



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 11/5/2008

GAIN Report Number: JA8521

Japan

Agricultural Situation

The History of U.S. Exports of Feed Grains to Japan

Approved by:

Geoffrey Wiggin, Minister Counselor for Ag Affairs
Agricultural Trade Office, U.S. Embassy, Tokyo

Prepared by:

Michael Conlon, Agricultural Trade Officer

Report Highlights:

FAS Japan is writing a series of reports on the history of U.S. agricultural exports to Japan. These reports will showcase the unique partnership between U.S. cooperators, USDA's Foreign Agricultural Service (FAS), and Japan's food and agriculture sector that has made Japan the most successful country for the market development of U.S. food products in history.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Tokyo ATO [JA2]
[JA]

Table of Contents

The “Hog Lift” 3
The Switch to U.S. Feed Grains and the Start of the Feed Grains Council 4
Promoting Eggs, Poultry, Meat, and Milk Consumption in Japan 4
 Eggs 5
 Feed Seminars and the United States Trade Center 6
 Poultry 7
 Meat and Milk..... 9
Looking to the Future 9

The “Hog Lift”

Japan is by far the largest foreign market for U.S. feed grains (corn, barley and sorghum), importing over 16 million metric tons per year from the United States. This tremendous market for U.S. feed grains can be traced to the market development efforts of the U.S. Grains Council, FAS, Japan’s livestock and poultry industries, as well as the opportunities presented by the famous “hog lift.” In fact, the origin of the U.S. Grains Council can be traced to the “hog lift,” when in 1959 the U.S. farm industry and the U.S. government assisted Japan in recovering its hog industry after two typhoons hit the Yamanashi prefecture, one of the most important livestock producing prefectures in Japan.¹ The “hog lift” is the stuff of legend.

Master Sergeant Richard Thomas, who was from Iowa, was working in public relations for the U.S. Air Force in Tokyo.² When Thomas heard about the heavy damage to the livestock industry in Yamanashi prefecture, he thought about sending Iowa hogs as an opportunity to help revive the industry. He took his plan to Don Motz, the U.S. agricultural attaché at the Embassy in Tokyo, who was excited about the project and began working on its logistics.

The idea of a “hog lift” received enthusiastic support from Walter Goeppinger, President of the National Corn Growers Association (NCGA), who was trying to get the U.S. Grains Council launched. Raymond Ioanes, the Administrator of FAS, agreed to help, as did the Japanese agricultural attaché in Washington.

Iowa farmers donated 36 hogs (although one hog died during the trip) and the U.S. Air Force agreed to supply a plane to fly the hogs to Japan. According to the U.S. Grains Council’s 40th anniversary publication: “Getting the hogs to Japan was no easy task. Roscoe Marsden, president of the Iowa Corn Growers Association, rounded up 36 lean meat breeding hogs donated by Iowa farmers. The animals were shipped on an Air Force cargo plane fitted with special crates. Accompanying the hogs were Marsden, his wife Kay, and NCGA director Albert Miller. Because there were no jet cargo planes at the time, the hogs and their escorts were forced to take a time-consuming, treacherous, island-hopping flight across the Pacific. At each stop, Miller and Marsden would bathe the hogs so that the animals wouldn’t overheat.”³

“The hogs arrived safely in Yamanashi, where they lived out their lives in new facilities and populated the prefecture with their descendants. Officials estimated that by the time the last of the original Iowa hogs died nine years later, their progeny totaled some 500,000 feed grain-guzzling animals.” Following the “hog lift,” Yamanashi prefecture and the rest of Japan began to develop a modern hog industry. Today, most of the pork that is raised in Japan has a genetic connection to Iowa as a result of the 1959 “hog lift.”

The people-to-people legacy of the “hog lift” has been equally impressive. Iowa and Yamanashi prefecture established a sister-state relationship in 1960, the first of its kind between the United States and Japan.⁴ Throughout almost 50 years, the friendship between Yamanashi and Iowa has grown deeper.⁵ Thousands of people have traveled between Iowa and Yamanashi prefecture, including teachers, farmers, artists, business people and school children. Many people from Yamanashi, for example have ridden in the RAGBRAI, a week long bicycle race through Iowa, while Iowans have climbed Mount Fuji, the highest mountain in Japan and a symbol of the

country that is located in Yamanashi prefecture. Moreover, every Governor of Iowa has traveled to Yamanashi prefecture since the “hog lift.”



Bell of Friendship and Bell House
Source: Iowa General Assembly Capitol Tour

Yamanashi prefecture has also repaid the kindness that Iowa showed with the “hog lift.” In 1962 the people of Yamanashi sent Iowa a “Bell of Friendship” and bell house which currently sits south of the State Capitol. When Iowa suffered from the Great Flood of 1993, Yamanashi prefecture sent \$300,000 in flood aid relief. Iowa and Yamanashi will honor their 50th anniversary as sister states in 2010.

The Switch to U.S. Feed Grains and the Start of the Feed Grains Council

The “hog lift” brought about a switch in animal feed in Japan to feed grains. Bill Nelson and Elbert Harp of the Grain Sorghum Producers Association (GSPA) just happened to be visiting USDA in 1959 when the Japanese agricultural attaché called FAS about U.S. assistance after the typhoon.⁶ Nelson took the call from the Japanese Embassy. The Japanese agricultural attaché explained that his country was experiencing a critical, long-term shortage of feed grains. Japan’s poultry rations, for example, were high in fiber because of the inclusion of rice bran but low in energy and not well balanced and the swine industry was fed on mixed feed consisting of “odds and ends” of domestic ingredients.⁷ The attaché wanted to know if the United States had any feed grain for sale. Nelson assured the Japanese attaché that U.S. producers could meet all of Japan’s needs.

USDA’s Commodity Credit Corporation agreed to donate 60,000 bushels of number one grade corn to be used for feed for the hogs. The Governor of Yamanashi prefecture, happy with the offer from the United States, agreed that his agricultural staff would implement the project after the hogs arrived, which included mixing feed to U.S. specifications.

The experience with the “hog lift” helped lay the foundation for the start of the U.S. Grains Council, which was chartered on July 1, 1960. Grain producers in the United States had been looking to draw down huge grain surpluses in the late 1950s. The idea behind the organization was to develop overseas markets in order to dispose of grain surpluses, boost growers’ incomes and help other countries. Fittingly, the Grains Council’s first overseas office was set up in Japan in 1961.

Promoting Eggs, Poultry, Meat, and Milk Consumption in Japan

The U.S. Grains Council began promoting the consumption of eggs, poultry, meat and milk in Japan. While Europe was the primary target for U.S. grains, a Grains Council team in 1960 visited Japan to assess conditions there.⁸ Japan’s public health officials wanted to increase the Japanese consumption of animal protein by increasing demand for eggs, poultry, meat and milk, which guaranteed Japanese government cooperation with U.S. Grains Council promotional activities. Clarence Palmby, the first Executive Vice President of the Council from 1961-69, said

that during visits to Japan he met with three successive prime ministers to discuss the cooperators' activities. The Japanese trade worked very closely with the Council in developing projects designed to expand and enlarge the livestock and poultry industries in Japan.⁹ In fact, the Japan Feed Council came into being for the purpose of encouraging Japanese animal agriculture and to work cooperatively with the Council. The founders of the Japan Feed Council were men of distinction in the Japanese feed industry like Shiro Kawada, who was President of the Japan Feed Manufacturers Association from 1960 through 1975. By helping Japan produce more protein, and in turn making it less expensive, the Grains Council increased consumer demand for meat, poultry, milk and eggs. U.S. exporters have been able to supply most of the Japan's feed needs ever since.

Eggs

In the early 1960s, eggs offered the greatest opportunity for growth. The Japanese liked eggs but per capita consumption was very low at around 80 per year compared to 290 in the United States.¹⁰ Home refrigerators were largely non-existent and cooking facilities were limited. Eggs could be kept for several days without a refrigerator and could be easily prepared in a variety of ways.

In January 1965, the leading industry groups, supported by the U.S. Grains Council, initiated an exceptionally successful egg promotion campaign that encouraged awareness of the nutritional value of eggs and stressed the good value housewives received for their money by purchasing eggs.

Hubert Dyke, Vice President of the Council, who had a major role in the promotional campaign, commented on the program: "In 1964, egg cartons were unknown in Japan. Eggs were sold in bulk, by the egg or by the kilo, and the Japanese housewife had to carry the eggs purchased in her hand. Occasionally, she might put them into her silk scarf folded at the four corners used to carry groceries, books, or any other articles requiring a bag. But the chances of breakage were great, so she often carried them in her hand, which meant that she could only buy two eggs at one time."¹¹

"The Council contracted with a plastic toy manufacturer to make a plastic egg carton which held six eggs and could be brought back to the store on future shopping trips. In cooperation with 16 associations in Japan, we held an Egg Festival Day. The local associations paid for the TV and billboard advertising and the retail merchants sold eggs at a discount on that day."

"Any housewife who purchased six whole eggs at one time received, absolutely free, a plastic egg carton. We distributed 1.5 million of the cartons in Tokyo alone that day, and they were gone by 10 a.m. The theory of this promotional test was that if the housewife had the eggs in the kitchen, she would use them more freely. Eight years later (1972), egg cartons are common in the supermarkets."

Another major project undertaken by the Grains Council and the Japan Feed Council in the early 1960s was advertising eggs on commuter trains.¹² The high volume of commuter train use in Japan is legendary. Pictures and artwork displayed in those ads on the trains were seen by millions of commuters and increased the demand for eggs.

These promotions worked to increase demand for eggs in Japan. Palmby commented in his book that Japan's per capita consumption at the beginning of the campaign was only one-third that of the United States, but by the early 1980s it had caught up with the United States.

As the demand for eggs increased so did the demand for feed grains. According to Jimmy Minyard, who served in FAS Japan in the early 1960s, with the help of the U.S. Grains Council egg production increased tremendously from the early 1960s and changed the face of the domestic egg industry, putting more emphasis on the use of commercial mixed feed in the industry. Almost all of the grain used in formula feed making was imported from the United States.¹³

Feed Seminars and the United States Trade Center

The Grains Council began working with Japanese feed manufacturers in 1961. As the market for compound feed expanded, the Japanese trade requested more information on U.S. feed grains. The Grains Council organized short courses on feed formulations for the Japanese in the United States.¹⁴ The first courses, which lasted two weeks, were held at Oklahoma State University and Iowa State University and most of the participants were responsible for formulation of rations for Japanese companies. The Council believed that lower cost rations per pound of grain for livestock and poultry production would lead to increased sales of U.S. corn and sorghum.

The Council also sponsored several major nutrition seminars, which took place at the United States Trade Center in Tokyo. In January 1963, FAS opened the U.S. Trade Center in partnership with the Department of Commerce. The economy was booming and imports of food products continued to increase. U.S. agricultural exports to Japan had increased from \$98 million in 1946 to \$651 million by 1963. The upcoming Olympic Games in Tokyo in 1964 were also likely to increase demand for U.S. products. With tremendous economic growth, there was growing demand for both bulk products and consumer oriented food imports in Japan. The Center provided a venue for technical seminars for the bulk cooperators, but it also was used to promote high value products. In addition, the Trade Center was used effectively in building relationships, an important component in Japanese business. For example, it was the location for the annual grand Christmas party that included the FAS staff, cooperators and many trade contacts. Unfortunately, the Center was closed in 1976 when the Department of Commerce moved to a new location and the FAS marketing section moved into the new embassy chancery building.





U.S. feed seminar, March 7-18, 1966
Source: Kuniharu Kiyomiya

The most significant of the feed grain seminars took place at the U.S. Trade Center in March, 1966.¹⁵ The event lasted 12 days and during that time several specialists from the United States and Japan presented papers and answered questions on U.S. feed grains. The seminar was also noteworthy because it marked the 5th anniversary of the U.S. Grains Council in Japan. During that period, sales of U.S. corn and sorghum to Japan quadrupled.

Poultry

Japan today is a major consumer of poultry products, consuming over 1.9 million metric tons in 2007. Japan imported around 695,000 metric tons of poultry products last year, or around 37 percent of total consumption. However, only three percent of these imports, around 23,000 metric tons, were from the United States. Even though U.S. poultry is not a major export item to Japan, U.S. poultry market development activities were instrumental in creating demand for poultry products in Japan that stimulated domestic poultry production and increased U.S. feed grain exports to the country.

FAS market development efforts began in 1960 when Joseph Parker of the Institute of American Poultry Industries traveled to Japan with David Hume, Director of FAS's Dairy & Poultry Division, to introduce American poultry products to Japanese retailers.¹⁶ Parker and Hume knew that the Japanese domestic industry would feel threatened by U.S. poultry and those large trading companies would not be interested in handling the initial small volumes from the United States. They decided to concentrate their efforts on finding a domestic oriented major Japanese retailer who would find it "an honor to be the first Japanese purveyor of fine, high quality American poultry products."¹⁷

The Institute had recently hired Katsunari Toyada to promote U.S. poultry in Japan. Toyada had studied in the United States and spoke fluent English. In addition, Charles Elkington, the agricultural attaché at the U.S. Embassy, assigned Kuniharu Kiyomiya of FAS/Tokyo, who specialized in the Japanese poultry industry, to brief the two visitors on the status of the Japanese poultry industry and take them to poultry farms and processing plants.

Toyada selected the Daimaru department stores in Osaka as a possible buyer of U.S. poultry because he believed the company met the specifications for Parker and Hume. Toyada introduced the American visitors to Sukeo Nakaya, an executive for Daimaru who was in charge of the chain's food operations. Parker, Hume, Toyada and Nakaya along with nine managers from the food department in Daimaru's stores had an all-day meeting where the Americans were

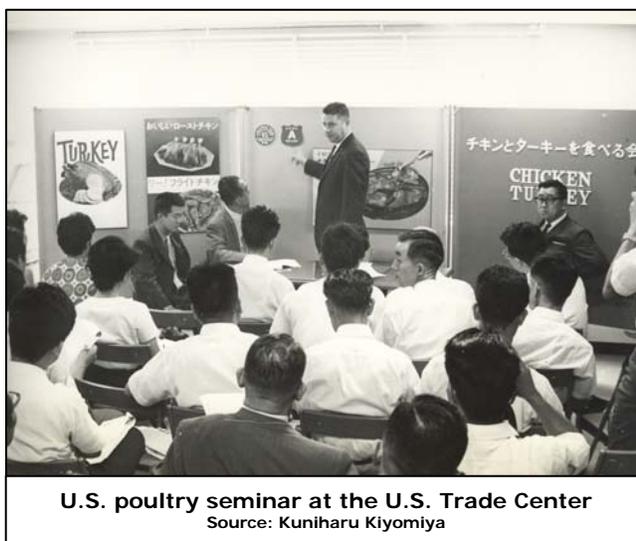
questioned on American poultry merchandizing. At the end of the meeting, to the Americans' surprise, Parker and Hume received an order for a \$10,000 assortment of frozen poultry. Daimaru also agreed to promote the sale of U.S. poultry in all of their stores and to continue buying American poultry in the future. There was just one problem; Parker and Hume were not U.S. exporters. They quickly contacted Bill Simmons, President of Plus Poultry Company in Siloam Springs Arkansas, who agreed to sell poultry to Daimaru.

As James Howard related in *Partners in Developing Farm Markets Overseas*: "This small beginning was the start of fundamental change in the way poultry was merchandised in Japan. Historically, it had retailed mostly as boneless meat, in narrow strips, sold by the gram to be used by housewives in combination with other foods, especially in soups. Whole or cut up birds with bones were a rarity to Japanese consumers until Daimaru and later, the FAS market development program promoted bone-in poultry."¹⁸ One of the early United States Trade Center shows in 1963 was for U.S. chicken products, which included 24 exhibit booths of leading U.S. poultry and egg product companies.

The Japanese poultry industry paid close attention to the Daimaru poultry procurement from the United States. Representatives from the Japanese poultry industry visited the United States where "they noted the efficiency of integrated broiler production and processing; wholesale marketing costs at very low levels, and mass presentation of a large variety of fresh and frozen poultry products in retail stores."¹⁹

The Japanese poultry industry rapidly expanded by installing U.S. technology into their own production. Even though Japan has not developed into a large market for U.S. poultry, it has nevertheless been a beneficial part of the U.S. poultry market overseas. However, the greater benefit of U.S. poultry promotions came from the export of U.S. feed grains to Japan. Thus, the work by Parker and Hume aided efforts of the U.S. Grains Council by introducing U.S. poultry into Japan and increasing the role of animal protein in the Japanese diet.

The Institute of American Poultry Industries in 1963, 1964 and 1965 introduced high quality poultry meat to trendy hotels, restaurants and department stores that helped develop a taste among Japanese for such products.²⁰ The March 1966 seminar at the United States Trade Center also helped to spur on demand. In fact, one could say that thanks in part to the seminar, 1966 ushered in the birth of the modern poultry industry in Japan. The seminar gave the Japanese trade up-to-date information on the genetics, nutrition, production and the marketing of poultry. The first large scale production of American broiler breeders from grandparent stock raised in Japan took place in 1966. During that year, a new class of high energy feed was also introduced in Japan and there was tremendous capital investment in modern processing facilities.



U.S. poultry seminar at the U.S. Trade Center
Source: Kuniharu Kiyomiya

Meat and Milk

From a small base Japanese consumption of beef grew quickly beginning in the early 1960s.²¹ Because of the economic boom that started with the Korean War, people could now afford the luxury of eating meat. Japan's cattle were primarily used as draft animals until the 1950s and



FAS staff visit a rice farm near Oshino village in Yamanashi prefecture in 1959
Source: Kuniharu Kiyomiya

1960s when field cultivation shifted to motor power. However, many of Japan's small farmers retained this draft breed (Wagyu) as beef animals to be fattened for market and slaughtered. Wagyu is highly marbled meat and intensive grain feeding and a long fattening period allows for a high degree of marbling. Japan lacks pasture land and feed grain crops, so imported feed grains from the United States has allowed cattle fattening to proceed beyond Japan's own feed sources.

At the same time, milk consumption began to rise quickly in Japan because of the expansion of the school lunch program. This expansion led to the development of a large dairy herd based on Holstein animals, which were also intensively fattened.²² Moreover, beef from Wagyu animals was supplemented by beef from the steers and

unbred heifers of the dairy herd. Japanese consumers have developed a taste for grain fed beef because of the early efforts of the Grains Council, and the United States is the primary beneficiary of this, whether it is Wagyu beef or U.S. product.

Looking to the Future

For U.S. grain producers, world prices for grains are higher because of the development of the Japanese market. Because Japan produces no corn, sorghum and very little barley, Japan relies on the U.S. supply of feed grains. Without the trust in this supply built up over several decades, Japan might have had to look elsewhere for supplies or started producing feed grains domestically. There have also been major investments by Japanese firms in the U.S. feed supply chain as Japan and the United States are increasingly integrating their agricultural sectors to mutual benefit. The supply chain built to provide feed to Japan has also been the base from which large exports to Korea, Taiwan and South East Asia have emerged. Today, the Grains Council is working to expand its focus to increase demand for non-feed uses. New uses for corn, barley and grain-sorghum will further expand to include foods, and industrial uses such as biodegradable plastics, chemicals and pharmaceuticals.

For almost 50 years, Japan has been a leading market for U.S. feed grains thanks to the efforts of the U.S. Grains Council, FAS, and Japan's livestock and poultry industries. This unique public/private partnership will continue to be vital as we develop markets in Japan for new uses for feed grains and as we maintain our leadership position in supplying Japan with feed grains for its poultry and livestock industries.

-
- ¹ “40 Years of Change: The U.S. Grains Council’s Ongoing Story,” U.S. Grains Council, 2001, p. 10.
- ² “Partners in Developing Farm Markets Overseas,” James O. Howard and others, U.S. Agricultural Export Development Council, 1989, p. 8.
- ³ “40 Years of Change: The U.S. Grains Council’s Ongoing Story,” U.S. Grains Council, 2001, p. 10.
- ⁴ “The History of the Foreign Agricultural Service: Helping U.S. Producers Feed, Clothe and House the World,” by Ryan Swanson, AgExporter, March 2002, p. 4.
- ⁵ “Sweet Corn and Sushi: The Story of Iowa and Yamanashi,” by Lori Erickson, Illustrated by Will Thomas, McMillen Publishing, pp. 12-13.
- ⁶ “40 Years of Change: The U.S. Grains Council’s Ongoing Story,” U.S. Grains Council, 2001, pp. 8-9.
- ⁷ “Made in Washington: Food Policy and the Political Expedient,” by Clarence D. Palmby, the Interstate Printers and Publishers, Inc. Danville, Illinois, 1985, p. 72.
- ⁸ “40 Years of Change: The U.S. Grains Council’s Ongoing Story,” U.S. Grains Council, 2001, p.17.
- ⁹ “Made in Washington: Food Policy and the Political Expedient,” by Clarence D. Palmby, the Interstate Printers and Publishers, Inc. Danville, Illinois, 1985, p.73
- ¹⁰ Ibid, p. 75.
- ¹¹ “Partners in Developing Farm Markets Overseas,” James O. Howard and others, U.S. Agricultural Export Development Council, 1989, pp. 18-19.
- ¹² “Made in Washington: Food Policy and the Political Expedient,” by Clarence D. Palmby, the Interstate Printers and Publishers, Inc. Danville, Illinois, 1985, p. 76.
- ¹³ “Partners in Developing Farm Markets Overseas,” James O. Howard and others, U.S. Agricultural Export Development Council, 1989, p. 18.
- ¹⁴ “Made in Washington: Food Policy and the Political Expedient,” by Clarence D. Palmby, the Interstate Printers and Publishers, Inc. Danville, Illinois, 1985, p. 77.
- ¹⁵ Ibid, pp. 77-78.
- ¹⁶ “Partners in Developing Farm Markets Overseas,” James O. Howard and others, U.S. Agricultural Export Development Council, 1989, p. 12.
- ¹⁷ Ibid, p. 12.
- ¹⁸ Ibid, p. 13.
- ¹⁹ Ibid, p. 13.
- ²⁰ “Made in Washington: Food Policy and the Political Expedient,” by Clarence D. Palmby, the Interstate Printers and Publishers, Inc. Danville, Illinois, 1985, p. 80.
- ²¹ “U.S.-Japan Agreements on Beef Imports: A Case of Successful Bilateral Negotiations,” John Dyck, Regional Trade Agreements and U.S. Agriculture/AER-771, USDA’s Economic Research Service, p. 99.
- ²² Ibid, p. 100.