

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

DPC/INV/4/Add.2

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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

JAPAN

A. Production

1. Support and/or stabilization measures

(a) Inventory of the instruments of support and/or stabilization

(1) Raw milk for drinking

No measure is taken by the Government to support the price of raw milk for drinking, the setting of the price being left to negotiation between the transacting parties concerned.

(2) Raw milk for processing

(i) Deficiency Payment System

Under the "Law concerning Temporary Measures on Deficiency Payment for Manufacturing Milk Producers", the Government makes the so-called deficiency payments to producers of raw milk for production of butter, skimmed milk powder and other major dairy products. Since fiscal year 1987, raw milk for cheese has been excluded from deficiency payment system, the setting of the price being left to negotiation between the transacting parties concerned.

(ii) Price Stabilization System

In order to stabilize the prices of the designated dairy products¹ at the respective levels of the Stabilization Indicative Prices for such products, the Livestock

¹Designated dairy products: butter, skimmed milk powder, sweetened condensed whole milk, sweetened condensed skimmed milk

Industry Promotion Corporation (hereinafter referred to as the "LIPC") purchases a designated domestic dairy product in cases where the price of the product falls or is likely to fall below the Stabilization Indicative Price, and sells the product in its possession in cases where the price rises or is likely to rise above the Stabilization Indicative Price. (When a domestically-produced dairy product is not available in its stock, LIPC will import that product from overseas for release to the market.)

(iii) Monopolized import system

Import of butter, skimmed milk powder and other major dairy products are entrusted exclusively to the LIPC in order to ensure the proper functioning of the above-mentioned price stabilization system for dairy products.

(b) Levels of guaranteed prices or support prices

- (1) Guaranteed Price and Standard Transaction Price of raw milk for processing from fiscal years 1983 to 1988.

Guaranteed Price and Standard Transaction Price for fiscal year 1988 have been determined at lower levels than the preceding year.

Fiscal year	Guaranteed price (A) (¥/kg.)	Standard transaction price (B) (¥/kg.)	Deficiency payment (A-B) (¥/kg.)	Ceiling quantity for deficiency payment ('000 tons)
1983	90.07	68.36	21.71	2,150
1984	90.07	59.18	20.89	2,220
1985	90.07	70.17	19.90	2,300
1986	87.57	69.54	18.03	2,300
1987	82.75	67.67	15.08	2,100
1988	79.83	66.51	13.32	2,250

Notes:

1. The Guaranteed Price is the price for producers of raw milk for processing determined, prior to the beginning of each fiscal year, by the Minister of Agriculture, Forestry and Fisheries, to ensure the continued production in areas where a substantial proportion of the raw milk produced is for processing, with due consideration given to the conditions of raw milk production, the supply-demand situation and other economic conditions.

2. The Standard Transaction Price is the producer's sale price of raw milk for processing which is set at a level payable by the processor. The price is determined by the Minister of Agriculture, Forestry and Fisheries on the basis of the processor's sale prices of major dairy products (or the Stabilization Indicative Prices in the case of the designated dairy products) less the processing and selling costs.

(2) Stabilization Indicative Prices of the designated dairy products from fiscal years 1983 to 1988.

Stabilization Indicative Price of butter, skimmed milk powder, sweetened condensed whole milk and sweetened condensed skimmed milk for fiscal year 1988 have been determined at lower levels than the preceding year.

Fiscal year	Butter (₹/kg.)	Skimmed milk powder (₹/25 kg.)	Sweetened condensed whole milk (₹/24.5 kg.)	Sweetened condensed skimmed milk (₹/25.5 kg.)
1983	1,302	13,140	8,950	7,960
1984	1,302	13,140	8,950	7,960
1985	1,276	13,530	8,950	7,960
1986	1,225	13,530	8,950	7,960
1987	1,100	13,180	8,360	7,500
1988	1,080	13,030	8,230	7,380

(c) Amount of producer subsidies

Subsidies of raw milk producers from fiscal years 1982 to 1987:

Fiscal year	Subsidies (million ₹)	Quantity ('000 tons)
1982	47,420	1,930
1983	46,676	2,150
1984	46,376	2,220
1985	45,770	2,300
1986	41,469	2,300
1987	30,905	2,049

(d) Average returns to producers, including methods of determining those returns and constituent elements thereof

(1) Average returns to producers:

<u>Fiscal year</u>	<u>Average returns (₹/kg.)</u>
1982	99.5
1983	100.1
1984	99.9
1985	98.9
1986	94.9
1987	89.7

- (2) Methods of determining returns and constituent elements thereof. As explained in A.1(a) above, the pricing with regard to raw milk for drinking and cheese is left to negotiation between the transacting parties concerned, while the price level of raw milk for processing is determined by the Government.

Returns to producers are determined by deducting the collection and delivery costs and other expenses, including the sales commissions for the association of raw milk producers from the aggregate amount of the price for drinking milk and that for milk for processing including the subsidy for processing.

Note: A designated association of raw milk producers in each prefecture which acts as a co-operative sales organ, receives payments from the processors for the product it supplied and pools the payments together with the government subsidies. The association, then, pays to the members of the association on monthly basis in principle.

2. Policies and measures of governments or other bodies likely to influence production, other than those listed under 1

In view of the fact that raw milk has been on a trend of over-supply since fiscal year 1977, the organizations of raw milk producers have been voluntarily carrying out restraint in the production. In order to ensure the smooth operation of such restraint the Government gives assistance, through the LIPC, with regard to the following:

- (1) Establishment of annual production target and its implementation;
- (2) Early culling of low-yielding milk cows (this measure was suspended since April 1982 and has been resumed since April 1986);

(3) Increased use of raw milk for the feeding of calves instead of the substitute milk mainly consisting of skimmed milk powder (this measure was suspended in July 1982 but was reinforced in fiscal years 1986 and 1987);

(4) Increased self-sufficiency in the supply of roughage.

B. Internal prices and consumption

1. Representative retail and wholesale prices on major domestic markets

(1) Retail prices of drinking milk and dairy products from 1982 to 1987:

Calendar year	Drinking milk (Tokyo) (¥/200 cc)	Butter (¥225 gr.)	Cheese (¥/225 gr.)	Sweetened condensed whole milk (¥/397 gr.can)
1982	55.80	363.6	304.2	320.0
1983	55.80	390.0	320.0	320.0
1984	55.80	390.0	320.0	320.0
1985	55.80	390.0	320.0	320.0
1986	55.80	390.0	317.1	320.0
1987	55.80	377.8	313.0	320.0

(2) Selling prices of dairy products for big users from 1982 to 1987:

Calendar year	Sweetened condensed whole milk (¥24.5 kg. big can)	Sweetened condensed skimmed milk (¥/25.5 kg. big can)	Whole milk powder (¥/25 kg. sack)	Skimmed milk powder (¥/25 kg. sack)	Butter (saltless) (¥/kg.)
1982	9,015	8,034	18,979	13,353	1,310
1983	9,296	8,326	19,670	13,843	1,382
1984	9,079	8,168	19,709	13,828	1,368
1985	9,033	8,106	19,737	14,018	1,323
1986	8,666	7,776	19,527	13,788	1,206
1987	8,403	7,549	19,249	13,425	1,079

(3) Wholesale price of dairy products from 1982 to 1987:

Calendar year	Drinking milk (¥/200 cc)	Butter (¥/225 gr. carton)	Cheese (¥/225 gr. carton)	Sweetened condensed whole milk (¥/397 gr. can)
1982	36.4	299	231	258
1983	36.4	309	239	258
1984	36.4	308	239	258
1985	36.4	308	239	258
1986	36.4	296	233	258
1987	36.4	286	225	258

2. Factors which condition the evolution and level of internal consumption

It is expected that the trend of slow increase in the demand for milk and dairy products will continue. The following may be pointed out as the general factors which will determine the future growth of demand for milk and dairy products:

- (1) consumers' income level;
- (2) prices of milk and dairy products;
- (3) changes in the dietary habits and in the composition of the dairy diet;
- (4) exploitation, popularization and consumption of substitutes for milk and dairy products;
- (5) activity for promoting demand for milk and dairy products; and
- (6) climatic and weather conditions, especially those in the hot season.

3. Policies and measures and comments on their effects on consumption

From the viewpoint that stable expansion of demand is most essential in ensuring the sound development of dairy industry, the following policies and measures have been taken by the Government:

- (1) Measures for stabilizing the supply of raw milk, and for stabilizing the price and supply of major dairy products.
(For details, refer to A.1(a) and A.2.)
- (2) Measures to expand and stabilize the demand for drinking milk:
 - (i) Subsidy to milk for school lunches:

In Japan, milk is used for school lunches in elementary and junior high schools. The Government effects subsidization, through the LIPC, for the milk used for that purpose at a rate of ¥2-3 per 200 cc. (The fiscal 1988 budget provides for the subsidy of ¥8.3 billion in total - for a total quantity for 703,000 kl.)

- (ii) Subsidy for the expansion and promotion of demand for drinking milk for general consumption:

The Government subsidizes the campaigns for promotion of consumption of drinking milk.

- (iii) Subsidy for activity to expand demand for drinking milk, as part of measures to adjust its supply and demand:

In view of the current supply and demand situation for raw milk which is on the trend of over-supply, the Government considers it necessary to expand demand for drinking milk. Hence, it is implementing, as a special measure through the LIPC, the subsidization of the supply of milk for kindergarten children and the aged.

C. Measures at the frontier

1. and 2. Customs tariff and import measures at tariff line level, such as duties, variable levies, other special charges, quantitative restrictions, minimum prices, State trading, etc.

See Annex.

3. Export measures at the tariff line level

(None)

4. Description of internal regulations and of agreements governing inclusion of products in tariff headings or sub-headings (details omitted)

- | | |
|-----------------------------------|--|
| (1) Tariff classification rules | Customs Tariff Law |
| (2) Quota allocation | Import Trade Control Order |
| (3) Specific sanitary regulations | Food Sanitary Law, Domestic Animal Infectious Disease Control Law |
| (4) State trading by LIPC | Law concerning Temporary Measures on Deficiency Payment for Manufacturing Milk Producers |

- D. Text or description of bilateral, plurilateral and multilateral agreements

(None)

No.	Stat. Code No.	Description	Rate of duty			Import measure	State trading
			General	GATT	Preferential		
04.01		Milk and cream. Not concentrated nor containing added sugar or other sweetening matter:					(Note 1)
0401.10	000	Of a fat content by weight, not exceeding 1%	(35%)			25%	
1401.20	000	Of a fat content by weight, exceeding 1% but not exceeding 6%	(35%)			25%	
0401.30	000	Of a fat content by weight, exceeding 6%	(35%)			25%	
04.02		Milk and cream, concentrated or containing added sugar or other sweetening matter:					IQ
0402.10		In powder, granules or other solid forms of a fat content, by weight, not exceeding 1.5%:					
	100	1. Containing added sugar	(45%)			35%	
	200	2. Other Powdered milk For school lunch (see footnote)	(45%)	(45%)		25%	
	220	For feeding purposes					
	230	Other					0
	290	Other					
		In powder, granules or other solid forms of a fat content, by weight, exceeding 1.5%:					
0402.21		Not containing added sugar or other sweetening matter:					
	100	Not skimmed	(40%)	(40%)		30%	0
	210	Other For school lunch	(45%)	(45%)		25%	
	220	For feeding purposes					
	290	Other					0
0402.29		Other:					
	100	1. Not skimmed	(40%)	(40%)		30%	
	210	2. Other Containing added sugar	(45%)			35%	
	290	Other		(45%)			
		Other:					

No.	Stat. Code No.	Description	Rate of duty					
			General	GATT	Preferential	Temporary	Import measure	State trading
0402.91		Not containing added sugar or other sweetening matter	30%					
	010	Not skimmed		(30%)				
	090	Other		25%				
0402.99		Other	30%					
	010	Not skimmed		(30%)				0
	090	Other						0
004.03		Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit or cocoa:						(Note 2)
0403.10		Yoghurt	35%					
	010	Containing added sugar						
	090	Other				25%		
0403.90		Other	35%					
		Containing added sugar						
	011	Of a fat content by weight not exceeding 1.5%						
		Other:						
	012	Buttermilk powder						
	019	Other						
		Other				25%		
	091	Of a fat content by weight, not exceeding 1.5%						
		Other:						
	092	Buttermilk powder						
	099	Other						0
04.04		Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included:						(Note 3)
0404.10		Whey, whether or not concentrated or containing added sugar or other sweetening matter	35%					
	010	Containing added sugar						
		Other						

No.	Stat. Code No.	Description	Rate of duty			Import measure	State trading
			General GATT	Preferential	Temporary		
0404.10 (cont'd)	091	Prepared whey, in powder or granules, intended for use as materials for prepared milk powder for infant			10%		
	099	Other			25%		0
0404.90		Other	35%				
		Containing added sugar:					
	011	Of a fat content, by weight not exceeding 1.5%					
	019	Of a fat content, by weight not exceeding 1.5%					
		Other:					
		Prepared whey, in powder or granules, intended for use as materials for prepared milk powder for infant			10%		
	021	Of a fat content, by weight not exceeding 1.5%					
	029	Of a fat content, by weight exceeding 1.5%					
		Other			25%		
	091	Of a fat content, by weight not exceeding 1.5%					
	099	Of a fat content, by weight exceeding 1.5%					
04.05							
0405.00	000	Butter and other fats and oils derived from milk	(45%)		35%	IQ	0
04.06		Cheese and curd:					(Note 4)
0406.10		Fresh cheese (including whey cheese), not fermented, and curd	35%				
(0406.10)	010	Intended for use as materials for processed cheese (excluding those of sub-headings Nos. 0406.20 and 0406.30): for the quantity (quota) stipulated by a Cabinet Order, within the limits of the quantity of prospective domestic demand in the coming fiscal year (April-March) with deduction of the quantity of prospective domestic production and also in consideration of the quantity of prospective domestic production, international market situation and other relevant conditions (hereinafter in this heading referred to as "the Pooled Quota")			Free		

No.	Stat. Code No.	Description	General GATT	Preferential	Temporary	Import measure	State trading
(0406.10) (cont'd)	090	Other					
0406.20		Grated or powdered cheese, of all kinds:					
	100	Of processed cheese	(45%)		35%		
	200	Other	35%				
0406.30	000	Processed cheese, not grated or powdered	(45%)		35%		
0406.40		Blue-veined cheese	35%				
	010	Intended for use as materials for processed cheese, for "the Pooled Quota"			Free		
	090	Other					
0406.90		Other cheese	35%				
	010	Intended for use as materials for processed cheese, for "the Pooled Quota"			Free		
	090	Other					
35.01		Casein, caseinates and other casein derivatives; casein glues:					
3501.10	000	Casein	Free				
3501.90	000	Other	(10%)	Free	6.4%		

Note:

1. Sterilized, frozen or preserved milk and cream, excluding those concentrated or containing added sugar or other sweetening matter; other cream with fatty content 13 per cent or more, excluding those concentrated or containing added sugar or other sweetening matter: IQ (04.01ex).
2. Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, sterilized, frozen, preserved, concentrated, flavoured or containing added sugar, other sweetening matter or nuts, and excluding those containing added cocoa: IQ (04.03ex).
3. Whey, sterilized, frozen, preserved, concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, sterilized, frozen, preserved or containing added sugar or other sweetening matter: IQ (04.04ex).
4. Cheese (excluding natural cheese) and curd: IQ (04.06ex).