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Report Name: Summary of Japan's Livestock and Egg Support Programs

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Report Highlights:

The Government of Japan provides financial support to domestic livestock, dairy, and egg producers through various programs each year. In its most recent notification on domestic support to the World Trade Organization, Japan reported \$6 billion in supports for beef, pork, dairy, and egg producers accounting for 97 percent of Japan's total aggregate measurement of support. This report summarizes Post's understanding of Japan's core support programs for these products. Please note that this report is not exhaustive and focuses primarily on longstanding programs that provide direct financial supports to producers.

Background

The Government of Japan provides financial support to domestic livestock, dairy, and egg producers through various programs each year. In its most recent notification on domestic support to the World Trade Organization's Committee on Agriculture, the Government of Japan reported \$6 billion (648 billion yen) in agricultural support measures for beef, pork, and dairy, accounting for 97 percent of Japan's total aggregate measurement of support (AMS) in Japan Fiscal Year (JFY) 2018.

Table 1: Japan's Domestic Support Notification for JFY 2018

Type of measure	Beef and veal	Meat of swine	Milk	
Price stabilization	\$1.2 billion	\$3.1 billion	n/a	
Payments related to price	\$0.2 billion	n/a	n/a	
Deficiency payments	\$1.1 billion	\$0.1 billion	n/a	
Payments related to volume of production	n/a	n/a	\$0.3 billion	TOTAL
Sub-Total	\$2.5 billion	\$3.2 billion	\$0.3 billion	\$6 billion

Note: FAS/Tokyo converted to U.S. dollars (\$1=109)

Source: [World Trade Organization](#)

In addition to the above, the Government of Japan also reported \$45 million (4.9 billion yen) in support payments for eggs. More recently, in the JFY 2021 budget, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) allocated \$5.9 billion (647 billion yen) to programs to improve livestock and milk production. These programs alone accounted for nearly one-third of MAFF's total budget.

This report focuses on eight programs that provide direct financial payments to producers which are tied to either the volume of product sold and/or the volume of inputs used including breeding animals and feed. These eight programs are recurring components of MAFF's annual budgets and are generally designed to protect domestic producers from market fluctuations. Two of these programs are "standard" payment programs in which the payments are guaranteed, but the value fluctuates depending on market conditions. The other six programs are "conditional" payment programs in which payments are only issued when certain market conditions are met.

Standard Support Payments to Producers

1. Breeding and Milking Cattle Support Payment Program
2. Milk for Further Processing Supplemental Payment Program

Conditional Payment Programs for Income Stabilization

1. Beef Livestock Stabilization Program (Beef *Marukin*)
2. Hog Growers Business Stabilization Program (Pork *Marukin*)
3. Compound Feed Price Stabilization System
4. Milk for Further Processing Stabilization Program (*Narashi*)
5. Egg Farm Management Stabilization Program
6. Deficiency Payment Scheme for Feeder Calves

Beef *Marukin*, Pork *Marukin*, and *Narashi* are established by the [Act on Stabilization of Livestock Management](#). The Deficiency Payment Scheme for Feeder Calves is mandated by the [Act on Special Measures Concerning Beef Calf Production Stabilization](#). Importantly, this report does not focus on programs that provide broader level support such as programs to support equipment purchase, market development, or infrastructure. This report also does not include programs that were introduced specifically in response to the COVID-19 pandemic. Details on the pandemic programs may be found in [JA2021-0009](#), [JA2020-0115](#), [JA2020-0099](#), [JA2020-0090](#), [JA2020-0080](#), [JA2020-0071](#), [JA2020-0059](#).

Post understands that the WTO-reported domestic support figures generally reflect budgeted amounts and not actual annual expenditures. For example, MAFF supplies funding for certain deficiency payment programs (e.g. beef and pork *Marukin*) regardless of whether payments triggered in recent years. In the case of *Marukin*, the budgeted amount goes to the Agriculture and Livestock Industries Corporation (ALIC), the state-trading enterprise responsible for administering the programs, and may be redirected to other uses if not used.

Breeding and Milking Cattle Support Payment Program

The Breeding and Milking Cattle Support Payment Program is part of MAFF’s Livestock Cluster Program which supports farmers and other stakeholders who establish local cluster councils aimed at improving livestock, dairy, poultry, egg, and feed production. As of March 2020, MAFF reported that 959 such councils had been established in Japan, mostly at the sub-prefectural level. Through the cluster program, the government provides a wide array of financial supports to help the councils achieve their production targets. Areas of support include market promotion, machinery procurement, labor procurement, and increasing animal breeding stock. In JFY 2020, the Livestock Cluster Program received an overall budget of \$441 million (48.1 billion yen).

The Breeding and Milking Cattle Support Payment Program issues payments to producers who participate in an eligible cluster and increase the number of cattle for retained beef breeding or milking. In JFY 2020, the program received a separate budget allocation, outside of the cluster program budget, valued at \$122 million (13.3 billion yen). In JFY 2021, MAFF announced the payment rates in Table 2 below. Data on actual amounts paid is not available.

Table 2: Livestock Cluster Program Payment Rates for JFY 2021

Farm size	Beef heifer/cow for breeding		Dairy heifer for milk production
	Less than 50 head	50 head or more	
Support payment	246,000 yen/head (\$2,257)	175,000 yen/head (\$1,606)	275,000 yen/head (\$2,523)

Source: MAFF, FAS/Tokyo converted to U.S. dollars (\$1=109)

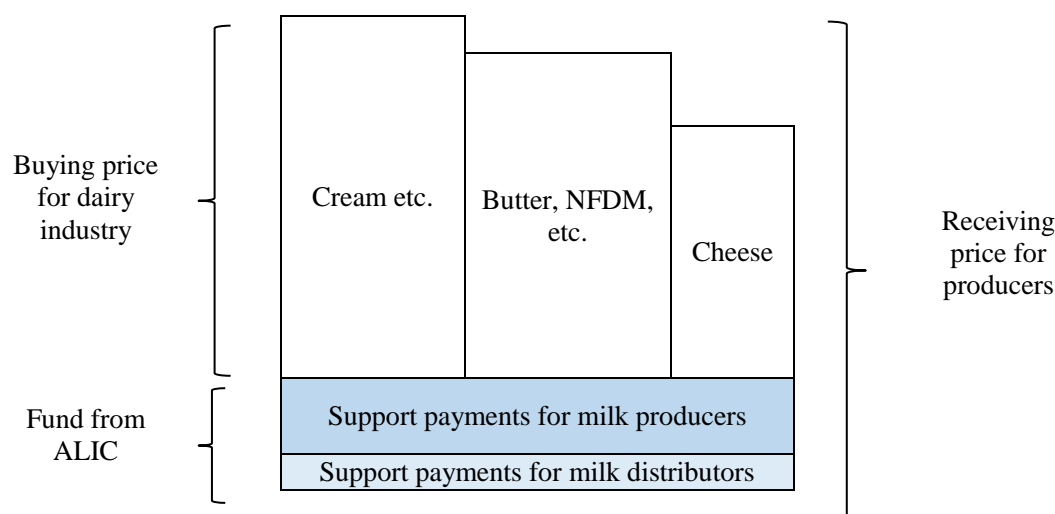
Milk for Further Processing Supplemental Payment Program

The Milk for Further Processing Supplemental Payment Program is designed to fill the revenue gap between milk intended for fluid milk production and milk intended for further processing into dairy products. The goal of the program is to prevent an oversupply of drinking milk which could force

smaller, less efficient producers out of the market. The program issues two sets of payments: one to milk producers and one to milk distributors.

To be eligible to receive payments, a producer or distributor must handle milk intended for the production of a specified dairy product. There are currently 12 specified dairy products: butter, nonfat dry milk (NFDM), condensed milk made of whole milk or nonfat dry milk, natural cheese, cream, concentrated milk, nonfat concentrated milk, canned evaporated milk made of whole milk, whole milk powder, powdered milk with sugar, and nonfat dry milk for calf feeding. Milk distributors can be designated dairy associations, dairy companies, dairy farms selling milk directly to dairy companies, and dairy farms processing and selling their own dairy products. Distributors must agree to not reject any milk during collection. Figure 1 below illustrates how the payments to producers and distributors help to increase the receiving price for producers.

Figure 1: Support Payment Scheme for Milk Intended to Further Processing



Source: ALIC

The payment levels are set by MAFF each year on a per kilogram of raw milk basis. Payments for each of the last three years, as well as the total volume of milk receiving payments, is indicated in Table 3 below.

Table 3: Amount of Support Payments For Milk

Japanese Fiscal Year (April – March)	Support payments		Total issued volume (million MT)
	Milk producers	Milk distributors	
JFY 2019	8.31	2.49	3.40
	<i>\$0.08</i>	<i>\$0.02</i>	
JFY 2020	8.31	2.54	3.45
	<i>\$0.08</i>	<i>\$0.02</i>	
JFY 2021	8.26	2.59	3.45
	<i>\$0.08</i>	<i>\$0.02</i>	

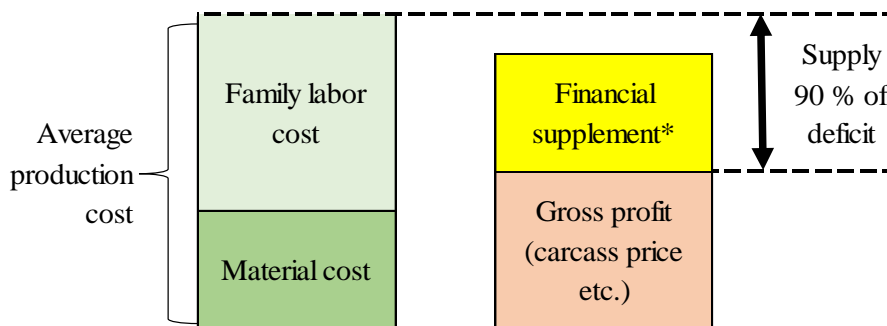
Source: MAFF

Unit: Japanese yen/kg, FAS/Tokyo converted to U.S. dollars (\$1=109)

Beef Livestock Stabilization Program (Beef *Marukin*)

Under the Beef Livestock Stabilization Program, also known as Beef *Marukin*, payments are issued to beef producers when average production costs exceed average revenue ([JA2020-0091](#)). The program is managed by ALIC. When activated, the program pays eligible producers 90 percent of the difference between costs and revenue (Figure 2). Average production costs are determined by regional fund managing associations in every prefecture which have the option of using a general calculation method or developing an original calculation method. Original calculation methods must be submitted to ALIC and approved by MAFF every year. Only wagyu breeds are eligible for original calculation methods. Cross-breed and dairy cattle use general calculations only.

Figure 2: "Marukin", a Japanese Government's financial measure to stabilize the management of beef cattle and swine livestock growers



* Funded by government (75%) and farmers (25%)

Producers must apply to participate in the program each year. Only beef producers with fewer than 300 employees and a market capitalization less than 300 million yen (approximately \$2.75 million) are eligible. Payments are made from a joint fund to which the Government of Japan contributes 75 percent and producers contribute 25 percent. If the value of the fund is insufficient to provide the full payout, only the government portion of the fund is paid. As a part of the government's COVID-19 countermeasures, MAFF suspended producer contributions in JFY 2020, causing some prefectural funds to face a negative balance. In February 2021, in the 26 prefectures in which Beef *Marukin* payments were triggered, 23 issued payments derived solely from government contributions. Table 4 below shows payments issued since January 2020. Payment values differ by prefecture.

Table 4: Beef *Marukin* Payments

		Prefectures Applied	Wagyu		Cross breed	Dairy
			Lowest payment	Highest payment		
2020	Jan	17	2,642	138,966	-	47,339
	Feb	30	609	152,529	24,129	39,319
	Mar	47	52,835	295,419	116,716	54,563
	Apr	47	121,079	468,145	144,130	48,145
	May	47	92,851	306,934	142,220	42,925
	June	46	76,555	236,813	190,413	48,078

	July	43	22,789	233,821	180,387	39,031
	August	46	36,643	225,514	114,807	51,616
	September	45	1,510	208,831	122,920	39,206
	October	38	5,140	108,545	131,468	37,969
	November	10	4,316	57,595	79,365	38,144
	December	2	3,942	58,624	29,124	38,791
2021	January	12	475.2	59,029	17,069	43,454
	February	26	456,975	63,665	61,906	48,484
	March	2	2,390	67,380	19,994	54,923

Source: ALIC

Hog Growers Business Stabilization Measure (Pork *Marukin*)

The Hog Growers Business Stabilization Measure, also known as Pork *Marukin*, is a loss coverage program which issues payments to producers when the government determines that the national average cost of production exceeds national average income on a per hog, quarterly basis. Like the Beef *Marukin* program, Pork *Marukin* pays 90 percent of the difference between costs and revenue and the government contributes 75 percent of the fund (See Figure 2 above). To participate, producers must have fewer than 300 employees and a market capitalization less than 300 million yen (approximately \$2.75 million). Payments were last activated in March 2013 at 4,250 yen per head (approximately \$39). The program is managed by ALIC.

Compound Feed Price Stabilization System

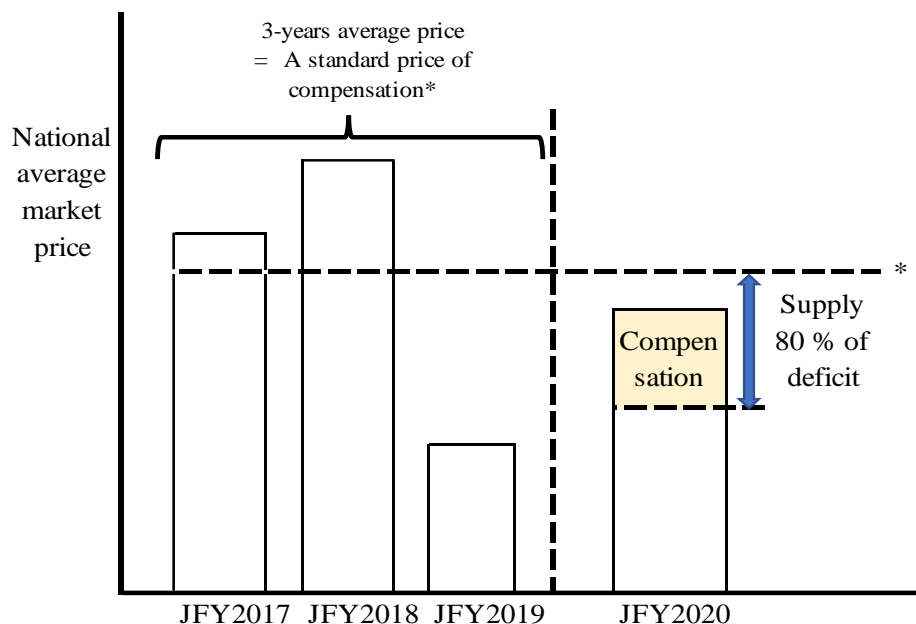
Japan operates a compound feed price stabilization system which provides support payments to livestock, dairy, and poultry producers when imported feed prices exceed recent averages. When the average import price of feed ingredients (corn, sorghum, soybean meal, barley, and wheat) in a particular quarter exceeds the average import price of ingredients in the last 12 months (referred to as “the standard price”), a “regular compensation program” compensates livestock producers for the difference up to 115 percent of the standard price. The “regular compensation program” is wholly funded by industry (producers and feed manufacturers). However, if imported feed prices exceed 115 percent of the standard price, then a “supplemental compensation program” compensates the remainder of the difference. The “supplemental compensation program” is jointly funded by the government and industry in which MAFF contributes 50 percent and industry the remaining 50 percent. Payments were most recently activated in the fourth quarter of JFY 2020 ([JA2021-0035](#)).

Milk for Further Processing Stabilization Program (*Narashi*)

The Milk for Further Processing Stabilization Program, also known as *Narashi* program, is a safety net program for milk producers. Payments are issued when the price of raw milk intended for further processing falls below a standard price of compensation. Payments are made from a joint fund to which the Government of Japan contributes 75 percent and participating producers contribute 25 percent. When activated, the program pays producers 80 percent of the gap between the actual market price and the standard price of compensation (Figure 3). The standard price of compensation is calculated as a three-year average of the national market price. Each dairy product (butter, nonfat dry milk, and cheese) has its own standard price. Payments have not been activated since JFY 2006 when milk for butter and

nonfat dry milk production received support payments of 1.3 yen per kilogram (approximately 1.2 cents). The program is managed by ALIC.

Figure 3: The Support Program for Stabilizing Dairy Farm Producing Milk for Processed Dairy Products (Example of JFY2020)



Note: The compensation is funded by government (75%) and farmers (25%)

Source: MAFF, FAS/Tokyo translated and edited

Egg Farm Management Stabilization Program

The Egg Farm Management Stabilization Program consists of two sub-programs: the Compensation Program for Egg Price Depreciation and the Incentive Payment for Unoccupied Coops. Both programs are managed by the Japan Poultry Association. The Compensation Program for Egg Price Depreciation sub-program issues payments to egg producers or eligible producer cooperatives when monthly egg prices fall below the compensation standard price or stabilizing standard price (see Table 5). If prices fall below the compensation standard price, but above the stabilizing standard price, then 90% of the difference is issued from a joint fund to which MAFF contributes 12.5 percent and industry contributes 87.5 percent. If prices fall below the stabilizing standard price, then additional payments are paid from a fund to which MAFF contributes 75 percent and industry 25 percent.

Table 5: Reference Prices in the Support Program for Stabilizing Egg Farm Management

Japanese Fiscal Year (April 1 - March 31)	Compensation Standard Price (yen/kg)	Stabilizing Standard Price (yen/kg)
2019	185 (\$1.70)	163 (\$1.50)
2020	183 (\$1.68)	161 (\$1.48)
2021	181 (\$1.66)	159 (\$1.46)

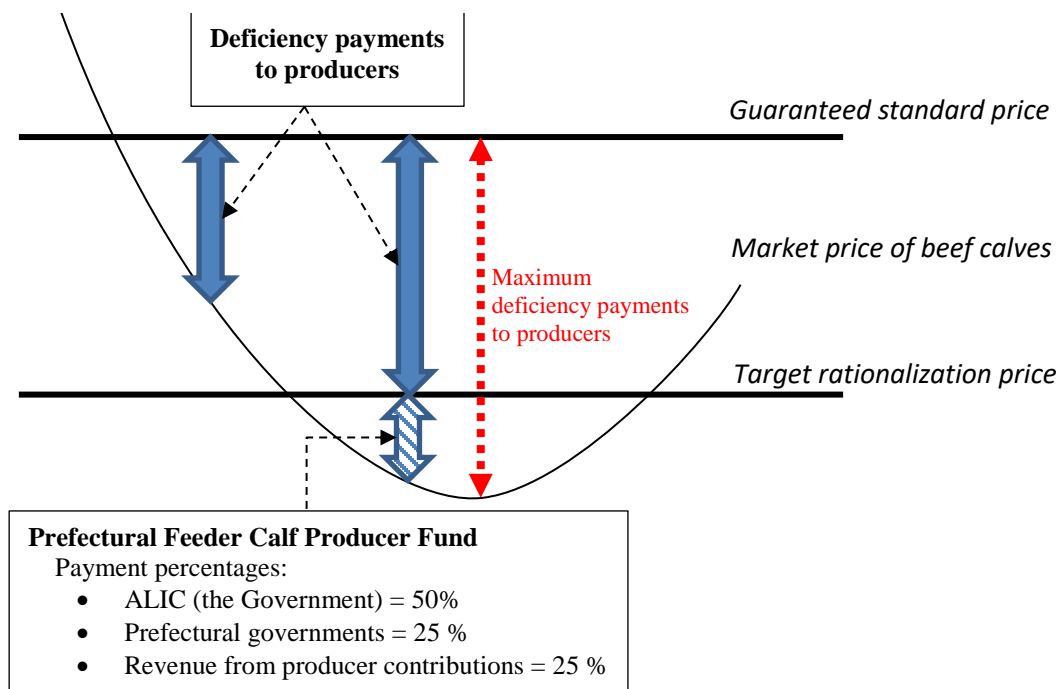
Source: MAFF, FAS/Tokyo converted to U.S. dollars (\$1=109)

The Incentive Payment for Unoccupied Coops sub-program provides additional payments to operators who keep yards empty for two to six months ([JA2020-0154](#)). These payments are issued when the daily standard egg price falls below the stabilizing standard price to incentivize producers to limit production and facilitate price recovery. To be eligible, producers must have slaughtered layers within 30 days prior to the price drop and agree to keep their coops unoccupied for at least the next 60 days. Payments begin at 310 yen (for operations with less than 100,000 head) or 210 yen (for the operators with 100,000 head or more) for each layer removed from the population for 60 to 89 days. This payment increases to 620 and 420 yen, respectively, for a period lasting 90 to 119 days. The Government of Japan contributes 75 percent and producers contribute 25 percent to this fund.

Deficiency Payment Scheme for Feeder Calves

The Deficiency Payment Scheme for Feeder Calves issues payments to eligible feeder calf producers when the market price of calves falls below one of two reference price thresholds: the Guaranteed Standard Price and the Target Rationalization Price. These support payments were introduced when Japan opened its beef market in 1991. When the calf market price falls below the Guaranteed Standard Price, ALIC pays the difference to producers in the form of a deficiency payment on a per head basis. However, payments from ALIC cannot exceed the difference between the Guaranteed Standard Price and the Target Rationalization Price. If the calf market price falls below the Target Rationalization Price, 90 percent of the difference is paid by the Prefectural Feeder Calf Producer Fund which is jointly funded by ALIC, prefectural governments, and participating producers. This payment is in addition to first ALIC deficiency payment covering the gap between the two reference prices. Figure 4 below illustrates how these payments are structured.

Figure 4: Payment systems for beef calf producers in Japan



Source: MAFF and ALIC

The two reference prices use different calculation methods. The Target Rationalization Price is set by MAFF every year taking into account the average price of domestic beef and imported beef over the previous ten years. The government considers this price to be the minimum market price for feeder calf producers to compete with imports. Both prices differ according to calf breed. Eligible breeds include black hair wagyu, brown hair wagyu, “other beef” breeds, dairy breeds, and cross breeds. See Table 6 below for the past three years of references prices.

Table 6: Guaranteed Standard Price and Target Rationalization Price in the Support Payments for Beef Calf Producers

Breed	JFY 2019*		JFY 2020		JFY 2021	
	Guaranteed standard price	Target rationalization price	Guaranteed standard price	Target rationalization price	Guaranteed standard price	Target rationalization price
Black hair wagyu	541,000	429,000	541,000	429,000	541,000	429,000
	\$4,963	\$3,936	\$4,963	\$3,936	\$4,963	\$3,936
Brown hair wagyu	498,000	395,000	498,000	395,000	498,000	395,000
	\$4,569	\$3,624	\$4,569	\$3,624	\$4,569	\$3,624
Other beef breeds	320,000	253,000	320,000	253,000	320,000	253,000
	\$2,936	\$2,321	\$2,936	\$2,321	\$2,936	\$2,321
Dairy breed	164,000	110,000	164,000	110,000	164,000	110,000
	\$1,505	\$1,009	\$1,505	\$1,009	\$1,505	\$1,009
Cross breed	274,000	216,000	274,000	216,000	274,000	216,000
	\$2,514	\$1,982	\$2,514	\$1,982	\$2,514	\$1,982

*Prices in JFY 2019 were revised after Japan raised a consumption tax to 10% from 8% in October 2019

Source: MAFF, FAS/Tokyo converted to U.S. dollars (\$1=109)

Unit: Japanese yen/head

When activated, payments are made on a quarterly basis for most breeds. The exception is “other beef breeds” which switched to annual payments starting in JFY 2020. Program payments were most recently activated in JFY 2020 for “other beef breeds” at 22,700 yen (\$208) per head. Payments for other breeds have not been activated since 2013. The program is managed by ALIC. For more details, see [JA9099](#).

Attachments:

No Attachments.