

8. Rice

1. Definition of Category

Japan's official customs statistics classify rice variously, as below.

HS Numbers	Commodity
1006	Rice
.10	Rice in the husk
.20	Husked (brown) rice
.30	Semi-milled or wholly milled rice
.40	Broken rice

2. Import Trends

(1) Recent Trends in Rice Imports

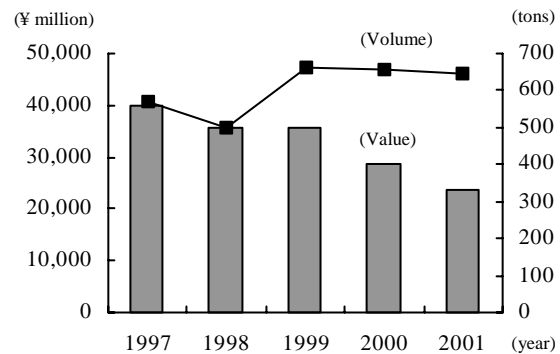
In the past, rice was a non-liberalized product category subject to import quotas (IQ item) under provisions of the former Foreign Exchange and Foreign Trade Control Law. However, rice imports are now permitted up to the minimum access import limit defined by the Japanese government. This limit is based on commitments made during the Uruguay Round agriculture negotiations in 1993.

Moreover, as of April 1, 1999, a new program was instituted partially liberalizing rice imports. Although the new program left in place the existing state trade system and its minimum access limit, it authorized imports by non-governmental entities beyond the minimum access limits, subject to the tariff system.

According to official customs statistics, imports of rice (the total of the four subcategories listed above) rose to 445,000 tons (simple volume basis) in 1996, the year when the minimum access program was instituted. Then, imports of rice showed about 650,000 tons from 1999 onward.

By subcategory, the most common type of imported rice in 2001 was milled rice, with 423,030 tons, followed by husked rice (131,044 tons) and broken rice (91,501 tons).

Fig. 1 Japan's imports of rice



	1997	1998	1999	2000	2001
Value	40,019	35,681	35,816	28,497	23,786
Volume	569	499	664	656	646

Units: tons (simple volume), ¥ million, Source: Japan Exports and Imports

(2) Imports by Place of Origin

In 2001, the United States accounted for 46.9% of Japan's total rice imports on a volume basis. The next leading exporters of rice to Japan were Thailand (22.2%), Australia (14.8%) and China (13.6%). The United States and Australia export a fairly large amount of husked rice, so in the milled rice only, the leading exporters, in order, are the United States (35.9%), Thailand (25.1%) and China (19.6%).

Fig. 2 Principal exporters of rice to Japan

	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	259	250	312	338	16,276	303	46.9%	11,556	48.6%
Thailand	155	93	152	128	3,345	143	22.2%	3,662	15.4%
Australia	112	77	102	102	5,259	95	14.8%	4,299	18.1%
China	40	73	77	71	3,154	88	13.6%	3,749	15.8%
Vietnam	1	6	16	15	401	11	1.7%	283	1.2%
Other	2	1	6	1	62	5	0.8%	237	1.0%
TOTAL	569	499	664	656	28,497	646	100.0%	23,786	100.0%

Units: tons, ¥ million

Source: Japan Exports and Imports

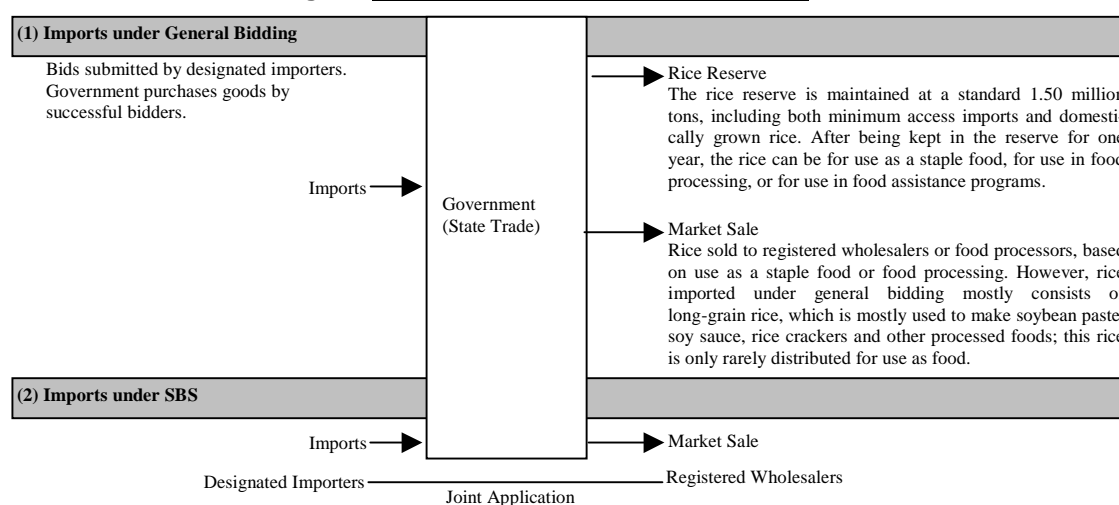
(3) The Rice Import System and Import Trends

1) Minimum Access

Under the Uruguay Round agriculture negotiations, nations that previously imposed numerical import quotas and other border restrictions were to discontinue those measures and substitute bound tariff measures in their place. Nations that agreed to do so guaranteed minimum access, defined as imports totaling 3% of domestic consumption at the time, for products with essentially no imports during the reference period (1986-1988). Signatories committed to expand this minimum access to 5% within six years. Furthermore, it was agreed that if a nation did not convert to bound tariff measures and instead maintained special restrictions, that nation's minimum access requirements would be 4% rising to 8%, instead of 3% rising to 5%. Japan initially chose to retain its special restrictions on imports. However, beginning with FY 1999 Japan decided to drop its import quota system on rice in order to hold down the increase in permitted rice imports on a volume basis under minimum access rules.

The government's minimum access rice imports are carried out under one of two methods: (1) general bidding and (2) simultaneous buy-and-sell (SBS).

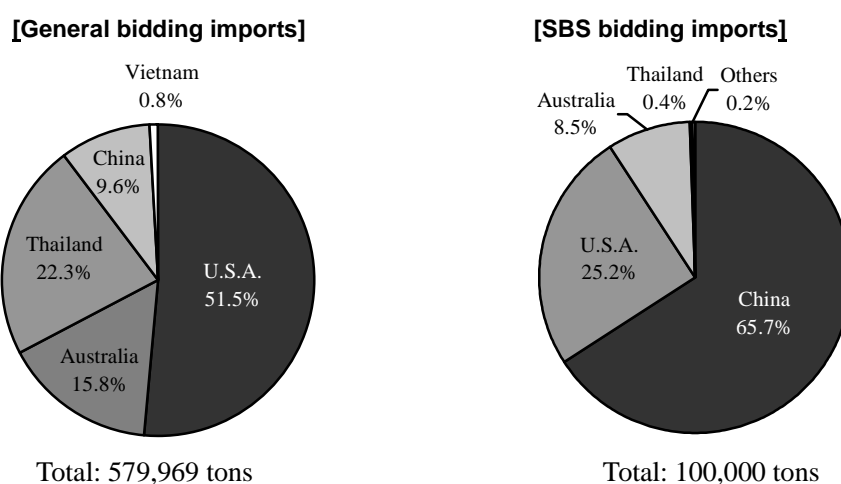
Fig. 3 The minimum access import system



Under the general bidding method, in which designated importers submit bids to purchase rice from the government, the government itself acts as the importer, and chooses the supplier, the volume, and the type of rice. Currently this rice consists mainly of long-grain rice, for which substantial demand is expected in food processing. In contrast, under the SBS bidding system, in which designated importers and registered wholesalers submit joint bids, it is the importer that determines the type of rice, etc., and so most of this rice consists of short-grain rice, which is far more popular as a staple food item in Japan.

According to materials published by the Food Agency about the types of rice imported under minimum access rules (contract basis), under the general bidding method in FY 2001 (total of six rounds of bidding), 579,969 tons were contracted, in which the United States accounted for 51.5% (see Fig. 4).

Fig. 4 Leading countries in minimum access imports (FY 2001)



With regard to SBS bidding system (total of four rounds of bidding), as of FY 2001 the import quota was reduced to 100,000 tons. China held a large lead in this category (with 65.7%), far ahead of the United States (25.2%). (The SBS import quota was reduced by 20,000 tons from the 120,000 total tons the year before, but the reduction was limited to broken rice used to make confections and soybean paste. This portion was transferred to the general bidding protocol. See Fig. 14 for qualifications of designated importers.)

2) Imports under Tariff

Outside of the framework of the minimum access system, entities other than the government can now import rice, subject to payment of a stipulated secondary tariff. According to trade statistics, imports with secondary tariffs were a total of just 300 tons in 2000, and 294 tons in 2001 (see Fig. 5). The leading exporters were Thailand and the United States. The main uses of this rice are in the food service industry (example: Thai food fairs), for consumption as food by resident foreigners in Japan, and for test purposes.

Fig. 5 Trends in imports under tariff

	2000		2001	
	Volume	Value	Volume	Value
Thailand	155	9.48	160	8.56
U.S.A.	102	1.24	112	9.77
Italy	2	7.67	11	4.63
China	29	2.38	1	0.47
Other	12	2.48	10	2.45
TOTAL	300	23.25	294	25.88

Units: tons, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Domestic consumption of rice has been shrinking year by year, dipping below the 10 million ton level. Imported rice has been gaining in market share, and had a 8.8% share in FY 2000.

Fig. 6 Imports' share in the Japanese market

FY	1995	1996	1997	1998	1999	2000
Domestic production	10,748	10,344	10,025	8,960	9,175	9,490
Imports	495	634	634	749	806	879
Exports	581	6	201	876	141	462
Changes in stock	177	783	351	+1,075	+65	+81
Domestic consumption	10,485	10,189	10,107	9,908	9,905	9,988
Imports' share	4.6%	6.2%	6.3%	7.6%	8.1%	8.8%

Units: 1,000 tons

Source: Food Demand and Supply Table (2000), Ministry of Agriculture, Forestry and Fisheries

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

At the time of importation, rice is subject to provisions of the Foodstuff Law, the Plant Protection Law and the Food Sanitation Law.

1) Foodstuff Law

(Law Concerning Stabilization of Supply and Demand and Prices for Leading Foodstuff)

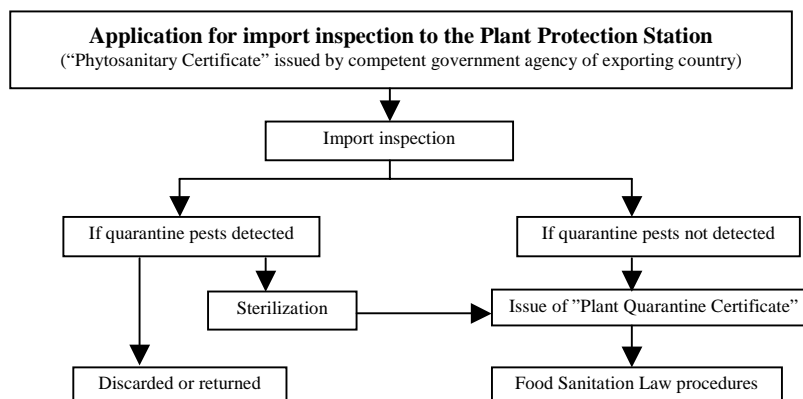
The Foodstuff Law was amended in conjunction with modifications in tariff laws and regulations, modifications that accompanied the shift of rice imports to handling under the tariff system. These amendments went into effect as of April 1999. Under the provisions of the amended Law, those intending to import rice outside the bounds of the minimum access limits shall do the following:

- Submit to the local food agency office a copy of the "Report of Payment for Importation of Rice, etc." along with an invoice and other documentation.
- Make payment of secondary tariff duties partially due on the payment for importation of rice, etc. (¥292/kg).
- File a report of the import volume.
- Remaining secondary tariff (¥49/kg from FY 2000 onward) shall be paid separately at customs clearance time.

2) Plant Protection Law

Rice imports are also subject to provisions of the Plant Protection Law, whose purpose is to prevent the spread of any injurious plants into Japan. Upon arrival at the port of entry, the importer must promptly submit to the Plant Protection Station an “Application for Import Inspection of Plants and Import-Prohibited Articles” along with a “Phytosanitary Certificate” issued by the competent government agency of the exporting country. Importers should note that only certain ports of entry equipped with plant quarantine facilities are designated for plant imports. If an infestation is detected, and then the importer will be ordered to decontaminate, discard, or return to the shipper.

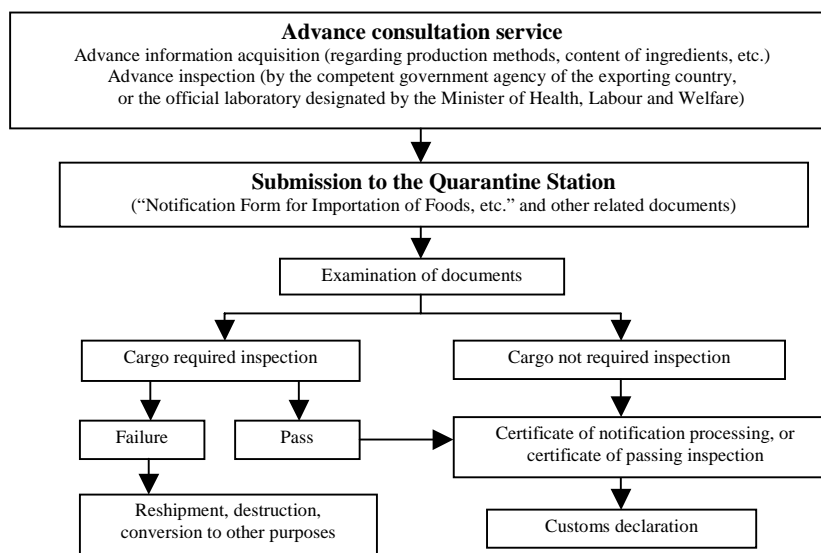
Fig. 7 Import inspection (quarantine) procedures under the Plant Protection Law



3) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for rice being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed “Notification Form for Importation of Foods, etc.” to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required. Please note that Japan has established standards for residual agricultural chemical levels for rice, and rice found to exceed those levels cannot be imported.

Fig. 8 Import inspection (quarantine) procedures under the Food Sanitation Law



Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process.

In addition, importers who wish to submit their notifications by computer may make use of the computerized FAINS (Food Automated Import Inspection and Notification System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

Note 1:

In the case of minimum access importation under government sponsorship, the rice is inspected at the point of origin, at a processing plant in the exporter country as approved by the Food Agency, and a sample is shipped to Japan by air for inspection prior to being loaded. The results of such inspections serve as reference documents for the documentary examination conducted at customs under provisions of the Food Sanitation Law.

Note 2:

On January 25, 2002, a lead exceeding Food Sanitation Law standards was detected in a bag containing imported rice from the United States. As a result, Japan temporarily halted distribution of all imported rice in the possession of the government and private-sector wholesalers. The Food Agency conducted product quality tests on samples from packaging bags, and after their safety was verified, the distribution freeze was lifted. Another lead exceeding standard values was discovered in a bag of Chinese rice, but it was determined that there was no risk of rice contamination, and the government gave approval to transferring the rice to another bag for re-shipment. In the future, rice importers will be required to submit a certificate indicating that the container material conforms to standards established under the Food Sanitation Law.

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

The sale of rice is subject to the Food Sanitation Law, the JAS Law, the Measurement Law, the Nutrition Improvement Law, the Containers and Packaging Recycling Law, and the Law for Promotion of Effective Utilization of Resources.

1) JAS Law

(Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products)

The JAS Law establishes proper labeling standards for all food and beverage products sold to consumers. Rice is subject to obligatory labeling requirements of the Husked Rice and Milled Rice Quality Labeling Standard and the Fresh Foods Quality Labeling Standard (see 4. Labeling).

Note: As of April 1, 2001, approval and confirmation system by the Food Agency Milled Rice Labeling Standard under provisions of the Food Stuff Law repealed and moved to labeling obligations under the amended JAS Law.

2) Food Sanitation Law

The Law prohibits the sale of foods containing harmful or toxic substances, and the sale of un-sanitary foods. The Law places the same responsibility upon importers as it does upon manufacturers and resellers in the case of domestically produced food products. (see 4. Labeling)

3) Measurements Law

Rice sealed in wrapping or containers are required the labeling of the net content to certain accuracy. (see 4. Labeling)

4) Nutrition Improvement Law

When employing labeling for nutritional ingredients or calories, labeling must be in accordance with the requirements under the Nutrition Improvement Law. (see 4. Labeling)

5) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, rice importers incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information.

6) Law for Promotion of Effective Utilization of Resources

As of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials, in addition to previously existing labeling requirements for steel and aluminum cans or PET bottles. (see 4. Labeling)

(3) Competent Agencies

- Foodstuff Law

Food Agency, Ministry of Agriculture, Forestry and Fisheries

TEL: 03-3502-8111

<http://www.syokuryo.maff.go.jp>

- Plant Protection Law

Plant Protection Division, Agricultural Production Bureau, Ministry of Agriculture, Forestry and Fisheries

TEL: 03-3502-8111

<http://www.maff.go.jp>

- **Food Sanitation Law**
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau,
Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- **JAS Law**
Standards and Labeling Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>
- **Measurement Law**
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment
Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- **Nutrition Improvement Law**
Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- **Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources**
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries
TEL: 03-3502-8111 <http://www.maff.go.jp>

4. Labeling

(1) Legally Required Labeling

The sale of husked or milled rice sealed in wrapping and containers is subject to labeling requirements of the Husked Rice and Milled Rice Quality Labeling Standard, which is based on provisions of the JAS Law and the Measurement Law. These provisions apply to all resellers of husked or milled rice sold to consumers in containers or wrapping. The JAS Law does not apply to rice sold to commercial users, where the sale is based on contract between the seller and the purchaser. However, it does apply to cases where the producer sells directly to the consumer.

<Required Label Items>

- 1) Name (product name)
- 2) Raw material husked rice
- 3) Net content
- 4) Date of milling (date of processing for husked rice)
An imported product that has an unknown date of milling or processing shall indicate the date of importation. If the two varieties of rice are blended, the oldest applicable date shall be displayed.
- 5) Retailer name, address and telephone number

For instance, if imported husked rice is milled in Japan, then purchased by another company and bagged after being processed for sale to consumers, a certificate issued by a public agency of the exporting country is required in order to display the place of origin, variety of rice and year of production. If these three items cannot be authenticated, then the place of origin may not be displayed, although the phrase “uninspected rice” may be voluntarily displayed along with the proportion of this rice used in the product mix (see following example).

Unpackaged husked or milled rice that is not sold in containers is treated for regulatory purposes as a form of fresh food. These foods are subject to the Fresh Food Quality Labeling Standard under the JAS Law. The retailers must display it in a readily visible location, indicating the name and place of origin of the rice.

Contact:

Center for Food Quality, Labeling and Consumer Services Headquarters
Standard and Labeling Department TEL: 048-600-2371 <http://www.cfqlcs.go.jp>

Fig. 9 Labeling requirements of the JAS Law

[Example of single-variety rice with certificate]

Product Name	Milled Rice			
Raw material husked rice	Place of origin	Variety	Year of production	Proportion used
	X Prefecture	"Hikari"	xxxx year	100%
Net weight	5 kg			
Date of milling	2000. 10. 1			
Retailer	XX Company, Ltd.		Tel 01(2345)6789	

Labeling method for raw material husked rice

- The place of origin, the variety of rice and the year of production must be certifiable.
- Must indicate the place of origin, the variety and the year of production, and that the proportion of use is 100%
- Place of origin shall be indicated as follows:
 - Domestic rice: name of prefecture and municipality, or other generally known place, where grown
 - Imported rice: name of country of origin or country of origin and generally known place name
- “Certifiable” means the following:
 - Domestic rice: certification under the Agricultural Products Inspection Law
 - Imported rice: certification by an official agency or organization of the exporting country

[Example of blended rice]

Following labeling practices described only for raw material husked rice component of blended rice. Other labeling practices are the same as for single-variety rice.

Case 1

Raw material husked rice	Place of origin	Variety	Year of production	Proportion used
	Multiple raw material rice			
	Produced in Japan			30%
	Produced in USA			30%

- When the rice is not single-variety with certificate, the product must be labeled as containing multiple varieties of rice, or labeling must employ the phrase “blended rice.”
- Labeling shall indicate domestic rice or shall list the countries of origin of other varieties of rice in the blend, along with the proportion used of each (in descending order).

Case 2

Raw material husked rice	Place of origin	Variety	Year of production	Proportion used
	Blended rice			
	Produced in Japan			30%
	X Prefecture		xxxx year	100%
	X Prefecture		xxxx year	100%
	Produced in USA			20%
	California		xxxx year	10%
	Uninspected rice			10%

- It is also permissible, in addition to the case 1, to list the place of origin, the variety and the year of production (only when certifiable) along with the proportion used of each.
- Listed in descending order by proportion used.
- One or another of the place of origin, variety or the year of production may be omitted. In this instance, the label items shall be listed by place of origin.
- It is permissible to list only some of the husked rice used as raw material.
- Uninspected rice may not indicate the place of origin, variety or year of production in the labeling. The labeling shall employ the phrase “uninspected rice” accompanied by the proportions used.

<Labeling under the Law for Promotion of Effective Utilization of Resources>

When paper or plastic is used as a packaging material for wrapping of individual product item, or for labels, external packaging or elsewhere, a material identifier mark must be displayed with information where the material used.

< Example >



Bag



Label

(2) Voluntary Labeling based on Provisions of Law

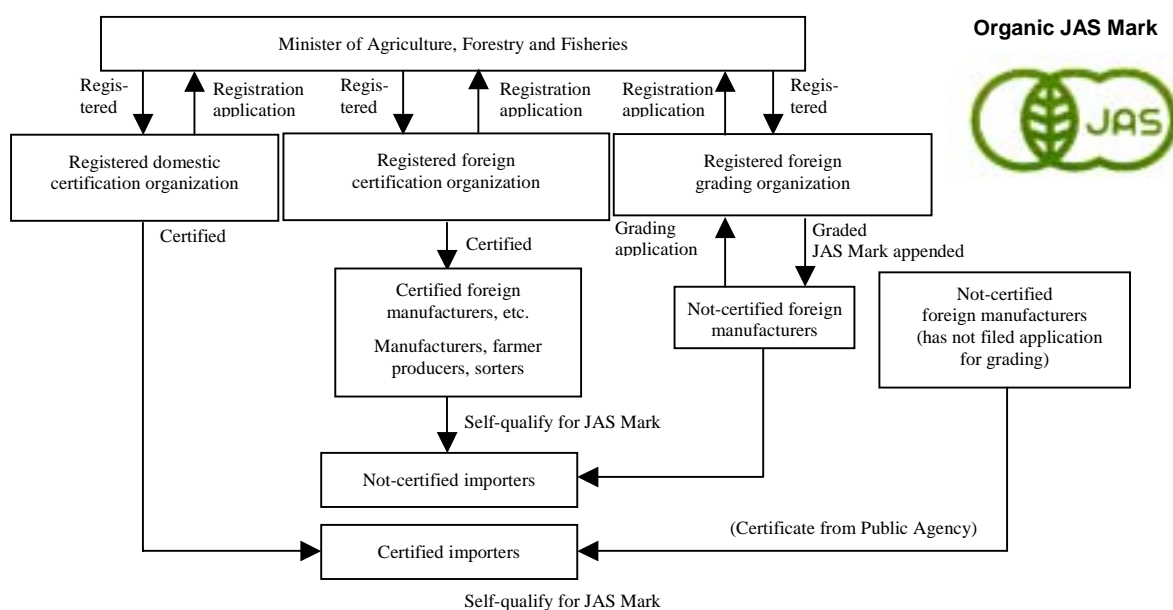
1) JAS Law

<Inspection and Certification of Organic Agricultural Products and Processed Organic Agricultural Products>

The JAS Law establishes a “special JAS standard” for organic agricultural products and processed organic agricultural products. Only those products that comply with this standard are allowed to include in their labeling the phrase “organic” and to display the Organic JAS Mark. Organic agricultural products produced abroad (in countries recognized as having a certification program equivalent to the JAS system) must be qualified according to one of the following methods in order to use the phrase “organic” and to display the Organic JAS Mark.

- 1) Product is qualified by a foreign grading organization registered with Japan’s Minister of Agriculture, Forestry and Fisheries, and is imported with the JAS Mark attached.
- 2) Manufacturers, production process supervisors (farmer producers) and sorters shall be authorized to self-qualify with the approval of a registered certification organization. This provision applies to foreign countries as well. This means that foreign manufacturers, etc., may be authorized to self-qualify by registered a foreign certification organization, and to export the product with the JAS Mark attached to Japan.
- 3) Importers may obtain approval to qualify from a registered certification organization in Japan, and they may self-qualify the imported product by accompanied certificate (or copy) issued by a public agency abroad.

Fig. 10 Inspection and certification system for imported organic agricultural products and processed organic agricultural products



Contact:

Center for Food Quality, Labeling and Consumer Services Headquarters
Standard and Labeling Department TEL: 048-600-2371 <http://www.cfqlcs.go.jp>

(3) Voluntary Industry Labeling

There are no voluntary industry labeling standards applying to rice generally. The Japan No-Washing Rice Association, however, does have a program that allows no-washing rice that conforms to Association standards for safety, product quality and environmental soundness to display a certification mark on the container.

Contact:

Japan No-Washing Rice Association TEL: 03-3221-6271 <http://www.musenmai.com/>

5. Taxes

(1) Customs Duties

As of April, 1999, numerical import quotas were abolished, and rice was transferred to the tariff system. At this time, a temporary tariff rate was established. Rice imported by the government under the minimum access programs is subject to the current effective tariff (duty free). Rice imports in excess of the minimum access ceiling are subject to a secondary tariff. For FY 2001, that tariff is ¥49/kg plus payment for importation of rice, etc. (¥292/kg). Anyone or any entity may import rice subject to payment of the secondary tariff.

Fig. 11 Customs duties on rice

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
1006.10-040	Rice (rice in the husk, husked (brown) rice, semi-milled or wholly milled rice, and broken rice)	(¥402/kg)			
-010	- Less than Minimum Access		(Free)		Free
-090	- Other rice		*(¥341/kg)		¥49/kg

* Tariff rate may be raised at a certain rate as a special safeguard in case import volumes increase at greater than a certain rate or value for customs fall at greater than a certain rate.

(2) Consumption Tax

(CIF + Payment for importation of rice, etc. + Customs duty) x 5%

Rice imported under the minimum access rules is exempt from consumption tax.

6. Product Characteristics

(1) Classification by Varieties

Some 600 million tons of rice (rice in husk basis) are grown worldwide, with roughly 90% of that production concentrated in Asia, including China, India and Indonesia. Rice is divided by type into indica (long-grain), japonica (short-grain) and javanica (large-grain) varieties. The most common type is indica, which makes up about 85% of world production. In contrast, japonica rice grown in Japan accounts for less than 15% of world production. Javanica rice is grown only on the island of Java and elsewhere in the Indonesian archipelago. The following table compares the properties of non-glutinous japonica and indica rice.

Fig. 12 Comparison of japonica and indica rice

	Japonica Rice	Indica Rice
Areas cultivated	Japan, Korean peninsula, northern China, northern Australia, parts of USA and Italy	India, China, USA, Asian continent interior
Shape	Short-grain (rice in husk is short-grained and rounded)	Long-grain (rice in husk is long-grained, thin and long)
Amylose content	17-22%	20-30%
Culinary sense	Has the appropriate degree of stickiness and sweetness	Low water content, not sticky, grains tend to scatter
Uses	Steamed for use as a primary food; also used in <i>sushi</i> and rice balls, etc.	Suitable for use in pilaf, Chinese pilaf and paella dishes. Also used in Chinese rice noodle and alpha (pre-processed) rice flour because of its suitability for machining.

Rice is evaluated overall in terms of the sweetness of steamed rice (taste), its fragrance (smell), its shiny whiteness (visual appearance), its appropriate stickiness, its appropriate tenderness and palatability (touch). Japanese people generally prefer sticky rice, and many people believe the tastiest rice is japonica with an amylose content of 17-19%. However, as culinary tastes diversify, there are changes in rice preference by age and by region (between urban and rural areas). It is expected that Japanese people's preference for sticky rice will diversify in the future.

(2) Characteristics of Products from Different Countries / Regions

As discussed previously, imports of foreign-grown rice began in FY 1995 under the minimum access program. However, since most of the rice imported by general bidding consists of indica long-grain rice, most is used for food processing or goes into the rice reserve. Hardly any goes into the consumer market. The characteristics of rice by country of origin may be summarized as follows.

- United States

The United States produces about 9.0 million tons of rice, nearly 70% of which is long-grain rice. Rice imported into Japan from the United States by general bidding under the minimum access program mostly consists of long-grain husked rice and milled rice grown in California.

Some short-grain rice is grown under contract with major trading companies in California (*akita-komachi*) and Arkansas (*koshi-hikari*), and is imported by SBS bidding. Demand is mainly in the food service industry and for commercial blend rice used in processed rice foods. Recently, American rice has come under pressure from Chinese rice both in terms of price and quality. The trading companies that import rice are scaling back their contract growing in the USA and importing more Chinese rice instead.

The food services industry has been racked by fierce price competition in recent years, and many cannot maintain their competitiveness unless they can obtain rice priced more cheaply than the lowest-priced Japanese rice. A subsidiary of Japan Railways East Japan caused a stir when they decided in July of 2001 to start selling packaged lunches in the Tokyo metropolitan area made using American organic rice priced lower than standard Japanese rice.

- Australia

Australia produces about 1.35 million tons of rice, nearly 80% of which is short-grain and medium-grain rice that is well suited to meet demand in foreign markets. Japan has been importing *koshi-hikari* rice from Australia since 1996. In 1999 Australian growers began replacing the older medium-grain rice with a newer short-grain rice that was developed over more than a decade and is designed specifically for the Japanese market.

Under the minimum access import program, in FY 2001 Japan imported long-grain husked and milled rice by general bidding and short-grain rice (*koshi-hikari*) by SBS. Australian rice has the advantage of coming to harvest sooner than Japanese rice, because of its location in the southern hemisphere, and some supermarkets promote Australian rice as “the world’s earliest new rice.”

- China

China is the world’s leading rice grower, with nearly 40% of world production (200 million tons). Although short-grain and medium-grain rice makes up less than 20% of its production, this amount is much larger than Japan’s total rice production. Nearly all the rice imported from China is short-grain rice grown in the three northeastern provinces of China, and imported by SBS. Farm management assistance by the general trading companies, along as improved strains of rice, have improved the flavor of Chinese rice while cutting the cost of production. As a result, the general trading companies are scaling back their contract growing in the United States and expanding contract growing in China. China held a large lead in SBS imports with 65,700 tons in FY 2001.

- Thailand

Thailand grows just over 20 million tons of rice (*indica* long-grain). It is the world’s foremost rice exporter, and it meets demand for everything from low-grade to high-grade varieties of rice. Japan imported long-grain rice from Thailand on an emergency basis during the drought of 1993. However, Thai rice failed to gain consumer support as a food item, and since 1996 virtually all imports from Thailand have been by general bidding under the minimum access program. Broken rice as well as milled rice makes up a fairly high proportion of imports from Thailand. Because of its low price, there is a certain level of demand for use in processed rice foods, rice crackers, soybean paste, and cereal flour.

(3) Demand Characteristics

As Japan’s culinary preferences diversify, monthly per-capita consumption of rice as a staple food has declined from 6.8 kg to 5.0 kg over the past decade. People are also eating fewer meals at home than before. The percentage of meals eaten at food service establishments has risen to 20%. Moreover, even at home people are cooking their own meals less often, and are eating more processed rice foods, prepared lunches, and take-home snack foods. People are also having more meals delivered.

Rice is widely used as an ingredient in processed foods, as well as a staple food item itself. Estimates put the volume of rice used in processed foods at about 1.3 million tons. The most common use is as a raw ingredient for alcoholic beverages and other beverages (550,000 tons), followed by rice crackers and rice flour (300,000 tons), processed rice foods (130,000 tons) and flavorings, soybean paste, *mirin* and vinegar, 110,000 tons).

Recently an object of considerable attention has been “no-washing rice,” which comes already washed from the rice mill and does not need to be washed before cooking at home. It is convenient to use, keeps its nutritional value, cuts down on home water bills, and eliminates runoff water from rice washing, which has been cited as a source of environmental pollution. No-washing rice was adopted early on for commercial use rice, and recently it has gained in consumer sales as it becomes more widely available as private brands sold by food co-ops and leading supermarkets. Some co-ops report that more than 50% of their rice sales now are in no-washing rice. Industry observers believe that no-washing rice may top the 1.0 million ton mark within a few years.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Rice is a staple of the Japanese diet, and is a key product of Japanese agriculture. However, there is a chronic substantial gap between supply and demand (with productivity exceeding demand). Since 1995 rice inventories have substantially exceeded the appropriate standard (1.5 million tons +/- 500,000 tons, for a maximum of 2.0 million tons). Efforts have been made to adjust production to achieve a better balance between supply and demand.

A breakdown of demand volume estimates shows 4.3 million tons for voluntarily marketed rice and 550,000 tons for government-controlled rice (of which 100,000 tons is staple food rice imported by SBS). The remaining 4.45 million tons consists of unplanned shipment rice (rice sold directly by producers in local markets or directly to consumers, without going through registered retailers; including household consumption by farmer growers). Under provisions of the Foodstuff Law that went into effect in 1995, government-controlled rice is limited to rice reserves and minimum access imports. The normal method for rice distribution is voluntarily marketed rice by registered retailers. However, sales of voluntarily marketed rice have been very poor of late, and the proportion of unplanned rice shipments is increasing every year.

The chronic recession in Japan has made consumers extremely finicky about product selection. Increasingly they are choosing rice that tastes good and is affordably priced, and are less impressed by traditional preferences for place of origin or brand names. Overall rice consumption is sagging, and the only segment where demand is strong is for low-price rice for use in blends. This explains the popularity of Chinese and Australian rice imported by SBS. Leading supermarkets are seeking to meet increasingly diverse consumer needs by developing inexpensive but high-quality private brands of rice. They are also carrying high added value varieties of rice, such as rice grown with less pesticides and non-chemical fertilizers. Some are also installing rice mills in the store and selling husked rice for customers to mill on their own. Thus, supermarkets are relying less on traditional appeals to reputation and price, and instead differentiating themselves with their own distinctive product lineups and pricing strategies.

In this context, for foreign rice to actually find its way in the marketplace, it must not only improve its product quality, but also sell at a more affordable price than rice grown in Japan. At current tariff levels, it is difficult for imported rice to compete with domestic rice. Moreover, at the present time, foreign-grown food staple rice is essentially limited to imports by SBS. Even this rice is losing its feeling of affordability, as the price of domestically grown rice continue to decline.

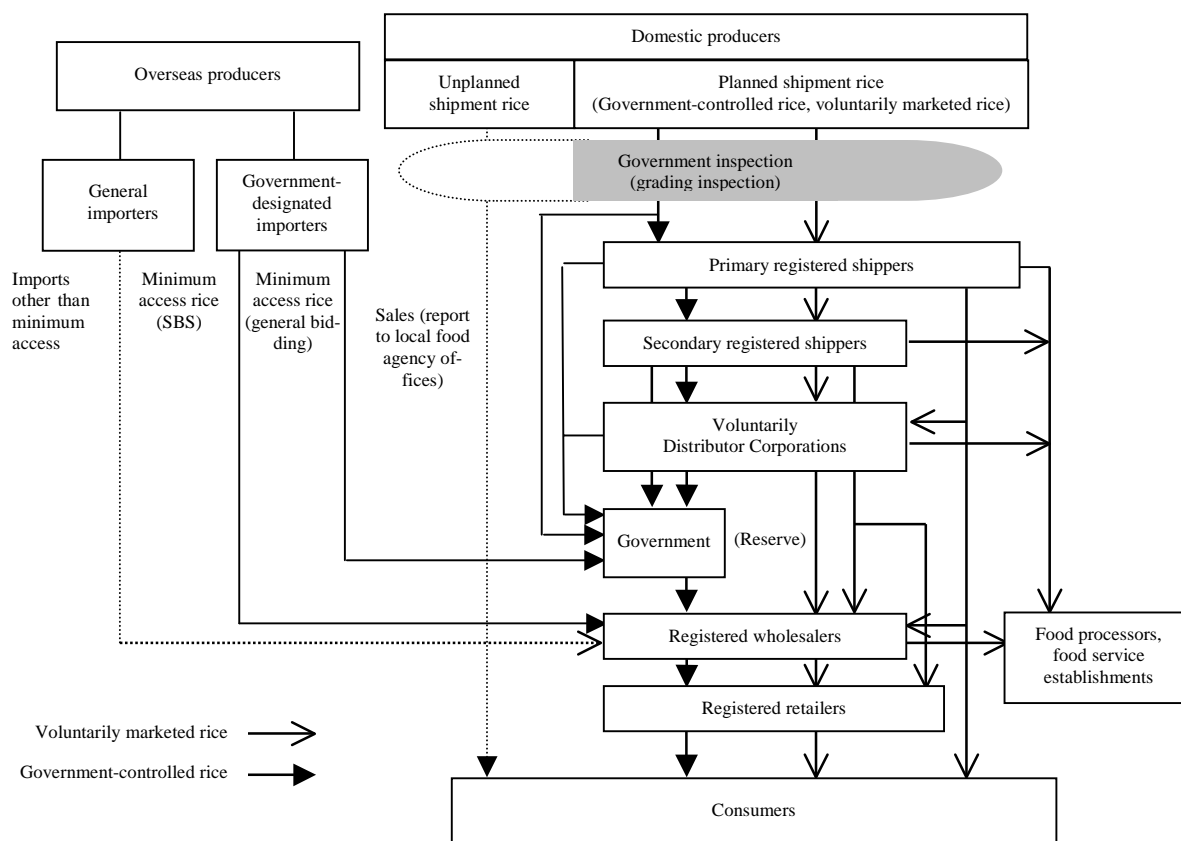
If tariff rates are progressively lowered in the future, foreign-grown rice can be expected to compete with domestic rice in the middle price ranges, a segment where the quality differential is slight. Industry observers believe it is by no means impossible for the imported rice market to grow to the 2.0 million tons per year level. In particular, if tariffs were reduced to one-half the current level, demand for imported rice would soar in the food service industry, where there is less interest in name reputation and place of origin. Also, organic rice is difficult to cultivate in Japan, but if it can be purchased inexpensively from abroad, demand could be expected to grow among brewing companies and soybean paste makers.

General trading companies, specialty trading companies and leading wholesalers already expect tariff levels to be reduced in stages. These entities are moving to establish and strengthen development import programs. Under these programs, Japanese companies would undertake contract cultivation of name-brand strains of rice and organic rice in places like the United States, China and Australia. They would provide growers with training and guidance, set up more rice mills, and improve processing capabilities of existing rice mills.

(2) Distribution Channels

When it went into effect in 1995, the Foodstuff Law dramatically eased the strict distribution channel regulations that formerly obligated producers to sell their rice to the government. Japan has moved from an approval/permission system for rice sales to a registration system, under which any retailer that meets certain qualifications may engage in the sale of rice. This has dramatically expanded the number of rice retailers, and has turned supermarkets into the leading distribution channel for rice, instead of traditional rice specialty stores. The basic distribution channels for rice are shown below.

Fig. 13 Rice distribution channels



Note: With regard to unplanned distributed rice, producers are free to sell rice directly to consumers (so-called "direct shipment rice from producers"). However, producers are supposed to report in advance to the local food agency office the volume they plan to sell and the scheduled date of sale, to make it possible to track the overall volume of rice distributed. In practice, though more and more registered wholesalers and retailers have been carrying unplanned distributed rice in recent times.

Fig. 14 on the following page describes the roles of the various stages in the distribution process, and summarizes the qualifications for registration and designation.

(3) Points to Consider When First Entering the Japanese Market

If tariff rates are progressively reduced in the future, more players will seek to enter the field of rice imports, and competition is likely to intensify. Since the Food Sanitation Law imposes rigorous standards for residual agricultural chemicals, it is important to study ahead of time the pesticide usage regulations and usage patterns of the exporting country. Importers need to make sure that the rice they plan to import complies with Japanese standards in this regard, either by sending a sample in advance for inspection or by submitting an inspection report issued by the competent agency in exporting country. Also, leaks during transit can result in decay or mold formation. When this happens, the rice is normally either destroyed or redirected into non-food uses, such as fertilizer or animal feeds.

Fig. 14 Roles of the stages in the distribution process and qualifications for registration

Title	Role	Qualifications	No. of designated entities
Government-designated importers	Qualified to participate in bidding for minimum access rice, carries out importation on behalf of the government.	<ul style="list-style-type: none"> • Corporation organized in Japan, with capital of at least ¥1.0 billion (including Japan subsidiaries of foreign-owned corporations). • Track record of at least an annual average of 10,000 tons in rice import/export over the previous three years • Other qualifications as indicated by the Food Agency. 	General bidding import: 22 SBS import: 44
Voluntarily distributor corporation	Adopts distribution plans for voluntarily marketed rice, and with the Minister's approval, distributes voluntarily marketed widely and predictably.	<ul style="list-style-type: none"> • Considered capable of selling at least 20,000 tons annually of voluntarily marketed rice over a wide area of prefectures in Japan. • Agricultural co-ops, consumer co-ops, or other non-profit organizations. 	2
Primary registered shippers	Takes possession of planned shipment rice from producers within a prefectural region and ships the rice.	<ul style="list-style-type: none"> • Shipment contracts with 10 producers or more. • Volume of planned shipment rice = at least 20 tons. • Voluntarily marketed rice contract with a secondary registered shipper within the same region or voluntarily distributor corporation. • Able to secure warehouse space. 	2,520
Secondary registered shippers	Handles planned shipment rice received from primary registered shipper in set lot sizes.	<ul style="list-style-type: none"> • Voluntarily marketed rice contract with a primary registered shipper within the same region and voluntarily distributor corporation. 	86
Registered wholesalers	Acquires planned shipment rice (including minimum access imports sold by the government) in large-lot sizes and sells to registered retailers, large-scale steamed rice resellers and food processors.	<ul style="list-style-type: none"> • Expected annual sales volume = at least 4,000 milled rice tons (a) (400 milled rice tons (b) if registered in other prefectures). • Able to utilize milling facilities to produce bagged milled rice. 	(a) 391 (b) 1,232
Registered retailers	Engages in storefront sales, deliveries and mail order sales of planned shipment rice to consumers in small lot sizes.	<ul style="list-style-type: none"> • Able to secure retail sales space. 	No. of retailers: 94,100 No. of retail outlets: 158,420

Note 1: Qualifications for adherence to law and creditworthiness apply to all. Registrations are all valid for three years. No. of registrants is as of March 2002.

Note 2: The price that serves as an index for transactions involving voluntarily marketed rice is determined by the Voluntarily Marketed Rice Pricing Center, based on bids by registered shippers (sellers) and registered wholesalers and large-scale retailers.

8. After-Sales Service

The retailer listed on the bag of a container of milled rice is responsible for the quality of the product and for dealing with any customer complaints. Although the Foodstuff Law abolished the certification and verification programs that formerly existed, the amended JAS Law provides for a strengthened program of traveling inspections and monitoring on the part of the local food agency office.

9. Related Product Categories

A related product category is prepared rice products (packaged in retort bags for reheating, or otherwise prepared in advance, listed under HS 1904.90.100). Foods with a rice content of over 30% are subject to the primary tariff on minimum access rice for 25%, and to the secondary tariff for over that amount (payment of ¥292/kg plus the tariff of ¥49/kg).

Rice flour preparations containing a mixture of rice flour, sugar and other ingredients that cannot easily be separated out are classified under HS 1901.90 and 1901.20. They are subject to the Plant Protection Law and the Food Sanitation Law.

Prepared foods containing a mixture of rice with meat or fish are classified according to the principal ingredient, into shrimp pilaf (HS 1605.20.021), crab pilaf (1605.10.021), beef pilaf (1602.50.310) and squid rice (1605.90.212 and 214). Other related product categories include rice flour products and rice confections.

10. Direct Imports by Individuals

Imports of rice for individual consumption are exempt from procedural requirements of the Food Sanitation Law, although individual imports must still undergo plant quarantine. Also, individual importers must file an import volume report form with the local food agency offices. If it is confirmed that the individual has imported not more than 100 kg within the previous year, it is exempt from the payment for importation of rice, etc., the tariff, and consumption tax.

All required reports must be submitted, regardless of the method of importation, whether that is in personal possession, separate shipment, shipment by mail, or by international express carrier. Individual importers are subject to a 100 kg per year ceiling. Also, the tax exemption limit is a market value of ¥200,000 or less for personal possession or separate shipment, and ¥100,000 for rice shipped by international mail or international express carrier.

If an individual attempts to import rice in his or her personal possession (or by separate shipment) without filing a report in advance, the plant quarantine counter at the port of entry has import volume report forms available, and the individual may fill out the form and submit it to the plant quarantine officer. Also, when using an international express carrier to import rice as an individual, the individual must file the report with the local food agency office, and must retain one copy of the triplicate form to file with the customs office along with the import declaration and the plant inspection certificate.

11. Related Organizations

There are no particular organizations related to imported rice.

<Reference>

- Zen-Chu (The Central Union of Agricultural Co-operatives)

TEL: 03-3245-7570	http://www.zenchu-ja.org
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- Zen-Noh (National Federation of Agricultural Co-operative Associations)

TEL: 03-3245-7040	http://www.zennoh.or.jp
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- National Rice Association

TEL: 03-3222-9582	http://www.komenet.or.jp
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- Japan Grain Inspection Association

TEL: 03-3668-0911	http://www.kokken.or.jp
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- Jishuryutsumai Kakaku Keisei Center

TEL: 03-3437-0671	http://www.jishumaicenter.or.jp
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