

Price Formation of the Voluntarily Marketed Rice and its Competition with the non-Orderly Marketed Rice

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Summary

The distribution price of Voluntarily Marketed Rice (VMR) in Japan had been decided mostly according to a floor price set under the “limited price range system” of tender until 1997. But, since 1998, when this system was abolished, the price formation has been changed to become more flexible, reflecting supply/demand factors more sensitively.

While the “price requesting system” of tender was newly introduced after the abolishment, this has weakened VMR’s competitiveness with non-Orderly Marketed Rice (non-OMR), due to higher prices requested by VMR shippers (unions of farmers cooperatives) irrespective of the real market situation. Because of a rapid increase of non-OMR distribution, the sales of VMR are being strongly influenced by the price of non-OMR and have been confronted with fierce competition.

Under the current pricing system, there is concern about the negative impact on producer prices of VMR, which induces shippers to request higher prices that do not reflect real market situations. Focusing on farmyards, the anticipated reduction in distribution prices of VMR may result in reducing the prices received by farmers, and therefore prompting them to sell more non-OMR rather than VMR. On the other hand, the reduction in market prices of VMR may increase demand from rice distributing companies.

In view of this dilemma, much effort should have been made, paying attention to both producers and distributing companies, to reduce shipment cost and request reasonable prices reflecting the real market situation, in order to increase the sales amount of VMR and the producers’ revenue.

(Note) VMR (Voluntarily Marketed Rice) is the rice distributed through registered rice shippers, in accordance with voluntary marketing plans authorized by the Minister. GMR (Government-Marketed Rice) is the rice purchased and sold by the government. OMR (Orderly Marketed Rice) consists of VMR and GMR. An other distribution channel is allowed under the Food Law, which is referred to here as non-OMR.