

4 Canadian versus Japanese Production Costs

It is useful to compare the approximate costs of preparing a typical bread mix in Canada and in Japan, using local wholesale prices (expressed in \$C/metric ton) for wheat flour, sugar and skim milk powder.

Table 1

Cost Comparison of Basic Ingredients

Ingredient	Prices/Metric Ton	
	Canadian	Japanese
Wheat flour (84% of mix)	\$ 416	\$1 385
Sugar (14% of mix)	\$ 786	\$1 433
Skim milk powder (2% of mix)	\$3 050	\$4 677
Cost of identical mix	\$ 520	\$1 458

To the cost of the Canadian mix it is necessary to add about \$100/metric ton for container freight to Japan plus approximately 25 per cent duty, to arrive at a final c.i.f. duty-paid price of about \$800 per metric ton, versus \$1 458 for a comparable Japanese product.

5 Domestic Production in Japan

Japanese flour production is approximately 4 million metric tons annually, and virtually all is used domestically. After sugar, milk powder and other ingredients are added, the total production of wheat flour mixes reaches about 4.5 million metric tons per year. Therefore, while the 1988 level of imports at 78 750 metric tons amounted to only about 2 per cent of domestic production, it was sufficient for Japanese millers to demand from the Japanese Food Agency reductions both in the re-sale price of imported wheat and in the amount of

high-priced, inferior-quality Japanese wheat which must be utilized by Japanese mills. The response of the Food Agency was to reduce the re-sale price of wheat by 6 per cent for 1989. However, this did not greatly assist the very small Japanese flour mills which produce as little as one metric ton of flour per day. These small operations are highly vulnerable to price competition from the imported bakery mix products, and the most vociferous opponents of such imports.

6 Imports of Bakery Mixes

As previously noted, imports of imported mixes have increased very quickly because of the attractive pricing compared with domestic-origin products. Table 2 shows the steady increase in imports of these mixes by country since 1987.

South Korea is the leading supplier of bakery mixes to Japan due to highly competitive pricing, the capability to provide freshly milled products, close collaboration and technical co-operation with Japanese customers etc. The Japanese market is very price-competitive and technical servicing (meeting product specifications, packaging and delivery requirements) is extremely important.