in the Ordinance for Enforcement, Article 21, Appendix 3 of the Food Sanitation Act).

<Allergies>

When products containing the specific ingredients shown in Fig. 5-5 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Some dry cereals such as wheat and buckwheat are subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

Fig. 5-5: Specific materials related to allergy labeling

Specific materials requiring allergy labeling	Egg, milk, wheat, shrimp, crab, buckwheat noodle, groundnuts
Specific materials for which allergy labeling is recommended	Bearded clam, squid, salmon roe, orange, kiwi fruit, beef, walnut, salmon, mackerel, soy bean, chicken, banana, pork, matsutake, peach, yam, apple, gelatin

Source: Ministry of Health, Labour and Welfare

<Recombinant foods>

Of cereals, soya bean and maize (corn) require the labeling of recombinant foods. Labeling is mandatory for all food products containing recombinant crops under the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. The recombinant food labeling system consists of: (1) mandatory labeling stating "Recombinant food" for products made from recombinant ingredients whose genetic identity is preserved, (2) mandatory labeling stating "The identity of ingredients is not preserved" for products made from ingredients whose genetic identity is not preserved, and (3) voluntary labeling stating "Non-recombinant food" for products made from non-recombinant ingredients whose genetic identity is preserved. The applicable labeling is determined based on the acquisition of Identity Preserved (IP) Handling certificates for the production, distribution, and processing stages.

However, labeling can be omitted for foods in which any recombinant ingredient is not the main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight) and for foods in which recombinant DNA and protein generated via such DNA do not remain after processing (e.g., edible oil, soy sauce).

<Content weight>

When importing and selling cereals, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in grams on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry

Products and Food Sanitation Act. As the quality of cereals does not deteriorate easily, the "best by" date should be indicated on the label.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For cereals which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin to be labeled for boiled or steamed soya beans. The requirement is not applicable to other soya beans.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of cereals in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

a) Calories (kcal or kilocalories)
b) Protein (g or grams)
c) Fat (g or grams)
d) Carbohydrate (g or grams)
e) Sodium
f) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval. Approval is not required for nutritional foods meeting the requirements.

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include cereals, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 5-6) can be labeled as "organic" in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have organic labeling.

a) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
b) Labelling of JAS-certified organic mark and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 5-6: JAS-certified organic mark

<Containers and packaging>

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When the following two types of containers and packaging are used for cereals, either or both marks (Fig. 5-7) must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 5-7: Labels for promoting sorted collection

Plastic containers and packaging

Paper containers and packaging

<Description>

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

<Japan Grain Inspection Association>

The Japan Grain Inspection Association conducts physiochemical analysis of raw rice with the aim of providing safe rice. The Association has established a system to grant labeling of the Kokken Information Mark on rice products, consisting of a 2D barcode and ID number, in order to provide information on inspection results on the Internet.

Fig. 5-8: Kokken Information Mark

Contact:
Japan Grain Inspection Association
TEL: +81-3-3668-0911
http://www.kokken.or.jp/

<Musenmai Association of Japan>

The Musenmai Association of Japan has set down strict standards for pre-washed rice to ensure product safety and quality, and environment preservation. The Association grants labeling of the certification mark (Ecome-chan) (Fig. 5-9) to pre-washed rice meeting the standards.

* Pre-washed rice is a processed rice product that can be cooked only after adding water, without the need for washing as with raw rice.

Fig. 5-9: Certification Mark: Aiokome Ecome-chan

Contact:
Musenmai Association of Japan
TEL: +81-3-3574-8761
http://www.musenmai.com/

< Japan Rice Millers Association>

The Japan Rice Millers Association certifies rice milling factories meeting its requirements, granting labeling of the F mark (Fig. 5-10) for rice refined at authorized plants.

Fig. 5-10: Japan Rice Millers Association F Mark

Contact:
Japan Rice Millers Association
TEL: +81-3-4334-2190
http://www.jrma.or.jp/

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on cereals and processed cereal-based foods are shown in the table below. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin (Form A) issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the prior instruction system in which the importer can make inquiries and receive replies in person, in writing, or via e-mail.

Fig. 5-11: Tariff duties on cereals (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
1001			Wheat and meslin					
	10		Durum wheat	(65yen/kg)				
		-010	- Imported by Japanese Government or imported with certification of Minister of Agriculture, Forestry and Fishery according to the cabinet order					
		090	- Other		Free	(Free)		
	90		Other		9.80yen/kg	*(55 yen/kg)		
			- I imported with certification of Minister of Agriculture, Forestry and Fishery according to the cabinet order	(65yen/kg)				
		-011	- Meslin		20%	(20%)		
		-019	- Other		Free	(Free)		
			- Other					
		-092	- Other					
		-099	- Meslin		9.80yen/kg	*(55 yen/kg)		
			- Other (other than for feeding purpose)					
1005			Maize (corn)					
	90		Other					
		-020	1. Popcorn, corn which is explosive with heating under normal air pressure	Free		(Free)		
			2. Other	50% or 12 yen/kg, whichever is the greater				
		-091	- Intended for use in the manufacture of corn starch		#Free			
		-092	- Intended for use in the manufacture of corn flakes, ethyl alcohol or distilled alcoholic beverages		#Free			
		-096	- Other		3%			Free
		-099	- Other					
1006			Rice					
	10		Rice in the husk (paddy or rough)	(402 yen/kg)				
		-010	- Within minimum access volume		Free	(Free)		
		-090	- Other		49 yen/kg	*(341 yen/kg)		
	20		Husked (brown) rice	(402 yen/kg)				
		-010	- Within minimum access volume		Free	(Free)		
		-090	- Other		49 yen/kg	*(341 yen/kg)		
	30		Semi-milled or wholly milled rice, whether or not polished or glazed	(402 yen/kg)				
		-010	- Within minimum access volume		Free	(Free)		
		-090	- Other		49 yen/kg	*(341 yen/kg)		
	40		Broken rice	(402 yen/kg)				
		-010	- Within minimum access volume					
		-090	- Other		Free 49 yen/kg	(Free) *(341 yen/kg)		
1201	00		Soya beans, whether or not broken	Free		(Free)		
		-010	- Of yellowish white					
		-090	- Other					
1904	10		Prepared foods obtained by the swelling or roasting of cereals or cereal products					
		-010	1. Breakfast cereals	15.4%		11.5%		Free
	20		Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled cereals					
		-010	1. Breakfast cereals	15.4%		11.5%		Free

Source: Ministry of Finance

Note 1) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 2) Special preferential rate is applicable only for the Least Developed Countries.

Note 3) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

(CIF + Tariff duties) × 5%

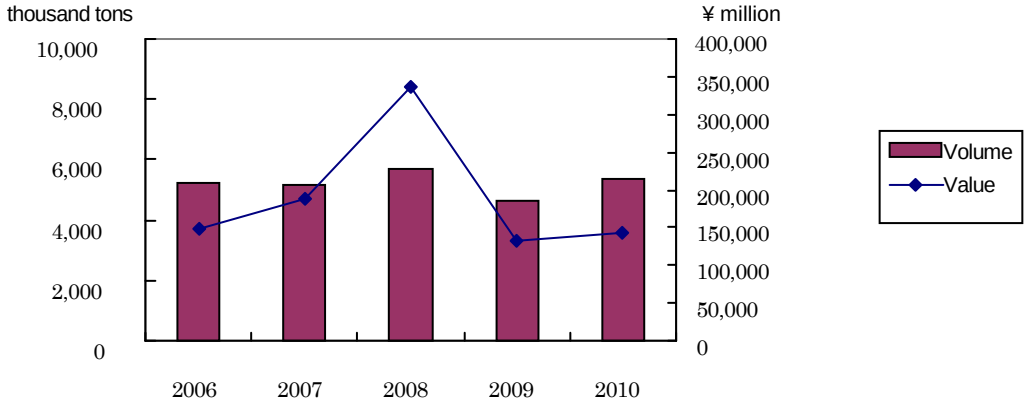
IV. Trade Trends

1. Changes in Imports

(1) Wheat

As a result of the switch to tariff measures in 1995, despite maintaining conventional state trading procedures for current access volumes, wheat imports were basically open to any country willing to pay customs. The total volume of wheat imports in 2010 was 5.341 million tons (excluding feeding purposes) which marked 115.9% compared to the previous year, of which durum wheat covered 178,000 tons. Wheat prices rose sharply in 2008 forcing domestic companies to handle the situation and supply for raw ingredients remained tight. However, conditions became more relaxed after 2009.

Fig. 5-12 Changes in wheat imports



Source: Trade Statistics (MOF)

Fig. 5-13: Changes in wheat imports by item Units: volume = thousand tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Durum wheat	208	240	209	214	178	6,142	10,297	18,899	7,668	4,717
Other wheat	5,040	4,947	5,499	4,395	5,163	140,933	178,888	317,083	125,532	138,328
Total	5,248	5,187	5,708	4,609	5,341	147,075	189,185	335,982	133,200	143,045

Source: Trade Statistics (MOF)

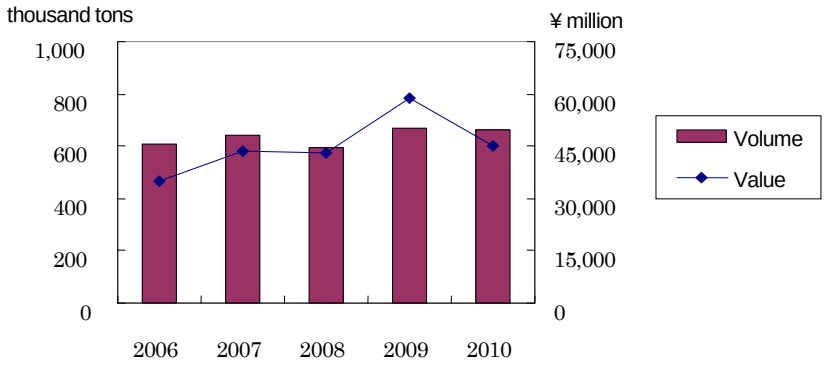
(2) Rice

As a result of the switch to tariff measures in 1999, despite maintaining conventional state trading procedures for minimum access volumes, rice imports were basically open to any country willing to pay customs. According to foreign trade statistics, imports of rice on a customs clearance basis (a total of husked (brown) rice, milled rice, and broken rice) in 2010 was 665,000 tons, out of which milled rice accounted for 640,000 tons, broken rice for 21,000 tons, and husked (brown) rice for 4,000 tons. Meanwhile, rice imported by paying tariffs outside of the minimum access framework was 257 tons.

Minimum Access

There are two ways the government imports minimum access rice: (1) open tender and (2) simultaneous buy and sell (SBS) tender system. In an open tender, the government decides on the importer, volume of imports/types of rice etc., most of which are long-grain types for processing use. Meanwhile, the SBS tender system tends to focus trade on short-grain types meant for staple food because it is jointly conducted by designated importers and registered wholesalers, and concentrates on imports controlled by businesses.

Fig. 5-14: Changes in rice imports



Source: Trade Statistics (MOF)

Fig. 5-15: Changes in rice imports by item

Units: volume = thousand tons, value = ¥ million

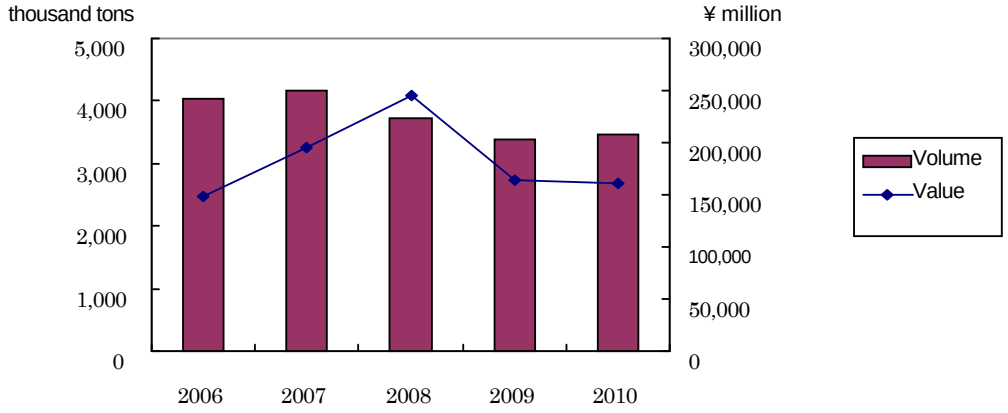
Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Husked (brown) rice	4	8	9	8	4	386	730	720	788	373
Milled rice	503	530	479	577	640	30,563	36,782	35,654	52,720	43,925
Broken rice	99	106	108	86	21	4,244	5,908	6,616	5,206	995
Total	606	644	596	671	665	35,193	43,420	42,990	58,714	45,293

Source: Trade Statistics (MOF)

(3) Soya beans

Soya bean imports had surpassed 5 million tons in 2003, but are recently showing a decreasing trend, with 3,456 thousand tons or ¥160,581 million yen on a value basis in 2010. As in the case of wheat, prices shot up to ¥65,956 per ton in 2008, an increase of 40% or more compared to ¥46,979 of the previous year, due to the global tightening of raw material supply conditions.

Fig. 5-16: Changes in soya bean imports



Source: Trade Statistics (MOF)

Fig. 5-17: Changes in soya bean imports Units: volume = thousand tons, value = ¥ million

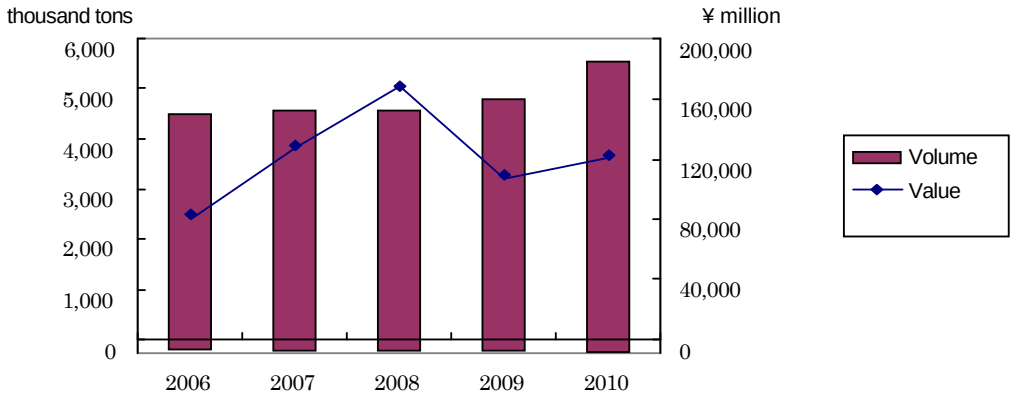
Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Soya beans	4,042	4,161	3,711	3,390	3,456	149,072	195,481	244,764	163,315	160,581

Source: Trade Statistics (MOF)

(4) Maize (corn)

Maize (corn) is classified into use for popcorn, use in the manufacture of corn starch, use in the manufacture of alcoholic beverages, and others. Use in the manufacture of corn starch holds an overwhelming share in the market. This category of maize (corn) is mainly used to make starches or beer, and most of the share comes from American exports. The volume of imports is growing, reaching 5.537 million tons (115.9% vs. previous year) in 2010.

Fig. 5-18: Changes in maize (corn) imports



Source: Trade Statistics (MOF)

Fig. 5-19: Changes in maize (corn) imports by item Units: volume = thousand tons, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Popcorn	8	7	7	8	8	463	488	553	594	567
Manufacture of corn starch	3,620	3,499	3,437	3,105	3,263	67,143	99,070	126,859	71,051	73,113
Manufacture of alcoholic beverages, cornflakes	48	65	68	67	71	935	1,881	2,505	1,727	1,641
Other	809	994	1,068	1,599	2,195	15,190	27,418	38,466	35,543	47,071
Total	4,485	4,565	4,580	4,779	5,537	83,731	128,857	168,383	108,915	122,392

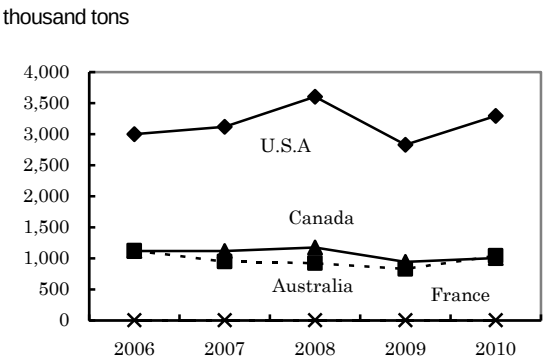
Source: Trade Statistics (MOF)

2. Regional breakdown

(1) Wheat

The government purchases most of the wheat imports, of which the United States accounted for 3,294 thousand tons in 2010 on a customs clearance basis, commanding 61.7% of the total share. The main types of wheat grown in the United States are hard wheat for bread loafs (Dark Northern Spring), hard wheat for sweet rolls or Chinese noodles (Hard Red Winter), and soft wheat (Western White) for confectioneries or tempura (vegetables or fish dipped in batter and deep-fried). Import volumes have continued to stabilize.

Fig. 5-20: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 5-21: Shares of imports in 2010 (value basis)

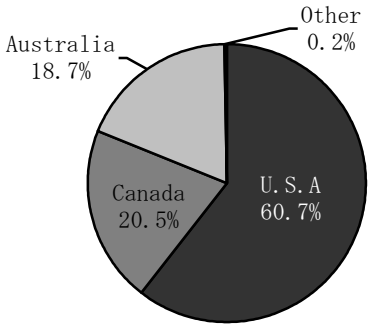


Fig. 5-22: Principal places of origin of wheat

Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	3,001	3,119	3,605	2,832	3,294	80,026	110,045	203,418	80,108	86,792
Australia	1,123	947	925	831	1,039	32,328	34,263	52,281	20,623	26,721
Canada	1,121	1,118	1,174	942	1,003	34,562	44,635	79,945	32,299	29,306
France	3	4	4	3	4	143	222	326	163	210
China	*	*	*	0	0	14	15	6	0	0
Other	*	*	*	*	*	2	5	6	7	16
T o t a l	5,248	5,187	5,708	4,609	5,341	147,075	189,185	335,982	133,200	143,045

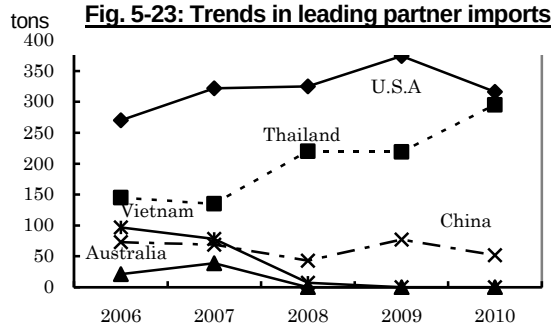
Source: Trade Statistics (MOF)

* suggests the volume of import was less than 1,000 tons.

(2) Rice

Imports of rice in 2010 show the United States accounting for close to half of the import volume, with 316,000 tons covering 47.5.% of the share. Thailand and China follow in line, but no other exporters are seen in 2010.

Fig. 5-23: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 5-24: Shares of imports in 2010 (value basis)

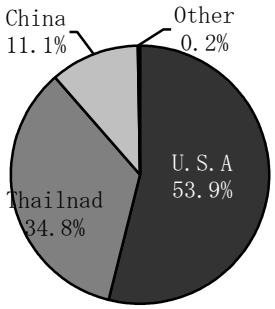


Fig. 5-25: Principal places of origin of rice Units: volume = thousand tons, value = ¥ million

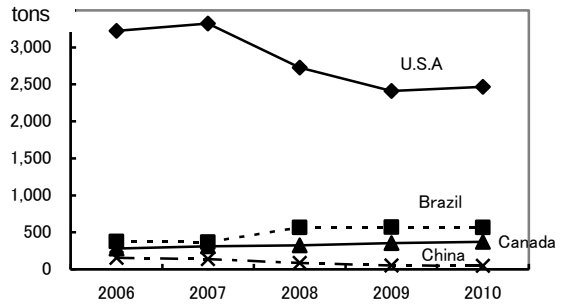
Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	270	322	325	374	316	18,496	24,693	26,497	40,521	24,435
Thailand	145	135	220	219	295	5,469	6,208	12,225	10,782	15,745
China	73	69	43	77	52	6,272	6,392	3,908	7,304	5,041
Vietnam	97	78	7	0	0	3,295	3,077	283	0	0
Australia	21	39	0	0	0	1,561	2,944	0	0	0
Other	*	*	*	*	*	101	106	77	108	71
Total	606	644	596	671	665	35,193	43,420	42,990	58,714	45,293

Source: Trade Statistics (MOF)
* suggests the volume of import was less than 1,000 tons.

(3) Soya beans

Soya bean imports have been on the decline recently. Although in 2010, a slight increase was seen at 3,456 thousand tons (101.9% vs. previous year), the overall trend is downward. On the other hand, figures on a value basis have increased to ¥160,581 million in 2010, which is 107.7% compared to values in 2006. Hence it can be said that unit prices are rising, reflecting the global food supply situation. The top supplier is the United States with 2.467 million tons (102.3% vs. previous year) in 2010. Brazil comes in second, but far behind the United States with 568,000 tons in 2010.

Fig. 5-26: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 5-27: Shares of imports in 2010 (value basis)

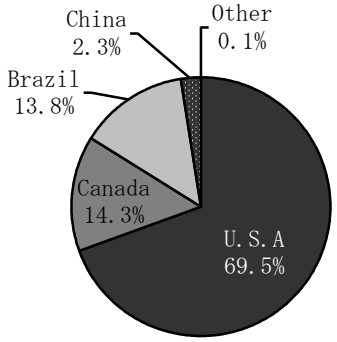


Fig. 5-28: Principal places of origin of soya beans Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	3,225	3,325	2,728	2,412	2,467	114,006	152,432	176,883	111,524	111,634
Brazil	378	367	568	570	568	12,045	16,234	37,196	24,645	22,117
Canada	282	309	325	353	371	13,718	17,285	22,779	22,859	22,961
China	156	137	86	51	48	9,205	8,588	7,619	4,116	3,714
Other	1	23	4	4	2	98	942	287	171	155
Total	4,042	4,161	3,711	3,390	3,456	149,072	195,481	244,764	163,315	160,581

Source: Trade Statistics (MOF)

(4) Maize (corn)

Maize (corn) imports are completely dependent on the United States, recording 5,074 thousand tons or 91.6% of the total share. On the other hand, Chinese imports have steadily declined since 2008, and hardly any imports are seen in 2010. The only African exporter in 2010 was South Africa with about 10,000 tons.

Fig. 5-29: Trends in leading partner imports

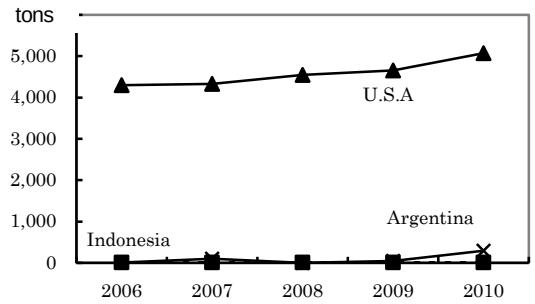
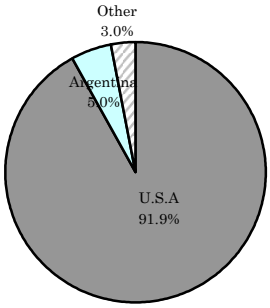


Fig. 5-30: Shares of imports in 2010 (value basis)



Source: Trade Statistics (MOF)

Fig. 5-31: Principal places of origin of maize (corn)

Units: volume = thousand tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.S.A.	4,297	4,333	4,550	4,655	5,074	80,059	122,295	167,225	106,202	112,467
Argentina	5	98	1	43	294	92	2,855	32	856	6,152
Indonesia	6	6	6	6	5	195	201	254	183	144
China	171	92	0	10	0	3,099	2,377	18	270	1
Other	6	36	23	65	164	286	1,129	854	1,404	3,628
Total	4,485	4,565	4,580	4,779	5,537	83,731	128,857	168,383	108,915	122,392
(African countries)	0	0	0	0	10	0	0	0	0	248

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

Imports of rice and wheat are conducted according to plans under the state trading procedures for areas in which demand cannot be supplied by domestic production alone. Import volumes have fluctuated amid declining domestic consumption, and due to the 2008 tainted rice issue being taken up as a social issue by the media, regrettably, exposure to the public on this matter has been increasing.

Meanwhile, as a result of the steep rise of wheat prices in 2007 and 2008, there was a major influence on the products especially for bread manufacturers. Wheat prices were stabilized in 2009, but as selling prices for wheat will rise again in 2011, there is concern that prices will again be affected.

Fig. 5-32: Import market share in Japan Unit: thousand tons

	Statistics	2004	2005	2006	2007	2008
Rice	Domestic production	8,730	8,998	8,556	8,714	8,823
	Import volume	726	978	799	856	841
	Export volume	193	179	160	140	137
	Increase in inventory	△ 290	252	△ 466	△ 466	181
	Domestic consumption	9,553	9,545	9,661	9,896	9,346
	Share of imports	7.6%	10.2%	8.3%	8.6%	9.0%
	Statistics	2004	2005	2006	2007	2008
Wheat	Domestic production	860	875	837	910	881
	Import volume	5,484	5,292	5,464	5,386	5,186
	Export volume	0	0	0	0	0
	Increase in inventory	78	△ 46	73	△ 52	△ 19
	Domestic consumption	6,266	6,213	6,228	6,348	6,086
	Share of imports	87.5%	85.2%	87.7%	84.8%	85.2%
	Statistics	2004	2005	2006	2007	2008
Soya beans	Domestic production	163	225	229	227	262
	Import volume	4,407	4,181	4,042	4,161	3,711
	Export volume	0	0	0	12	0
	Increase in inventory	△ 145	58	34	72	△ 61
	Domestic consumption	4,715	4,348	4,237	4,304	4,034
	Share of imports	93.5%	96.2%	95.4%	96.7%	92.0%

Source: Food balance sheet, Ministry of Agriculture, Forestry and Fisheries

4. Background of Changes in Volume of Imports and Other Trends

Regarding food grains in general, there were some negative factors such as increased concern among consumers triggered by the highly-publicized tainted rice issue in 2008. However, expectations are high for an expansion of domestic rice consumption, due to efforts by the government to distribute rice flour in response to rising wheat prices. On the other hand, the bread-based diet of the Japanese was affected due to the soaring prices of wheat in 2008. Prices became stable in 2010, but with wheat prices rising again in April of 2011, correlations with rice are expected to become even stronger. As consumption of wheat dwindles, consumption of rice is expected to gain momentum.

V. Domestic Distribution

1. Trade Practice, Etc.

(1) Rice

The price and distribution of rice used to be controlled by the government under the Foodstuff Control Act, but in 1995 the same law was abolished to be replaced with the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law). This new law enabled rice producers (farmers) to sell rice directly to consumers. Moreover, prices of rice, which used to be decided by the government, were now to be set based on market trading. Prices have been falling sharply thereafter.

(2) Wheat

The distribution of wheat used to be controlled by the government under the Foodstuff Control Act, but after the abolishment of the same law in 1995, despite maintaining conventional state trading procedures for current access volumes (actual import volume from 1986 to 1988), wheat imports were basically open to any country willing to pay customs. Wheat is sold at a particular price, being the only price-controlled grain in Japan.

2. Domestic Market Situations

(1) Rice

Rice is not only the staple food in Japan, but is also a crop deeply intertwined with Japanese customs and lifestyles. Hence, it is an important agricultural product.

The Japanese generally consume milled japonica rice as their staple food, but also uses it for various other purposes such as in snacks, noodles, alcoholic beverages, feed, and others.

Around 8 million tons of rice per year is produced locally, and 665,000 tons were imported in 2010. A large share of imports comes from the United States and Thailand. Other exporters include China and Australia. Recently, due to changes in lifestyles and diversification of diets, fewer people are eating rice. Per-capita rice consumption is decreasing year by year, especially among the young. Some of the reasons for the decline include the dwindling birthrate coupled with the aging population, Westernization of diets, conversion to other staple foods such as noodles, and the time and effort needed to cook rice at home compared to breads, etc. For this reason, the government is taking measures to reduce the amount of rice harvests by encouraging farmers to convert to other crops. However, the supply and demand gap has not been filled and there is still a surplus of rice. The government is also trying to work on improving self-sufficiency ratios in pair with tackling the rice surplus issue. Efforts have been made to promote the use of powderized rice, or rice flour, in a variety of uses since around 2008. The situation with leftover rice is serious as consumption of rice consumed as cooked rice shrinks every year. If rice could be used as a substitute for flour, the rice surplus issue can be improved, the self-sufficiency ratio will be increased, and an affordable alternative product for flour, which is experiencing a global rise in prices, will be secured. Rice flour has historically been used in Japanese confectioneries, rice biscuits, and rice cakes, but now they are increasingly used in bread, Western confectionery, noodles, and batter.

Japanese rice ranges dramatically in price according to the strain. Production costs are high for the popular types of rice said to have better flavor, but they are also sold at high retail prices sometimes reaching almost twice the price of generally distributed low-priced rice. The overall rice market is seeing budget prices amid the deflationary trend, but demand for high-value-added products such as well-accepted brand rice, organic rice, reduced pesticide rice, and others is also increasing. Rice is mainly grown in prefectures of Niigata, Hokkaido, Akita, Fukushima, Yamagata, and Ibaragi. Niigata prefecture is especially well known as a producer of "Uonuma-san Koshihikari (Koshihikari rice from Uonuma)" which is especially well-received and sold at luxury prices.

Various types of processed foods using cooked rice are favored because they save time in cooking and preparation. Rice used for processing, other than as staple food includes a variety of uses such as snacks, noodles, rice wine, distilled spirits, and feed. Recently, rice products have also diversified due to the health-conscious trend. Husked (brown) rice before milling was not popular because of its hardness and unsavory flavor. However, husked (brown) rice has recently been reexamined for its nutritious content, increasing its popularity as a healthy food product. Furthermore, germinated brown rice, which is slightly sprouted to make rice softer, tastier, and higher in nutritional value, has also increased in market size. In addition, millet, which is a mixture of various cereals that can be cooked with rice, is also being sold, showing significant expansion in the market in the mid-2000s.

Fig. 5-33: Changes in rice production

FY	Yield (tons)	Growth
1950	9,650,400	100.0%
1960	12,858,900	133.2%
1970	12,688,800	131.5%
1980	9,750,600	101.0%
1990	10,498,700	108.8%
2000	9,490,100	98.3%
2005	9,074,000	94.0%
2006	8,556,000	88.7%
2007	8,714,000	90.3%
2008	8,823,000	91.4%
2009	8,474,000	87.8%
2010	8,483,000	87.9%

Fig. 5-34: Annual rice consumption per capita

FY	Annual milled rice consumption per capita (kg)	Growth
1960	126.2	100.0%
1970	105.0	83.2%
1980	87.1	69.0%
1990	77.3	61.3%
2000	71.3	56.5%
2002	69.2	54.8%
2003	68.3	54.1%
2004	67.9	53.8%
2005	67.8	53.7%
2006	67.4	53.4%
2007	67.7	53.6%

Source: Ministry of Agriculture, Forestry and Fisheries

(2) Wheat

Wheat is milled to be used in bread, snacks, pasta, thick white noodles, various dishes, feed, and many other purposes, and is commonly seen in the Japanese diet.

Approximately 5 million tons of wheat is imported, showing steady performance. Out of this demand, 800,000 tons are produced locally, while the remaining imports come from the United States, Canada, and Australia. Amid the declining population due to decreased birthrates, demand for flour remains robust due to its various uses, abundance in processed foods, and growth in products. Affected by global fluctuations in the market rate, prices for flour and flour-processed products have been increasing and decreasing. As a result, demand is likely to continue to fluctuate.

The annual per capita consumption of flour is 31 to 32 kg, remaining roughly constant.

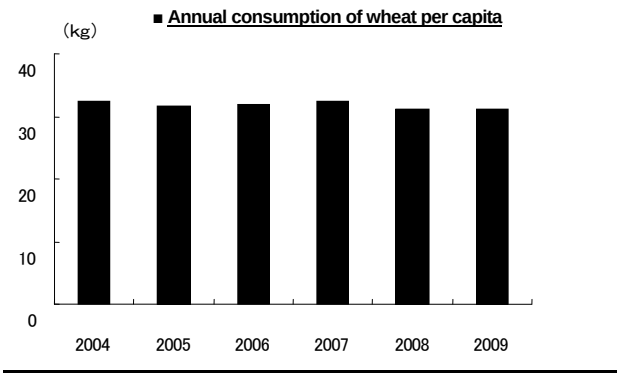
Fig. 5-35: Production and imports of Wheat Unit: thousand tons

FY	Imports	Yearly change	Domestic production	Yearly change	Total	Yearly change
2006	5,248	—	837	—	6,085	—
2007	5,187	98.8%	910	108.7%	6,097	100.2%
2008	5,708	110.0%	881	96.8%	6,589	108.1%
2009	4,608	80.7%	674	76.5%	5,282	80.2%
2010	5,341	115.9%	568	84.3%	5,909	111.9%

Source: Ministry of Finance; Ministry of Agriculture, Forestry and Fisheries
Figures are the volume of rice before milling.

Fig. 5-36: Annual consumption of wheat per capita

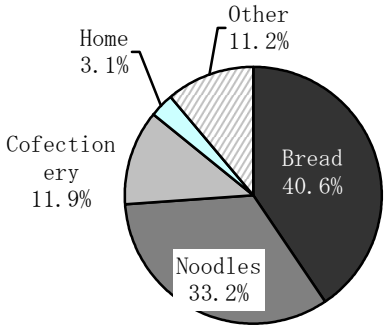
FY	Annual consumption per capita (kg)	Yearly change
2004	32.3	—
2005	31.7	98.1%
2006	31.8	100.3%
2007	32.3	101.6%
2008	31.1	96.3%
2009	31.1	100.0%



Source: Ministry of Agriculture, Forestry and Fisheries

Fig. 5-37 Wheat powder production by use (2008)

Use	Production (thousand tons)	Ratio
Bread	1,920	40.6%
Noodles	1,570	33.2%
Confectionery	562	11.9%
Home	147	3.1%
Other	527	11.2%
Total	4,726	100.0%



Source: Ministry of Agriculture, Forestry and Fisheries
Figures in the list are the the volume of milled wheat. Other includes wheat for feed and indusrial use.

(3) Soya beans

Historically, soya beans and soya bean-processing products have been a valuable protein source in Japan, and the Japanese tend to consume more soya beans than Westerners. Usage is not limited to traditional foods such as tofu, soy sauce, and miso (soya bean paste), but has recently expanded significantly to include snacks that use soya beans, soymilk, and supplements.

Demand is high for traditional foods such as tofu, soy sauce, and miso (soya bean paste), but these are mature markets slightly decreasing due to declining birthrates and the aging population. Although snacks using soya beans and soymilk currently have little demand, many products arranged in a contemporary style have been launched, marking significant growth. Furthermore, soya beans became a fad due to media reports in the mid-2000s that isoflavone included in soya beans was effective against osteoporosis. Supplements utilizing the high nutritional value of soya beans are growing considerably in sales. 4 million tons of soya beans are imported. Slightly over 200,000 tons are produced in Japan, and local soya beans do not account for even 10% of the overall share. However, as they are suitable for processing into tofu with their fine flavor, the government is promoting production of domestic soya beans by providing subsidies, etc. Most imports are from the four countries of the United States, Brazil, Canada, and China. The United States accounts for about 70% of the total share.

There is a growing trend worldwide for genetically modified soya beans. However in Japan, due to reasons such as safety not being ensured with genetically modified foods, many consumers are concerned about using genetically modified soya beans as an ingredient. Therefore, genetically modified labeling for soya bean processed foods became compulsory in 2001. Genetically modified soya beans are rarely used in ingredients of tofu or miso, which are directly edible food products, but they are used in refining oil.

Fig. 5-38: Production and imports of soya beans

Unit: thousand tons

FY	Imports	Yearly change	Domestic production	Yearly change	Total	Yearly change
2003	5,173	—	232	—	5,405	—
2004	4,407	85.2%	163	70.3%	4,570	84.6%
2005	4,181	94.9%	225	138.0%	4,406	96.4%
2006	4,042	96.7%	229	101.8%	4,271	96.9%
2007	4,161	102.9%	227	99.1%	4,388	102.7%
2008	3,711	89.2%	262	115.4%	3,973	90.5%

Source: Ministry of Finance; Ministry of Agriculture, Forestry and Fisheries

Fig. 5-39: Soya bean consumption by use (2008)

Use	Consumption (thousand tons)	Ratio
Bean oil	2,802	73.0%
Tofu, fried tofu	495	12.9%
Miso (soya bean paste)	137	3.6%
Natto	128	3.3%
Soy sauce	39	1.0%
Frozen tofu	28	0.7%
Soymilk	25	0.7%
Other	182	4.7%
Total	3,836	100.0%

Source: Ministry of Agriculture, Forestry and Fisheries

(4) Maize (corn)

Maize (corn) is used in various processed foods, and also often eaten grilled or boiled. It is also deeply intertwined with the Japanese people, and demand is high. Most of the demand relies on imports, and Japan is the largest importer of maize (corn).

90% of the imports come from the United States, and a small amount is also imported from Argentina, Indonesia, China, and other countries. 75% of the imports are used as forage. It is also often used in industrial products such as industrial alcohol, fuel ethanol, and plastic products. For food usage, manufacturing of corn starch, used in making beer and starches holds an overwhelming share. It is also used in processed foods such as sweeteners, oil, distilled spirits, and other food products. Market rates are escalating worldwide due to the increased demand as a raw material for bioethanol and also due to an expansion of demand in developing nations. Hence, import prices are rising. Domestic maize (corn) is eaten as it is, or canned and processed for consumption.

Demand for maize (corn) has remained flat and relatively stable. However, actions have been taken to replace maize (corn) with alternative products for feed, due to the global rise in prices.

Fig. 5-40: Production and imports of maize (corn)

FY	Imports (thousand tons)	Yearly change
2006	4,485	—
2007	4,565	101.8%
2008	4,581	100.4%
2009	4,779	104.3%
2010	5,538	115.9%

FY	Domestic production (thousand tons)	Yearly change
2004	205	—
2005	192	93.7%
2006	177	92.2%
2007	198	111.9%
2008	208	105.1%

Source: Ministry of Finance

(5) Millet

Millet is the collective term that refers to miscellaneous grains other than the main types including rice, wheat, beans, or maize (corn). They have historically been a part of the Japanese daily diet, but the custom of eating millet started to die out as the production volume of rice increased. However, since the 2000s, health benefits of millet have been recognized and popularity has increased. Processed foods using millet are increasing presence in the market, especially with millet rice, which is white rice cooked with blended millet.

Japanese traditional grains such as kibi, awa, and hie are generally included in millet, but there are also cases where quinua and amaranthus imported from South America are blended with the millet, because they are also high in nutritional value.

(6) Breakfast cereals

Cereal is a food product which processes grains such as maize (corn), wheat, rice, and others into flakes so that they are easier to eat. The Japanese market for cereal was developed to target children's breakfasts starting in the 1960s. However, due to declining birthrates, products not only targeting children but also adults increased with increased attention on beauty, health, and dieting to match consumer demand especially among young women. However, due to the expansion of the market in 2006 for block-type cereal or cereal bars, demand has shifted towards cereal bars because of their convenience compared to breakfast cereal, and the market for breakfast cereal is on the decline. Recently, there are more products with dried fruits and nuts, making them better in taste and also more nutritious.

Fig. 5-41: Size of breakfast cereal market

Year	Sales (¥ million)	Yearly change
2006	25,550	—
2007	25,000	97.8%
2008	25,000	100.0%
2009	24,000	96.0%
2010 (forecast)	23,600	98.3%

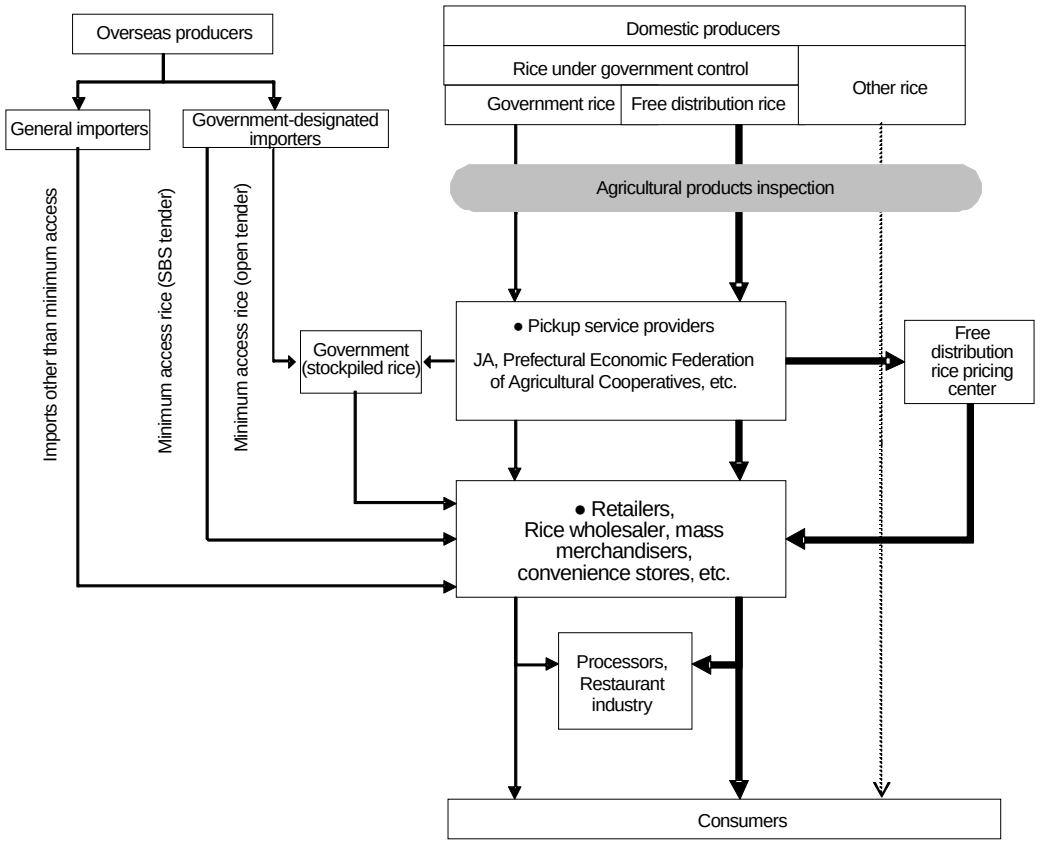
Source: 2011 Food Marketing Handbook No. 3, Fuji Keizai

3. Distribution Channels

(1) Rice

The most common sales channel of rice to consumers is through mass merchandisers. Rice is also sold at department stores and rice stores. In 2004, the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law) was drastically revised to loosen regulations on trading and distributing rice. As a result, the sales route for rice diversified, especially increasing direct selling from rice farmers to consumers through the internet and other means.

Fig. 5-42: Distribution channels for rice

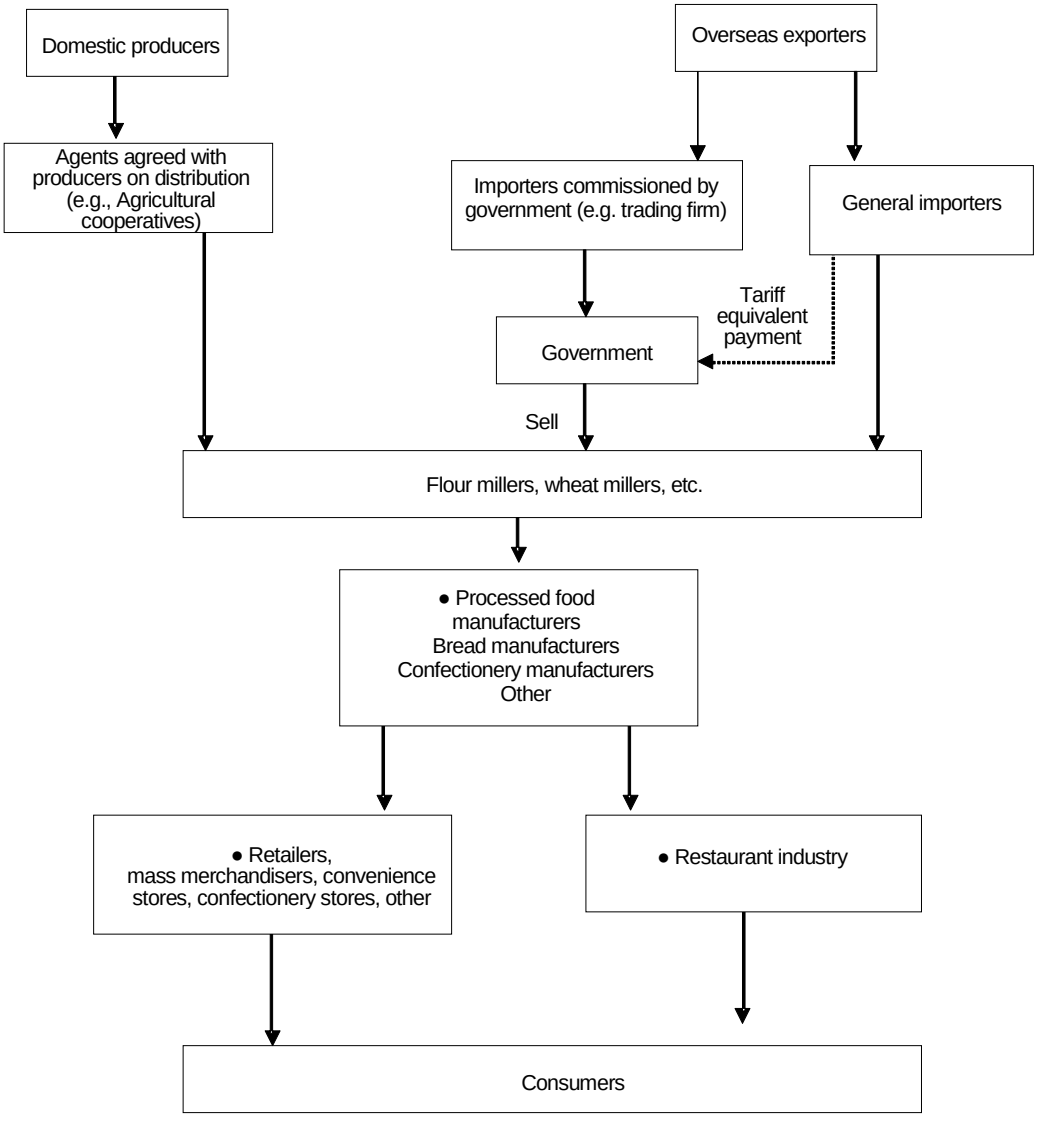


Source: Fuji Keizai research data

(2) Wheat

Imported wheat is brought into Japan by government-commissioned trading firms or general importers to be purchased by flour millers. Domestic wheat is generally consolidated by agricultural cooperatives, and then purchased by the millers. Millers and maltsters process them as flour and sell them to processed food manufacturers, where they are again processed to make products such as bread, snacks, or noodles. There are also a number of cases where the miller processes the flour to make noodles, etc. The flour and processed foods are sold to the consumers through retailers such as mass merchandisers or restaurants in the food-service industry.

Fig. 5-43: Distribution channels for wheat

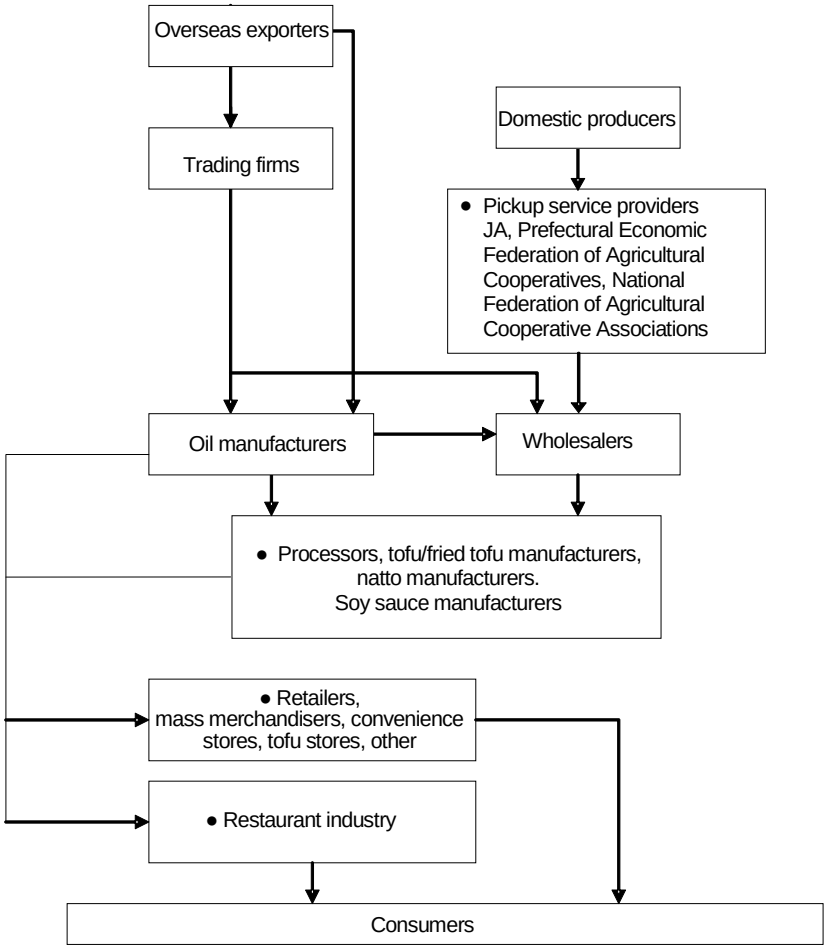


Source: Fuji Keizai research data

(3) Soya beans

Imported soya beans are purchased by wholesalers or oil refiners through trading firms, to be used in edible oil or processed foods. Local soya beans are collected by consolidators such as agricultural cooperatives, and used by processing manufacturers.

Fig. 5-44: Distribution channels for soya beans

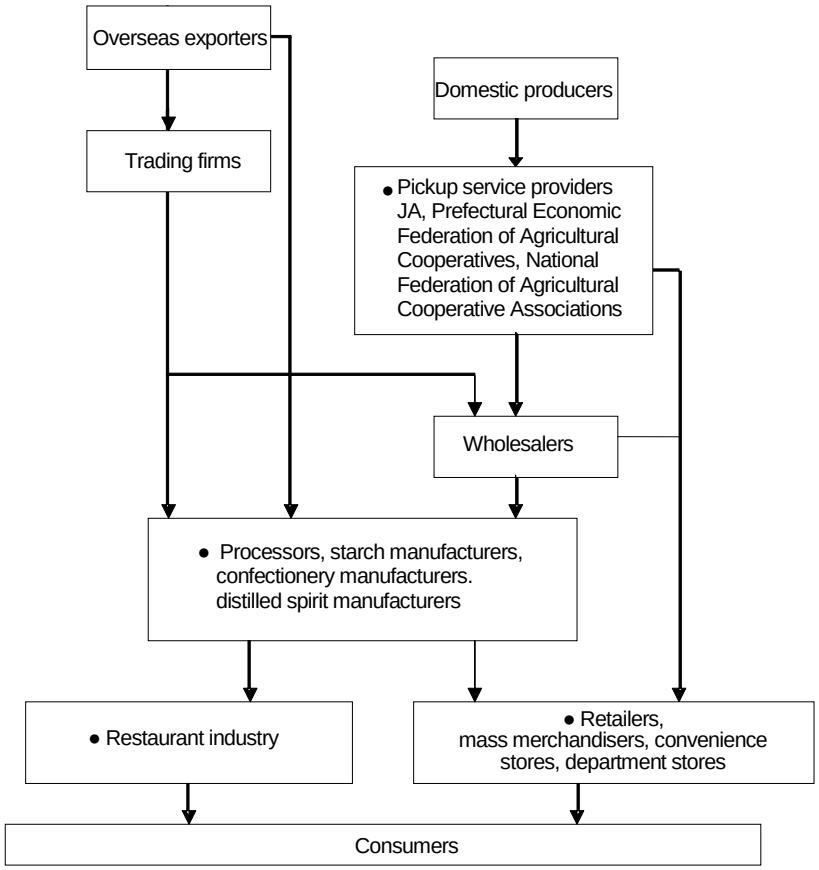


Source: Fuji Keizai research data

(4) Maize (corn)

Imported maize (corn) is purchased by wholesalers or processing manufacturers via trading companies, to be applied in a variety of purposes such as feed, starches, processed foods, etc. Maize (corn) grown in Japan is consolidated by agricultural unions to be used by food processing companies or sold directly to consumers.

Fig. 5-45: Distribution channels for maize (corn)



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

Imports of grain are subject to control under the the Act for Stabilization of Supply-Demand and Prices of Staple Food (Staple Foods Law), Plant Protection Act, Food Sanitation Act, and the JAS Law (Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products).

In the case of maize (corn), attention is also required because there may be cases where aflatoxin exceeding allowable limits is detected. The regulation for aflatoxin currently only limits aflatoxin B1 content to be lower than 0.01 ppm. However, regulations will be tightened starting in October of 2011. Restrictions are planned to be amended to limit the total content of aflatoxin B1, B2, G1, and G2 to be under 0.01 ppm. All types of grains have the possibility of growing mold in transit or storage although this is not as poisonous as aflatoxin.

Introduction of a traceability system is mandatory for all food products in Japan, but attention is especially required since genetically-modified labeling is compulsory for soya beans and maize (corn) under the JAS Law. In Japan, many consumers show a negative reaction toward genetically modified foods. Therefore, currently many of the food products use nongenetically modified ingredients. However, in the United States, the largest grain exporter, production of

nongenetically-modified ingredients is not welcomed because of its time, effort, and higher costs. Hence it is getting more difficult to be supplied with nongenetically modified materials. Therefore, many Japanese trading firms are considering importing nongenetically modified ingredients if they can be provided in bulk with a stable supply, even if it means higher costs than the market rate.

<Exhibitions>

Fig. 5-46: Exhibitions for cereals

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL.03-3434-3453
	International Hotel & Restaurant Show	
	http://www.jma.or.jp/hcj	TEL.03-3434-1377
	Supermarket Trade Show	
	http://www.smts.jp	TEL.03-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL.03-5294-0071
Home-meal replacement (takeout food)	FABEX	
	http://www.fabex.jp	TEL.03-3523-2755
Rice powder	Rice Powder Industry Expo (First event held in April 2011)	
	http://www.fabex.jp/sweets/image/banner_messw_12.pdf	TEL.03-3523-2755
Noodles	Noodle Industry Expo	
	http://nichimen.or.jp/mensanten	TEL.03-3262-5206

5. Failure Cases

<Sales of tainted rice>

In 2008, a rice miller was found selling nonglutinous rice imported from Vietnam for industrial (nonfood) use as edible rice, knowing that it was tainted (contaminated with pesticides, aflatoxin etc.). This became a huge social issue since the tainted rice was already used as an ingredient for various types of liquor and snacks at many rice wine brewers and confectionery makers. The company went bankrupt and the president was arrested. The Minister of Agriculture, Forestry and Fisheries also resigned, taking responsibility for the case. This incident was caused by Japanese wholesalers after importing, so this was not a case involving importers. However, after the incident, related parties intensified inspections on aflatoxin and pesticide residues. Importers, manufacturers, and retailers promoted increased efforts in establishing traceability. Therefore, it can be said that this case had a major impact on Japanese grain imports.

6. Import Associations & Related Organizations

Fig. 5-47: Cereal importer associations and related organizations

Flour Millers Association	http://www.seifunky.jp
	TEL.03-3667-1011
Japan Millet Association	http://www.zakkoku.jp
info@zakkoku.jp	TEL.03-3500-5461
Japan Speciality Agriculture Products Association	http://www.jsapa.or.jp
info@jsapa.or.jp	TEL.03-3584-6845
Rice Stable Supply Support Organization	http://www.komenet.jp
	TEL.03-4334-2150

