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JAPAN'S

Farm Commodity Market

A View of U.S.-Australian Competition

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U.S. dollars and metric tons are used throughout this report.

SUMMARY

Japan is a developing market for farm products because of population increase and limited capabilities for expanding production. The economic growth rate is high (Japan's gross national product is the third largest in the world), and living standards are rising. Consumption patterns are changing, too, with greater emphasis on variety and better nutrition. Increasing amounts of dairy products, meats, fruits, and vegetables are being included in the traditional rice-based diet.

Japan's agricultural production is highly subsidized and imports of agricultural products are controlled; trade policy is intricately tied to domestic agricultural programs. The main factors influencing the sources of Japan's agricultural imports are: (1) Japan's desire to diversify sources to assure reliability of supply, (2) prices, (3) the status of trade balances between Japan and the exporting country, and, perhaps the most important element, (4) potential markets for Japan's rising industrial output.

The United States has long been Japan's major supplier of agricultural products, and the value of this trade has increased almost steadily. Although Japan's market for agricultural products continues to expand, the U.S. share of that market has recently declined because of strong competition from other countries, particularly Australia. In 1968, the United States supplied 30 percent of Japan's imports of agricultural commodities--a decline from 34 percent in 1965. The most important U.S. exports of agricultural commodities to Japan, which in 1968 were valued at \$932 million, are soybeans, cotton, wheat, feed grains, tobacco, cattle hides, and tallow.

Australia has a rising agricultural production and an economy which has always been oriented toward the export market. Technological advances and development of new lands have brought expanding production in Australia, and increasing attention is being given to market development and diversification. With Australia's trade directions shifting from Western Europe to the Far East, Japan has become the Commonwealth's largest market for farm products. Australia is making strong promotional efforts to broaden its place in that market. In 1968-69, Australia's agricultural exports to Japan were valued at \$467.1 million. Chief among these exports were wool and wheat, but Japan is also Australia's best market for cheese, casein, barley, and cattle hides. Australia has a growing capability of filling a much larger share of the Japanese market than in the past and can be expected to become increasingly competitive with the United States in that market.

JAPAN'S FARM COMMODITY MARKET

A View of U.S.-Australian Competition

by

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JAPAN--A LEADING MARKET FOR FARM PRODUCTS

Japan has become an increasingly important import market, with one of the highest economic growth rates in the world. In 1968, the gross national product, which has been expanding at a real rate of about 12 percent per year, ranked third behind the United States and the Soviet Union. Japan's total imports, continuing a steady rise, neared \$13 billion in 1968 (table 1). Exports in 1968 were also about \$13 billion, reflecting the country's successful efforts to balance yearly import and export trade. Approximately 94 percent of Japan's total exports in 1968 were manufactured or processed products, but agricultural products made up 26 percent of the country's total imports. In 1969, imports were expected to rise to nearly \$15 billion.

Japan's high economic growth rate and rising living standards are primarily the result of its thriving industry, which is expanding at a much faster rate than the agricultural sector. For this reason, Japan's imports of agricultural raw materials and foodstuffs have been increasing almost steadily, reaching about \$3.4 billion in 1968 (table 2). Domestic production is presently providing about 80 percent of the country's food needs, but this level of self-sufficiency is declining about 1 percent a year. Japan's population (with an annual growth rate of only 1 percent) is increasing by nearly 1 million persons a year and in 1969 numbered about 102 million. Agricultural production is now virtually static.

CHANGING CONSUMER PATTERNS

With living standards rising, Japanese consumers are demanding a more abundant supply of foods and placing greater emphasis on variety and nutrition (table 3). Per capita consumption of starchy foods is decreasing, while that of meat, dairy products, and fruits and vegetables is rising. The calorie contribution made by starchy foods to the Japanese diet decreased from 74 percent in 1955 to 60 percent in 1966. During the same period, the contribution of animal protein foods rose from 6 to 11 percent and that of fruits and vegetables from 4 to 6 percent.

Table 1.--Japan's total trade, and trade with the United States and Australia, 1958-68

Year	Exports (f.o.b.)					
	Total	United States		Australia		
		Total	Share	Total	Share	
	Mil. dol.	Mil. dol.	Pct.	Mil. dol.	Pct.	
1958	2,876	681	24	63	2	
1959	3,456	1,031	30	78	2	
1960	4,055	1,083	27	144	4	
1961	4,236	1,051	25	100	2	
1962	4,916	1,400	28	139	3	
1963	5,452	1,507	28	158	3	
1964	6,675	1,846	28	234	4	
1965	8,452	2,479	29	313	4	
1966	9,776	2,969	30	298	3	
1967	10,442	3,012	29	359	3	
1968	12,972	4,086	32	416	3	
	Imports (c.i.f.)					
Total	United States		Australia			
	Total	Share	Total	Share		
	Mil. dol.	Mil. dol.	Pct.	Mil. dol.	Pct.	
1958	3,032	1,054	35	226	7	
1959	3,598	1,113	31	292	8	
1960	4,493	1,546	34	344	8	
1961	5,811	2,079	36	452	8	
1962	5,637	1,809	32	436	8	
1963	6,736	2,077	31	514	8	
1964	7,946	2,337	29	582	7	
1965	8,169	2,366	29	552	7	
1966	9,523	2,658	28	680	7	
1967	11,663	3,212	28	792	7	
1968	12,987	3,527	27	921	7	

Source: Japanese Ministry of Finance.

Table 2.--Japan's imports of selected agricultural products, all sources, by quantity, and total value of all agricultural imports, averages 1951-55 and 1956-60, annual 1961-68

Commodity	Average :1951-55:1956-60:	1961	1962	1963	1964	1965	1966	1967	1968	
Poultry meat	--	--	--	3	6	6	8	8	16	
Nonfat dry milk	12	26	45	68	76	64	69	98	76	
Wheat	1,895	2,377	2,562	3,178	3,592	3,645	3,917	4,130	4,073	
Rice	1,107	413	178	222	415	967	812	509	271	
Barley	775	596	--	172	471	635	447	603	634	
Corn	169	759	2,316	2,645	3,229	3,434	3,598	3,960	5,144	
Millet and sorghum	23	20	401	761	1,030	1,499	2,262	2,603	2,352	
Lemons and limes	1	3	4	4	15	19	23	30	36	
Raisins	2	4	20	15	19	16	19	21	18	
Lard	2	10	21	34	42	46	48	47	59	
Tobacco	8	5	18	16	29	25	32	30	27	
Hides and skins	49	81	143	154	160	156	176	170	173	
Soybeans	448	911	1,293	1,544	1,607	1,847	2,168	2,170	2,421	
Safflower seed	9	46	63	196	199	113	147	127	63	
Cotton	444	602	602	707	692	702	704	754	345	
Tallow	82	128	134	169	192	191	224	219	247	
Total imports of foods, beverages, and agri- cultural raw materials..	1,455	1,587	1,898	2,445	2,729	2,835	3,227	3,278	3,389	
										Million dollars

Table 3.--Per capita consumption of selected food products, Japan, average 1955-59, annual 1960-66 1/

Item	Average 1955-59	1960	1961	1962	1963	1964	1965	1966
Rice	113.7	115.0	117.4	118.3	117.3	115.9	111.7	105.8
Wheat	25.1	25.8	25.8	26.0	26.9	28.1	29.0	31.3
Barley	12.7	8.1	5.7	2.5	3.9	3.7	3.6	3.4
Potatoes	40.5	32.3	31.5	27.7	24.6	25.1	22.8	21.2
Meat	4.4	5.0	6.4	7.9	7.8	8.5	9.0	10.4
Eggs	4.0	4.9	6.5	6.9	7.5	8.6	8.8	9.2
Dairy products	18.8	22.3	24.9	28.4	32.8	35.5	37.4	41.7
Sugar	13.7	15.1	16.0	17.0	16.7	17.7	18.8	20.0
Vegetables	83.4	99.6	93.7	102.6	111.6	106.1	109.6	115.9
Fruits	21.7	22.3	23.3	23.4	25.7	32.7	28.5	32.1
Fish and shellfish	24.3	27.8	29.8	29.9	29.9	25.3	29.2	29.2
Fats and oils	3.5	4.3	4.6	5.3	6.1	6.8	6.8	7.7
Average daily consumption 2/	2,253	2,293	2,337	2,373	2,386	2,410	2,417	2,437

1/ Year beginning April.

2/ Excludes liquors and soft drinks.

Source: Food Balance Sheets, 1955-66, Ministry of Agriculture and Forestry, Japan.

In 1966, Japan's Ministry of Agriculture and Forestry forecast that within 10 years total consumption of meat, milk and other dairy products, and fruits would more than double; consumption of soybeans, green vegetables, sugar, and fats and oils would increase by more than 50 percent; and consumption of wheat and eggs would increase substantially. Rice consumption, on the other hand, was expected to remain about constant. In the past 2 years, Japan has achieved a surplus of rice and has become practically self-sufficient in the production of most vegetables and eggs. Imports will still be required of wheat, soybeans, pulses, oilseeds, certain dairy products, meats, certain fruits, and with the growing poultry and livestock industries, increasing quantities of feed grains.

AGRICULTURE IN JAPAN

The number of people engaged in farming (18.5 percent of the labor force in 1968) is decreasing rapidly as young people leave farms for urban industry where wages are higher. To encourage production and to equalize farm and urban incomes, the Japanese Government has developed commodity support programs. In 1968, as a result of these programs and the fact that about half of farm income came from activities apart from farming, the income of Japanese farm households exceeded that of urban dwellers for the first time. On the negative side, high support prices combined with various agricultural import restrictions have made retail food prices in Japan among the highest in the world.

Small-scale farming is prevalent in Japan. The Government is making considerable effort to further advance agricultural technology and to promote efficiency, however. The total number of farms is decreasing, but viable farms with high productivity are becoming more numerous, and cooperative farming is being developed in many regions.

Total area of cultivated land has been decreasing as farmland has been diverted to other purposes. In 1967, there were 14.8 million acres (about 16 percent of total area) of cultivated land--143,000 acres less than the previous year. While the area of nonirrigated cropland has been decreasing, the area of orchards and pasturelands has shown some increase. More than 50 percent of farmland is irrigated.

Japan's high rice support prices and good weather led to bumper rice crops in 1967 and 1968, contributing to a serious surplus. To solve this problem, the Japanese Government adopted some initial measures for rice acreage diversion payments in 1969. This is the first time such a program has been attempted in Japan and it has yet to prove effective. Other measures under consideration in 1969 were the introduction of a limited "free" market system, maintenance of the 1969 producer price at the 1968 level, and the allocation of rice for feed. Adoption of the last measure would have limited future imports of feed grains and possibly wheat.

Although wheat production increased from 997,000 tons in 1967 to 1,012,000 tons in 1968, the area planted to wheat declined 17 percent (table 4). Over the past 5 years, acreages for most other grain crops (except rice) have shown steady declines. The area of land occupied by paddy (about 45 percent of total

Table 4.--Area and production of major grains, Japan, 1958-68

Year beginning April	Wheat		Barley ^{1/}		Rice (paddy)		Millet and sorghum	
	Area acres	Production tons	Area acres	Production tons	Area acres	Production tons	Area acres	Production tons
1958	1,480	1,281	2,258	2,067	8,038	14,991	168	104
1959	1,485	1,416	2,207	2,308	8,125	15,626	148	88
1960	1,488	1,531	2,071	2,201	8,174	16,072	131	83
1961	1,604	1,781	1,710	1,976	8,157	15,524	114	73
1962	1,586	1,631	1,515	1,726	8,117	16,261	96	58
1963	1,443	716	1,399	759	8,085	16,015	79	54
1964	1,255	1,244	1,184	1,202	8,055	15,730	69	42
1965	1,176	1,287	1,043	1,234	8,043	15,511	57	35
1966	1,040	1,024	1,033	1,105	8,041	15,931	47	29
1967	907	997	870	1,032	8,063	18,066	35	22
1968	773	1,012	781	1,021	8,105	18,061	30	21

^{1/} Includes naked barley.

Source: Abstract of Statistics on Agriculture, Forestry, and Fisheries, 1962-67, Ministry of Agriculture and Forestry, Japan.

area planted) has remained fairly steady over the past 10 years, although double cropping has been declining.

The rising demand for meat and dairy products in Japan has led to expansion of the poultry and livestock industries. There have been large increases in poultry (broiler numbers more than doubled from 1964 to 1967 and continue to increase rapidly) and cattle (table 5). The Japanese Government is planning a large-scale program to develop breeding cattle for the livestock industries. In 1968, the Government subsidized the importation of both dairy and beef breeding cattle, and a record 1,158 head of breeding stock were imported from the United States. Australia has also made a few small shipments of beef cattle to Japan. Imports of beef breeding stock in 1969 were expected to be even higher. Large trading companies are setting up livestock raising and feeding ranches both within and outside Japan to meet the rising beef shortage.

With the Government providing various production incentives to dairy farmers, production has risen sharply. Milk production for 1968 was over 4 million tons, up 15 percent from the previous year; output for 1969 is expected to be even higher. For the next several years, milk production is expected to continue trending upward, but probably at a lower annual rate than in recent years. Retail prices for dairy products in Japan, among the highest in the world, are holding consumption down. As long as this situation prevails, surplus stocks will build up. Since 1967, more domestically produced fluid milk (rather than imported dried milk) has been used in the school lunch program. In 1968, much of the excess milk production went into manufactured dairy products--with output of butter up 64 percent, nonfat dried milk up 36 percent, and cheese up 8 percent. In view of the surplus of dairy products in 1969, the Government has suspended the program subsidizing dairy cattle imports.

Hog numbers for 1969 are estimated at 5.8 million head, up about 4 percent from a year earlier. The number of horses, sheep, and goats continues to decline each year. Nearly all the meat from these animals is used in manufacturing processed meat products

JAPAN'S TRADE POLICY AFFECTING AGRICULTURAL TRADE

The Japanese Government carefully regulates the flow of trade, and many considerations are involved in determining sources of imports, the most important being prices, status of trade balances between Japan and the exporting country, and potential markets for Japan's exports.

Since the postwar years, Japan has used various methods of controlling imports to protect domestic producers and to maintain a favorable balance of trade. All aspects of foreign trade are under some degree of control. The Ministry of International Trade and Industry (MITI) is responsible for trade promotion and administration of import licensing. MITI works closely with Japanese business, and, through what is termed "administrative guidance," exercises a high degree of direction over private business interests in carrying out governmental policies. In few countries of the world do business

Table 5.--Livestock and poultry numbers, Japan, 1963-69 1/

Item	1963	1964	1965	1966	1967	1968	1969 2/	
				1,000 head				
Cattle:								
Dairy	1,145	1,238	1,289	1,310	1,376	1,489	1,663	
Draft and beef	2,337	2,208	1,886	1,577	1,552	1,666	1,795	
Horses	471	396	322	268	240	216	190	
Hogs	3,296	3,461	3,976	5,158	5,975	5,535	5,429	
Sheep	389	274	207	146	113	83	64	
Goats	464	401	325	281	246	223	190	
Chickens	98,925	120,912	138,476	136,453	157,408	178,900	206,500	
Layers	91,795	106,774	114,222	109,090	119,251	123,806	117,100	
Broilers	n.a.	13,174	18,279	21,920	31,365	34,736	37,103	

n.a. = not available.

1/ As of February 1.

2/ Estimated.

Source: Japanese Ministry of Agriculture and Forestry.

and government work so closely. The Ministry of Agriculture and Forestry plays a dominant role in determining how Japanese foreign agricultural trade policy fits in with domestic agricultural programs.

By maintaining a steady increase in its export trade, Japan hopes to eliminate recent balance-of-payments deficits. Since large quantities of raw materials and other commodities must now be imported, it is to Japan's advantage to trade with sources which can provide growing outlets for Japanese manufactures, such as Australia and the countries of the Far East. At the same time, many of the developing countries that make up a large part of Japan's market in the Far East want Japan to increase purchases of their primary products to adjust trade balances unfavorable to them. Japan is increasing efforts to stimulate production of commodities such as corn and grain sorghum in those countries.

In 1960, Japan began to liberalize import trade restrictions. The goal was eventual removal of import quotas (under the terms of the General Agreement on Tariffs and Trade) and foreign exchange controls (in accordance with the International Monetary Fund Charter). Nevertheless, import controls remain for about 120 categories, although these regulations usually limit rather than ban imports of such items. There is also an assortment of barriers inherent in the import license requirement, the prior import deposit system, and differential commodity taxes. Through the import quota system, under which allocations are granted chiefly to firms with past import records, the Government can in many cases determine the source of imports. Japan has bilateral trade agreements with about 45 countries. Most of these concern agricultural raw materials for processing that are needed for Japan's economic development.

Imports of livestock and meats are under the control of the Livestock Improvement Promotion Corporation, and licenses are issued only to the 15 trading companies which are members of the Meat Importers Council. Imports are coordinated with domestic production and supply. Beef imports, including certain offals, are subject to quota allocations, but mutton and lamb can be freely imported. Corn for starch and food purposes is subject to special import quotas established semiannually. Corn for feed is imported free of quota and duty. Imports of dairy products, except natural cheese (which is mainly used to make processed cheese), casein, and lactose, are quantitatively restricted. At present, there are also import quotas for pulses, canned pineapples, peanuts, grapefruit, oranges, and various other products.

Government agencies control completely the imports of such essential commodities as wheat, barley, rice, and tobacco. The Food Agency purchases all imports of wheat (except wheat to be milled and reexported as flour, which the mills are permitted to buy directly), barley (for food or feed), and flour, and controls all operations concerning these imports, including storage. The Agency extracts a tariff on wheat imports through a markup--the difference between the cost of the wheat to the Agency and the price it receives from sales to flour mills.

The Japanese trading companies have recently become involved in the development of large food and feed combines that are building great waterfront

complexes, including harbor, storage, and processing facilities. These complexes, combined with the use of large ships with high-speed, automatic unloading equipment, facilitate imports of such products as soybeans, wheat, corn, and grain sorghum.

Japan discourages foreign investment in Japanese industry to limit foreign competition in certain sectors of the economy where local producers would be at a disadvantage. Most businesses in Japan are controlled by Japanese, and all investment by foreigners to acquire control of a firm must be approved by the Government.

COMPETITIVE ROLES OF THE UNITED STATES AND AUSTRALIA IN JAPAN'S FARM PRODUCTS MARKET

Japan is by far the largest market for U.S. farm products, taking about 14 percent of the total. Nevertheless, the United States faces increasing competition in that market, particularly from Australia. As Japan's market for farm products has grown, the U.S. share of that market has declined. Australia's share, on the other hand, has remained fairly steady (table 6).

Many of Australia's agricultural export products, including wheat, barley, nonfat dried milk, cattle hides, and inedible tallow, have long been competitive with those of the United States. This list is likely to grow, particularly as Australia expands production of grain sorghum and cotton.

Australian production has risen almost steadily over the years. As for future production, aside from the fact that yields are increasing through technological advances, Australia possesses considerable potential for development of new lands. In most areas, development depends upon investment by the Government, and thus political as well as economic decisions are involved. Since Australia is practically self-sufficient in agriculture (during 1964/65-1968/69 over 50 percent of Australia's agricultural production was exported), the rate at which the nation's potential will be developed depends primarily on world market prices and available markets. In 1963/64, the value of Australia's exports of rural origin represented 77 percent of the value of all exports. This share has decreased somewhat since then, but Australia's economy still depends heavily on agricultural exports. Australia ranks second, after the United States, as an exporter of agricultural products.

Australia for the most part has an advantage over the United States in shipping costs and time because of shorter distances to Japan. Between Kobe, Japan, and Australia's principal ports--Freemantle on the southwest coast and Sydney on the southeast--it is 4,600 miles and 4,384 miles, respectively. The distance from Kobe to Houston, Tex., is over twice as far, 9,540 miles; to Portland, Ore., 4,590 miles. Since a large share of U.S. shipments to Japan originate from the gulf coast, shipments from these ports are at an obvious disadvantage when compared with those from Australia. Gulf coast shipments have the additional expense of passing through the Panama Canal.

Australia's trade directions have shifted away from Western Europe in recent years due to the closing of the Suez Canal and Western Europe's

Table 6.--Value of Japan's imports of selected agricultural commodities, all sources, and share from the United States and Australia, average 1956-60 and annual 1965-68

Commodity	Average 1956-60					
	Total, all sources	1,000 dollars	Imports from the United States	Percentage of total	Imports from Australia	Percentage of total
	Value	1,000 dollars	Value	Percent	Value	Percent
Beef and veal, fresh and frozen	3,732	8	0	1,569	42	
Mutton and lamb, fresh and frozen	1,156	3	0	170	15	
Poultry meat, fresh and frozen	14	2	14	--	0	
Nonfat dry milk	9,415	9,000	96	52	1	
Wheat	164,000	73,000	45	15,400	9	
Rice	57,261	690	1	--	0	
Barley	37,620	14,111	38	13,921	37	
Corn	47,274	15,792	33	--	0	
Grain sorghum	634	634	100	--	0	
Lemons and limes	948	948	100	--	0	
Almonds	--	--	0	--	0	
Pineapples, fresh'	69	2	3	--	0	
Raisins	1,466	190	13	224	15	
Pulses	10,514	174	2	--	0	
Sugar	115,156	36	0	9,911	9	
Wheat bran	7,880	2,328	30	340	4	
Alfalfa meal	--	--	0	--	0	
Oilseed cake	667	281	42	--	0	
Lard	2,962	257	9	14	0	
Tobacco	8,811	8,144	92	--	0	
Hides and skins	33,441	18,784	56	4,245	0	
Soybeans	94,493	80,410	85	--	13	
Wool	223,782	--	0	185,874	83	
Cotton, raw	394,627	159,009	40	--	0	
Tallow, beef	25,251	21,409	85	2,110	8	
Total, selected items	1,234,173	405,212	33	233,830	19	
Total imports of foods, beverages, and agricultural raw materials	1,586,600	427,000		240,000		

-- = none or negligible

Continued--

Table 6.--Value of Japan's imports of selected agricultural commodities, all sources, and share from the United States and Australia, average 1956-60 and annual 1965-68--Continued

Commodity	1965					
	Total		From United States		From Australia	
	dollars	1,000 dollars	dollars	Percent	dollars	Percent
Beef and veal, fresh and frozen	6,916	14	14	0	4,750	69
Mutton and lamb, fresh and frozen	22,010	1	1	0	9,560	43
Poultry meat, fresh and frozen	4,602	3,606	3,606	78	--	0
Nonfat dry milk	13,605	11,644	11,644	86	1,276	9
Wheat	251,000	132,000	132,000	53	27,000	11
Rice	144,700	43,460	43,460	30	--	0
Barley	40,954	17,157	17,157	42	11,086	27
Corn	231,458	156,628	156,628	68	--	0
Grain sorghum	83,763	75,149	75,149	90	--	0
Lemons and limes	6,800	6,799	6,799	100	--	0
Almonds	2,756	2,535	2,535	92	--	0
Pineapples, fresh	2,236	836	836	37	--	0
Raisins	5,875	5,351	5,351	91	338	6
Pulses	28,929	3,598	3,598	12	--	0
Sugar	145,535	--	--	0	25,082	17
Wheat bran	26,081	3,203	3,203	12	2	0
Alfalfa meal	13,248	13,157	13,157	99	--	0
Oilseed cake	12,612	6,800	6,800	54	--	0
Lard	10,631	8,246	8,246	78	14	0
Tobacco	44,643	26,155	26,155	59	--	0
Hides and skins	58,611	34,161	34,161	58	9,480	16
Soybeans	255,756	179,654	179,654	70	--	0
Wool	331,348	--	--	0	281,061	92
Cotton, raw	433,003	132,998	132,998	31	--	0
Tallow, beef	41,664	37,323	37,323	90	955	2
Total, selected items	2,218,736	900,745	900,745	41	370,604	17
Total imports of foods, beverages, and agricultural raw materials	2,835,100	973,497	973,497	34	384,471	14

-- = none or negligible

--Continued

Table 6.--Value of Japan's imports of selected agricultural commodities, all sources, and share from the United States and Australia, average 1956-60 and annual 1965-68--Continued

Commodity	1966					
	Total	United States		From Australia		
	dollars	dollars	Percent	dollars	Percent	
	1,000	1,000		1,000		
Beef and veal, fresh and frozen	10,558	37	0	7,106	67	
Mutton and lamb, fresh and frozen	38,960	--	0	17,860	46	
Poultry meat, fresh and frozen	6,044	4,509	75	--	0	
Nonfat dry milk	20,819	7,603	37	641	3	
Wheat	279,000	150,000	54	25,000	9	
Rice	131,290	25,052	19	--	0	
Barley	30,724	18,360	60	3,073	10	
Corn	243,284	153,140	63	--	0	
Grain sorghum	130,998	116,699	89	742	1	
Lemons and limes	8,658	8,658	100	--	0	
Almonds	4,222	3,592	85	--	0	
Pineapples, fresh	3,529	390	11	--	0	
Raisins	6,729	5,480	81	424	6	
Pulses	25,181	2,355	9	--	0	
Sugar	120,552	--	0	30,191	25	
Wheat bran	26,115	6,292	24	9	0	
Alfalfa meal	18,180	18,073	99	--	0	
Oilseed cake	12,764	4,231	33	--	0	
Lard	10,886	8,007	74	12	0	
Tobacco	61,520	46,291	75	--	0	
Hides and skins	98,440	55,500	6	15,555	16	
Soybeans	271,985	222,331	82	--	0	
Wool	402,898	--	0	317,295	79	
Cotton, raw	413,818	110,249	27	--	0	
Tallow, beef	45,676	40,340	88	1,991	4	
Total, selected items	2,422,830	1,007,189	42	419,899	17	
Total imports of foods, beverages, and agricultural raw materials	3,227,000	1,080,996	33	448,014	14	

-- = none or negligible

--Continued

Table 6.--Value of Japan's imports of selected agricultural commodities, all sources, and share from the United States and Australia, average 1956-60 and annual 1965-68.--Continued

Commodity	1967			
	Total	From United States	From Australia	
	dollars	1,000 dollars	dollars	Percent
Beef and veal, fresh and frozen	13,576	36	8,797	65
Mutton and lamb, fresh and frozen	40,626	--	26,195	64
Poultry meat, fresh and frozen	5,912	3,832	--	0
Nonfat dry milk	32,234	148	7,398	23
Wheat	308,000	159,000	35,000	11
Rice	82,232	15,831	--	0
Barley	39,922	9,402	11,433	29
Corn	270,961	110,246	--	0
Grain sorghum	160,022	138,833	1,211	1
Lemons and limes	11,610	11,610	--	0
Almonds	5,736	5,294	--	0
Pineapples, fresh	3,314	233	--	0
Raisins	6,672	5,570	418	6
Pulses	27,758	3,293	--	0
Sugar	117,855	--	29,916	25
Wheat bran	15,734	1,101	352	2
Alfalfa meal	19,528	19,268	--	0
Oilseed cake	7,284	1,149	--	0
Lard	8,346	7,185	--	0
Tobacco	56,877	39,731	--	0
Hides and skins	74,734	45,433	9,320	12
Soybeans	272,016	223,580	--	0
Wool	353,478	--	295,031	83
Cotton, raw	432,318	134,340	--	0
Tallow, beef	35,235	30,838	1,281	4
Total, selected items	2,401,685	965,953	426,352	18
Total imports of foods, beverages, and agricultural raw materials	3,278,100	1,025,144	446,786	14

-- = none or negligible

--Continued

Table 6.--Value of Japan's imports of selected agricultural commodities, all sources, and share from the United States and Australia, average 1956-60 and annual 1965-68--Continued

Commodity	1968			
	Total	From United States	From Australia	
	1,000 dollars	1,000 dollars	1,000 dollars	Percent
Beef and veal, fresh and frozen	13,311	177	9,092	68
Mutton and lamb, fresh and frozen	41,141	--	14,789	36
Poultry meat, fresh and frozen	11,027	5,433	--	0
Nonfat dry milk	17,762	1,621	2,149	12
Wheat	289,000	144,000	50,000	17
Rice	44,790	414	--	0
Barley	38,341	752	4,250	11
Corn	307,656	153,544	--	0
Grain sorghum	135,787	110,321	3,690	3
Lemons and limes	15,165	15,165	--	0
Almonds	6,372	6,114	--	0
Pineapples, fresh	3,338	201	--	0
Raisins	6,544	6,004	396	6
Pulses	20,763	2,187	--	0
Sugar	142,237	--	27,281	19
Wheat bran	15,008	2,738	7	0
Alfalfa meal	18,609	18,504	--	0
Oilseed cake	12,701	5,154	--	0
Lard	8,895	7,808	--	0
Tobacco	50,656	34,031	--	0
Hides and skins	74,062	47,682	8,685	12
Soybeans	274,120	227,742	--	0
Wool	348,195	--	296,766	85
Cotton, raw	502,201	124,153	--	0
Tallow, beef	34,740	29,894	1,332	4
Total, selected items	2,432,421	943,639	418,437	17
Total imports of foods, beverages, and agricultural raw materials	3,389,000	1,013,282	449,246	13

-- = none or negligible

increasing agricultural production. The anticipated loss of Australia's preferential treatment when Britain joins the EEC has also been an important factor in the diminishing market.

A more basic reason for the decline of Australia's trade with Britain is the changing industrial structure of both countries. The development of secondary industries in Australia with the help of import licensing and tariff protection has reduced the need to import British textiles and other consumer goods. But the advent of synthetic fibers has curbed the British demand for wool which comprises a large part of Australia's exports. At the same time, Australia and Japan have proved to be natural trading partners because of their basically complementary economies. Japan surpassed the United Kingdom as Australia's major export market for the first time in 1966/67. During 1937/38 to 1967/68, the share of Australia's exports to the United Kingdom fell from about 55 percent to 14 percent, while Japan's share increased from about 4 percent to 21 percent.

United States

Until 1965, U.S. trade with Japan showed large annual surpluses. Since then, there have been increasing though widely varying deficits for the United States. In 1968, Japan's total merchandise trade balance with the United States was about \$500 million in Japan's favor. The United States supplied about 27 percent of Japan's total imports and received about 32 percent of Japan's total exports.

Agricultural commodities comprised 29 percent of Japan's total imports from the United States in 1968. Of Japan's total imports of agricultural commodities, the United States accounted for 30 percent in 1968, a decrease from 34 percent in 1965.

U.S. exports of foods, beverages, and raw materials to Japan in 1968 were valued at \$932 million (table 7). The most important items were soybeans, cotton, wheat, and feed grains. Of lesser importance were tobacco, cattle hides, inedible tallow, raisins, animal oils and fats (other than tallow), and lemons and limes.

The United States has aggressive market development programs in Japan. These programs in 1968 cost about \$3 million in U.S. Government funds, while cooperating associations in Japan spent an almost equivalent amount. One of the largest U.S. agricultural trade fairs ever staged overseas by the U.S. Department of Agriculture took place in Japan in April 1968. Its purpose was to demonstrate that the United States is a stable and economical source of farm products. The exhibits emphasized good nutrition and featured new ways to add American foods to the Japanese diet. General promotional activities in Japan include participation in special trade fairs and exhibitions, in-store promotions in major cities, and semiannual commodity exhibits and seminars at the U.S. Trade Center in Tokyo. In addition, since 1956 many U.S. agricultural trade associations have maintained offices in Japan and have sponsored vigorous market promotion programs there.

Table 7.--U.S. exports of foods, beverages, and agricultural raw materials to Japan, 1962-68

SITC code	Commodity group	1962	1963	1964	1965	1966	1967	1968
- - - - - Million dollars - - - - -								
	<u>Food (including feed)</u>							
00	: Live animals	0.3	1.4	2.2	2.6	4.2	4.6	5.1
01	: Meat	0.4	8.2	6.6	4.1	4.1	4.1	17.5
02	: Dairy products and eggs ...	7.9	10.5	9.1	11.1	5.8	1.4	2.5
04	: Cereals	133.0	203.2	264.1	382.5	398.4	378.3	366.8
05	: Fruits and vegetables	11.9	12.4	15.9	18.2	21.8	25.1	24.8
06	: Sugar	0.4	1.2	1.1	0.8	0.7	1.5	1.6
07	: Coffee, cocoa, tea, spices	13.6	14.4	16.5	16.1	4.8	2.9	4.0
08	: Animal feed	8.2	13.4	11.7	28.3	26.7	21.9	29.8
09	: Misc. food preparation	1.9	2.5	1.8	8.0	8.4	8.5	9.1
11	<u>Beverages</u>	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	<u>Agricultural Raw Materials</u>							
121	: Unmanufactured tobacco	22.1	27.1	31.7	35.1	39.7	24.5	45.8
21	: Hides and skins	32.0	30.7	28.6	30.0	49.1	42.3	45.9
22	: Oilseeds	111.8	148.3	148.0	171.1	221.6	188.0	226.0
231.1	: Natural rubber	0.1	--	0.1	0.3	0.3	0.2	0.2
261-265	: Natural fibers	116.8	148.6	136.9	127.4	114.1	118.2	113.5
29	: Crude materials	5.3	7.5	9.7	7.8	12.9	8.2	5.5
4	: Oils and fats	19.1	25.5	36.4	36.8	38.5	37.1	33.4
	: Total <u>1/</u>	484.7	655.0	720.5	880.2	951.4	867.1	931.5

1/ Columns may not add to totals because of rounding.

Australia

Australia's total exports to Japan in 1967/68 were valued at \$719 million, more than triple the \$230 million for 1957/58. This rise in the annual value of Australia's exports to Japan, however, has paralleled the growth of the Japanese economy, while Australia's share of the total Japanese import market has shown little increase.

Japan is Australia's largest market for farm products, taking about 19 percent (\$399 million) of Australia's total farm exports of over \$2 billion in 1967/68 (table 8). Agricultural products account for well over half Australia's total exports to Japan. In 1968/69, these exports were valued at \$467.1 million. Most important products are wool and wheat, but Japan is also Australia's best market for cheese, casein, barley, and cattle hides. Other important exports to Japan are inedible tallow, raisins, and for the first times in 1966/67, cotton, cottonseed, and grain sorghum.

The 1957 Australian-Japanese Trade Agreement was amended in 1963 to apply the full provisions of the General Agreement on Tariffs and Trade and to provide for annual consultation between the two countries. Under the Agreement, the Japanese and Australian Governments agree to cooperate to ensure the expansion of reciprocal trade and to improve international trade in primary products of interest to both countries.

Australia's Department of Trade and Industry has greatly expanded its programs to promote Australian agricultural products in Japan. These programs are liberally financed by both Government and industry organizations. Trade promotion is carried out through trade missions, publicity campaigns, and trade fairs and exhibitions. In addition to trade promotional activities, the Department's Trade Commissioner Service conducts market surveys, advises on selling and advertising methods, arranges introductions with buyers and agents, provides reports on Japanese firms, and generally advises and assists business visitors. The Department also helps negotiate rates and services for overseas shipments.

The Australian Wheat, Meat, and Dairy Commodity Boards all maintain offices in Japan and actively engage in promotional activities. The Wheat Board sends high ranking officials and technical groups to Japan on a periodic basis and provides the means for Japanese governmental and trade groups to visit Australia. The Australian Barley Board sends officials to Japan annually to make courtesy calls on Government and industry officials, exchange views on the barley situation, and establish closer relationships.

Australia's promotional activities in Japan in 1968 were numerous, with expenditures of an estimated \$850,000 for agricultural products alone. Besides general food shows at stores in several Japanese cities, the Australian Embassy Trade Office held food and wine exhibits and a leather and fur products show. The Australian Meat Board sponsored a series of beef-sampling exhibits, and various trade missions were sent to Japan, the most important for wheat.

Although limiting foreign investments on its own soil, Japan has widespread investment projects in Australia, including textile and electronics

Table 8.--Australia's exports of foods, beverages, and agricultural raw materials to Japan, and world total, 1963-67 ^{1/}

SITC code	Commodity group	1963	1964	1965	1966	1967
				<u>1,000 dollars</u>		
	<u>Food (including feed)</u>					
00	Live animals	63	116	52	192	171
01	Meat	9,884	11,392	17,843	18,418	29,167
02	Dairy products and eggs	1,592	1,780	4,682	17,951	8,701
04	Cereals	41,955	39,917	27,761	43,491	45,428
05	Fruits and vegetables	702	485	737	902	498
06	Sugar	62,690	40,018	20,429	23,960	26,825
07	Coffee, cocoa, tea, and spices	--	13	477	3,256	1,393
08	Animal feed	2,779	1,924	520	2,583	1,739
09	Misc. food preparation	3	24	35	21	39
11	<u>Beverages</u>	43	40	32	47	30
	<u>Agricultural Raw Materials</u>					
121	Unmanufactured tobacco	--	--	--	--	--
21	Hides and skins	5,868	6,737	14,213	9,361	7,112
22	Oilseeds	2	1	1	476	643
231.1	Natural rubber	--	--	--	69	--
201-265	Natural fibers	316,167	271,647	290,879	307,371	275,483
29	Crude materials	279	431	568	962	1,245
41-43	Oils and fats	3,182	1,322	651	2,187	822
	Total to Japan	445,209	375,847	378,880	431,247	399,294
	Total agricultural exports	2,418,677	2,162,955	2,072,841	2,267,107	2,058,106

^{1/} Year beginning July.

manufacturing, iron, coal, copper, salt, and nickel mines, fertilizer operations, pipemaking, and agricultural development; most of these projects have long-term contracts for exporting to Japan. Japanese trading companies are presently expanding their capital investments in Australia.

A growing interest among businessmen in both Australia and Japan to expand reciprocal trade has led to the establishment of a Japan-Australia Business Committee, which meets each year to consider trade promotion activities. There is also close cooperation between the Australian and Japanese Governments, particularly in many international organizations to which both countries belong.

DEMAND AND COMPETITION BY COMMODITY BETWEEN THE UNITED STATES AND AUSTRALIA

Wheat

Japan's climate favors production of soft wheat, which is restricted to human consumption only. Not all domestic production goes to the flour mills and the flour milling industry must depend on imports for more than 80 percent of its annual milling needs.

Until 1968, consumption of wheat food products in Japan, although much lower than rice, showed a slow but steady rise. Since then, competition of other types of food and pressure to increase rice consumption have contributed to a stabilizing demand for wheat foods. In recent years, demand for hard and semihard wheat has been increasing, while that for soft wheats has remained relatively stable. Hard wheat (high in protein) is used mainly for bread and in flour blends for certain types of noodles. Semihard wheat is used for bread, noodles, and industrial products. Low-protein soft wheats are used for dry noodles, confectionery products, and cake mix preparations.

The Japanese Government's Food Agency, which controls all imports of wheat, has two wheat import categories: food wheat and feed wheat. The Agency determines the classification. Feed wheats are presently milled to yield 55 percent feed bran (for animal consumption) and 45 percent flour (for human consumption), compared with food wheat which yields 77 percent flour when milled. This distinction is intended to provide incentive for the production of feed bran. The feed bran milling program has been in operation over 10 years. Feed wheat is sold at a loss to the mills since their flour extraction rate is low and feed products sell for less than food products. All major milling companies are involved in both food and feed wheat milling. Four large milling companies operate more than 65 percent of the total milling capacity. Market flour is also milled by some of the smaller mills.

Although in recent years there has been a sharp growth in total Japanese wheat imports, they are said to be leveling off because of stabilizing demand for wheat foods. In 1967/68, imports reached a high of over 3.9 million tons and in 1969/70 are expected to be at a minimum of 4 million tons.

In 1967/68, the U.S. share of Japan's total wheat imports was 54.5 percent, up from 51 percent the previous year; Australia's share increased from 9.3

to 16.4 percent (table 9). However, in late 1968, Japan suspended purchase of U.S. wheat following a dispute over quality. During the suspension, Australia supplied that portion of the Japanese wheat market usually filled by the United States. Thus, Australia's share in 1968/69 increased to 28.8 percent, while the U.S. share fell to 42.2 percent. Since resumption of U.S. shipments of wheat to Japan in January 1969, the U.S. share has returned to over 50 percent of Japan's total wheat imports.

Japan's imports of feed wheat, which jumped from 18,000 to 361,000 tons between 1956/57 and 1959/60, have continued to expand, reaching over 1.1 million tons in 1968/69. The largest single source of feed wheat since 1961/62 has been Australia, which supplied 658,000 tons in 1968/69. Imports of U.S. feed wheat, which first entered the Japanese market in 1961/62, have been increasing, reaching a high of 424,000 tons in 1967/68. However, feed wheat imports declined in 1968/69, along with total wheat imports from the United States.

Overproduction of wheat in Australia as well as in most of the major wheat-producing countries in the past few years has resulted in considerable competition for the cash markets of the world. Forecasts indicate that Australia will become increasingly competitive with the United States in the Japanese wheat market. Acreage planted to wheat in Australia has shown a steady trend upward, rising from 10.2 million acres during 1951-60 to 26.6 million acres for 1968/69 (table 10). However, acreage for 1969/70 is estimated to be down somewhat at 25.5 million acres. Production for 1968/69 was a record 14.7 million tons, compared with 4.7 million during 1951-60. In 1968/69, Australia's exports of wheat to Japan almost doubled, but total wheat exports were only about 5.4 million tons. For the first time in many years, Australia had a significant carryover in wheat stocks. To slow the rapid expansion of wheat production, the Wheat Growers Federation has advocated acreage quotas and crop limitations, but no firm proposals have yet been adopted.

Most hard wheat imports into Japan come from the United States and Canada. Until the middle of 1967, all of Japan's imports of soft wheat (for food) were from the United States, but since then Japan has imported increasing quantities from Australia.

The Australia Wheat Board in recent years has devoted much effort to segregating wheat classes so they can be offered and priced in direct relation to classes of U.S. wheat in the Japanese market. Many new classes of Australian wheat (both hard and soft) introduced in the Japanese market are directly competitive with U.S. wheat. Australian wheat crops have recently trended toward higher protein with larger proportions grading as hard wheats. This has resulted in a rapid increase in the proportion of hard wheat sold to Japan. An Australian Wheat Board Team that visited Japan in the latter part of 1968 promised to guarantee supply of all classes of wheat, particularly Western FAQ, and to study the possibility of paying additional expenses related to transportation costs.

An organization called Wheat Associates, U.S.A., Inc., (representing all U.S. wheat producers in Asian markets) has been carrying out a market development program in Japan over the past decade in cooperation with the U.S. Department of Agriculture. Market development activities include market

Table 9.--Japan's wheat imports by major sources, 1956-68

Year beginning April	United States			Australia			Canada			Total Japan 1/ : imports:
	Food 1/ : tons	Feed : tons	Total : tons	Food 1/ : tons	Feed : tons	Total : tons	Food 1/ : tons	Feed : tons	Total : tons	
	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:	Percent of all : imports:
1956	837	--	837	57	9	66	829	10	839	48.2
1957	403	--	403	158	--	158	796	180	976	63.5
1958	915	--	915	151	21	172	893	167	1,060	49.3
1959	804	--	804	222	167	389	1,012	194	1,206	49.6
1960	834	--	834	--	220	220	1,156	309	1,465	56.9
1961	765	49	812	--	425	425	1,016	310	1,326	51.4
1962	758	178	936	--	345	345	951	221	1,172	46.6
1963	1,466	242	1,708	83	390	473	1,008	204	1,212	35.7
1964	1,218	357	1,575	--	412	412	1,171	243	1,413	41.2
1965	1,583	277	1,860	--	301	301	1,066	206	1,272	37.1
1966	1,702	362	2,065	2	376	378	1,386	223	1,609	39.7
1967	1,706	424	2,130	138	503	641	899	236	1,135	29.1
1968	1,266	377	1,643	464	658	1,122	1,931	77	1,109	28.5

1/ Purchases of wheat for milling and reexport are not included.

Source: Japanese Food Agency.

Table 10.--Wheat: Area, production, and yield, Australia, 10-year averages, 1941-50 and 1951-60, annual 1961-70

Year ending June 30	Area	Production		Yield per acre
	Millions <u>acres</u>	1,000 <u>tons</u>	Million <u>bushels</u>	<u>Bushels</u>
10-year average:				
1941-50	11.4	3,974	146	12.8
1951-60	10.2	4,735	174	17.1
1961	13.4	7,457	274	20.4
1962	14.7	6,722	247	16.8
1963	16.5	8,355	307	18.6
1964	16.5	8,927	328	19.9
1965	17.9	10,043	369	20.6
1966	17.5	7,076	260	14.9
1967	20.8	12,699	467	22.5
1968	23.0	7,512	276	12.0
1969	26.6	14,687	540	20.3
1970 <u>1/</u>	25.5	12,400	456	17.9

1/ Estimated.

intelligence, technical assistance relating to the handling, processing, and merchandising of U.S. wheat, and public relations. Wheat Associates has developed a close familiarity with the Japanese wheat market and industry, and has contributed much to the increase in the U.S. share of the Japanese wheat market. Part of the growth of this share has been brought about by offering Japan more classes of wheat and by making wheat available at west coast ports.

Feed Grains

As demand for livestock and poultry feed has increased in Japan, imports of feed grains have risen sharply. Feed grains (other than feed wheat and barley imported under the Food Agency) are imported through trading companies. The United States has been Japan's main supplier of feed grains. Japan has been the largest buyer of U.S. feed grains. The U.S. Feed Grains Council carries on a wide range of promotional programs in Japan to encourage increased use of meat, milk, and eggs in the Japanese diet. The Council also has conducted demonstrations to show the advantages of feeding high-energy U.S. feeds.

Mixed feed production in Japan for 1968/69 is forecast at a record 11.9 million tons, up almost 10 percent from the 1967/68 level. Most of the increased demand for feed grains is for broilers and dairy and beef cattle.

Corn has long been the main feed grain imported by Japan from the United States. Since 1960, Japan's imports of corn from the United States have averaged 3.1 million tons annually, and in 1968 reached a high of 5.1 million tons. Japan has recently been promoting production of corn in some of the countries of Southeast Asia for export to Japan. Australia exported small amounts of corn to Japan in 1967/68, but this trade is not expected to increase in the foreseeable future.

Since 1963, imports of barley into Japan have increased steadily and in 1967 totaled 603,000 tons (table 11). However, the U.S. share of these imports decreased from 66 percent in 1963 to 23 percent in 1967, while Australia's share increased from 4 percent to 28 percent. In 1968, both the U.S. and Australian shares dropped sharply as France suddenly entered the Japanese barley market with attractive subsidized prices. A larger crop of barley is forecast for Australia in 1969/70.

Japanese imports of grain sorghum have shown a rapid increase over the past 5 years, reaching a high of 2.6 million tons in 1967 (table 12). Until 1964, when Argentina entered the market, the United States was the sole supplier of grain sorghum to Japan. (Argentina was expected to ship some 700,000 tons to Japan during 1969.) Japan's first imports from Australia in 1966 amounted to 14,000 tons. By 1968, Japan's imports of grain sorghum from Australia had risen to 68,000 tons (grown largely under contract for shipment to Japan). One of Japan's largest trading companies has made an agreement to purchase Australian sorghum, with the goal of developing a 2-million-ton supply. Australia plans to commit increasing amounts of irrigated acreage to sorghum production. However, a much smaller sorghum crop was harvested in Australia in 1969, and virtually the entire supply will be required for domestic use; consequently, exports for 1969/70 are expected to be small.

Livestock Products

Dry Milk.--In 1968, imports of nonfat dry milk declined sharply to 76,455 tons from a high in 1967 of over 97,500 tons (table 13). The drop was largely the result of a 40-percent decrease in the quantity of nonfat dry milk used in the school lunch program (which is being increasingly supplied by rising supplies of domestic fluid milk). Before 1967, the school lunch program was supplied mainly through imports from the United States. But since then, New Zealand and Australia have both increased exports of nonfat dry milk to Japan, with Australia's share exceeding that of the United States in 1967 and 1968. Australia's production and exports of butter are expected to decline over the next several years, but exports of other dairy products--cheese, preserved milk products, and casein--are expected to continue to rise.

Beef.--Japan's beef imports are rigidly controlled, and the Government has been reluctant to permit larger quotas in the belief that expanded imports of beef would hinder the development of the domestic beef industry. The Ministry of International Trade and Industry announced in March 1969 a beef import quota for 1968/69 of 22,000 tons, a 2,000-ton increase over the previous year and a 12,000-ton increase over the 1966/67 quota. However, imports of beef have generally lagged behind import allocations, reportedly as a result

Table 11.--Japan's imports of barley, all sources, and share from the United States and Australia, 1958-68

Year	Total imports, all sources	United States		Australia	
		Volume	Percentage of total	Volume	Percentage of total
		1,000 tons	Percent	1,000 tons	Percent
1958	716	429	60	138	19
1959	488	138	28	233	48
1960	--	--	--	--	--
1961	--	--	--	--	--
1962	--	--	--	--	--
1963	172	113	66	7	4
1964	471	276	59	111	24
1965	635	269	42	161	25
1966	447	264	59	46	10
1967	603	139	23	171	28
1968	634	9	1	75	12

Table 12.--Japan's imports of sorghum, all sources, and share from the United States and Australia, 1960-68

Year	Total imports, all sources	United States		Australia	
		Volume	Percentage of total	Volume	Percentage of total
		1,000 tons	Percent	1,000 tons	Percent
1960	45	45	100	--	--
1961	146	146	100	--	--
1962	365	364	100	--	--
1963	701	701	100	--	--
1964	941	787	84	--	--
1965	1,425	1,279	90	--	--
1966	2,230	1,988	89	14	1
1967	2,563	2,224	87	19	1
1968	2,303	1,877	82	68	3

Table 13.--Japan's imports of nonfat dry milk, all sources, and share from the United States and Australia, 1958-68

Year	: Total : : imports, : : all : : sources :	United States		Australia	
		Volume	:Percentage: : of total :	Volume	:Percentage: : of total :
	<u>Tons</u>	<u>Tons</u>	<u>Percent</u>	<u>Tons</u>	<u>Percent</u>
1958	21,868	19,706	90	731	3
1959	18,801	18,800	100	--	--
1960	43,426	40,187	93	618	1
1961	31,299	29,471	94	906	3
1962	45,114	41,162	91	1,909	4
1963	67,748	65,118	96	--	--
1964	76,406	73,852	97	157	--
1965	64,036	58,119	91	180	--
1966	69,111	28,418	41	1,985	3
1967	97,512	491	1	21,802	22
1968	76,455	7,812	10	8,942	12

of the currently high import duty and the rapidly increasing supplies of domestically produced Holstein beef, which is lower priced.

Japan's imports of beef in 1968 totaled 13,503 tons, down slightly from the 13,793 tons imported in 1967. These imports consisted chiefly of low-quality beef. Australia remained by far the major supplier, accounting for 74 percent of the total. Total Japanese imports of beef in 1969 were expected to be about the same as in 1968; however, imports of high-quality beef may have increased as a result of rising demand, while the import requirement for low-quality beef is decreasing.

Australian exports of fresh and frozen beef and veal during 1968/69 amounted to 274,000 tons, or 18,000 tons more than in 1967/68. The United States was Australia's major market in 1968/69, taking over 80 percent of total beef shipments. However, Japan replaced the United Kingdom for the first time as Australia's second most important market for beef (excluding offals).

Beef cattle herds are expanding rapidly in Australia, with beef and veal output rapidly recovering to the 1964-65 predrought level. A record volume of meat will be available for export in 1970, and Australia is expected to have a growing surplus of beef for export.

In 1968/69, Australian meat promotion in Japan was expanded, and retailers in large cities gave strong support to sales promotions and cooking demonstrations of Australian beef. Many retailers were persuaded to sell Australian beef separately from other beef on a regular basis. Although Australia has traditionally supplied Japan with low-quality beef, there was evidence of growing interest in aged, more tender, boneless beef cuts, particularly for the hotel and restaurant trade, and this type of meat was featured in many demonstrations. Early in 1968, Australia made a successful initial shipment of chilled beef to Japan as an experiment to determine the requirements for developing a chilled beef trade between the two countries.

Japan's total imports of beef and veal from the United States during the 5 years 1964-68 averaged under 20 tons a year. But with rising demand in Japan for high-quality beef, this situation could change, and strong promotional efforts are being made by U.S. exporters. At a beef show sponsored by the U.S. Department of Agriculture at the U.S. Trade Center in Tokyo in September 1968, considerable interest was expressed in the high-quality U.S. beef on display.

Pork.--Since 1967, when Japan imported a negligible amount of pork, a severe shortage has developed. Imports in 1968 jumped to 10,000 tons, with the United States supplying 85 percent and Australia, 1 percent. This rise in imports from the United States coincided with a pork promotion campaign undertaken by the U.S. Feed Grain Council. Early in 1969, in an attempt to lower extremely high prices, Japan's pork import quota was raised. In September 1969, after two successive quota increases, pork imports were at a record high of 50,000 tons. Rising prices of all meats in the United States prevented the Japanese from filling the quota with U.S. pork. Consequently, Japan is seeking other sources, such as Taiwan, Canada, Australia, and New Zealand. During the first 7 months of 1969, almost 19,000 tons of fresh pork was imported into Japan, with almost 17,000 tons or 85 percent from the United States and 701 tons or 4 percent from Australia.

In Australia over the past 5 years there has been a steady rise in pork production. With a surplus of wheat and feed grains at present, this trend is expected to be accentuated over the next few years. As a result, a significant exportable surplus of pork will likely develop in the near future.

Tallow.--The United States has generally supplied about 86 percent of Japan's tallow market, and Australia, most of the remainder (table 14). The U.S. dominance in the Japanese tallow market is chiefly due to favorable prices, reliability as a stable supplier, and strong promotional efforts. Japan's tallow imports in 1968 totaled a record 246,826 tons. While the use of tallow for laundry soap in Japan has declined in favor of petroleum-based detergents, industries making soap, margarine, and shortening are still the major market for imported tallow. Nevertheless, consumption of tallow by the mixed-feed industry is increasing notably. Since 1964, U.S. market promotion for tallow in Japan has emphasized use of tallow as a high-energy additive to livestock and poultry feeds. It is estimated that around 5,000 tons of tallow were imported and used by feed manufacturers in 1968, and that nearly 10,000 tons will be imported and used for the same purpose in 1969. As a result of efforts by the U.S. National Renderers Association and the U.S. Department of Agriculture, Japan has eliminated the import duty on animal fat imported for use in feed mixes.

Table 14.--Japan's imports of beef tallow, all sources, and share from the United States and Australia, 1959-68

Year	: Total : : imports, : : all : : sources :	: United States :		: Australia :	
		Volume	:Percentage: : of total :	Volume	:Percentage: : of total :
	: 1,000 : : tons :	1,000 : : tons :	Percent	1,000 : : tons :	Percent
1959	: 139 :	114	82	18	13
1960	: 158 :	144	91	7	4
1961	: 161 :	147	91	5	3
1962	: 134 :	107	80	14	10
1963	: 169 :	130	77	25	15
1964	: 192 :	163	85	11	6
1965	: 191 :	171	90	4	2
1966	: 224 :	197	88	10	4
1967	: 219 :	191	87	8	4
1968	: 247 :	211	85	10	4

Hides and Skins.--Japan is the major overseas market for U.S. hides and skins, taking almost one-third of total U.S. exports--an annual market of close to \$150 million. Japan's imports of hides and skins in 1968 totaled a record 195,383 tons, up 15 percent from 1967 (table 15). The United States supplied 77 percent of the imports, followed by Australia with 10 percent. The increased imports reflect lower import prices and continued strong demand for genuine leather products. Japan's imports of cattle hides and calfskins in 1969 may not exceed the record 1968 level, as a result of above-average stocks at the end of the year, but future imports could continue to increase.

Raisins

Japan's import restrictions on raisins were liberalized in January 1961. Imports, which had averaged 3,534 tons annually during 1953-60, immediately increased. From 1961 to 1968, an average of 17,440 tons of raisins were imported each year (table 16). The United States supplied most of the increase, with the U.S. share of total imports averaging 83 percent during the period. Japan is the largest overseas market for California raisins, and the promotion program of the California Raisin Advisory Board since 1961 has been important in building this market.

Japan's imports of raisins from Australia have averaged 1,500 tons annually since 1962. However, since 1961, Australia has not shared proportionally in Japan's expanded imports and over the past 8 years has supplied

Table 15.--Japan's imports of hides and skins, all sources, and share from the United States and Australia, 1958-68

Year	: Total : imports, : all : sources	: United States		: Australia	
		Volume	:Percentage : of total	Volume	:Percentage : of total
	: 1,000 : tons	1,000 tons	Percent	1,000 tons	Percent
1958	: 76	51	67	10	13
1959	: 86	40	47	18	21
1960	: 97	67	69	12	12
1961	: 138	96	70	16	12
1962	: 142	93	65	25	18
1963	: 153	104	68	28	18
1964	: 160	118	74	22	14
1965	: 156	108	69	24	15
1966	: 176	117	66	27	15
1967	: 170	124	73	21	12
1968	: 195	151	77	20	10

Table 16.--Japan's imports of raisins, all sources, and share from the United States and Australia, 1958-68

Year	: Total : imports, : all : sources	: United States		: Australia	
		Volume	:Percentage : of total	Volume	:Percentage : of total
	: 1,000 : tons	1,000 tons	Percent	1,000 tons	Percent
1958	: 3,554	40	1	1,433	40
1959	: 4,767	82	2	857	18
1960	: 6,316	2,381	38	907	14
1961	: 11,705	11,461	98	81	1
1962	: 20,338	17,554	86	2,215	11
1963	: 14,999	9,046	60	2,023	13
1964	: 19,216	15,965	83	1,474	8
1965	: 15,560	13,998	90	1,019	7
1966	: 18,536	14,820	80	1,271	7
1967	: 20,956	16,529	79	1,255	6
1968	: 18,211	16,486	91	1,052	6

only 7 percent of total raisin shipments to Japan. Australia's production of raisins has been fairly constant in recent years, and any future increase in output is expected to be limited to the rise in the domestic market.

Cotton

The United States is the largest supplier of cotton to Japan, providing 30 percent of the 3.5 million bales imported in 1967/68. However, for 1968/69, large stocks on hand at the beginning of the season plus intensified competition from other suppliers are the main reasons for a decline in imports from the United States to an estimated 700,000 bales.

In 1966/67, Australia for the first time exported 7,000 bales of cotton. By 1968/69, Australia exported 19,000 bales, of which 8,150 bales went to Japan. For the 1969/70 season, exports are likely to reach 30,000 bales, with Japan, Hong Kong, Taiwan, and the Philippines the major markets. The upward trend of Australia's export sales may be expected to continue over the next few years as growers in the favored New South Wales and Queensland districts are now in a position to compete at world market prices. With the completion of the Ord River Dam in Western Australia in 1971, an additional 200,000 acres of irrigated land will be available for crops. Irrigation projects now underway in Queensland and New South Wales will also increase acreage significantly. It has not yet been determined which crops will be most attractive economically in these areas, but a large proportion of this land will probably be planted to cotton.

Australia's first bounty scheme, due to expire early in 1969, was extended another 3 years, with a gradual phasing out of the subsidy by the end of 1971. Some of the less favored areas, such as the Ord River, may have to rely on State government subsidies (some already in effect) to remain in production and compete in world markets.

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