Letter from Tokyo (Last of a Series)

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Always attuned to market conditions on the ground, we heard from friends in Tokyo last week that, incredibly, grocery stores were out of rice. The impact of hot, wet weather and dealers hoarding product has sent rice prices soaring and supplies dwindling. A five-kilogram bag now costs ¥4,000, or about $28. In the US, a container twice as large goes for $10.99 at Stop & Shop. The Japanese government promised to release stockpiles of rice shortly to ease shortages.

Rice is not Japan's only pain point these days. The yen depreciated 50% against the USD over the past four years in concert with the Fed's rate hike to fight inflation. This costs the Japanese consumer more for imported food and energy, though supports tourism revenues. Recently this has reversed, with the USD depreciating by approximately 10% over the past four months. As tariff pressures build, the BOJ is more likely to pursue rate hikes to battle future inflation.

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