

Market Volatility and the Food System: Country Presentation – Japan

Osamu Koyama

**Japan International Research
Center for Agricultural Sciences
(JIRCAS)**

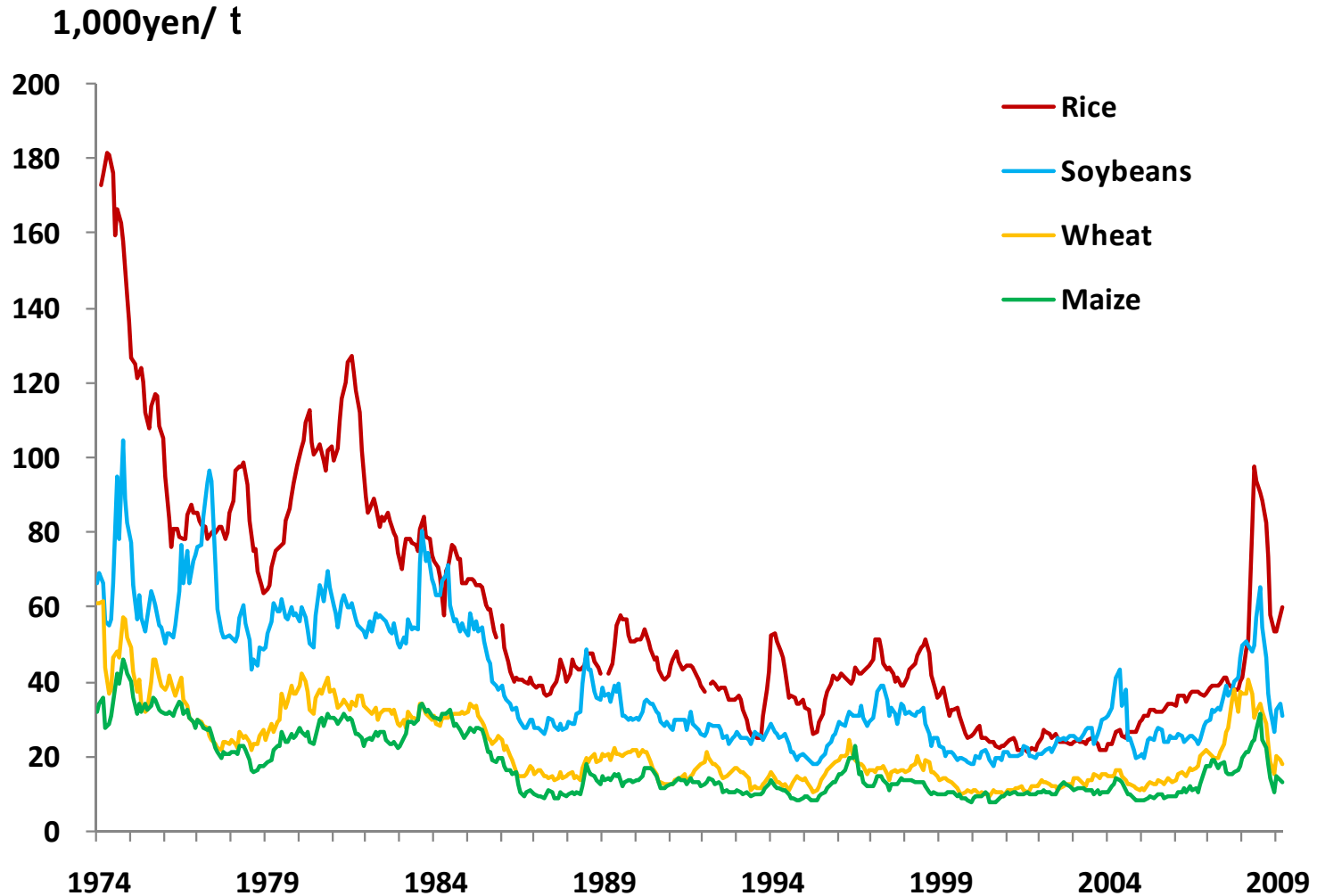
Introduction

- Japan deeply relies on the international market for its food supply.
- Stable food supply is the top priority of the government's agricultural policy.
- The price hike in 2007-2008 has some similarities with the past ones, but...
- Japan must learn lessons from this price hike.

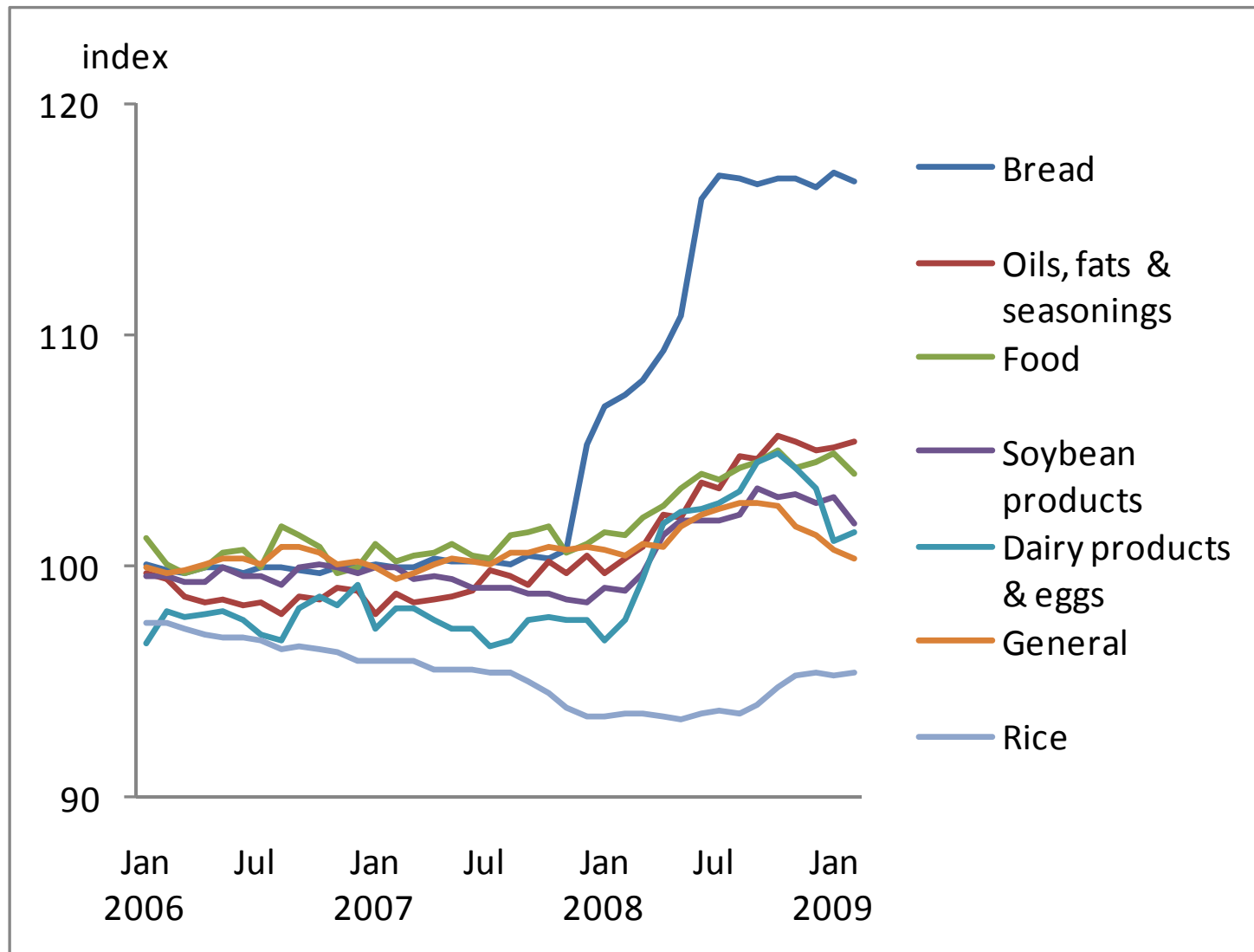
The nature of the problem

- Imported commodities (food, fuel...) were affected by international price volatility.
- Currency exchange rate has been appreciating for many years.
- Prices of basic food items (rice and wheat) are somewhat controlled.
- The government's food policy mitigated the fluctuation to some extent.

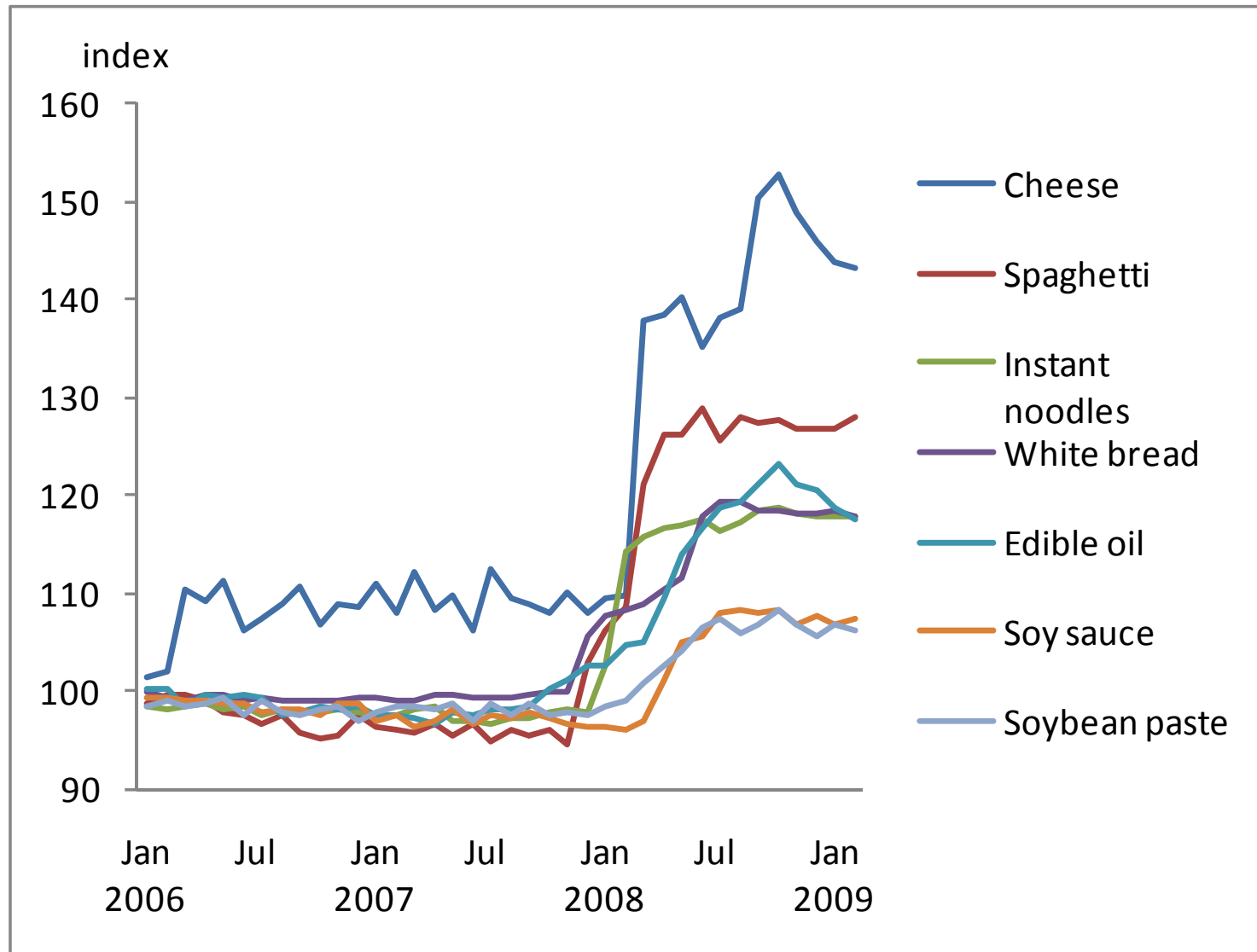
Changes in International Food Prices in Yen Term



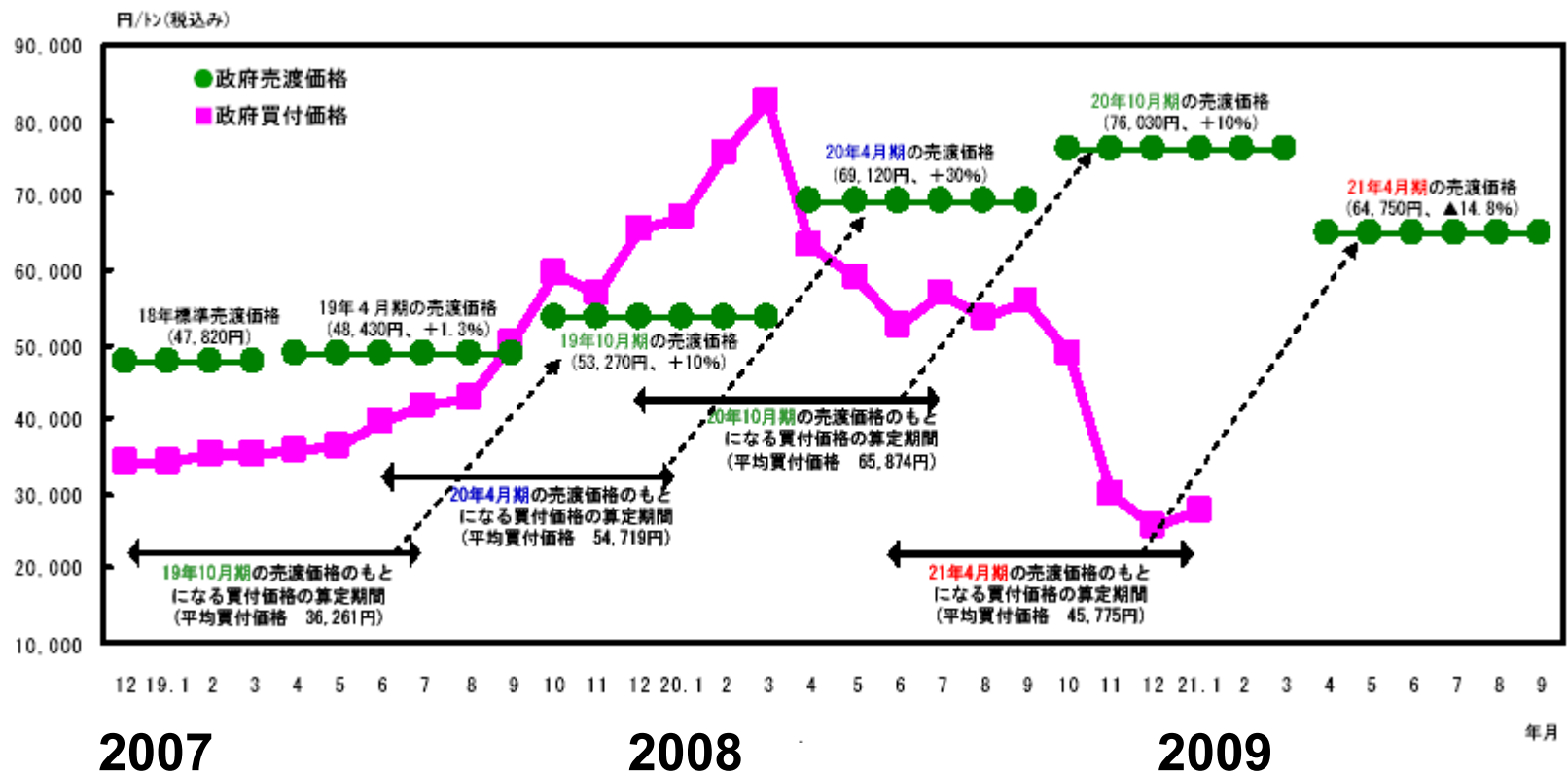
Consumer Price Index by Commodity Groups (2005=100)



Consumer Price Index by Commodity Groups (2005=100)



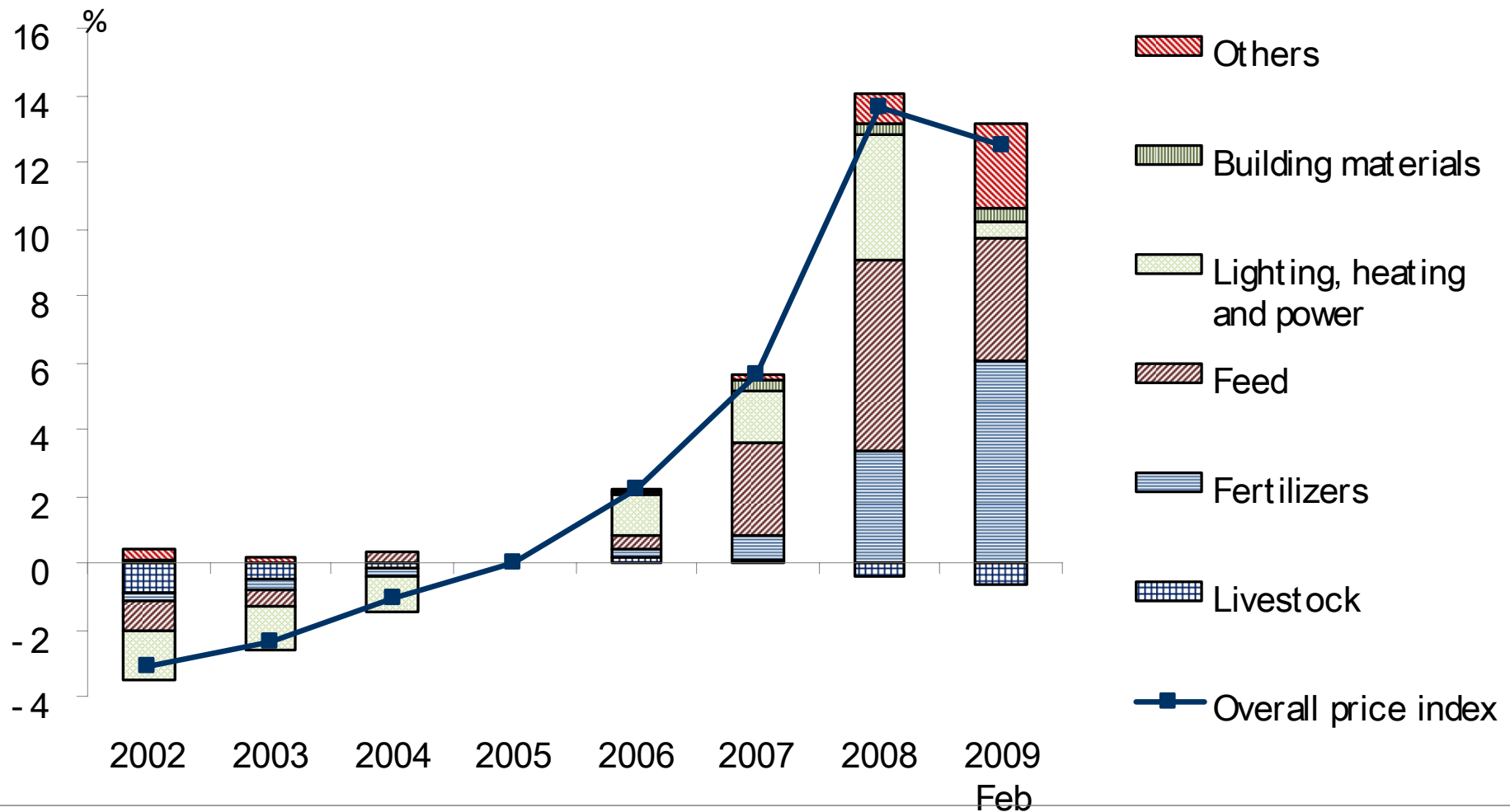
How government wheat selling prices were pegged



The causes of price volatility

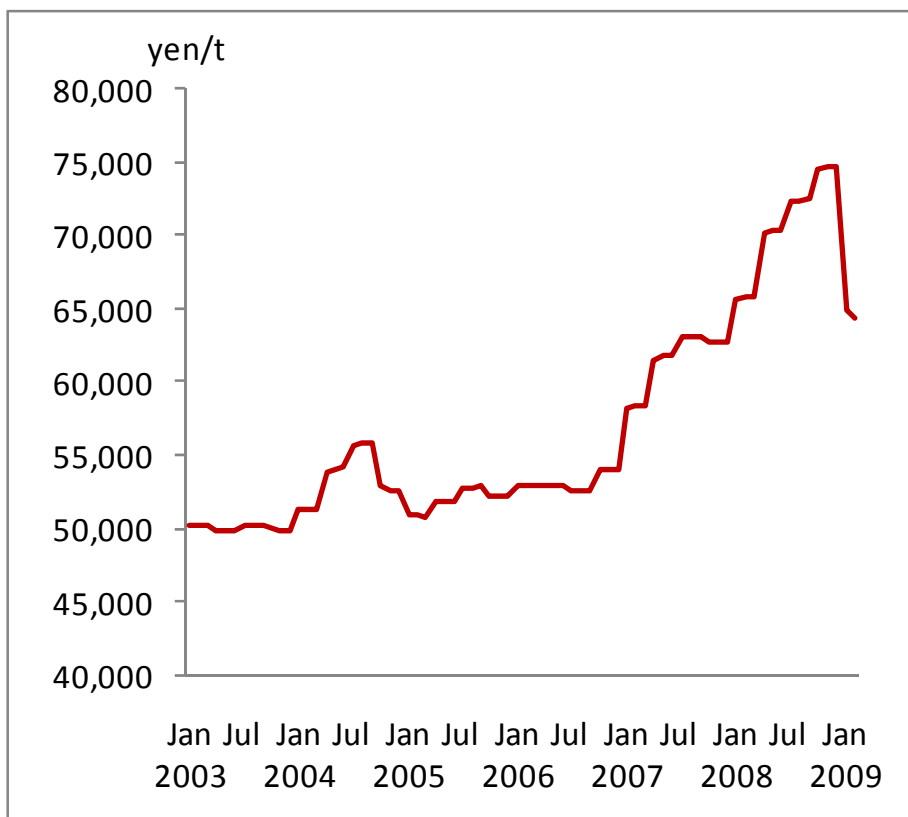
- Input price changes strongly affected some production sectors.
 - Livestock sector relies on imported feed.
 - Horticulture sector uses energy fuel.
 - Fish catch suffers due to high oil price.
- Product prices were not in parallel. Food prices were less volatile.
- Domestic biofuel production is still on a trial phase.
- In 2009, prices started to decline gradually.

Price Index of Agricultural Inputs (2005=0)

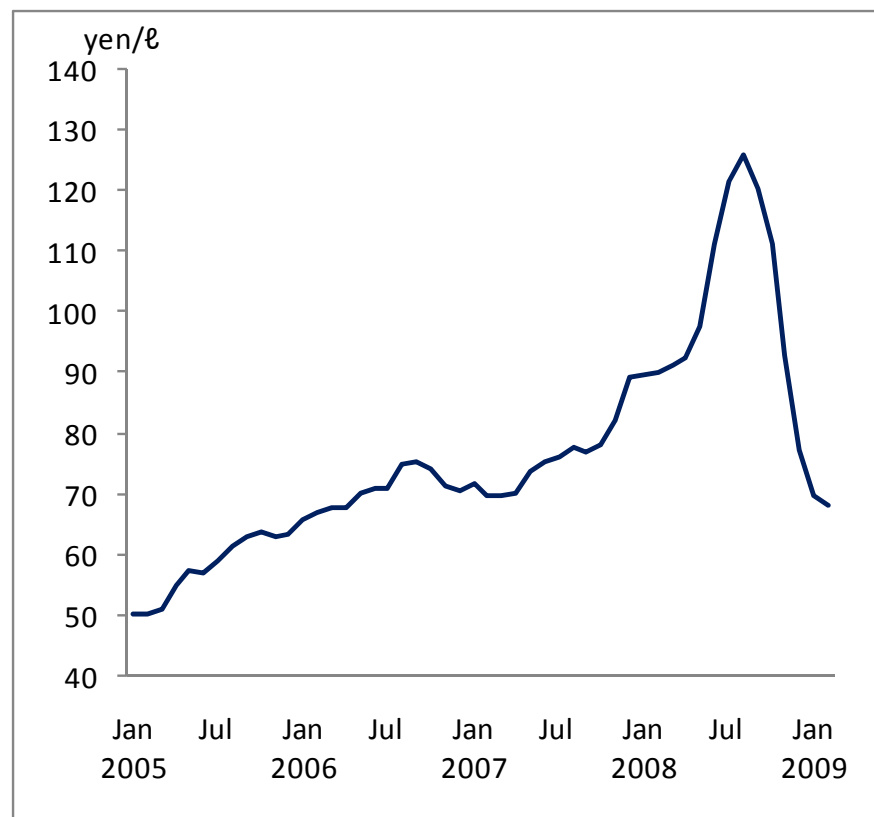


Price Changes in Agricultural Inputs

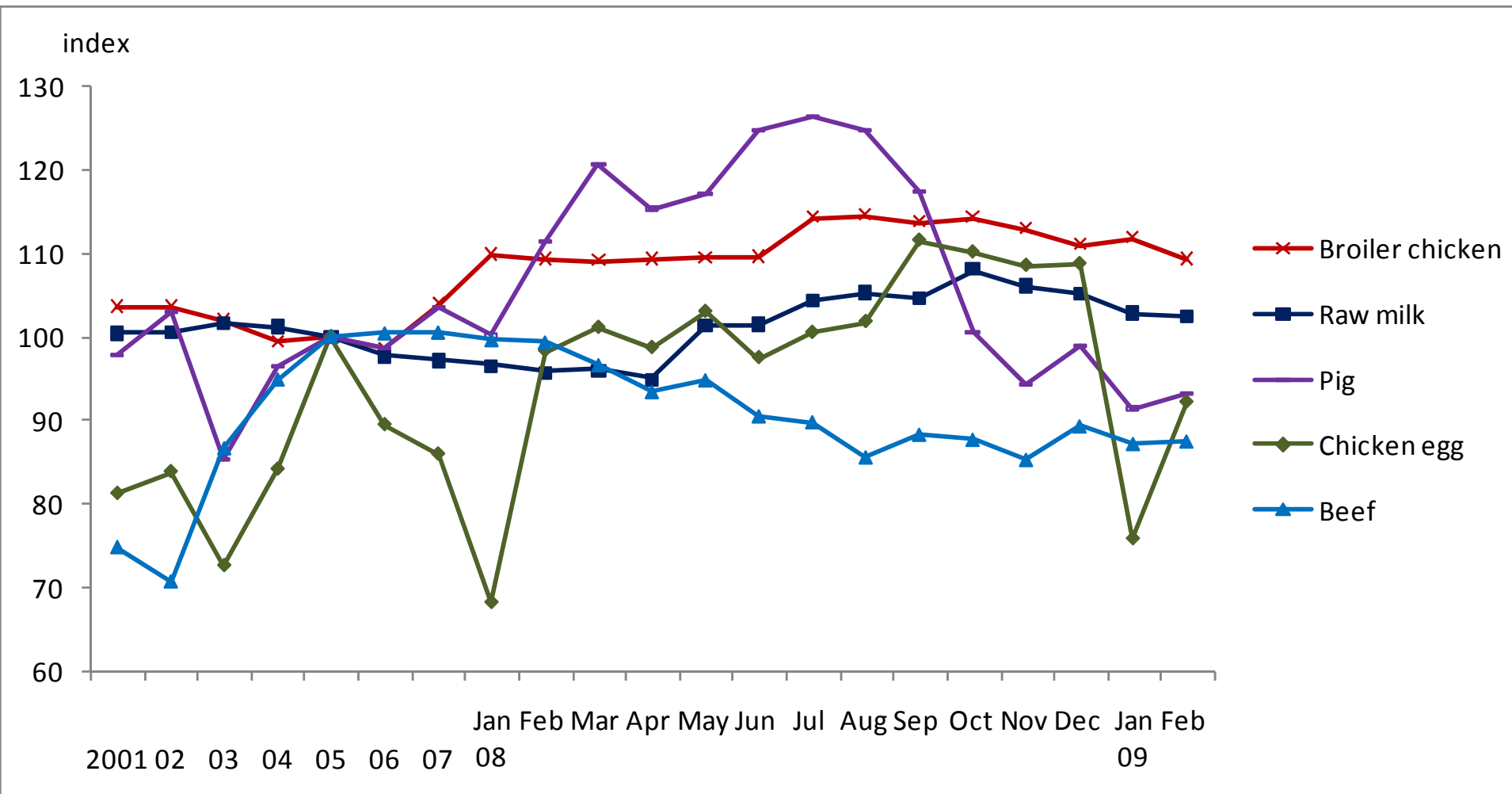
Compound feeds



Heavy oil (fuel)



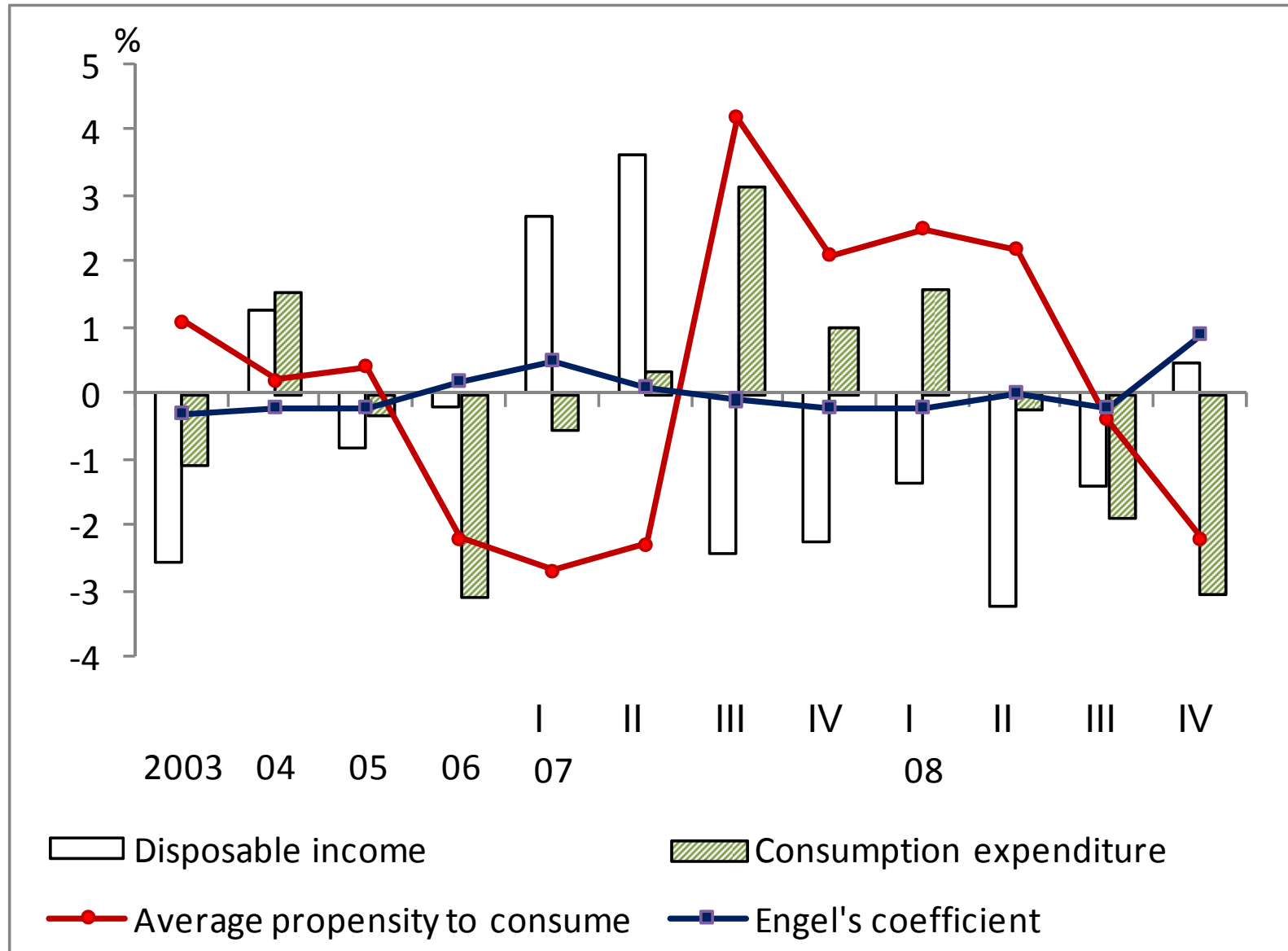
Price Index of Livestock Products (2005=100)



Impacts of volatility on the food system

- Propensity to consume increased.
- Consumption expenditure declined following a decrease in disposable income.
- Engel's coefficient was stable because of the relatively stable food prices.
- **Rice** was favored by consumers.
- People and politicians worried about the foreign situation.
- Support for self-sufficiency policy increased.

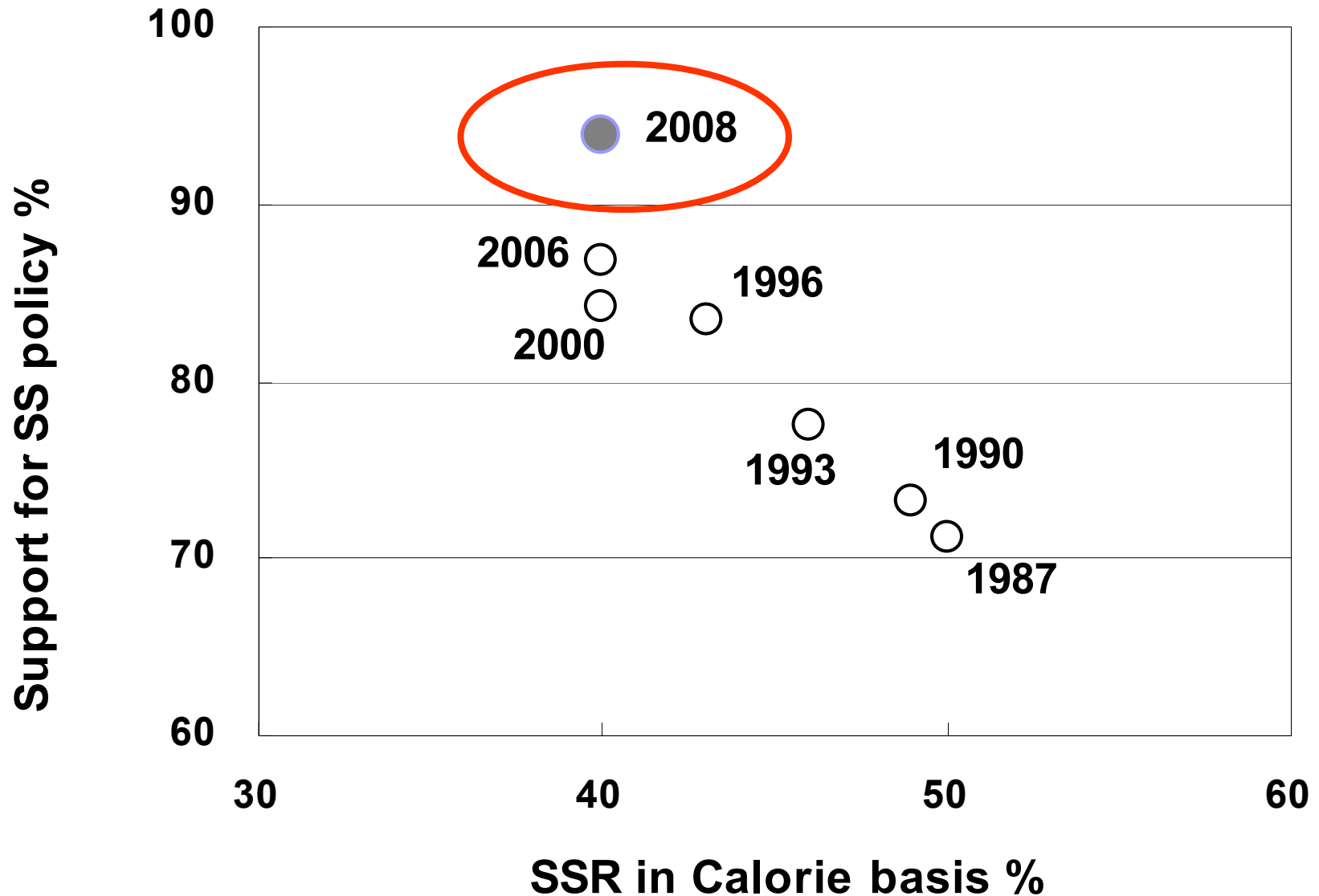
Disposable Income and Consumption Expenditure



Changes in Food Consumption Per Household

	2007				2008			
	I	II	III	IV	I	II	III	IV
Total	▲ 0.6	0.3	3.2	0.9	1.4	▲ 0.4	▲ 2.2	▲ 3.2
Food	1.4	0.6	2.2	0.0	0.4	▲ 1.8	▲ 3.5	▲ 1.5
Rice	1.3	0.5	▲ 0.5	2.7	5.0	2.7	▲ 4.8	4.0
Bread	2.4	0.5	4.0	2.0	▲ 3.1	▲ 7.2	▲ 13.0	▲ 11.5
Noodles	1.4	3.5	5.3	2.0	▲ 2.1	▲ 3.7	▲ 4.2	▲ 1.0
Fish	▲ 3.2	▲ 2.9	▲ 0.1	▲ 3.0	▲ 1.9	▲ 3.5	▲ 8.3	▲ 6.4
Meat	1.9	0.2	1.0	▲ 0.7	2.1	2.4	▲ 0.8	0.9
Meal outside	5.3	0.8	1.2	1.1	▲ 1.9	▲ 2.2	▲ 0.5	1.4

Support for Domestic Food Production and SSR



SSR : Self-sufficiency Ratio, SS: Self-sufficiency

The policy response to date

- **Structural reform** for self-sufficiency capacity.
 - Extra economic support package ???
 - Promotion of multiple uses of rice
- Support for **stable import**
 - Export credit and export infrastructure
 - Mutual deregulation through FTA...
 - Proposals for the rules on export restrictions
- **ODA** to enhance agricultural production
- **East Asia common cereal reserve stock**

Recommendations going forward

PECC to act for the improvement of food system towards....

1. Recognition of the need for special or different treatment for the food sector
2. Effective price stabilization measures and safety net measures
3. Transparent, regulated and sustainability-conscious new food market system