

**Voluntary Report** – Voluntary - Public Distribution

**Date:** April 30,2020

**Report Number:** JA2020-0091

**Report Name:** Japan To Revise Criteria for Beef Marukin Support Payments

**Country:** Japan

**Post:** Tokyo

**Report Category:** Livestock and Products

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**Report Highlights:**

Japan's Ministry of Agriculture, Forestry and Fisheries is expected to revise the calculation method for payments under the Beef Marukin program which provides financial support to beef producers when average production costs exceed average revenues. Currently, average revenues are calculated separately by each prefecture based on local market prices. The new calculation method will group Japan's 47 prefectures into 10 regional blocks. FAS/Tokyo anticipates that this change could lead to larger overall payments under the program.

## **General Information:**

The Government of Japan provides financial supports to domestic beef producers under the Beef Livestock Stabilization Program, also known as Beef Marukin (see [JA2020-0071](#) for more details). Under the program, support payments are issued to beef producers when average production costs exceed average revenues. Payments are made from a joint fund in which the Government of Japan contributes 75 percent and eligible producers contribute 25 percent. When activated, the program pays eligible producers 90 percent of the difference between costs and revenue.

On April 24, Japan's agricultural press reported that the Ministry of Agriculture, Forestry and Fisheries (MAFF) would revise the calculation method used to determine average revenue for beef breeds (primarily wagyu). Currently, average revenue is calculated independently by each prefecture based on the weighted average of wagyu steer carcass prices in wholesale markets. Six prefectures (Yamagata, Gifu, Shiga, Nara, Kagawa and Kochi) are also permitted to use carcass prices from direct buyer-to-seller trades.

Under the proposed revision, average revenue will be calculated by combining Japan's 47 prefectures into 10 regional blocks. The aim of the revision is to reduce prefectural disparities in the value of payments issued to beef producers. In February 2020, the highest payment per head was 148,529 yen (\$1,365) in Oita prefecture and the lowest was 6,863 yen (\$63) in Gunma prefecture. These amounts are tentative and will be finalized in May. Though not yet officially announced by MAFF, the new calculation method is expected to be applied for March 2020 payments (to be finalized in June). The calculation method for average production costs will remain unchanged and continue to be conducted separately by each prefecture.

FAS/Tokyo anticipates that this change could increase overall payments under the program if, within a region, prefectures with more cattle registered under the program have higher market prices than prefectures with less cattle. With a lower average market price applied, producers in prefectures with more cattle would receive higher payments than under the previous calculation method. This would more than offset lower payments received in prefectures with less cattle, thus resulting in an overall increase in program outlays.

As reported in [JA2020-0071](#), falling wagyu beef prices as a result of COVID-19 have already triggered increased payments under Beef Marukin. FAS/Tokyo expects this trend to continue in the coming months. As a result of increased pressure on wagyu producers, the Government of Japan has temporarily waived the 25 percent contribution requirement for producers (see [JA2020-0080](#)). It is unclear if producers will need to repay these amounts in the future.

## **Attachments:**

No Attachments.