

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Notifications Pursuant to Article XVI:1

Addendum

JAPAN

This notification is to be submitted in accordance with the procedures of document L/4141 in order to contribute to 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. This notification was prepared as of 31 March, 1975.

A. SPECIAL MEASURES FOR RICE, WHEAT AND BARLEY

I. Nature and extent of measures

(a) Background and legal basis

Under the Food Management Law, the Government is carrying out the supply and demand operation as well as price adjustment of rice, wheat and barley in order to ensure food for the population and to stabilize the national economy. From the same standpoint, the Government likewise controls the exportation and importation of those products.

(b) Incidence

As for rice, the Government purchases this product from producers at the Government purchasing prices (producer prices) which are determined on the consideration of the production cost and the income guarantee to ensure the re-production of the product. The Government selling prices at which rice is sold to the wholesalers are determined to stabilize the consumers' household economy, taking into account the factors such as the cost of household and commodity prices in general.

With respect to wheat and barley, the Government also purchases these commodities. 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 by the agricultural parity index (the comprehensive index of prices of materials and services to which producers pay), taking account of production situations and other economic factors. The Government selling prices of wheat and barley to mills are fixed, with due regard being paid to their importing costs, the consumer's prices of rice and other economic factors.

(c) Amount of deficit

The deficit in the management account of rice, wheat and barley under the Food Management Special Account for the fiscal year 1973 amounted to ¥490,600 million (excluding the deficit derived from the surplus disposal of rice).

II. Effect of measures

(a) Estimated quantitative trade effects of the measures

As for the rice, it is a basic policy of the said Law to ensure the balanced supply and demand situations of this commodity in the domestic market. With this standpoint, it is intended to make the Government's stockholding enough to ensure a stable supply of rice for the nation, considering the present world supply and demand situation of grains.

With respect to wheat and barley, Japan depends greatly on the importation of these products to the extent that the domestic production fails in meeting the demand, and its importation has been on the increase reflecting the increasing trends of demand for them.

(b) Statistics^{a/}

(Unit: '000 tons)

	Fiscal year b/	Production	Consumption	Import	Export
Rice	1971	10,887	11,859	10	859
	1972	11,897	11,948	12	376
	1973	12,149	12,078	38	430
Wheat	1971	440	5,206	4,726	55c/
	1972	284	5,372	5,317	56c/
	1973	202	5,498	5,369	38c/
Barley	1971	503	1,746	1,138	-
	1972	324	1,842	1,488	-
	1973	216	2,126	1,817	-

a/ The figures are derived from "The Table of the Demand and Supply of Food".

b/ The figures for 1972 and 1973 include those of "Okinawa".

c/ These figures show wheat equivalent of flour.

B. Price support and stabilization measuresSweet and white potatoesI. 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) 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.

(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 1974, because of no Government purchase as of January 31, 1975.

II. Effect of measures

(a) Estimated quantitative trade effect of the measures

The measures are to avoid the price fluctuations and have no direct effect on international trade.

(b) Statistics on Starch

(Unit: '000 tons)

	1971	1972	1973
Production	408	435	285
	(Sweet 175 (White 233	(Sweet 174 (White 261	(Sweet 92 (White 193
Import	65	73	97
Export	0	0	2
Consumption	423	435	340
	(Sweet 175 (White 248	(Sweet 174 (White 261	(Sweet 92 (White 248

- Notes: 1. Years represent the potato crop year from October to September in the following year.
2. However, the figures for import and export are those in calendar year.

SugarI. 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 Government tried to maintain the minimum producers' price through the purchase operations of sugar manufactured from domestic sugar beets or cane by setting

up the minimum producers' price of sugar. 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 stabilizing national living conditions. Furthermore, under the said Law, the Government, having maintained the policy of non-restricted importation of sugar, 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 sets 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 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 reselling 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, ¥6,607 million was financed as a subsidy to the Sugar Price Stabilization Corporation in Fiscal Year 1973.

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)

	1971	1972	1973
Production	696	595	624
Import	2,366	2,754	2,445
Export	4	10	49
Consumption	3,101	3,249	3,294

- Notes: 1. Calendar year.
2. Figures are crude sugar basis (of a polarization 96°).
3. Include Okinawa.

Soyabean and Rapeseed

I. Nature and incidence of measures

(a) Background and legal basis

In order to cope with the influence of the import liberalization of soyabeans on the prices of domestic soyabeans and rapeseed, the Soyabeans and Rapeseed Price Subsidy Temporary Measures Law was enacted in 1961 with the purpose of contributing to maintaining the soyabeans and rapeseed production and to stabilizing 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 selling 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

In fiscal 1973, ¥10 million was paid for producers of soyabeans and ¥253 million for those of rapeseed. The amount of subsidy per unit (60 kg) was ¥921 for soyabeans and ¥2,930 for rapeseed.

II. Effect of the measures

(a) Estimated quantitative trade effect of the measures

Since 1961 when the import of soyabeans was liberalized, its production was 387 thousand tons and rapeseed was produced 274 thousand tons, while the imports of these commodities were 1,176 thousand tons and 35 thousand tons respectively. In spite of the increasing tendency of demand for them since then, their production continued to fall down from year to year. In 1974 the production of soyabean recorded fell to 133 thousand tons and that of rapeseed 9 thousand tons, while the imports were recorded 3,381 thousand tons for soyabeans and 600 thousand tons for rapeseed. Under these circumstances, it is not considered that a subsidy under the measures has an effect on imports of these commodities.

(b) Statistics

(Unit: '000 tons)

Calendar year	1961	1972	1973	1974
Soyabeans				
Production	387	127	118	133
Consumption	1,568	3,424	3,565	3,496 <u>a/</u>
Import	1,158	3,394	3,635	3,381 <u>a/</u>
Rapeseed				
Production	274	16	13	9
Consumption	309	584	701	612 <u>a/</u>
Import	35	604	687	600 <u>a/</u>

a/: The figures are "estimate".Cocoon and Raw SilkI. 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, etc. while the production is not flexible enough to cope with these changes. Therefore, the price of raw silk is vulnerable to violent fluctuations, which brings about instability to the management of the cocoon and raw silk industry.

Under the Cocoon and Raw Silk Price Stabilization Law, the Japan Raw Silk Corporation (hereinafter referred to as "the Corporation") conducts the operation to stabilize the management of the cocoon and raw silk industry, to prevent such abnormal fluctuation of raw silk price as appears to make it difficult to maintain the price range of raw silk referred to below, and to stabilize its price at an appropriate level within the scope of the intermediate price range of raw silk.

In order to stabilize price of raw silk in the domestic market, a price range with the maximum and the minimum prices is set up. Within this price range, an intermediate price range with three kinds of prices, namely, the standard sales price, the standard price and the purchase price, is established. The standard sales price is higher than the standard price which is higher than the purchase price.

(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 minimum 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 maximum price.

With regard to cocoon, the Corporation provides with the carry-over charges to the Federations of Agricultural Corporatives (hereinafter referred to as "the Federations") designated by the Minister for Agriculture in such a case as when the market price of cocoon falls below the minimum price in spite of the market intervention of the Corporation of raw silk and the Federations hold the stock of cocoon. Furthermore, if there exists the stock held by the Federations even after the elapse of a certain period, the Corporation is authorized to purchase such stored cocoon.

The price range with the maximum and minimum prices for raw silk are determined each year on the basis of production costs, giving additional consideration to commodity prices and other economic factors.

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

Raw silk: If necessary, 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 fiscal year at the purchase price. In case the market price of raw silk rises or is likely to rise above the standard sales price, the raw silk stored by the Corporation is released to the market through public tender or in other ways. Prices relating to the intermediate price range are determined taking account of the conditions of production, supply and demand situations and other economic factors.

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 the transaction of cocoon is likely to be carried out at a price less than the standard price of cocoon.

The standard and minimum prices of cocoon are set up with a view to realizing the price of cocoon at a level appropriate in the light of the conditions of production, supply and demand situation of cocoon and other economic factors. The standard price is fixed at a level not lower than the minimum price.

(c) Amount of subsidy

There was no subsidy paid.

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: ton)

Commodity	Calendar year	Production	Imports ^{a/}	Exports	Consumption ^{b/}
Cocoon	1971	107,694	1,670	21	109,090
	1972	105,111	839	0	104,915
	1973	108,156	1,533	0	104,947
Raw silk	1971	19,684	5,911	69	24,470
	1972	19,137	10,118	21	30,211
	1973	19,317	8,600	9	27,341

Note: a/ Raw cocoon equivalent.

b/ Shows the figures transferred to the end-users of raw silk.

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 pork. 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, wholemilk powder, butter-milk powder and whey powder.

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 where production costs are relatively low and rationalization in production is expected in the future, with a view to maintaining production 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

¥10,692 million was provided with to the Livestock Industry Promotion Corporation as a subsidy to producers in fiscal 1973.

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 where they 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)

		1971	1972	1973
Milk	Production	4,820	4,939	4,908
	Import	-	-	-
	Export	-	-	-
Butter	Production	48	44	42
	Import	1	12	18
	Export	0	0	0
Powdered skimmed milk	Production	68	65	66
	Import	52	56	58
	Export	0	0	0
Sugared condensed whole milk	Production	42	46	38
	Import	0	0	0
	Export	0	0	0
Sugared condensed skimmed milk	Production	25	17	17
	Import	0	0	0
	Export	0	0	0
Pork	Production	750	769	858
	Import	27	68	126
	Export	0	0	0