

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### JAPAN

Although the following measures are believed not to fall under the provisions of Article XVI of the General Agreement, this notification is submitted in accordance with L/1948, to serve as reference material for the operation of the provisions of the said article.

#### A. SPECIAL MEASURES FOR RICE, WHEAT AND BARLEY

##### RICE

###### I. Nature and extent of measure

###### (a) Background and legal basis

For the purpose of securing the supply of rice and of stabilizing the national economy, the Government, in accordance with the Food Management Law (Law No. 40 of 1942), places all domestic and imported rice under its direct control. The Law provides that producers of rice must sell all the rice they produce excluding their quota reserves for family consumption, and importers of rice must sell all the rice they import, to the Government. The Government, then, distributes the rice thus purchased to the consumers at a fixed price through registered rice sellers.

###### (b) Incidence

The Government purchasing price is fixed by giving consideration to the rice production cost, commodity prices and other economic circumstances with the purpose of ensuring reproduction by the producers. The Government's selling price is fixed with the object of stabilizing the consumer household economy by considering household expenditures, commodity prices and other economic factors.

In recent times, the Government selling price has been set at lower than the Government purchasing price plus the Government's incidental expenditures. As a result, the deficits in the Food Management Special Account accrued from the purchasing and selling of agricultural commodities including rice, wheat and barley, are made up by the inventory finance. This deficit is not a direct subsidy, and is contributing to the stabilization of the household economy of the producer and of the household economy of the consumer. The deficits compensation amount changes each year in accordance with the changes in the Government purchasing and selling price of rice.

(c) Amount of inventory finance

The deficit in the domestic rice management account of the Food Management Special Account for the fiscal year 1961 amounted to ¥50,400 million.

(d) Estimated amount per unit

The unit price arrived at by subtracting the Government selling price from the sum of the Government purchasing price and the Government's incidental expenditures, was approximately ¥1,100 per 150 kg. for the 1961 rice crop.

**II. Effect of measure**

(a) Estimated quantitative trade effects of the measure, and the reasons therefor

Decrease in the imported rice in recent year is due to the decrease in demand because the imported rice is not welcomed by general consumers as staple food because of its quality and palatability etc. and because of the rise in dietary habits and the increasing national income. It is believed, therefore, that the measures themselves do not affect trade.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>
Production	12,501	12,858	12,419
Import	247	219	77
Export	0	0	0
Consumption	12,357	12,618	13,062

WHEAT AND BARLEY

I. Nature and extent of measure

(a) Background and legal basis

Pursuant to the Food Management Law, it is the duty for the Government to purchase wheat and barley to the unlimited amount in compliance to the sale application from wheat and barley producers in order to secure the national

food supply and the stabilization of the national economy. In fact, practically a great part of the domestic wheat and barley sold by producers are purchased by the Government. And together with imported wheat and barley, the same are sold by the Government so as to stabilize the price as well as the demand and supply of wheat and barley.

(b) Incidence

The Government purchasing price of wheat and barley is determined based on the parity price of wheat and barley so as not to be lower than the parity price based upon the average purchasing price of wheat and barley produced in 1950-51, and to ensure the reproduction of wheat and barley by giving due consideration to the wheat and barley production and other economic factors. While the Government selling price is determined to stabilize consumers' family living with due consideration to their family budget, price of rice and other economic factors. Despite the annual increase in the Government purchasing price in recent times because of the rise in the parity index, as consumer prices of wheat and barley products are left unchanged or even declined to secure the stabilization of consumers' family budget, the purchasing price is higher than consumer's price. As the result thereof deficits in the Food Management Special Account are covered by the inventory finance the same as in the case of rice.

(c) Amount of inventory finance

Deficits in the said Special Account in the 1961 fiscal year from the domestic wheat and barley management account amounted to ¥9,000 million for barley and naked barley, and ¥10,100 million for wheat, totalling ¥19,100 million.

(d) Estimated amount per unit of inventory finance

The amount obtained by subtracting the Government selling price from the Government purchasing price plus the various Government expenditures for the 1961 wheat and barley was about ¥710 per 52.5 kg for barley, ¥960 and ¥640 per 60 kg for naked barley and wheat, respectively.

II. Effect of measure

(a) Estimated quantitative trade effect of the said measure, and the reason therefor

In spite of such considerable amount of the Government investment, there is only slight increase in wheat production, and barley and naked barley production is on the decrease. Against this, wheat import has maintained a high level of 2.66 million tons. So we do not believe that this measure should give any effect on the wheat and barley trade.

(b) Statistics (unit 1,000 tons)

		<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>
Wheat	Production	1,416	1,531	1,781
	Import	2,525	2,660	2,660
	Export	23	47	71
	Consumption	3,791	3,965	4,190
Barley	Production	1,241	1,206	1,127
	Import	315	30	0
	Export	1	1	0
	Consumption	1,566	1,165	1,271
Naked barley	Production	1,067	1,095	849
	Import	0	0	0
	Export	0	0	0
	Consumption	1,358	976	959

B. PRICE SUPPORT AND STABILIZATION MEASURES

SWEET AND WHITE POTATOES

I. Nature and extent of measure

(a) Background and legal basis

In order to prevent the price drop of sweet and white potatoes lower than the normal price level, the Government purchases and sells the starch produced therefrom based upon the Agricultural Commodity Price Stabilization Law of 1953.

(b) Incidence

(i) As to sweet and white potatoes, the raw material standard price is determined based on the parity price, giving due consideration to the production cost and demand and supply situations and other economic conditions, and the purchasing standard price of starch is determined based upon the raw material standard price plus processing costs.

(ii) The utmost efforts are made by the Government to stabilize the price of starch by letting the producers associations carry out the marketing adjustment on their own initiative to maintain the starch price at the level of purchasing standard price. However, when the over-supply, for example, of starch seems to prevent them from stabilizing the price, the Government makes a purchase of the necessary quantities at the purchasing standard price in order to stabilize the price.

(iii) Starch thus purchased by the Government is sold on general market at current market price. However, it is provided that the selling price should not be fixed at a level lower than the purchasing standard price.

(c) Amount of inventory finance

Total amount of inventory finance in the 1961 fiscal year is as follows:

Sweet potato starch	¥409 million
White potato starch	¥339 "
Sliced-and-dried sweet potatoes	0 "
Total	¥748 "

II. Effect of measure

(a) Estimated quantitative trade effect of the measure and the reasons therefor

The measure is to stabilize the price fluctuations and does not have a nature of price support subsidy in substance intended to raise the price level. It is believed that it has no influence on trade.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>
<u>Sweet potato starch</u>			
Production	519	461	525
Import	0	0	0
Export	0	0	0
Consumption	475	560	628
<u>White potato starch</u>			
Production	145	158	170
Import	0	0	0
Export	0	0	0
Consumption	120	132	145

SUGAR BEET

I. Nature and extent of measure

(a) Background and legal basis

The Sugar Beet Production Promotion Temporary Measure Law has been enacted in 1953 in order to expedite the rationalization of farm management and to ensure the increase in the domestic sugar supply by promoting the sugar beet production. And based upon the said Law producer's floor price for sugar beet has been established and beet sugar is to be purchased by the Government.

(b) Incidence

The Government is to purchase beet sugar manufactured from sugar beet which a newly constructed factory, where initial production cost is high, purchases from the producers under a price not lower than the producer's floor price.

And the said purchasing price is computed from the floor price which is determined on the basis of parity price by taking into consideration of the commodities prices and other economic factors plus processing and marketing costs. The beet sugar thus purchased by the Government is sold on general market under the current price. Government investment is made on the amount accrued from the difference between purchasing price and selling price and costs incidental to the management such as storage cost and money interest.

II. Effect of measure

(a) Estimated quantitative trade effects of the measure and the reason therefor

Sugar consumption is increasing with rapid pace because of a rise in the national living standard. And also the sugar import is consistently increasing, in spite of increase of its domestic production. So it is considered that the measure has no effect of import restriction.

(b) Statistics (Sugar)

(Unit: 1,000 tons)

	<u>1959</u>	<u>1960</u>	<u>1961</u>
Production	225	282	325
Imports	1,107	1,181	1,277
Exports	29	14	14
Consumption	1,333	1,440	1,560

Note: 1) Production and consumption figures include sugar equivalent value of glucose.

2) The import volume is of refined sugar converted from that of raw sugar.

SOYBEANS AND RAPE-SEED

I. Nature and incidence of measure

(a) Background and legal basis

In order to cope with the influence of the imported soybeans on the prices of domestic soybeans and rape-seed, the price support programme has been enforced by the enactment of Soybeans and Rape-Seed Price Subsidy Temporary Measures Law



in 1961. Based on the said Law the price subsidy is granted to producers, through the producers' associations adjusting marketing on their own initiative, with the purpose of contributing to insure the soybeans and rape-seed production and to stabilize farm income.

(b) Incidence

Amount of price subsidy is computed by multiplying the "unit amount obtained by subtracting the standard selling price from the basic price" by the "amount of soybeans or rape-seed marketed by the producers' associations consigned by member producers".

Basic price is determined each year by the parity price based on the 1956-59 average market price of producers and by taking account of the production situations, etc., with a view to securing the reproduction. Standard selling price is determined each year based on the amount obtained by subtracting the marketing costs from the standardized marketing price of producers' associations. Accordingly, subsidy's unit price undergoes a change each year.

(c) Amount of inventory finance

Total subsidy in the 1962 fiscal year (budget) is as follows:

For the 1962 soybeans	¥1,134 million
For the 1962 rape-seed	¥858 "

(d) Estimated unit subsidy (budget)

	1962 soybeans (per 60 kg)	1962 rape-seed (per 60 kg)
Basic price	¥3,200	¥3,180
Standard selling price	¥2,350	¥2,934
Unit subsidy	¥ 850	¥ 246

II. Effect of measure

(a) Estimated quantitative trade effect of this measure and the reason therefor

Because the domestic production of soybeans and rape-seed as a whole is decreasing with the increase in soybeans imports, it is believed that the measure has no impact on the import.

(b) Statistics (unit 1,000 tons)

	<u>1959 F.Y.</u>	<u>1960 F.Y.</u>	<u>1961 F.Y.</u>
<u>Soybeans</u>			
Production	426	418	387
Import	1,073	1,081	1,176
Export	0	0	0
Consumption	1,269	1,299	1,360
<u>Rape-seed</u>			
Production	262	264	274
Import	49	13	35
Export	0	0	0
Consumption	308	271	309

COCOONS AND RAW SILKI. Nature and extent of measure(a) Background and legal basis

Despite the tendency of large fluctuations in the demand for raw silk caused by domestic and international business conditions and changes in fashion, the production and marketing facilities are not flexible enough to cope with these changes, so that the price of raw silk is vulnerable to violent fluctuations and such condition brings about instability to the management of sericultural industry.

In order to stabilize the management of the sericultural industry as well as to prevent the abnormal price fluctuation of cocoon and raw silk, the Cocoon and Stabilization Law was enacted in 1951.

(b) Incidence (Operational conditions)(i) Purchase and sale, etc.

The Government purchases raw silk upon the application of producers, etc. at the floor price within the budgetary limits and sells to buyers on demand at the ceiling price.

In case the market price of cocoon falls below the prescribed floor price, federations of agricultural co-operatives designated by the Government are obliged to store cocoon, subsidized the costs involved in their storage by the Government. In the case when the dried cocoon thus stored by the said federations are retained unsold to buyers even after the elapse of a certain period, the Government purchases such dried cocoon.

(ii) The ceiling and floor prices for raw silk and the floor price for cocoons.

The ceiling and floor prices for raw silk are determined each year on the basis of production and marketing costs and with due consideration to the prices of the principal textiles, commodity prices and other economic factors. The floor price of cocoons is determined on the basis of the production cost and with reference to the floor price of raw silk, the demand and supply of cocoons, commodity prices and other economic factors. The raw silk ceiling and floor prices and the cocoon floor price for the 1962 silk year (June 1962-May 1963) were ¥4,000, ¥2,835, and ¥361 per kilogram, respectively.

(c) Operating capital of the system

To carry out the price stabilization programme stated in above (b) (i), the Raw Silk Price Stabilization Special Account has been established with the Government investment of ¥3,000 million. The Special Account is authorized to borrow up to ¥11,500 million.

II. Effect of measure

(a) Estimated quantitative trade effects of the measure and the reason therefor

Because the system is directly concerned to prevent extraordinary price fluctuations of cocoon and raw silk and it cannot be considered to have effects on trade.

(b) Statistics on production, consumption, import and export of cocoon and raw silk

(i) Statistics for the last three years.

(Unit: ton)

Commodity	Year (Calendar)	Production	Imports	Exports	Consumption
Cocoon	1960	111,208	5	7	105,759
	1961	115,288	23	15	108,046
	1962	109,066	--	--	115,966
Raw silk	1960	18,048	29	5,299	15,415
	1961	18,679	17	4,206	14,715
	1962	19,896	--	4,647	15,292

(ii) Statistics for the latest year prior to the establishment of price support system

(Unit: ton)

Commodity	Year (Calendar)	Production	Imports	Exports	Consumption
Cocoon	1950	93,394	121	1	70,458
Raw silk	1950	10,620	0	5,677	7,968

Note: Import figures in (i) and (ii) are from the "Customs Statistics" of the Ministry of Finance and others are from the Raw Silk Bureau of the Ministry of Agriculture and Forestry.

#### LIVESTOCK PRODUCTS

##### I. Nature and extent of measure

###### (a) Background and legal basis

Products have been enacted in November 1961 with the purpose of stabilizing the prices of principal livestock products, to promoting the sound development of livestock and the inter-related industries as well as contributing to the improvement of the national livelihood. The Law delegates an authority to the Minister of Agriculture and Forestry to establish stabilization prices for fresh milk, designated dairy products and meats, and also the Law provides such systems as the Livestock Industry Promotion Corporation which enables these products to be purchased and sold within the stabilized price belt and also deals with other relevant matters.

###### (b) Incidence

The Livestock Industry Promotion Corporation has so far carried out the following business to accomplish the above purpose.

(i) When pork price sharply dropped in 1962, the Corporation purchased about 6,000 tons (carcasses for 110,000 hogs) of pork from early March to late June of the same year at the stabilized basic price. In the latter part of the same year, the market price of pork began to rise, and pork in stock has gradually been released since August of that year. Price of pork for release is set at the price of boneless cut meat corresponding to the market price of hog carcasses at the time of release.

(ii) From early spring of 1962, as the price of dairy products continued to drop because of demand decrease and from the end of 1962 to early 1963, prices of dry skim milk, condensed sweet skim milk and condensed sweet whole milk began to drop below the floor price of the stabilized price, the Corporation has purchased the dairy products.

Moreover, the stabilized basic price of fresh milk and designated meats and the stabilized floor prices of designated dairy products are determined with the purpose of preventing the price drop below the said prices respectively and due considerations are given to the production conditions, demand and supply situations and other economic factors.

(iii) Total budget

The expenditures required for the purchase of pork amounted approximately to ¥1,750 million (¥1,400 million for the purchase and ¥350 million for the storage), and those for the purchase of dairy products, around ¥2,000 million.

(c) Amount of inventory finance

The Government investment for the enforcement of the above business was ¥500 million in 1961 and 1962 respectively, and the same amount is to be appropriated for 1963.

II. Effect of measure

(a) Estimated quantitative trade effect of this measure and the reason therefor

The measure contributes to ensure the agricultural reproduction by preventing price drop of livestock products below certain price level as well as to stabilize the national livelihood by preventing a sharp price rise. There is no direct influence on trade.

(b) Statistics on production, consumption, import and export

(i) Production of fresh milk and principal dairy products

Year	Fresh milk (ton)	Dry skim milk (ton)	Condensed sweet whole milk (1,000 box)	Condensed sweet skim milk (1,000 box)
1960	1,939,200	10,552	2,247	932
1961	2,178,900	11,691	2,383	1,135
1962	2,441,000	16,425	2,198	1,292

(ii) Import of dairy products (unit: ton)

Year	Dry skim milk	Condensed sweet skim milk	Condensed sweet whole milk	Note
1960	43,426	-	22	
1961	31,299	65	41	
1962	37,152.6	-	-	Jan.-Oct.

Source: Japan's International Trade Monthly, Ministry of Finance.

(iii) Production, import and export of hog carcasses (unit: ton)

Year	Production	Import	Export	Note
1960	147,318	5,897	0	
1961	207,035	988	0	
1962	265,185	0	0	Jan.-Oct.

Sources: Production: Livestock Bureau of Ministry of Agriculture and Forestry.

Import: Japan's International Trade Monthly, Ministry of Finance.

