

Global grain prices come into play

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The U.S. Department of Agriculture on Oct. 12 will release its World Agricultural Supply and Demand Estimates for October. The report tracks global production and stocks of major grains. It is published every month, and if the October report contains major revisions to forecasts made the previous month, it will exert a significant impact on international grain markets. Market players will be focusing particularly on the supply-demand situation in wheat and corn.

It has become increasingly important for Japanese people to closely monitor supply-demand balances and prices of grains that have a direct bearing on daily life.

Consider global wheat prices, which had been rising steadily throughout the year, mainly due to unseasonable weather. At the end of last month they were nearly twice as high as they were at the beginning of the year.

Global corn prices, meanwhile, have been trending down so far this year because corn production has been increasing in anticipation of a spike in demand from ethanol makers.

Japanese consumers had long been immune from these sort of gyrations because of the nation's protectionist agriculture policy. But a reform measure recently took effect that is forcing domestic wheat prices to reflect global market trends.

It is ironic that the measure's introduction coincided with a period in which global wheat prices are on an upswing. As a result, Japanese wheat prices, which like those of rice are significantly higher than global prices, have

increased for the first time in some 20 years.

The dynamic has prompted Japanese foodmakers to raise the prices of their wheat-based products.

Policy-makers as well as the public need to closely monitor how benefits from farm-protection measures compare to the resulting financial burden imposed on consumers.

Fluctuating grain prices on

the international market should provide reason to assess the validity of Japan's agriculture policy. It is widely believed that Japan is falling behind other major nations in signing free trade agreements because of its policy of protecting farmers. Against this backdrop, it is crucial for Japanese consumers to start paying closer attention to global and domestic grain prices.