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## Japan

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### Japan Revises Support Payments for Beef Calf Producers

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Agricultural Situation

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**Report Highlights:**

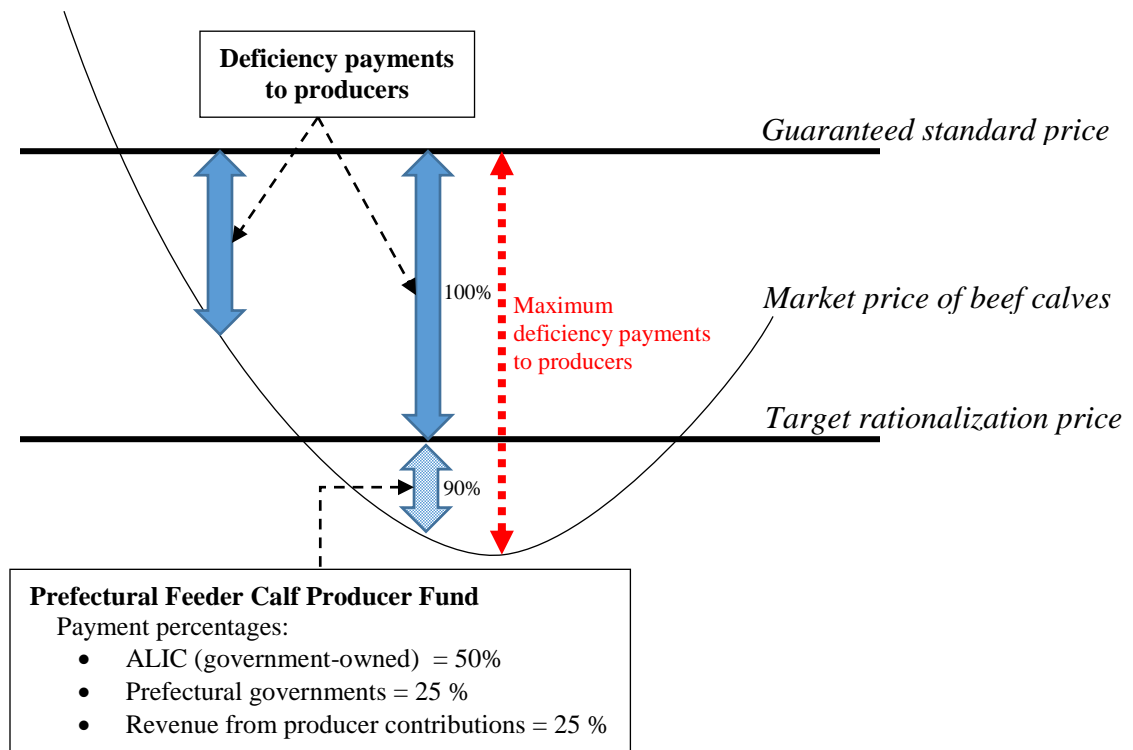
The Government of Japan has revised the calculation method for two reference prices used to determine support payments under its Deficiency Payment Scheme for Feeder Calves. The revision is designed to enhance the competitiveness of domestic beef as Japan lowers tariffs on imported beef from Australia, Canada, Mexico, and New Zealand. In doing so, the government abolished a separate support program which only applied to certain calf producers. The changes took effect on December 30, 2018.

## General Information:

The Government of Japan uses two reference prices – the Guaranteed Standard Price and the Target Rationalization Price – to determine support payments to domestic feeder calf producers under the Deficiency Payment Scheme for Feeder Calves. These support payments were introduced when Japan opened its beef market in 1991. Timed to coincide with the effectuation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on December 30, 2018, the government revised the calculation method for both reference prices to increase potential payments to producers as Japan lowers tariffs on imported beef from CPTPP member countries including Australia, Canada, Mexico, and New Zealand. For more information on Japan’s beef tariffs, see [JA8109](#).

Support payments differ according to calf breed. Eligible breeds include black hair wagyu, brown hair wagyu, “other beef” breeds, dairy breeds, and cross breeds. Payments are made on a quarterly basis when the market price for calves falls below one or both of the reference prices (see Figure 1). Payments were most recently activated from July to September 2018 for “other beef” breeds at 16,000 yen (\$143) per head. Payments for other breeds have not been activated since 2013.

**Figure 1. Deficiency Payment Scheme for Feeder Calves in Japan**



Source: MAFF and ALIC

Prior to December 30, 2018, the Guaranteed Standard Price was based on average farm gate prices for calves between 1984 and 1990. The new Guaranteed Standard Price resets every year, based on average production costs from the most recent seven years. For example, the Guaranteed Standard Price for Japanese Fiscal Year (JFY) 2019 (April 1, 2019 to March 31, 2020) is based on production costs between JFY 2011 and JFY 2017. There is a one-year lag due to data availability. The Guaranteed Standard Price is announced by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) every March. When the market price falls below the Guaranteed Standard Price, the government-owned Agriculture and Livestock Industries Corporation (ALIC) pays the difference to producers in the form of a deficiency payment on a per head basis. Direct payments from ALIC cannot exceed the difference between the Guaranteed Standard Price and the Target Rationalization Price.

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. When the calf market price falls below the Target Rationalization Price, 90 percent of the gap is filled by the Prefectural Feeder Calf Producer Fund which is jointly funded by ALIC, prefectural governments, and participating producers. These payments are in addition to the deficiency payments from ALIC described above. Prior to December 2018, the target rationalization price only counted lower grade beef (grades 1-3), but now includes all grades of beef (grades 1-5) to create a higher average price. Table 1 below indicates the Guaranteed Standard Price and the Target Rationalization Price for each calf breed in JFY 2018 and JFY 2019.

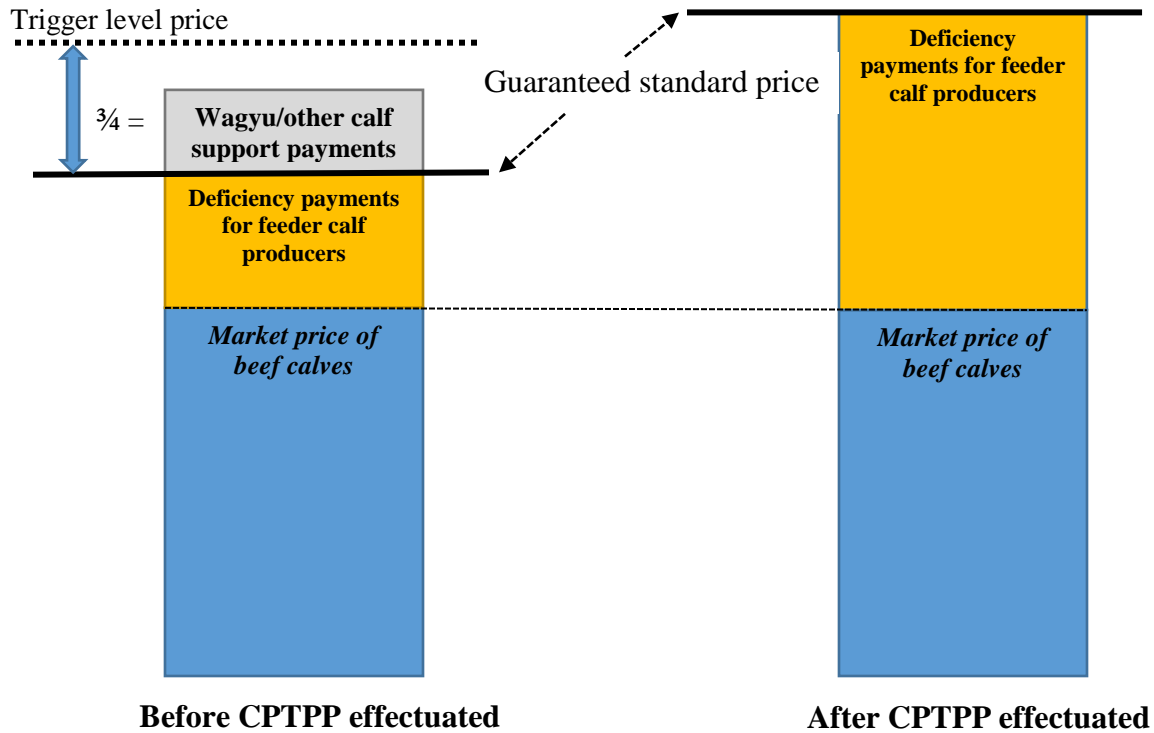
<b>Table 1. Guaranteed Standard Price and Target Rationalization Price</b>						
<b>Unit: Japanese yen (JPY) / head, \$1=JPY 112</b>						
<b>Breed</b>	<b>JFY 2018</b>				<b>JFY 2019</b>	
	<b>Until December 29</b>		<b>From December 30</b>		<b>Guaranteed standard price</b>	<b>Target rationalization price</b>
	<b>Guaranteed standard price</b>	<b>Target rationalization price</b>	<b>Guaranteed standard price</b>	<b>Target rationalization price</b>		
<b>Black hair wagyu</b>	341,000 (\$3,045)	284,000 (\$2,536)	531,000 (\$4,741)	421,000 (\$3,759)	531,000 (\$4,741)	421,000 (\$3,759)
<b>Brown hair wagyu</b>	311,000 (\$2,777)	261,000 (\$2,330)	489,000 (\$4,366)	388,000 (\$3,464)	489,000 (\$4,366)	388,000 (\$3,464)
<b>Other beef breed</b>	222,000 (\$1,982)	151,000 (\$1,348)	314,000 (\$2,804)	249,000 (\$2,223)	314,000 (\$2,804)	249,000 (\$2,223)
<b>Dairy breed</b>	141,000 (\$1,259)	98,000 (\$ 875)	161,000 (\$1,438)	108,000 (\$964)	161,000 (\$1,438)	108,000 (\$964)
<b>Cross breed</b>	216,000 (\$1,929)	158,000 (\$1,411)	269,000 (\$2,402)	212,000 (\$1,893)	269,000 (\$2,402)	212,000 (\$1,893)

**Source: MAFF**

By raising the two reference prices and increasing potential payments to producers, the Government of Japan abolished a separate support program for cow-calf operators which applied only to wagyu and "other beef" producers and excluded dairy and cross breed producers. Support payments were equal to three-fourths of the difference between the calf market price and a trigger level based on 80 percent of average family labor costs and material costs. Effective

December 30, 2018, these payments were replaced by the revised deficiency payment structure described above. The old program is indicated by the gray box in Figure 2 below.

**Figure 2. Change in Payment Scheme for Beef Calf Producers**



Source: MAFF and ALIC

For more information on Japan's beef support payments prior to the December 2018 revisions, see the USDA Economic Research Service report on [Japan's Beef Market](#) (2010). For more information on Japan's beef market, see FAS/Tokyo's Livestock and Products Semi-annual Report [JA9023](#).