JAPAN

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Japan: Rice, the Stockpile and the CPI

Thematic Note

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Japan's Rice Hit a Record ¥4,285, and the Fix Came From the Government's Warehouse: Fade the Rice Winners, Look Through the CPI

What the warehouse fixed. The agriculture ministry's supermarket average for a 5kg bag hit a record ¥4,285 in the week to 18 May, then fell for five straight weeks to ¥3,801 in the week to 22 June (-11.3%), once stockpile rice sold under negotiated contracts at about ¥2,000 reached 47,433 stores. The Prime Minister's "¥3,000 range" target was met on the average. Branded rice, however, fell only 2.9%, to ¥4,341: just 15% of the fall came from branded prices, and the rest from cheaper blended and stockpile rice and a shift in the mix towards it (Exhibit 4).

What it did not fix. Japan's CPI prices only single-source rice, of one origin, variety and crop year. Blended rice, the channel for most stockpile rice, is outside the index. CPI rice rose 3.4% m/m in May to +101.7% y/y, and Tokyo's June CPI still had rice up 1.5% m/m. The ¥2,000 bag will barely register in the inflation data.

Why inflation falls anyway. Base effects will do what the warehouse cannot. Rice added 0.64pp to May's 3.7% core CPI. If branded prices merely hold, rice inflation drops to 50% by September and 27% by December. In all three of our scenarios rice's contribution to core falls by 0.29-0.50pp by December; stopping that would take a further 30% rise in the CPI rice index. The risk the Bank of Japan cannot ignore is the 0.25pp from rice-led items such as onigiri and boxed meals, which is still rising (Exhibits 15 and 11).

What trades. Fade the rice winners: wholesalers lost an average 4.4% against TOPIX on each stockpile-sale headline and are down 10.4% against TOPIX since the minister was replaced. Wait for 2025-crop prices before buying the rice users, and do not buy retailers for stockpile traffic or pay rates on rice inflation (Exhibit 19).

Key Points

The warehouse moved the mix, not the price

The first 312kt sold at auction from March went 95% to JA Zen-Noh and only about 20% had reached retailers or restaurants by 11 May; the average kept rising. The negotiated sales, 47% cheaper and sold straight to retailers, worked within a week (Exhibits 3 and 5).

The CPI does not count the cheap bag

The two CPI rice items are single-source by specification. Their fall depends on branded prices, down only 2.9% from the peak against 11.3% for the average (Exhibit 10).

Supply is already turning

Table-rice planting is up 75,000 hectares, about 400kt of output; the Dojima October contract is 6.4% below June; private imports reached 10,607t in May against 1,008t in all of 2024 (Exhibit 6).

Rice winners peaked with the old minister

Wholesalers and packers rose 65% against TOPIX in the shortage phase and have given back 10.4% since 20 May; Iseki, the purest play on higher output, rose 18% (Exhibit 17).

Rice at a glance	Latest
POS average, 16-22 Jun	¥3,801
Record, 12-18 May	¥4,285
Branded rice, 16-22 Jun	¥4,341
Stockpile rice (negotiated)	¥2,077
Change on a year earlier	+70%
CPI rice, May y/y	+101.7%
Rice in core CPI, May	0.64pp
Stockpile left after sales	~150kt

Source: MAFF, Statistics Bureau, K2 Capital.

vs TOPIX	YTD	Since 20 May
Kitoku Shinryo	104%	(9%)
Yamatane	29%	(14%)
Kameda Seika	(8%)	(1%)
Matsuya Foods	(12%)	3%
Aeon	18%	(1%)
Iseki	34%	18%

Price relative to the TOPIX ETF (1306), closes to 1 July 2025. 20 May is the eve of the agriculture minister's replacement.

Trade idea	Verdict
Fade rice wholesalers	Implement
Rice users into 2025 crop	Use selectively
Iseki on output pivot	Use selectively
Retailers for rice traffic	Avoid
Pay rates on rice inflation	Avoid

Evidence in Exhibit 19. Thematic note: no ratings or price targets.

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From Shortage to Warehouse

A supply shock that the data missed. The 2023 crop was heat-damaged: only 60.9% graded first class, the lowest under the current inspection system, and lower milling yields used up more grain. The crop came in at 6.61Mt against 7.05Mt of demand, and private stocks at end-June 2024 were 1.53Mt, the lowest since 2011/12. The government's Nankai Trough earthquake advisory of 8 August 2024 then set off hoarding: supermarket rice volumes ran 38.8% above a year earlier in the week it was issued. The 2024 crop of 6.79Mt should have been enough, but collectors outside the JA system bid it away: shipments to established collectors fell 310kt while trade by other buyers rose 440kt to 2.37Mt. The all-brand wholesale price reached a record ¥27,649 per 60kg in May, against ¥15,315 for the 2023 crop.

The first fix did not reach the shelf. On 31 January the government changed the rules so that stockpile rice could be released for a distribution problem, a first since the stockpile was set up in 1995. Three auctions from March sold 312kt at an average ¥20,812 per 60kg, with a buy-back condition, and JA Zen-Noh bought 94.8% of it. By 11 May only about 20% had reached retailers or restaurants, and the rice that did was marked up along the chain, from ¥21,063 at the collector to ¥33,071 at the wholesaler. The supermarket average rose through April and set its record of ¥4,285 in the week to 18 May.

The second fix did. The agriculture minister resigned on 21 May over a remark about never having to buy rice. His successor cancelled the fourth auction that evening, and on 26 May the ministry offered 300kt of 2022 and 2021 crop rice by negotiated contract at ¥10,700 per 60kg, 47% below the last auction, direct to large retailers, freight paid and with no buy-back. It was on shelves from 31 May at about ¥2,000 a bag before tax. A further 200kt of 2021 and 2020 crop followed on 10 June. By 30 June 47,433 stores were selling it, although only 50kt of the 300kt contracted had shipped.

Politics did the rest. On 21 May the Prime Minister said rice "must be in the ¥3,000 range". He declared the target met on 23 June, at ¥3,920, and on 1 July told the rice ministerial council the government would "increase production from the 2025 crop" and rebuild the stockpile. Kyodo's cabinet approval rose to 37.0% in mid-June from 31.7% in late May, though 56.9% still called the rice response insufficient. The upper house votes on 20 July. Abroad, the US President complained on 30 June that Japan "won't take our RICE, and yet they have a massive rice shortage"; Japan's tariff negotiator replied on 1 July that Japan would not sacrifice its farm sector. The US pause on reciprocal tariffs ends on 9 July.

Exhibit 1 - Timeline

Date	Event
8 Aug 24	Nankai Trough advisory; hoarding
31 Jan 25	Stockpile rules widened
14 Feb	210kt auctions announced
10-12 Mar	Auction 1: 94% to Zen-Noh
9 Apr	PM orders monthly releases
18 May	POS record ¥4,285
21 May	Minister replaced; auction 4 off
26 May	300kt negotiated at ¥10,700
31 May	Stockpile rice on shelves
10 Jun	Further 200kt released
23 Jun	PM: target met at ¥3,920
30 Jun	POS ¥3,801
1 Jul	PM: raise 2025 output

Source: MAFF, Prime Minister's Office, press reports.

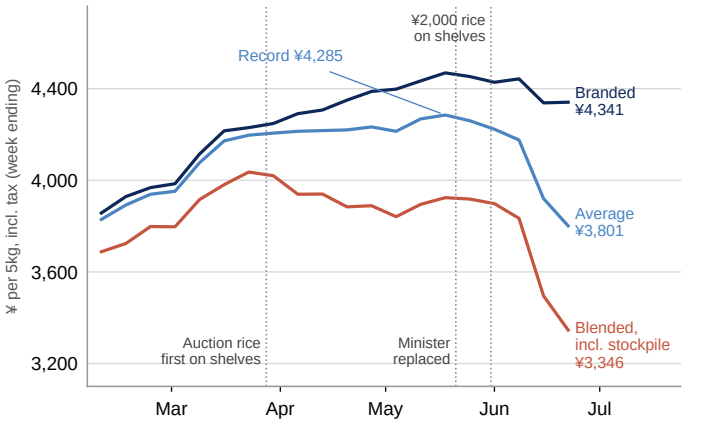
Exhibit 2 - The Shortage in Numbers

Shortage indicator	Value
2023 crop	6.61Mt
Demand, 2023/24	7.05Mt
First grade, 2023 crop	60.9%
Private stocks, end-Jun 24	**1.53Mt**
POS volume, advisory week	+38.8% y/y
2024 crop	6.79Mt
To established collectors	(310kt)
To other buyers	+440kt
Other buyers' total	2.37Mt
Wholesale, May 2025	**¥27,649**
Wholesale, 2023 crop	¥15,315
POS, week to 22 Jun 24	¥2,230

Wholesale prices are all-brand relative transaction prices per 60kg, excl. tax; POS per 5kg incl. tax. Collector changes are for the 2024 crop.

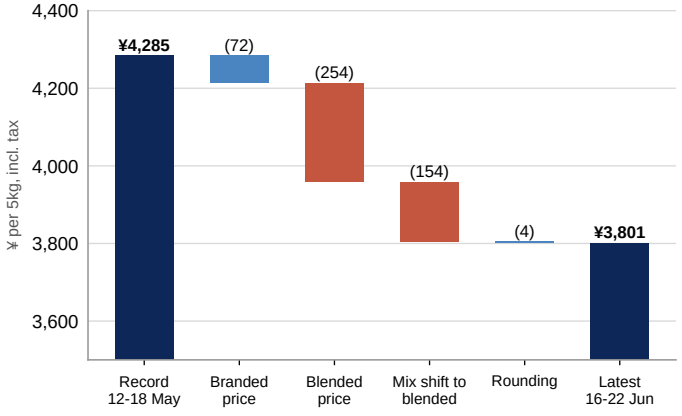
Source: MAFF, K2 Capital.

Exhibit 3 - Branded Rice Barely Moved



Source: MAFF KSP-SP POS data (about 1,000 supermarkets), 30 Jun 2025.

Exhibit 4 - Mix, Not Price, Cut the Average



Shift-share with midpoint weights; blended share rose from 34% to 54% of volume.

Source: MAFF, K2 Capital calculations.

The Warehouse, Line by Line

Exhibit 5 - The Auctions Went to JA; the Negotiated Sales Went to the Shelf

Tranche	Dates	Volume	¥/60kg, excl. tax	Buyers	Reached consumers
Auction 1	10-12 Mar	141.8kt	¥21,217	JA Zen-Noh 93.8%	
Auction 2	26-28 Mar	70.3kt	¥20,722	JA Zen-Noh 94.2%	
Auction 3	23-25 Apr	100.2kt	¥20,302	JA Zen-Noh 96.8%	
Auctions, total	**Mar-Apr**	**312.3kt**	**¥20,812**	**JA Zen-Noh 94.8%**	**About 20% at retail or food service by 11 May**
Negotiated sale 1	From 26 May	300kt	¥10,700	Retailers handling 10kt+ a year	50kt shipped by 30 Jun; 47,433 stores selling
Negotiated sale 2	From 10 Jun	200kt	n/a	Retailers; restaurants from 18 Jun	Shelf ¥1,700-1,800 expected
Planned releases, total		**810kt**			**1.4 months of national demand**
Stockpile before / after	**End-Mar**	**960kt / ~150kt**			**Norm about 1,000kt at end-June**

Auction prices are weighted averages of sold volume; auctions carried a buy-back condition within about a year. Negotiated sale 1: 2022 crop at ¥11,010 and 2021 crop at ¥10,080. Months of demand use MAFF's 2024/25 forecast of 6.74Mt.

Source: MAFF auction results (14 Mar, 1 Apr, 30 Apr), buyer tables, press conferences (26 May to 1 Jul), Prime Minister's Office material (5 Jun, 1 Jul).

The stockpile buys about six weeks. Against MAFF's demand forecast of 6.74Mt, a month of national consumption is about 562kt. The auctioned rice was 0.6 months of demand and the negotiated sales 0.9 months, 1.4 months in all. What remains after every planned sale, about 150kt, is 0.27 months, a disaster reserve rather than a market tool. The ministry's aim is to bridge to the 2025 harvest, not to change the price of the 2025 crop.

The price of the 2025 crop is still being set. Futures on the Dojima exchange put the October 2025 contract at ¥25,400 per 60kg on 13 June, 6.4% below June 2025. Farm co-operatives are pulling the other way: JA Zen-Noh Niigata's advance payment target for 2025 Koshihikari is ¥26,000 or more, against ¥18,000-20,000 for the 2024 crop in many areas. Planting intentions for table rice are up 75,000 hectares, about 400kt of extra output, the largest rise since the survey began in 2004, and private imports at the ¥341/kg tariff reached 10,607t in May alone, against 1,008t in all of 2024.

1993 is the warning about overshooting. After the cold summer of 1993 cut the crop by 26%, Japan imported 2.59Mt, and about 980kt went unsold. This time the supply response is domestic and already planted. MAFF forecasts private stocks of 1.78Mt at end-June 2026, against 1.28Mt excluding stockpile rice at end-May 2025. That is the case for fading the businesses that earned most from scarcity (Exhibit 17).

Exhibit 6 - The Price Ladder

Price point	¥/60kg
2024 farm advance, typical	18,000-20,000
Auctions, average (excl. tax)	20,812
Auction rice, collector to wholesaler	22,224
Auction rice, wholesaler out	**33,071**
Wholesale all-brand, May 2025	**27,649**
Negotiated stockpile sale	**10,700**
Dojima futures, Jun-25 contract	27,130
Dojima futures, Oct-25 contract	25,400
Niigata 2025 advance target	26,000+

Source: MAFF, Dojima Exchange, JAcom, Nikkei.

Exhibit 7 - Six Weeks of Rice

Supply arithmetic	Volume	Months
Auctioned (Mar-Apr)	312kt	0.56
Negotiated (May-Jun)	500kt	0.89
All planned releases	**810kt**	**1.44**
Stockpile left after	**~150kt**	**0.27**
Sold in stores and online to 22 Jun	22.9kt	0.04
Extra 2025 planting	**~400kt**	**0.71**
Private stocks ex stockpile, end-May 25	1.28Mt	2.28
MAFF forecast, end-Jun 26	**1.78Mt**	**3.17**

Months of national demand at 562kt a month.

Source: MAFF, K2 Capital calculations.

Exhibit 8 - 1993 Overshot; 2025 Is Planting More

	1993-94	2024-25
Shock	Cold summer: crop down 26% to 7.83Mt	2023 crop 6.61Mt vs 7.05Mt demand
Emergency supply	2.59Mt of imports	810kt from the stockpile
Imports	Thai long-grain disliked	Private imports 10.6kt in May
Aftermath	About 980kt unsold	+400kt planted for 2025
Policy	New staple food law; stockpile set up in 1995	Pledge to raise output and rebuild the stockpile

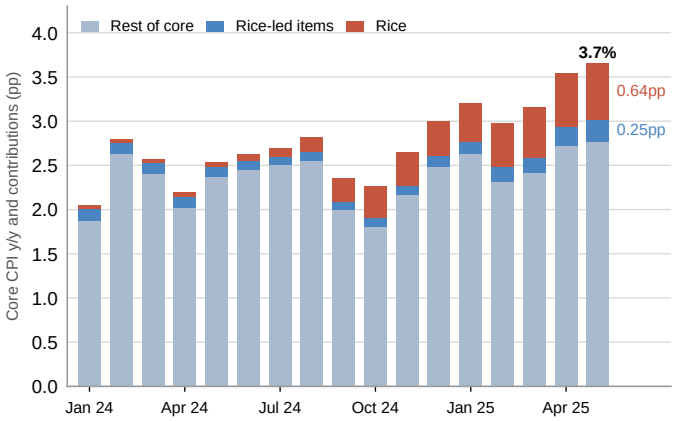
Source: Nikkei, Saga Shimbun, MAFF, K2 Capital.

The CPI Counts the Rice the Warehouse Did Not Sell

The specification matters more than the stockpile. The two CPI rice items, Koshihikari and other varieties, are priced as domestic, polished, single-source rice in 5kg bags: one origin, one variety and one crop year. The retail price survey no longer carries a blended-rice item, and MAFF reports stockpile rice together with blended rice. So the CPI follows the branded line in Exhibit 3, down only 2.9% from the peak week, not the average, down 11.3%. National CPI rice rose 3.4% m/m in May, taking it to 101.7% y/y, and Tokyo's June figure, the first to cover the negotiated sales, still rose 1.5% m/m even as y/y slowed to 90.6% from 93.7%.

Rice and its derivatives are a quarter of core inflation. Rice has a weight of 62 in 10,000, yet it added 0.64pp to May's 3.7% core CPI. Rice-led items, from onigiri to beef bowls, added another 0.25pp, up from 0.13pp in December. Excluding rice, core inflation was 3.0%; excluding rice and rice-led items it was 2.8%.

Exhibit 9 - Rice Is a Sixth of Core Inflation



Source: Statistics Bureau (2020 base, national, to May 2025), K2 Capital calculations.

Exhibit 10 - The CPI Prices the Expensive Bag

Measure	Counts stockpile rice?	Latest change
MAFF POS average, all rice	Yes	-11.3%
MAFF POS blended, incl. stockpile	Yes	-14.7%
MAFF POS branded rice	**No**	**-2.9%**
National CPI rice, May	**No**	**+3.4% m/m**
Tokyo CPI rice, June	**No**	**+1.5% m/m**

CPI rice items 1001 and 1002: domestic, polished, single-source rice (same origin, variety and crop year), 5kg bag. POS changes are 12-18 May to 16-22 Jun.

Source: Statistics Bureau retail price survey item specification (Dec 2022), MAFF, Statistics Bureau.

Exhibit 11 - Rice-Led Items Are Still Accelerating

Rice-led CPI item	Weight	y/y Dec-24	y/y May-25	Core contribution, May
Rice balls (onigiri)	15	8.3%	19.2%	0.033pp
Packaged cooked rice	5	7.7%	19.3%	0.010pp
Frozen cooked rice	7	2.1%	11.6%	0.009pp
Mochi rice cakes	7	0.0%	10.2%	0.007pp
Rice crackers (sembei)	20	9.1%	10.1%	0.024pp
Box lunch A	25	2.3%	5.7%	0.015pp
Sushi box lunch A	29	2.3%	6.2%	0.019pp
Beef bowl (eating out)	13	6.8%	7.8%	0.012pp
Sushi (eating out) B	37	4.6%	6.3%	0.026pp
Curry and rice (eating out)	19	4.4%	5.8%	0.011pp
Rice itself	**62**	**64.5%**	**101.7%**	**0.635pp**
All 15 rice-led items				**0.250pp**

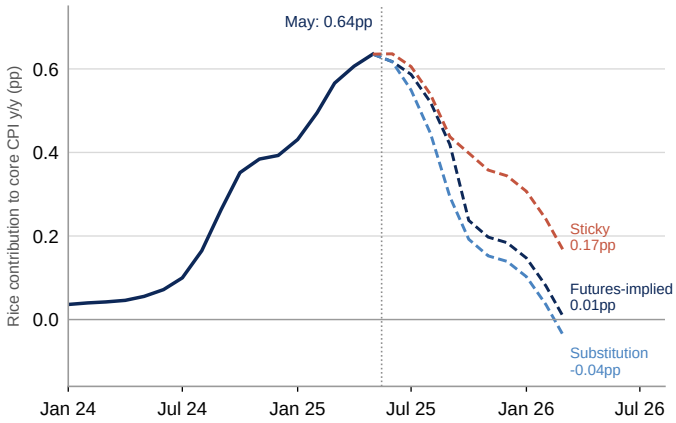
Contribution to core CPI y/y (pp) using the Statistics Bureau method; weights per 10,000 of the 2020 basket. Ten largest of the 15 rice-led items shown; the total covers all 15 (rice cakes, rice crackers, sushi and box lunches, onigiri, frozen and packaged cooked rice, rice seasoning mix, and sushi, tempura bowls, curry rice and beef bowls eaten out).

Source: Statistics Bureau (2020 base), K2 Capital calculations.

The average will not stay at ¥3,801. Stockpile rice is a one-off: the negotiated rice is due to be sold by the end of August, and only about 150kt remains after every planned sale. If blended rice returns to its share and price of the record week while branded rice holds at ¥4,341, the average goes back to about ¥4,199, 10.5% above the latest week and within 2% of the record. The CPI will not see that rebound either, since it never saw the fall. For the index, the only price that matters is branded rice, and that is set by the 2025 crop.

Base Effects Will Do What the Warehouse Cannot

Exhibit 12 - Rice's Lift to Core CPI Fades by Winter



Source: Statistics Bureau, Dojima Exchange, K2 Capital scenarios.

Exhibit 13 - Every Scenario Takes 0.3-0.5pp Off Core

Scenario	Rice y/y Sep-25	Rice y/y Dec-25	Rice y/y Mar-26	Core pp Dec-25	Change vs May
Futures-implied	**50%**	**19%**	**1%**	**0.18pp**	**(0.45pp)**
Substitution	35%	14%	(3%)	0.14pp	(0.50pp)
Sticky	53%	35%	14%	0.34pp	(0.29pp)
Memo: flat at May	50%	27%	-		

Scenarios for the CPI rice index from June 2025; contributions to core CPI y/y (pp) by the Statistics Bureau method, using actual 2024-25 bases.

Source: K2 Capital estimates.

Three paths for the rice the CPI counts. In the futures-implied case, branded rice flat to September, then the 2025 crop 6.4% cheaper from October, as Dojima's October contract implies against June. In the substitution case, stockpile rice and imports pull branded rice 10% lower by September and the 2025 crop holds there. In the sticky case, a June rise of 1.5% m/m, as in Tokyo, then a 2025 crop 5% dearer from October on higher advance payments. In each, base effects dominate, because last year's index rose 55% between June and December 2024 (Exhibit 15). Rice inflation falls to 19-35% by December in the two cases without a fall in branded prices, and to 14% with one; rice's contribution to core falls from 0.64pp to 0.14-0.34pp. For rice to contribute as much in December as it did in May, the index would have to reach 273, 30% above May. Nothing in the futures curve, the stockpile or the planting data points that way.

The Bank of Japan has said as much. Its June statement expects the effects of higher food prices, "such as rice prices", to wane, and the Governor said on 3 June that "at least the year-on-year rate of increase is expected to decelerate". April's Outlook Report already had core CPI at 2.2% for FY2025, which requires a sharp slowdown from 3.7%; rice base effects deliver a large part of it. The policy risk is second-round. One Board member noted on 25 June that rice has "almost doubled" and could affect perceived inflation; firms' one-year price expectations in the 1 July Tankan were 2.4%, and rice-led items still add 0.25pp and rising. That is the variable to watch at the 30-31 July meeting, not the shelf price of stockpile rice.

Markets have moved, but not on rice. The 10-year JGB yield was 1.419% at the 1 July close, against 1.111% at end-2024, and the yen was at 143.58 per dollar from 157.37. Those moves reflect tariffs, the bond-purchase taper and fiscal pledges before the election, including the ruling party's cash handout and opposition calls to cut the consumption tax on food.

Exhibit 14 - The Policy Backdrop

Indicator	Latest	Note
BOJ policy rate	0.5%	Since 24 Jan 2025
Next BOJ meeting	30-31 Jul	With Outlook Report
BOJ core CPI forecast, FY25	2.2%	April 2025 median
Tankan price expectations, 1y	2.4%	All firms, 1 Jul
10-year JGB yield	1.419%	1.111% at end-2024
USD/JPY	143.58	157.37 at end-2024
Core CPI, May	3.7%	Ex rice 3.0%
Core CPI ex rice and rice-led	2.8%	May 2025

Source: BOJ, Statistics Bureau, MOF, FRED, K2 Capital.

Exhibit 15 - Last Year's Climb Is This Year's Base

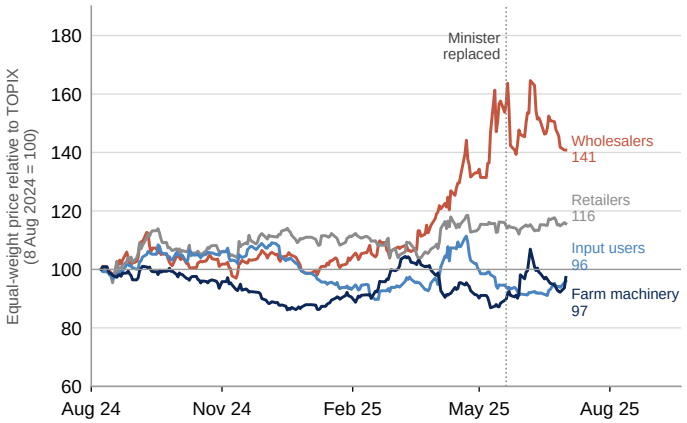
Month	Rice index	m/m	2025 y/y if flat
May-24	103.9	1.7%	102%
Jun-24	106.7	2.6%	97%
Jul-24	111.3	4.4%	88%
Aug-24	**122.1**	**9.7%**	**72%**
Sep-24	**139.6**	**14.3%**	**50%**
Oct-24	**156.3**	**12.0%**	**34%**
Nov-24	162.9	4.2%	29%
Dec-24	165.1	1.3%	27%

CPI rice index, 2020 = 100. Last column: y/y in the same month of 2025 if the index stays at its May 2025 level (209.7); the May row is the actual May 2025 rate.

Source: Statistics Bureau, K2 Capital calculations.

The Rice Trade Peaked With the Old Minister

Exhibit 16 - Wholesalers Doubled, Then Turned



Source: Yahoo Finance closes to 1 Jul 2025, K2 Capital. Equal-weight groups as in Exhibit 17.

Exhibit 17 - Returns vs TOPIX by Phase

Group and name	Price (¥)	Shortage phase	Warehouse phase	YTD	From 2025 high
Wholesalers and packers		**64.6%**	**(10.4%)**	**43.5%**	
Kitoku Shinryo	2,285	126.7%	(9.0%)	103.5%	(19.9%)
Yamatane	2,267	72.5%	(13.7%)	29.0%	(12.3%)
Sato Foods	7,120	(5.6%)	(8.7%)	(2.0%)	(9.5%)
Retailers selling stockpile rice		**16.8%**	**0.8%**	**5.9%**	
Aeon	4,433	11.9%	(0.7%)	17.5%	(3.1%)
PPIH	4,880	17.3%	4.1%	10.6%	(1.7%)
Seven & i	2,285	21.2%	(1.1%)	(10.4%)	(8.2%)
Rice-input users		**(6.9%)**	**2.3%**	**(1.5%)**	
Kameda Seika	3,935	(20.3%)	(1.1%)	(7.8%)	(5.7%)
Matsuya Foods	5,930	(12.4%)	3.2%	(11.9%)	(9.0%)
Yoshinoya	3,116	(6.7%)	(6.2%)	(2.5%)	(8.9%)
Zensho	8,866	30.8%	5.5%	(3.8%)	(2.0%)
Kura Sushi	3,515	(25.9%)	10.0%	18.8%	(2.2%)
Farm machinery		**(11.6%)**	**7.1%**	**10.2%**	
Iseki	1,277	2.7%	18.2%	33.6%	(12.1%)
Kubota	1,626	(26.0%)	(4.1%)	(13.3%)	(17.2%)

Shortage phase: 8 Aug 2024 to 20 May 2025. Warehouse phase: 20 May to 1 Jul 2025. YTD from 30 Dec 2024. Prices at 1 Jul 2025.

Source: Yahoo Finance, K2 Capital.

Exhibit 18 - Stockpile Headlines Hit the Wholesalers, Not the Users

Day 0	Event	Wholesalers day 0	Wholesalers days 0 to +5	Input users day 0	Input users days 0 to +5	Iseki day 0	Iseki days 0 to +5
2025-02-14	Stockpile auctions announced (210kt)	(3.4%)	1.6%	0.3%	(1.0%)	(0.9%)	6.9%
2025-03-14	Auction 1 result: 94% to Zen-Noh, avg ¥21,217	(0.5%)	3.7%	(0.8%)	(3.5%)	(1.7%)	(3.5%)
2025-05-22	Minister replaced; auction 4 cancelled	(6.3%)	(10.7%)	0.2%	(2.0%)	3.6%	1.8%
2025-05-26	Negotiated sales: 300kt at ¥10,700/60kg	(1.5%)	1.7%	0.8%	(1.2%)	(0.2%)	9.4%
2025-06-10	Further 200kt of 2021-20 crop released	(5.5%)	(9.3%)	(0.9%)	(1.7%)	(2.1%)	(5.6%)
Mean, stockpile-sale events (3)		**(4.4%)**	**(6.1%)**	**0.1%**	**(1.6%)**	**0.4%**	**1.9%**

Abnormal return vs the TOPIX ETF (1306), close to close. Wholesalers: Kitoku Shinryo, Yamatane. Input users: Kameda Seika, Matsuya Foods, Yoshinoya. Day 0 for the minister change is 22 May, the first session after the successor's evening briefing; windows for 22 and 26 May overlap. Release time of the 14 Mar auction result is unconfirmed. n is small; illustrative only.

Source: Yahoo Finance, MAFF, K2 Capital calculations.

Scarcity paid the middlemen. Kitoku Shinryo, the listed rice wholesaler, raised FY12/25 operating profit guidance to ¥4.0bn (+68%) after a first quarter in which operating profit rose 348%, on what it called timely pass-through of soaring rice prices. Its shares rose 127% against TOPIX in the shortage phase. The negotiated sales cut the middlemen out: only retailers handling 10kt a year could apply. Kitoku is 20% below its 6 June high and trades on 6.7x guided EPS, which looks cheap only if 2025 margins last. Yamatane already guides its rice profit down 38% for FY3/26, with the margin falling to 2.5% from 4.8% as securing supply squeezes gross profit.

The users have repriced, but their costs follow the 2025 crop. Matsuya Foods plans FY3/26 operating profit down 46% with a cost ratio of 37.0%, citing the "price surge of rice, our main raw material". Kameda Seika raised prices or cut pack sizes on 28 products by 4-23% from 1 July and 1 September. Sato Foods raised cooked-rice pack prices 24% in two steps and still sold 4.7% more. Their relief depends on the 2025-crop price, not on base effects.

Retailers sell the bag at a political price. Aeon's 20,000t is about 4.0m bags, or ¥7.9bn at ¥1,980: 0.08% of FY2/25 operating revenue. Iseki, with 67% of sales in Japan, says higher rice prices have revived farmers' buying; it is the cleanest listed play on the 1 July pledge to raise output. Kubota's Japan farm sales are about 9.5% of revenue.

Trade Ideas

Exhibit 19 - Strategy Scorecard

Trade idea	Evidence	Verdict
Fade rice wholesalers vs TOPIX (Kitoku Shinryo, Yamatane)	**Wholesalers (10.4%) vs TOPIX since 20 May; mean (4.4%) on day 0 of the three stockpile-sale events. Negotiated sales bypass wholesalers; Yamatane guides rice profit down 38%; Dojima Oct-25 6.4% below Jun-25; +400kt planted. Risk: Kitoku at 6.7x guided EPS may beat in August.**	**Implement**
Buy rice users for the 2025 crop (Matsuya Foods, Kameda Seika)	Input users 2.3% vs TOPIX since 20 May; Matsuya plans profit down 46%. Costs follow the 2025 crop: Dojima 6.4% lower, but Niigata advance target ¥26,000+. Act once advances settle.	Use selectively
Own Iseki on the output pivot (not Kubota)	67% of sales in Japan vs 9.5% for Kubota; 1 Jul pledge to raise output; 18% vs TOPIX since 20 May already. Buy on pullbacks.	Use selectively
Buy retailers for stockpile-rice traffic	**Aeon's 20,000t is 0.08% of revenue at a capped ¥1,980 price; sales end by August.**	**Avoid**
Pay JGB front-end rates on rice inflation	**Rice's lift to core falls 0.29-0.50pp by December in all scenarios; BOJ calls the food shock temporary. Watch rice-led items (0.25pp).**	**Avoid**

Verdicts: Implement (we expect the idea to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid. No ratings or price targets.

Source: K2 Capital.

What Would Make Us Wrong?

We would revisit these views if any of the following occur:

1. **Branded rice does not ease.** If MAFF's weekly branded average is still above ¥4,300 in the week to 31 August, CPI relief comes later than base effects imply; we would move to the Sticky scenario.
2. **CPI rice re-accelerates.** A national CPI rice rise above 1% m/m in the June or July data (18 July, 22 August) would point to the Sticky path.
3. **The 2025 crop resets higher.** If advance payments settle broadly at ¥26,000 per 60kg or more and the Dojima October 2025 contract trades above ¥27,000 by end-August, wholesalers keep their margins: we would close the fade and drop the rice-user idea.
4. **Kitoku raises guidance again.** FY12/25 operating profit guidance above ¥4.0bn at the first-half results would mean the margin is not peaking; we would close the fade.
5. **Second-round effects broaden.** If rice-led items add more than 0.35pp to core CPI (from 0.25pp in May) in any print to the August data, we would drop the Avoid verdict on rates.
6. **The stockpile runs dry.** If MAFF draws minimum-access rice for table use before September or the stockpile falls below 100kt, shortage pricing returns and the Substitution scenario is wrong.

Signposts

- **3 July:** upper house campaign starts.
- **Mondays:** MAFF weekly POS prices (next 7 July).
- **9 July:** US pause on reciprocal tariffs ends.
- **18 July:** national CPI for June.
- **20 July:** House of Councillors election.
- **25 July:** Tokyo CPI for July.
- **30-31 July:** BOJ meeting and Outlook Report.
- **August:** negotiated stockpile rice due to reach consumers; first-half and first-quarter results for Kitoku, Kameda, Matsuya, Iseki and Kubota.
- **August-September:** 2025-crop advance payments.
- **Late September:** 30kt of early SBS imports arrive.
- **October:** 2025 crop on shelves; Dojima October contract.

Claims, Checked

Exhibit 20 - The Title Is Right About the Shelf, Not the Index

Claim	What the evidence shows	Verdict
"Japan's rice hit a record ¥4,285"	MAFF's supermarket POS average for 5kg, week of 12-18 May 2025, published 26 May: a record since the series began in March 2022. Other panels peaked at ¥4,314 (Nikkei POS) and ¥4,323 (Intage); Tokyo Koshihikari averaged ¥4,970 in May.	Correct
"The fix came from the government's warehouse"	Partly. 312kt auctioned from March went 95% to JA Zen-Noh, about 20% reached retail by 11 May, and the average kept rising. Negotiated sales at ¥10,700 per 60kg from 31 May did cut it.	Partly right
"Prices had started to fall"	The average fell five weeks running, down 11.3% to ¥3,801; branded rice fell only 2.9%; the average is still 70% above a year earlier.	Right for the average
"Cheap stockpile rice was on shelves"	At ¥2,077 in 47,433 stores, 54% of volume where sold; but only 50kt of 300kt had shipped by 30 June.	Correct
"Before the 20 July election"	The House of Councillors votes on 20 July, campaign from 3 July. Kyodo approval rose to 37.0% from 31.7%; 56.9% still call the rice response insufficient.	Correct
Implied: rice inflation is fixed	Not in the CPI. It prices single-source rice only: national rice up 101.7% y/y in May (3.4% m/m); Tokyo June still 1.5% m/m.	Not yet

Source: MAFF, Statistics Bureau, Nikkei, Intage, Kyodo, K2 Capital.

Exhibit 21 - Where the Sources Disagree

Item	What we found	What we use
The record price	MAFF POS ¥4,285 (about 1,000 supermarkets); Nikkei POS ¥4,314; Intage ¥4,323. Different store panels and definitions.	MAFF: the series the government targets
Stockpile before the releases	About 910kt in some press reports; 960kt in MAFF's own material.	MAFF's 960kt
Gap on a year earlier, week to 15 June	Some reports give +¥1,772; MAFF's table gives ¥3,920 against ¥2,198, or +¥1,722.	MAFF's table
Stockpile rice reaching consumers	47,433 stores selling by 30 June, yet only 50kt of 300kt shipped; about 20% of auctioned rice at retail or food service by 11 May.	Both MAFF; read the store count with the volume

Source: MAFF, Nikkei, Intage, press reports, K2 Capital.

How we built the numbers. Weekly prices are MAFF's KSP-SP POS series for about 1,000 supermarkets, in yen per 5kg including tax, split by MAFF into branded rice and blended rice including stockpile rice. The decomposition in Exhibit 4 uses midpoint shares. CPI contributions use the Statistics Bureau's formula, $(I_t - I_{t-12})$ x weight / $(I_{base,t-12}$ x base weight), on the 2020-base national index to May 2025. The scenarios in Exhibits 12 and 13 set the CPI rice index level from June 2025 and leave every other item unchanged. Market returns are relative to the TOPIX ETF (1306) on Yahoo Finance closes to 1 July 2025; share prices are as of that close, before any later corporate actions.

What the data cannot show. MAFF's POS panel covers about 1,000 supermarkets, not the drugstores, convenience stores or online channels that also sold stockpile rice. National CPI for June, the first month with negotiated stockpile rice on shelves, is due on 18 July; Tokyo's June print is the only CPI reading so far. The scenarios move only the rice index and hold every rice-led item at its May contribution, so they understate any second-round effect. The event study has three stockpile-sale events with overlapping windows: it shows direction, not size.

Important Disclosures

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Rating Definitions

This is a thematic report. It contains no ratings or price targets. Strategy verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs).

Rating History

Date	Companies mentioned	Rating	Price target
2-Jul-25	Kitoku Shinryo, Yamatane, Sato Foods, Aeon, PPIH, Seven & i, Kameda Seika, Matsuya Foods, Yoshinoya, Zensho, Kura Sushi, Iseki, Kubota	Not rated	n/a

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Sources and Methodology

Prices are as of the close on 1 July 2025 unless stated; no information published after 2 July 2025 has been used. Rice market data: Ministry of Agriculture, Forestry and Fisheries (KSP-SP POS weekly prices to 22 June 2025, stockpile auction results and buyer tables, negotiated-sale terms, stock and sales releases, relative transaction prices, planting intentions, the agriculture minister's press conferences from February to 1 July 2025); Prime Minister's Office (rice supply ministerial council, 5 June and 1 July 2025); Dojima Exchange; JAcom; Nikkei; Kyodo; Jiji; Yomiuri; Asahi; Mitsubishi Research Institute. Prices and inflation: Statistics Bureau of Japan (2020-base CPI, national to May 2025 and Tokyo to June 2025; retail price survey item specification); Bank of Japan (policy statements, Outlook Report, Summary of Opinions, Governor's speech of 3 June 2025, Tankan of 1 July 2025); Ministry of Finance (JGB yields); Federal Reserve Bank of St Louis (USD/JPY). Companies: results releases and presentations of Kitoku Shinryo, Yamatane, Sato Foods, Kameda Seika, Aeon, Matsuya Foods, Yoshinoya, Zensho, Kura Sushi, Food & Life, Iseki and Kubota, and retailer announcements on stockpile rice. Trade and politics: USTR and US government statements as reported by CNN and AFP; Kyodo, NHK, ANN and Asahi polls. Market prices: Yahoo Finance. K2 calculations: the shift-share decomposition of the POS average (midpoint weights); CPI contributions by the Statistics Bureau method; CPI scenario paths for the rice index; months of demand at MAFF's 2024/25 demand forecast; returns relative to the TOPIX ETF; event-day abnormal returns (close to close, day 0 the first session able to react). Estimates are K2 Capital's and are subject to change without notice.

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