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Addendum

Japan

This notification is to be submitted in accordance with the procedures of document L/3178 in order to contribute the appropriate operations of the provisions of Article XVI of GATT, although the measures described in this notification are unlikely to be the subsidy which is referred to in Article XVI.

A. SPECIAL MEASURES FOR RICE, WHEAT AND BARLEY

I. Nature and extent of measures

(a) Background and legal basis

Under the Food Management Law of 1942, the Government is obliged to carry out the supply and demand operation as well as price adjustment of rice, wheat and barley, in order to ensure the national food and to stabilize the national economy. To this end, the Government fixes the purchasing prices from producers with a view to ensuring reproduction of these products, and the selling prices to wholesalers, millers, etc., to stabilizing consumers' household expenditures.

(b) Incidence

As for rice, the Government purchasing prices have been determined in each crop year since 1960 on the basis of the formula by which the Government is to compensate the cost of production and to ensure farmers' income. In other words, the farmers' income is compensated by the above production cost which includes labour cost of farm-family members evaluated nearly at the same level as wages of workers in non-agricultural sectors.

The Government purchasing prices thus fixed have been on the increase year by year, reflecting the increase in commodity prices and wages.

The Government selling prices are determined with the object of stabilizing the consumers' household economy, taking into account such aspects as the Government purchasing prices, Government financial situation, movement of commodity prices in general, etc. and they have been on the upward trend.

With respect to wheat and barley, the Government purchasing prices are determined to ensure reproduction of these products at a level not less than an amount which is obtained by multiplying the average purchasing prices of wheat and barley produced in 1950 and 1951 which are multiplied by the agricultural parity index, taking account of production situations and other economic factors. The purchasing prices thus fixed have risen year by year as a result of the rises in commodity prices and wages.

The Government selling prices of wheat and barley to millers and other processors are decided in order to stabilize the consumers' household economy and they have remained almost unchanged.

With respect to imported rice, wheat and barley, the Government selling prices are also determined on the basis of the Government selling prices of those domestic products, taking into consideration the quality differential between the domestic and the imported. In case of imported wheat, in particular, further consideration is given to the import price differential among type and quality of wheat, in addition to the factors which are taken into account in case the Government selling prices are determined in such a way as mentioned above.

(c) Amount of deficit

The deficit in the management account of domestic rice, wheat and barley under the Food Management Special Account for the fiscal year 1967 amounted to ¥ 267,372 million.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

The import of rice has been on the decreasing tendency in recent years. This is due to the increase in domestic production with the development in agricultural techniques as well as favourable weather, and also this was affected by the decrease of demand with the change in the pattern of food consumption.

Import of wheat for human consumption had moderately risen due to the rise in demand and a slightly downward trend of domestic wheat production. The growth rate of demand, however, has slowed down of late resulting from the gradual decrease in consumption of starch-food, and the import has levelled off. Meanwhile, as the import of wheat for feeding purposes has been rising, wheat import as a whole has been on the upward trend.

Imports of barley for human consumption (mainly used for brewing purposes) were very small. However, because of the increasing demand for feeding use, total imports were on the increase.

(b) Statistics

(Unit: '000 tons)

	Fiscal year	Production	Consumption	Import	Export
Rice	1965	12,409	12,993	1,052	0
	1966	12,745	12,503	679	0
	1967	14,453	12,483	364	0
Wheat	1965	1,287	4,631	3,532	88
	1966	1,024	4,983	4,103	79
	1967	997	5,106	4,238	87
Barley	1965	1,234	1,688	512	0
	1966	1,105	1,707	598	0
	1967	1,032	1,739	666	2

- Notes:
1. The figures shown above include those for feeding purposes.
 2. The figures for heading "export" of wheat show those of wheat equivalent of wheat flour.
 3. As for rice, the figures for "production" and "consumption" are brown-rice equivalent, and for "import", milled rice equivalent.

B. PRICE SUPPORT AND STABILIZATION MEASURES

Sweet and White Potatoes

I. Nature and extent of measures

(a) Background and legal basis

In order to prevent the price drop of sweet and white potatoes below the normal price level, the Government purchases and sells the starch produced therefrom, as provided for in the Agricultural Commodity Price Stabilization Law of 1953.

(b) Incidence

- (i) The raw material standard price each for sweet and white potatoes is determined each crop year on the basis of the agricultural parity index, due consideration being paid to such factors as production cost, commodity prices, supply and demand situations and other economic conditions. The Government purchasing price of starch is determined

on the basis of the standard purchasing price which is obtained by adding transportation charges, processing costs, etc. to the above standard prices of sweet and white potatoes.

(ii) Utmost efforts are made by the Government to stabilize the price of starch at an appropriate level by letting the producers' associations carry out the marketing adjustment on their own initiative. 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 Government purchasing price in order to stabilize the price.

(iii) Starch thus purchased by the Government is sold in the market. It is provided for, however, that the selling price should not be lower than the standard purchasing price and the prevailing market price.

(c) Amount of inventory finance

There was no financial payment for the fiscal year 1967.

II. Effect of measures

(a) Estimated quantitative trade effect of the measures

The measures are to avoid the price fluctuations, and it is believed that they have no effect on international trade.

(b) Statistics

(Unit: '000 tons)

	1965	1966	1967
Production	795 (sweet 547 white 243)	662 (sweet 537 white 125)	703 (sweet 495 white 208)
Import	38	41	92
Export	0.3	0.4	0.4
Consumption	833 (sweet 574 white 259)	693 (sweet 537 white 156)	668 (sweet 465 white 203)

Notes: 1. Years represent the potato crop year from October to September.

2. However, the figures for import and export are those in calendar year.

Sugar

I. Nature and extent of measures

(a) Background and legal basis

The Law Concerning Special Measures for Sugar Resources was enacted in 1964, for the purpose of raising the production of sugar crops thereby to improve agricultural management, to stabilize farmers' income and to maintain the domestic supply of sugar. In accordance with the said Law, the minimum producers' price of sugar was set up and the Government tried to maintain the minimum producers' price through the purchase operations of sugar manufactured from domestic sugar beets or cane. However, the price of domestic sugar showed a considerable fluctuation reflecting that of overseas sugar price, and the purpose of the measures was not fully achieved. It followed that the Sugar Price Stabilization Law was enacted in June 1965, for the purpose of stabilizing the price of domestic sugar through the stabilization of that of imported sugar, and thereby safeguarding farmers' income of sugar crops and contributing to stabilize national living conditions. Furthermore, under the said Law, the Government, having maintained the policy of non-restricted imports of sugar, has adopted necessary measures to prevent a violent fluctuation of the domestic sugar price as well as to support the price of domestic sugar.

(b) Incidence

In order to stabilize the price of imported sugar, the Government has set up the price range of sugar, taking into consideration the fluctuation of the sugar price in international market. If the price of imported sugar falls below the floor price, the Sugar Price Stabilization Corporation, established under the said Law, transfers the difference between those two prices to the Sugar Price Stabilization Fund; and if the price of imported sugar exceeds over the ceiling price, the difference between those two prices is filled up by the said Fund.

For the purpose of supporting the price of domestic sugar, the Corporation carries out purchase and resale operations by purchasing domestic sugar at the level of production cost in case the estimated marketing price of imported sugar is lower than the production cost of the domestic sugar, and reselling it into the market at a price corresponding to the selling price of imported sugar fixed by the Corporation. Deficits arising from this operation are to be met by two sources: first, the surplus accrued to the Corporation from its operational transactions of imported sugar, minus the amount which was transferred to the Sugar Prices Stabilization Fund, and, second, the subsidies given to the Corporation by the Government.

(c) Amount of subsidy

In order to support the price of the domestically-produced sugar, ¥ 1,522 million was financed as a subsidy to the Sugar Price Stabilization Corporation in fiscal year 1967.

II. Effect of measures

(a) Estimated quantitative trade effect of the measures

Raw sugar imports were liberalized in August 1963. The large portion of the sugar consumption in Japan depends on the imported sugar. Accordingly the domestic sugar price had shown large ups and downs, affected by the fluctuation of the international sugar price. The stabilizing measures of sugar price prevent large fluctuation of sugar price and contribute to a sound growth of consumption by supplying sugar at a stable price. The purpose of the support system of domestic sugar price is to maintain domestic production at a reasonable price level. It is not considered, therefore, that imports of sugar are adversely affected by these measures.

(b) Statistics

(Unit: '000 tons)

	1965	1966	1967
Production	565	522	589
Import	1,189	1,529	1,649
Export	3	5	18
Consumption	1,906	2,045	2,167

- Notes:
1. Years stand on the sugar crop year from October to September.
 2. Figures are refined sugar equivalent.
 3. Figures for "production" show the total of beets and cane sugars.

Soyabean and Rapeseed

I. Nature and incidence of measures

(a) Background and legal basis

In order to cope with the influence of the price of imported soyabeans on the prices of domestic soyabeans and rapeseed, the price support programme has been enforced by the Soyabeans and Rapeseed Price Subsidy Temporary Measures Law enacted in 1961. Based on the said Law the subsidy is granted to producers through the producers' associations which adjust marketing on their own initiative, with the purpose of contributing to maintain the soyabeans and rapeseed production and to stabilize farmers' income.

(b) Incidence

Amount of the subsidy is computed by multiplying the "unit amount obtained by subtracting the standard selling price from the basic price" by the "quantities of soyabeans or rapeseed marketed by the producers' associations on the basis of consignment by member producers".

The "basic price" is determined each year by taking account of the parity price based on the 1956-59 average market price of producers, the production situations, etc., with a view to maintaining reproduction. The "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.

(c) Amount of subsidy

¥ 815 million was paid in fiscal year 1967 as a subsidy.

II. Effect of the measures

(a) Estimated quantitative trade effect of the measures

In spite of the measures described above, domestic production of soyabeans and rapeseed as a whole has been decreasing. On the contrary, as import of these products has shown a gradual increase, it is believed that the measures have no effect on import.

(b) Statistics

(Unit: '000 tons)

	1965	1966	1967
<u>Soyabeans</u>			
Production	230	199	190
Import	1,993	2,195	2,186
Export	0	4	1
Consumption	2,143	2,339	2,405
<u>Rapeseed</u>			
Production	126	95	79
Import	133	222	219
Export	-	-	-
Consumption	256	300	296

Note: Years stand from April to March.

Cocoon and Raw Silk

I. Nature and extent of measures

(a) Background and legal basis

The demand for raw silk fluctuates considerably because of domestic and international business conditions and changes in fashion, while the production and marketing facilities are not flexible enough to cope with these changes. Therefore, the price of raw silk is vulnerable to violent fluctuations, which bring about instability to the management of the sericultural industry.

Under the Cocoon and Raw Silk Price Stabilization Law, the Japan Raw Silk Corporation conducts the operation to stabilize the management of the sericultural industry as well as to prevent abnormal fluctuation of the raw silk price which is above or below the range of the stabilizing floor and ceiling prices, and also carries out the operation to stabilize the raw silk price at an appropriate level within the stabilization price range above.

Note: In order to prevent the abnormal price fluctuation of cocoon and raw silk, the Government had carried out the purchase and sales operations up to fiscal year 1968, but as from fiscal year 1969, the Japan Raw Silk Corporation has replaced the Government to carry out such operations.

(b) Incidence

(i) Measures to prevent the abnormal price fluctuation of cocoon and raw silk

The Japan Raw Silk Corporation purchases raw silk upon the application of producers, etc., at the floor price within the budgetary limits, and sells it through the public tender or in other ways when the market price of raw silk rises or is likely to rise above the prescribed ceiling price.

With regard to cocoon, the Corporation provides with the carry-over charges to the United Corporatives of Agriculture designated by the Minister for Agriculture in such a case as the market price of cocoon falls below the floor price in spite of the market intervention of the Corporation and the said Cooperatives hold the stock of cocoon. Furthermore, if there exists the stock held by the Cooperatives even after the elapse of certain period, the Corporation is authorized to purchase such stored cocoon.

The ceiling and floor prices for raw silk are determined each year on the basis of production and marketing costs giving additional consideration to commodity prices and other economic factors. The floor price of cocoon is determined on the basis of the production cost, taking account of the floor price of raw silk, the demand and supply of cocoon, commodity prices and other economic factors.

(ii) Measures to stabilize the prices of cocoon and raw silk within the price range

Raw silk: On the application of producers of raw silk who are investors in the Corporation, the Corporation purchases raw silk within the scope of a limited quantity in every business year (June-May) at the middle purchasing price.

In case that the market price of raw silk rises or is likely to rise above the standard middle selling price, the raw silk stored by the Corporation is released to the market through public tender or in other ways.

Cocoon: The Corporation may be entrusted with the purchase and sale services of the dried cocoon within the scope of a limited quantity, in case that the transaction of cocoon is likely to be carried out at a price less than the standard selling price of cocoon.

The middle purchasing price and the standardized middle selling price of raw silk are determined at an appropriate level between the stabilizing ceiling and floor prices in order to stabilize the price of raw silk, taking account of the conditions of production and supply and demand situations of raw silk.

The standard selling price of cocoon is set up at a level not lower than the floor price with a view to realizing the price of cocoon at a level appropriate in the light of the conditions of production and supply and demand situation of cocoon.

(c) Amount of subsidy

There was no subsidy in 1967.

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

As the measures stated under I(b) above aim to stabilize the prices of cocoon and raw silk, they can not be considered to have effects on trade.

(b) Statistics

(Unit: tons)

Commodity	Calendar year	Production	Imports	Exports	Consumption
Cocoon	1965	105,513	48	1	110,248
	1966	105,392	260	15	107,612
	1967	114,476	89	1	107,323
Raw silk	1965	19,106	327	1,047	18,959
	1966	18,694	1,240	543	19,405
	1967	18,926	1,800	218	20,549

Milk, Milk Products and Pork

I. Nature and extent of measures

(a) Background and legal basis

The Livestock Products Price Stabilization Act was enacted in November 1961 with a view to encouraging a sound development of the livestock industry and the related industries as well as to improving the national living conditions by stabilizing the prices of main livestock products.

Under this Act, the Government has fixed the stabilization price ranges for the designated milk products and meat. The Livestock Industry Promotion Corporation established under the said Act has kept the market prices of the above products stable through operations of purchasing and reselling the products in the light of the demand and supply situations, and, through this scheme, stabilized indirectly the price of milk for manufacturing.

Since April 1966, the Government has been authorized to provide producers with a subsidy for milk for manufacturing through the Livestock Industry Promotion Corporation under the Act for Temporary Measures Concerning Deficiency Payment to Producers of Manufacturing Milk enacted in June 1965. At the same time, as for milk products, the Corporation is to undertake purchase and resale operations in lieu of the previous stabilization price range system with a view to stabilizing the market prices of main milk products at their respective stabilization target price, which corresponds to the basic marketing price of milk for manufacturing.

The objectives of this scheme are to ensure supply of milk and milk products at their stable prices so as to meet an increase in demand for such products and to encourage a sound development of the Japanese dairy industry

which only has a short history and is not well established. Full consideration is given to restrain milk production by inefficient producers, when the guaranteed prices of milk for manufacturing are determined.

(b) Incidence

The following products are designated for the purchase and sale operations by the Livestock Industry Promotion Corporation; pork, butter, sugared condensed whole milk, sugared condensed skimmed milk and powdered skimmed milk.

The difference between the guaranteed price and the basic marketing price of milk for manufacturing is subsidized to producers through the Livestock Industry Promotion Corporation. In this scheme, the guaranteed price is to be determined on the basis of production costs of milk in such districts as production costs are relatively low and rationalization in production is expected in the future, with a view to maintaining reproduction in the principal districts where milk for manufacturing is produced. A limit is to be set for the quantity of milk for manufacturing for which the deficiency payments are made.

(c) Amount of subsidy

¥ 2 billion was provided to the Livestock Industry Promotion Corporation as a subsidy to producers in fiscal year 1967.

II. Effect of measures

(a) Quantitative trade effect of the measures

The price stabilization measure only aims at keeping the prices of milk products and pork stable and has no relations with international trade of such products. The subsidy measure, as mentioned earlier, is to make the dairy farming stable on a more rationalized basis, and to promote development of agriculture in such districts as have no appropriate sectors other than the dairy farming, whereby to maintain production of milk for drinking in the future.

(b) Statistics

(Unit: '000 tons)

		1965	1966	1967
Milk	Production	3,221	3,409	3,566
	Import	-	-	-
	Export	-	-	-
Butter	Production	24	25	24
	Import	1	7	17
	Export	0	0	0
Powdered skimmed milk	Production	25	26	30
	Import	64	69	98
	Export	-	-	-
Sugared condensed whole milk	Production	34	32	34
	Import	0	-	0
	Export	-	-	-
Sugared condensed skimmed milk	Production	26	23	22
	Import	-	0	-
	Export	-	-	-
Pork	Production	364	505	557
	Import	0	0	0
	Export	0	0	0