

Voluntary Report – Voluntary - Public Distribution

Date: August 10, 2023

Report Number: JA2023-0069

Report Name: Japan Increases Feed Cost Support for Livestock Swine
Poultry Producers

Country: Japan

Post: Tokyo

Report Category: Agricultural Situation, Grain and Feed

Prepared By: Keiko Fujibayashi

Approved By: Mark Wallace

Report Highlights:

In April 2023, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) implemented a special measure under the Compound Feed Price Stabilization System to augment feed compensation payments to livestock, poultry, and swine producers. This measure changed a formula which was minimizing feed support payments when feed costs remained high beyond a one-year period.

New Special Measure under Compound Feed Price Stabilization System

The Ministry of Agriculture, Forestry and Fisheries (MAFF) and industry jointly run a two-part Compound Feed Price Stabilization System which consists of a “regular compensation program,” and a “supplemental compensation program.” When the average import price of raw materials (corn, sorghum, soybean meal, barley, and wheat) in a particular quarter exceeds the average import price of raw materials of the previous one year (hereafter referred to as “the standard price”), the regular compensation fund pays livestock, poultry, and swine producers (“producers”) who participate in the system the difference up to 115 percent of the standard price. Producers and feed mills contribute 600 Yen (\$4.3)/MT¹ and 1,200 Yen (\$8.6)/MT respectively to fund the regular compensation program. When the average import price of ingredients in a particular quarter exceeds 115 percent of the standard price, a secondary fund, the “supplemental compensation” fund, makes up the difference to producers. Compound feed mills and MAFF each contribute 50 percent to the supplementary compensation fund.

When imported feed ingredient prices remain high beyond a one-year period, the difference between current and “standard” prices diminishes and the support payments decline proportionally. This in turn raised compound feed costs for producers. To help minimize that impact, beginning in April 2023 MAFF extended the look back period for calculating “standard price” of imported raw materials from one year to two and a half years. Below is a summary of the compensation payment under this special measure:

- 1) The compensation payments are activated only when the following two conditions are met:
 - i) The compensation payments have been activated for eight consecutive quarters (two years).
 - ii) The supplementary compensation is not activated under the normal system.
- 2) The calculation period of the standard price is extended to the previous 2.5 years.
- 3) The compensation payment is capped at 75 percent of the compensation payment of the previous quarter.
- 4) MAFF, feed mills, and producers contribute to the compensation funds. (The regular compensation fund financed by feed mills and producers will pay 60 percent of the compensation while MAFF provides the remaining 40 percent).

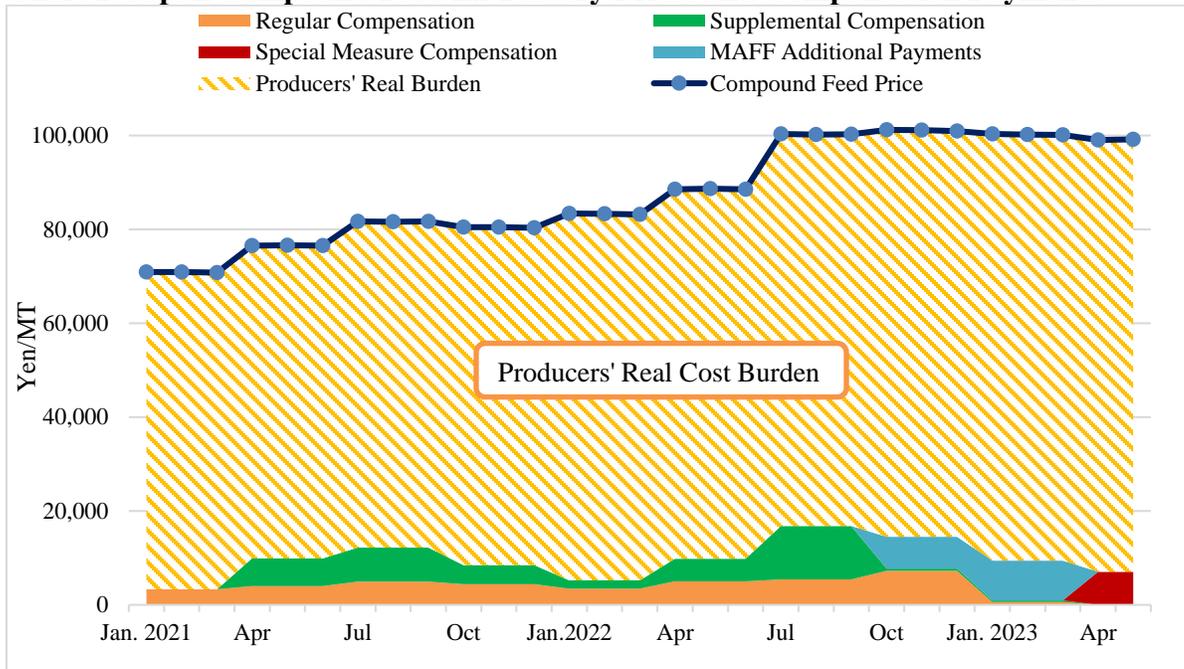
MAFF announced compensation payments of 7,050 Yen (\$50)/MT under the special measure were made in the first quarter of Japan Fiscal Year (JFY)²2023 (April – June 2023). By extending the look back period even raw material prices which have been high for as much as two-and-one-half years still qualify for some measure of support under the special measure.

Even before establishing the special measure, MAFF provided additional payments to producers for JFY2022 3rd quarter (September – December 2022) and JFY2022 4th quarter (January - March 2023) to help bridge the gap not covered by the regular and supplemental compensation payments. The Government of Japan funded these MAFF additional payments from an economy-wide inflation relief fund, in September 2022 ([JA2022-0078](#)), and again in March 2023.

¹ U.S. Dollar = 140 Yen is used in this report.

² Japan Fiscal Year (JFY) runs from April 1 to March 31.

Chart 1. Japan Compound Feed Ex-Factory Prices and Compensation Payments



Source: MAFF

After marking a record high in October 2022 at 101,196 yen (\$723)/MT, compound feed prices slid to 99,160 yen (\$708)/MT by May 2023, but remain 12 percent higher than a year ago.

Attachments:

No Attachments.