

China's voracious appetite forces Japan into race for food security

Commodities

Tokyo's search for soyabean and corn supplies is turning increasingly anxious, writes Michiyo Nakamoto

In Baradero, an area 140km north of Buenos Aires, a Japanese company called Gialinks is growing organic soyabeans and corn destined to make the long journey back to Japan.

Across the globe in Africa, a Japanese aid agency is working with partners from Brazil and Mozambique on a project to turn part of the vast Guinea savannah into fertile farmland capable of growing crops such as soyabeans, corn and cotton.

While continents apart, these Japanese ventures in

foreign lands have one thing in common: they highlight Japan's increasingly anxious search for new food sources amid mounting competition from developing countries, and particularly China.

Since China started importing soyabeans in 2000 – after joining the World Trade Organisation – annual Chinese imports have surged from about 13m tonnes to an estimated 50m tonnes this year, according to the US agriculture department.

Japan, which used to be the largest soyabean importer, now has to compete with a country that purchases more than 10 times the 3.6m tonnes or so it buys each year.

Consequently Japan has lost much of its former bargaining power and finds itself at a competitive disadvantage in the face of China's huge buying clout.

Japanese buyers face higher prices – known as the “Japan premium” in the industry – according to executives at the large trading companies that dominate the domestic food trade in Japan.

One industry executive says suppliers prefer customers who “buy a lot of product steadily at a good price”, unlike Japanese companies which tend to purchase small amounts and are fussy about quality and price.

Trading companies say Japan's vulnerability is being highlighted this year as China's voracious appetite for soyabeans puts a squeeze on supplies.

“Since the end of August, soyabean and corn for shipments in October and November have run out because China has been buying. This is unusual,” says Koji Fukuda, head of the grain section at Maru-

beni, the trading house. “[Therefore] those who came into the market late will probably have had to buy at high prices.”

Japan is even feeling the impact of Russia's wheat export ban, even though it does not import wheat from Russia. The decline in avail-

ability of Russian wheat has increased demand for corn and soyabeans for animal feed, pushing up prices of those grains, according to Eiryu Sanatani, director of food security at the Japanese agriculture ministry.

Earlier this year an even more disturbing development jolted Japan's agricultural sector – market data showed that China was importing a larger amount of corn than usual.

China imported about 1.3m tonnes in the year to the end of September, a 27-fold increase from the prior year, according to the US agriculture department.

While it is unclear if China will continue to import corn at this pace, Keiji Ohga, professor of food economics at Nihon University, says the general view is that “what they did with soyabeans... there is a large possibility they will do with corn”.

One trading company worker says that, if China became a major importer of corn, it would have a “major impact” on the availability for Japan.

“If China becomes really serious and starts buying US land or export terminals, we don't know what will happen because export terminals are like the faucets [that control the flow of grains],” says the executive.

Despite the high price pressure for Japanese trading companies, nobody is suggesting that surging Chinese demand will seriously threaten Japan's ability to buy the grains it needs, as long as it has the financial means to do so.

Mr Ohga, for one, believes that demand from the bio-fuel industry is a greater threat to supplies than Chinese purchases of grains.

But there is broad agreement that competition will

intensify, and that Tokyo needs to take measures to ensure it has a range of options to secure grains.

Marubeni, for example, recently signed a deal that gives it access to wheat from France – something it had not contemplated before. “France was never even an option [as a wheat supplier] but it has become an option because of the changed situation in the world,” says Mr Fukuda.

Yutaka Hongo, a senior adviser at the Japan International Co-operation Agency which provides aid for the Mozambique project, says a concentration of suppliers is the “scariest” threat to food security. He says that, while the Mozambique project may take 20 years, if the country develops into a food exporter “it can help Japan's food security”.

Bean counting

50m

China soyabean imports this year in tonnes

3.6m

Japanese imports of soyabeans in tonnes

