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Japan Creates New SBS Import Category for Wheat

Report Categories:

Grain and Feed

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Report Highlights:

Japan will introduce a new Simultaneous Buy-and-Sell (SBS) import category in October of this year covering all wheat classes. Japan's Ministry of Agriculture, Forestry and Fisheries' (MAFF's) intent is reportedly to expand flexibilities for Japanese flour millers to purchase diversified classes and specifications of wheat at competitive prices. Up to 200,000 MT per year of wheat can be imported in either bulk or containerized shipments under the new Category III (but imports under Category III are not obligatory if the general import system or another SBS category can be utilized).

General Information:

Japanese Wheat Import System

1. General Import of Food Wheat (General Import System)

MAFF currently purchases major classes of food wheat, such as Western White (WW), Dark Northern Spring (DNS) and Hard Red Winter (HRW), from the United States, as well as Canadian Western Red Spring (1CW), and Australia Standard White (ASW), and channels their imports to select importers through a tendering system. On the 20th of each month, Japanese flour millers submit purchase applications for a specific quantity, by class, four months ahead of the preferred arrival date in Japan. MAFF then determines the quantity-by-class and origin of the wheat for purchase each month, and sets a planned purchase price by origin, grade, class, quantity and type of import (bulk or container), taking into account international prices, freight, and the exchange rate.

MAFF invites MAFF-licensed importers to participate in competitive tenders three times a month (the first, second and third week of a month) and awards those who offer a price lower than MAFF's planned purchase price (from the lowest price up, until the quantity is fulfilled). Any wheat classes, excluding Durum and Prime Hard, can be imported under this system (but only if a purchase application reaches a level to fulfill the bulk shipment).

MAFF, in turn, sells purchased wheat to domestic flour millers with a mark-up plus port charges. The mark-up is currently 170 yen/kg (452 yen/kg is the ceiling), which is used to subsidize domestic wheat production.

To ensure domestic prices better reflect international prices, MAFF revises the re-sale price of imported wheat twice a year (issuing a price for the period April – September and a price for the period October – March). Prior to the arrival of a shipment in Japan, MAFF and a flour miller jointly conclude a buy-and-sell contract. Therefore, after the arrival and inspection of a shipment, the flour miller immediately purchases the contracted volume.

Import Tender Results (MT)

Class	JFY2013	JFY2014	JFY2015	JFY2016
U.S. Western White (WW)	640,307	718,922	689,057	654,923
U.S. Hard Red Winter (HRW)	836,456	739,979	790,309	839,616
U.S. Dark Northern Spring (DNS)	1,001,600	1,029,194	841,648	968,177
Canada Western Red Spring #1 (1CW)	1,401,434	1,118,383	1,470,557	1,510,343
Australia Standard White (ASW)	790,933	752,241	860,705	595,020
Total	4,670,730	4,358,719	4,652,276	4,568,079

Source: MAFF

2. Simultaneous Buy-and-Sell (SBS) Imports of Food Wheat

MAFF operates SBS tenders to allow imports of food wheat in bulk shipments (a Category I Import) and container shipments (a Category II Import). Durum of any origin, Australian Prime Hard, Australian Premium White, and Australian Hard (for food use) can be imported under Category I, and any other wheat classes other than the five major wheat classes (WW, DNS, HRW, 1CW and ASW) can be imported under Category II.

MAFF-licensed importers and purchasers jointly bid to import and purchase a particular class of wheat. Like the General Import System described above, MAFF sets a planned purchase price by origin, grade, class, quantity and type of import (bulk or container), taking into account international prices, freight, and the exchange rate. However, for SBS imports, MAFF also considers the planned sales price by origin, grade, class and type of imports (bulk or container), and adds a mark-up plus port and inspection charges. Because there is no quota set for Category I or II, MAFF awards those bidders whose offer is lower than MAFF's purchase price and higher than MAFF's sales price.

Japan Fiscal Year¹ Wheat SBS Tender Results (MT)

Country	Category	JFY2013 Total	JFY2014 Total	JFY2015 Total	JFY2016 2016
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¹ Japan's fiscal year runs from April 1 thru March 31 of the following year.

Australia	Category I	78,520	59,650	90,200	80,800
	Category II	7,394	9,598	7,017	3,988
	Australia Total	85,914	69,248	97,217	84,788
Canada	Category I	223,611	195,998	202,440	198,900
	Category II		0	0	1,200
	Canada Total	223,611	195,998	202,440	200,100
France	Category II	5,959	6,300	6,739	7,071
USA	Category I	6,681	8,924	5,350	10,100
	Category II				1538
	USA Total				11638
Total		322,165	280,470	311,746	303,597

Source: MAFF

3. Modification to the SBS Import System

Building on the Agricultural Competitiveness Enhancement Program (see [JA6065](#)), MAFF has announced (see attached Press Release) it intends to establish a “Category III” under the SBS system this October, under which all wheat classes of all origins, including the five major classes (WW, DNS, HRW, 1CW and ASW), can be imported.² The operation of Category III is summarized below:

1) *Commencement of Tender*
October 2017

2) *Annual Quota*
200,000 MT

3) *Setting a Mark-up*
MAFF will set a single mark-up which applies to all wheat imported under Category III.

4) *Selection of Successful Bidders*
MAFF intends to award those who offer the largest gap between MAFF’s import purchase price and its planned sales price (until the quantity is fulfilled).

4. SBS Imports of Feed Wheat

All feed wheat (save for Australian) is imported in bulk shipments under the SBS import system operated by MAFF. MAFF sets import quotas for feed wheat for each Japanese fiscal year (for

² Although the SBS system covers both wheat and barley, barley is not impacted by the creation of Category III.

JFY2016 the total was 600,000 MT for feed wheat). MAFF-licensed importers and purchasers (feed millers, feed millers associations, agricultural cooperatives, et. al.) collaboratively bid for imports and purchases. MAFF sets a planned purchase (by variety), by taking into account the international price, freight, the exchange rate, the planned sales price (by variety), a mark-up, and port charges.

ATTACHMENT

UNOFFICIAL TRANSLATION

Press Release

May 26, 2017
MAFF

Operational Improvement in SBS System for Imported Wheat Sales

MAFF has decided to improve SBS operations by establishing a new category covering all wheat classes in order to allow flour millers to exert their capabilities in ingredient procurement.

1. Summary

- (1) Japan imports about 90 percent of the wheat it consumes from overseas under the state trading system.
 - The majority of wheat is imported under the general import system where MAFF purchases the major wheat classes from trading firms (importers) and then sells it to domestic flour millers.
 - For specific classes such as Durum, a flour miller pairs up with a trading firm (importer) to import and purchase under the SBS system (Category I for bulk shipment and Category II for container shipment).
- (2) Following the establishment of its Agricultural Competitiveness Enhancement Program, the GOJ intends to strengthen competitiveness of flour millers, and has decided to improve SBS operations by establishing a Category III (bulk and container shipments, up to 200,000 MT annually) subjecting all wheat classes in order to allow flour millers to exert their capabilities in ingredient procurement.

2. Future plan

The first tender for Category III is scheduled to be held in October 2017.

(Attachment)
Sales of Imported Wheat

Sales of Imported Wheat

Import System		Wheat Classes
General Import		Five major classes <ul style="list-style-type: none"> • U.S. Dark Northern Spring • Canadian Western Red Spring • U.S. Hard Red Winter • Australian Standard White • U.S. Western White
SBS Import	Category I (Bulk shipment)	Specific classes <ul style="list-style-type: none"> • Durum • Australian Prime Hard • Australian Hard • Australian Premium White
	Category II (Container shipment)	Any classes other than the five major classes
	Category III (Bulk and container shipments) Newly established	All classes (200,000MT per year)