

## JAPANESE IMPORT REQUIREMENTS & TREND ON CALIFORNIA ALFALFA HAY CUBES

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I would like to start with a brief explanation on the recent import situation of alfalfa hay cubes into Japan.

Firstly, let us look at the past import statistics: In 1970 Japan imported the total of 40,000 MT of alfalfa hay cubes, then in 1971 on account of the prolonged U.S. Longshoremen's strike the import quantity sharply declined and was only 14,648 MT from USA and 4,959 MT from Australia, making a total of only 19,607 MT. During this year, from January to July 19,248 MT has already been imported from USA and 7,669 MT from Australia, making a total of 26,917 MT.

YEAR	FROM USA	FROM AUSTRALIA	TOTAL
1970	Detail not available		40,000 MT
1971	14,648 MT	4,959 MT	19,607 MT
1972 (January-July)	19,248 MT	7,669 MT	26,917 MT

I think Japan will import more or less 40,000 MT annually in the future. Of course, the importing quantity will be much influenced by the crop situation in Hokkaido-area. However, I do not expect any sharp increase in quantity because it is unlikely to add more alfalfa hay cubes and beetpulp into the compound feeds for dairy cattle. Also, Japan tends to prefer to import from USA due to its superior quality, and reliability of supply. As you know, supply from Australia is subject to the weather of the country which is much subject to drought.

Needless to say, the price of hay cubes influences much on the quantity Japan may import. Generally speaking the price of hay cubes to end users must be below \$82.00 FOB inland points, which means \$53.67 or below on basis of C&F Japan. (Per metric ton.)

Now I would like to point out some of the major problems conflicting with a smooth flow of US alfalfa hay cubes into Japan.

1) High Ocean Freight. Lately the ocean freight of hay cubes in containers (20 ft.) went down to \$200.00 per one container, but it is still \$14.29 per short ton (2,000 lbs.) even if you are successfully stuffing 14 short tons per container. Suppose the cost of hay cubes is \$52.00 per short ton FOB dock at west coast the above freight of \$14.29 is almost 27% of the cost of hay cubes.

2) Un-uniformity of the Quality of Cubes. Lately Japanese end users are very conscious and strict about the quality of cubes they receive. And, it is essential to receive uniform quality for each shipment. In reality sometimes the quality of cubes varies widely from one shipment to another.

3) Very High Insurance Rate. All the insurance companies in Japan decided recently to charge twice as much insurance premium for cubes shipped in container or lash boats without a drying chemical such as "Silicagel". Also, it requires at least 20 kgs. (about 44 lbs.) of "Silicagel" to satisfy the insurance companies. Actually, according to a chemist in Los Angeles, "Silicagel" can take away a quantity of moisture equal to the amount of "Silicagel" which is put in. If so, putting just 20 kgs. of "Silicagel" into one container will not be effective at all for prevention of damages due to excess moisture in cubes and containers.

4) Frequent Occurrence of Damages on Cubes During the Delivery. Due to high moisture and heat in airtight containers, it is very easy for cubes to arrive in Japan all covered with fungus and mildew. Since most of the cubes shipped in containers are sealed with "Phostoxin" there seems almost no problems in passing Japanese plant inspection at the port of entry.

5) Price-wise, hay cubes from Australia are always competitive and cheaper than those from the USA.

In conclusion, I can say that Japan will probably import around 30,000-35,000 MT of US alfalfa hay cubes annually in the future, although now existing problems must be solved in order to encourage Japanese end users to use more hay cubes. \*

\* Statistics from Japanese Government on Feed

GENERAL COSTS OF LANDING AND DELIVERY OF HAYCUBES IN JAPAN

Using Conversion: ¥ 300 = US\$1.00

Shipment Received in Bulk

Landing Charges (FOB-Barges-Packing-Warehouse Including Cost of Bags)	¥4,500
Inland Charges By Truck or Wagon Cost of Bags	3,000
Other Expenses (Including Dealer's Commission)	<u>1,000</u>
	¥ 8,500 (US\$28.33)

Shipment Received in Container

Landing Charges	¥4,500
Inland Charges	3,000
Other Expenses	<u>1,000</u>
	¥ 8,500 (US\$28.33)

CCC: Shipment Received in Container and Deliver to End User in Container

Inland Charges	¥3,000
Other Expenses	<u>1,000</u>
Total	¥ 4,000 (US\$13.33)

Please note the above inland charges will vary according to the distance and

¥ 3,000 represents about 40 miles radius from the Sea-Port.