

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** ALIC Releases Additional Details on Cattle and Dairy Supports

**Country:** Japan

**Post:** Tokyo

**Report Category:** Agricultural Situation, Livestock and Products, Dairy and Products

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**Report Highlights:**

On April 20, Japan's Agriculture and Livestock Industries Corporation (ALIC) announced additional details of the supports it will provide to cattle fattening operations and dairy companies as part of the \$875 million it will receive in Japan's COVID-19 supplementary budget. The dairy supports include incentive payments for dairy manufacturers to replace imported ingredients with domestic milk powder. In addition to the ALIC funding, the Japanese government is considering an additional \$17.5 million to redirect excess milk to further processing.

## General Information:

On April 7, Japan's Cabinet approved a \$990 billion economic package to support the economy in response to the COVID-19 pandemic. The Ministry of Agriculture, Forestry, and Fisheries (MAFF) is expected to receive a \$5 billion dollar supplementary budget to support the food and agricultural sectors (more details in [JA2020-0075](#) and [JA2020-0085](#)). Within the MAFF budget, the Agriculture and Livestock Industries Corporation (ALIC), a state-trading enterprise, is expected to receive 95 billion yen (\$875 million) to implement the following six programs:

1. **Support for Wagyu Storage and Sales:** 50 billion yen (\$460 million)
2. **Support for Beef Calf Operators:** 984 million yen (\$9 million)
3. **Support to Stabilize Demand and Supply of Cattle/Swine Hides:** 2 billion yen (\$18 million)
4. **Support for Cattle Fattening Operations:** 30.5 billion yen (\$280 million)
5. **Support Use of Domestic Milk Powder:** 5 billion yen (\$46 million)
6. **Support Farms Infected by COVID-19:** 814 million yen (\$7.5 million)

On April 13, ALIC provided details on how programs 1-3 would be implemented (see [JA2020-0080](#)). On April 20, ALIC announced details on programs 4-6, which are described in this report.

### **4. Support for Cattle Fattening Operations**

30.5 billion yen (\$280 million), from April 7, 2020 to March 31, 2021

Targeted recipients are cattle fattening operators who develop farm management improvement plans that incorporate at least two of the following five quality improvement measures guided by ALIC:

- Feed analysis
- Meat quality analysis
- Blood testing
- Business analysis
- Barn environment improvement

Operators must apply in groups of three or more. Agricultural cooperatives or relevant organizations may also apply. Original applications must be sent to ALIC for approval with copies sent to the governor of the prefecture in which the applicant is located. Cattle eligible under this program must meet one of the following criteria:

- a) Cattle (excluding breeding or milking cows) must be at least 17 months old and been reared on the operator's farms for at least eight consecutive months. In case of unforeseen circumstances such as natural disaster or disease, the cattle must be at least 12 months old and slaughtered immediately after selling.
- b) Breeding cows and heifers must be reared at least three consecutive months on the farm.
  - c) Cattle must be reared in accordance with the Beef Livestock Stabilization Program.

Payments will be issued under the following sub-programs:

Sub-program	Target	Payment
Incentives for improving farm management	Farms which develop farm management plans (including relevant administrative costs)	20,000 yen per cattle head if operators adopt at least two of five quality-improvement measures.  Payments increase to 40,000 yen per head if prices fall 30 percent and operators implement at least three quality improvement measures.  Payments increase to 50,000 yen per head if prices fall 40 percent and operators implement at least three quality improvement measures.
Plan development	Miscellaneous costs	Fixed amount based on operator application

ALIC will also provide support to groups of three or more cattle fattening operators who agree to postpone cattle shipment in accordance with a pre-established plan. The application process and cattle eligibility requirements are the same as described above. In addition, eligible cattle must be:

- Intended to be shipped between April 7 and September 30, 2020 and sold to a meat market in accordance with the shipment plan
- At least 15 days older than the average age of cattle shipped in January 2020. If no cattle were shipped in January 2020, then the latest month will be counted.

The purpose of the payments is to support operators who keep cattle on feed longer than normal to prevent oversupply in the meat market. The maximum number of targeted cattle on each operation set as a percentage of actual shipments between April 7 and September 30. The eligible percentage varies according to breed, as follows:

In the case of (a) or (c) of the targeted cattle:

- Beef breeds 30%
- Cross breeds 5%
- Dairy breed 5%

In the case of (b), regardless of breed, 5% is the limit.

Payments will be issued under the following sub-programs:

Sub-program	Target	Payment
Planned shipments	Cattle shipped by fattening operations according to pre-established plan	Beef breed (including wagyu) - 22,000 yen/head Cross breed - 19,000 yen/head

		Dairy breed - 21,000 yen/head
Plan development	Miscellaneous costs	Fixed amount based on operator application

### **5. Support Use of Domestic Milk Powder**

5 billion yen (\$46 million), from April 17 until March 31, 2021

Targeted recipients are agricultural cooperatives and dairy companies which divert milk powder to feed use or to replace imports of prepared dairy products. ALIC will provide payments equal to the price difference between milk powder for food use and these products, up to a specified limit.

Payments will be issued under the following sub-programs:

Sub-program	Target	Payment
Support payments to change end-use of domestic milk powder	Price gap between domestic milk powder for human consumption and animal feed or imported dairy preparations	Fixed amount up to 315 yen per kg for feed and 280 yen per kg for replacement of imported dairy preparations
Plan development	Miscellaneous costs	Fixed amount based on operator application

The scope of imported products eligible for replacement includes products imported under Harmonized System headings 1901.90.131, 1901.90.211, 1901.90.219 and 2106.90.284. Between 2015 and 2019, Japan imported approximately \$2.2 million of these products from the United States annually.

### **6. Support Farms Infected by COVID-19**

814 million yen (\$7.5 million), from April 17, 2020 until March 31, 2021

This program issues payments to help farms to continue business operations if workers are infected by COVID-19 or are recognized as in close contact with those infected by COVID-19. Eligible farms/operations include dairy, beef cattle, swine, poultry, and feed production facilities. Payments will be issued under the following sub-programs:

Sub-program		Targeted Operations				
	Targeted cost	Dairy	Beef cattle	Swine	Poultry	Feed
Farm management continuation	Temporary replacement workers	Max. 15,000 yen	Max. 14,000 yen			Max. 16,000 yen
		Payment values are per person/day. The number of temporary workers is limited to the number of COVID-19 affected workers.				
	Evacuation of animals	Animals (round trip): Max. 7,000 yen/head		N/A	N/A	N/A

		Feed per truck				
		Max. 14,000 yen	N/A			
		Daily commission fee				
		Max. 315 yen/head	Max. 700 yen/head			
	Disinfecting farm/facilities	Max. 80,000 yen/farm (Max. 60,000 yen is added per person if two or more COVID-19 affected people work for the farm/operation.)				
Reproduction of milk and milk disposal	Based on local production cost, milk price, and volume	N/A	N/A	N/A	N/A	
Plan development	Miscellaneous costs	Fixed amount based on operator application				

### **Additional Dairy Supports**

On April 20, MAFF announced \$17.5 million in new support payments for the dairy industry to process excess supplies milk resulting from school closures and falling foodservice demand due to COVID-19. These new payments follow approximately \$67.5 million in previously announced COVID-19 funding for the dairy industry. Details of the new funding program are not yet available, however industry sources report that payments will be provided to dairy manufacturers who increase production of cheese, butter, and whole-fat milk powder. Payments are expected to be issued per kilogram of raw milk processed. MAFF estimates that food industry demand for dairy products dropped 20 percent in March and could fall between 50 and 70 percent in April. Around 10 percent of Japan’s milk production typically goes to school lunch programs. Meanwhile, nonfat dry milk stocks continue to rise amid increased butter production (see [JA2020-0027](#)).

### **Attachments:**

No Attachments.