REVIEW OF MARKETING AND AGRICULTURAL ECONOMICS
Vol. 44, Nos. 1–2 (*March-June*, 1976)

# INSTITUTIONS AND POLICIES INFLUENCING JAPANESE BEEF IMPORTS*†

John W. Longworth‡

SUMMARY

The beef trade between Australia and Japan is not well understood in Australia. Access to the Japanese beef market depends more on administrative and political decisions than on market forces. The politics of beef in Japan are briefly outlined. Food self-sufficiency and agricultural protectionism in Japan are discussed in relation to Japanese beef policies. The activities of the major institutions concerned with administering beef policy in Japan are considered with particular emphasis on the Livestock Industry Promotion Corporation. The history of both the beef tariff and beef import quotas are also sketched. Many significant conclusions are reached regarding the future of the Japanese beef market.

## 1. INTRODUCTION

Meat consumption is low in Japan by international standards [2, 3, 4, 10]. Although the consumption of the three major meats (beef, pork and chicken) have all risen sharply over the Japanese "income-doubling decade" (1963 to 1973), beef consumption increased the least rapidly. The relatively slow growth in the per capita consumption of beef in Japan over this period has been due to the dramatic rise in the price of beef relative to pork and chicken. Beef prices have risen sharply because supplies have been limited. Domestic production has not been able to keep pace with the growth in demand and imports have been severely restricted by Government policies.

---

* Manuscript received March, 1976, revised June, 1976.

† An earlier version of this paper was presented to both the A.C.T. and the Victorian branches of the Australian Agricultural Economics Society during March, 1976.

‡ Reader in Agricultural Economics, University of Queensland. The author is heavily indebted to a great many people for their assistance in the preparation of this article. Invaluable advice and guidance was obtained from Professors Nakajima, Yori, Maruyama, Yoshida, and Namikawa (Kyoto University); Tsuchiya and Takahashi (Kyushu University); Mori (Senshu University); Hemmi (Tokyo University); Kawano (National Institute of Agricultural Science); Inouye (Asian Productivity Organization); and Fukuzawa (Institute of Developing Economies). Others in Japan such as Mr Ken Wilson (Australian Meat Board); the Australian Trade officials in both Tokyo and Osaka; and the officials of the Livestock Bureau of the Ministry of Agriculture and Forestry; all generously assisted the author. Dr Peter Drysdale and Mrs Aurelia George of the Australian National University and two anonymous referees all contributed comments on an earlier draft.

Any misrepresentations or other errors which remain in this paper are the responsibility of the author.

The aim of this paper is to present some observations on the Japanese beef sector which may contribute to a better understanding of the current situation. During the period 1965 to 1973 Japan changed from being an insignificant market for Australian beef to the second largest, taking 17 per cent of the beef exported from Australia in the 1973 calendar year. However, the Japanese beef trade ceased abruptly in early 1974 when the Japanese Government decided to suspend some of the 1973 import quota and not to issue any quotas for the 1974 Japanese fiscal year (April, 1974 to March, 1975). Apart from an insignificant quota for Okinawa announced in March, 1975, there were no further beef import quotas announced until the end of June 1975. The sudden, and supposedly unpredictable, change in the beef import policy of the Japanese Government had a drastic impact on sections of the Australian industry. The subsequent attempts by the industry and the Australian Government to persuade the Japanese Government to reconsider its beef import policy met with little or no success. Beef imports were recommenced when (and on a scale) necessary to achieve domestic Japanese policy objectives.

As Australian beef has traditionally represented 80 to 90 per cent of the Japanese imports, it is critically important for the Australian beef industry to appreciate the factors and institutions which determine Japanese beef import policy. Unfortunately it would seem Australian Government and industry officials were "too thin on the ground" to fully assess the situation in 1973. The Australian Meat Board representatives in Tokyo (all two of them—since reduced to one) were extremely busy with day-to-day affairs and the administration of the amazingly successful market development and promotion campaigns. As there was no Australian agricultural attache in Tokyo, the officials of the Australian Trade Commissioner Office were responsible for monitoring developments in the beef sector. Although their published papers indicate a considerable effort in this direction [15, 16], their very limited staff had many other demands upon their time. Besides, beef imports appeared to be a dramatic success in 1973 and they, no doubt, allocated their time to more difficult aspects of Australia's trade with Japan. As a result, the sudden closure of the Japanese beef market appeared to be unexpected and unpredictable. With the (considerable) advantage of hindsight, one must challenge this conclusion.

The major problems in understanding and hence predicting Japanese policy-making are twofold. First, one must obtain a clear picture of the relevant Japanese institutions and their areas of responsibility. Second, one must have access to and be able to utilize the masses of data produced by Japanese officialdom. The present paper is primarily concerned with the Japanese institutions influencing the beef trade. It is designed to complement and extend the 1972 report prepared by the Australian Trade Commission officers [16] and the two recent Bureau of Agricultural Economics studies [1 and 2]. Like these three reports, the present paper is essentially descriptive. However, the information contained in this paper should be of assistance to anyone seriously interested in analysing the behaviour of the Japanese beef market.

## 2. POLITICS OF BEEF IN JAPAN

While the policies influencing the beef industry in Japan appear to have a strong producer bias, it is overly simplistic to attribute this entirely to the power of the farmer lobby. The highly protectionist stance of the Japanese government in connection with beef needs to be examined carefully before any conclusions about possible future changes in beef trade policy can be reached.

Self-sufficiency and the fear of "food power" play a paramount role in current Japanese agricultural policy decisions [20]. At the beginning of the seventies the need for food self-sufficiency began to receive renewed attention in Japan. The dramatic changes in the world grain markets which occurred following the crop failures in Russia in the summer of 1972 further stimulated thinking along these lines. However, it was the American embargo on the export of soya beans to Japan in July, 1973 and the energy crisis later in the same year which really changed attitudes about free-trade at all levels of Japanese society. Consumer groups, unions, all political parties and even most academic economists are now obsessed with the need to improve (or at least maintain) current food self-sufficiency ratios. In Japan today there is a widespread consensus that, in the name of national security, the government should encourage the production of foods currently being imported. However, while the general policy goal is widely accepted, there is considerable debate about the measures required to achieve it.

The production of beef is an extremely expensive and wasteful animal-protein creating process in a food scarce community. Any attempt to increase beef production in Japan will automatically lead to a lowering of the feed-grain self-sufficiency ratio because the extra beef will require increased feed-grain imports. On the surface, therefore, it would seem to make little sense for the Japanese government to improve beef self-sufficiency at the expense of grain self-sufficiency. (The same argument of course, could apply to pork, chicken and dairy products.) The Japanese policy-makers, however, seem convinced that the world is heading for an animal protein shortage in the next decade (see, for instance, [7, p. 37]). Furthermore, they recognize that there are only three major sources of beef available to Japan, namely the United States, Australia and New Zealand.[1] On the other hand, they have many sources of feed grain (including, in an extreme emergency, the 40 per cent of paddy land in Japan which could grow a winter cereal crop but which currently lies idle in winter). On the basis of this kind of reasoning, beef is included in the general bundle of products the output of which the government wants to stimulate so as to achieve a higher level of self-sufficiency.

[1] Japan is free of foot and mouth disease. Therefore, imports of fresh meat are only permitted from countries which are free of this disease. However, Japan imports significant quantities of animal protein both as canned meat and as bulk boiled meats from many countries including Argentine, Uruguay and Thailand. From time-to-time Taiwan is an important source of fresh pork.

Farm lobbyist groups are understandably vocal in their support of the current national obsession with food self-sufficiency. Unlike the situation in Australia, almost every farmer in Japan belongs to a city, town or village co-operative. These co-operatives (which represent the basic units of the co-operative movement in Japan) are members of prefectural co-operatives. The prefectural co-operatives are specialized according to function (e.g., marketing, purchasing and credit). Therefore, each of the city, town or village co-operatives will belong to a number of prefectural co-operatives. In turn, these prefectural co-operatives combine in national co-operatives and national federations of co-operatives. The largest and best known national federation of co-operatives is ZENNOH.[2] The co-operative movement in Japan performs the same political function as producer organizations in Australia. They act as channels through which farmers make their claims known to government. At the apex of the co-operative movement is the organization known as ZENCHU. The chairman of ZENCHU is formally empowered to act as the national spokesman for the whole co-operative movement. Both the elected executive and the salaried staff of ZENCHU maintain close contacts with both the parliamentarians and the senior public servants concerned with agricultural policy matters. Although ZENCHU is acknowledged as the major lobbyist on behalf of farmers, it is by no means the only pressure group representing agricultural interests in Japan.

The farmers and their co-operatives have direct (and indirect) links not only with the ruling Liberal Democratic Party (LDP) but also with some of the opposition parties as well. Frequently politicians (especially of the LDP) have close affiliations with both the staff and the elected leaders of the agricultural co-operatives in their constituency. These ties would seem to be especially important in relation to beef policy issues. One of the five factions in the LDP at present is led by Mr Yasuhiro Nakasone (who is Secretary-General of the LDP) from Gumma Prefecture. Until late in 1975 the second most influential man in this faction was Mr Yamanaka who is President of the All Japan Beef Cattle Association. Mr Yamanaka represents Kagoshima Prefecture, a predominantly agricultural region and the most important beef breeding prefecture in Japan. In addition, Mr Eto who is one of the most influential younger men in the LDP and Vice Minister for Agriculture and Forestry, represents Miyazaki Prefecture, the second most important beef breeding prefecture.

The two most important groups traditionally countering the farm lobbyists and their political supporters, are the consumer organizations and the national federation of economic associations known as KEIDANREN. While it is extremely difficult to assess political trends in Japan, the consumer groups appear to be becoming rapidly more influential. In addition, KEIDANREN (which represents big business in Japan) exerts enormous influence through its close links with the LDP. While both the consumer groups and big business recognize the need for Japan to aim at securing reliable sources of food for the Japanese population, in

---

[2] For details regarding the range and magnitude of the operations performed by ZENNOH see [14].

the longer term both these groups could be expected to favour stable imports rather than domestic self-sufficiency at any price. The problem is, of coures, how can Japan secure stable and reliable sources of food imports? As already mentioned, recent world events have greatly strengthened the hand of those advocating food self-sufficiency in Japan, at least in the short-run.

On balance, one is forced to conclude that the political situation in Japan would make it impossible for Japan to adopt a policy of free-trade in beef. The Japanese Government will continue to regulate the flow of beef into Japan for the foreseeable future. The rest of this paper is devoted to examining the institutions and policies which influence Japanese beef imports.

## 3. MINISTRY OF AGRICULTURE AND FORESTRY

As discussed in the previous section, the basic policy objective of the Japanese Government in respect to beef is to improve or at least maintain the current level of self-sufficiency. The organization charged with devising policy measures to achieve this goal is the Ministry of Agriculture and Forestry (MAF). The MAF not only performs the customary bureaucratic role of refining and administering policy but it also plays a major part in initiating policy.

In general, the Japanese bureaucracy plays a much more positive role in the governing of the country than the public service in other Western-style democracies. One reason for this phenomenon is the unstable nature of the ruling coalition (i.e., the LDP) and the consequent frequent Cabinet re-shuffles. The average period for which a Minister holds a given portfolio in Japan is less than one year [13]. Another factor strengthening the hand of the bureaucracy is the custom for top public servants to retire at about 56 years of age. Many of these people then accept appointments to very senior positions in either private industry or public corporations. In addition, retired public servants frequently hold key positions in consultative and advisory councils as well as dominating many of the private and public business associations so common in Japan. As a direct result of this custom the public service bureaucracy and the private sector bureaucracy have strong ties. A third reason for the power of the public service in Japan is that it has successfully infiltrated the LDP. Perhaps as many as 35 per cent of the current LDP members of Parliament are ex-public servants.

Although the officers of the MAF play a large part in initiating beef policy they must operate within the accepted framework of the Japanese Government. In this sense the MAF must constantly consult with at least two other Ministries on beef issues. These are the Ministry of International Trade and Industry (MITI) and the Ministry of Finance (MOF). In addition, the MAF officials consult with the officers of the Livestock Industry Promotion Council (LIP Council) on matters relating to the floor and ceiling prices for beef, and with the Livestock Industry Promotion Corporation (LIP Corporation) on many administrative aspects of beef policy.

## 3.1. MAF Self-sufficiency Targets

Perhaps the most popular sport of casual observers of the Japanese agricultural scene is shooting at the MAF projections, especially the production estimates. The latest set of MAF predictions [6, 7] have been published during 1975. These projections are for the period 1972 to 1985. Therefore, at the end of 1975, approximately 25 per cent of the time between the base year (1972) and the target year (1985) will have elapsed and some real indication of progress towards the targets should be available. Indications are that the rate of growth in output is lagging behind the target rate for almost every commodity (with the notable exception of rice).

The MAF projections must be seen as targets or goals and not as genuine predictions or forecasts. They are prepared and released for popular consumption and current political effect. As indicated earlier, due to a series of events including the impact of "oil-shock" on the Japanese economy, political attitudes have swung strongly in favour of achieving self-sufficiency in food. Therefore, it is currently politically essential that the MAF targets show at least the *intention* to raise the level of self-sufficiency for most agricultural products. In time, the current national obsession with self-sufficiency may weaken. If this happens, the political costs of not achieving the self-sufficiency targets announced in 1975 will be virtually nil.

The above comments are not intended to imply that the MAF targets are all impossible and that they have been announced for short-term political purposes only. With both generous National Government assistance and a willingness on the part of consumers to accept substantial increases in food prices, it may be possible to achieve at least some of the self-sufficiency targets.

## 3.2. Meat Sector Targets

When considering future demand for beef in Japan, there is a tendency to overlook the other meats and consider beef in isolation. In advanced countries where people eat a range of meats, the meats concerned are often close substitutes. Empirical studies, for example [19], indicate that the cross elasticities between pork, chicken and beef are relatively low in Japan. However, these results have been questioned on a number of grounds [2, p. 27] and more analysis is necessary. The future demand for beef in Japan can be expected to depend on the availability and prices of other meats. This will be especially so in relation to the "popular" and "processing" meat markets.[3]

Recent trends in livestock numbers, meat production and meat consumption are discussed in [1, 8, 9, 16, 21]. Details of the MAF targets for 1985 together with the corresponding figures for 1972 are presented in Table 1.

---

[3] As discussed in [1], there are three fairly distinct markets for beef in Japan. The high priced specialist or "Kobe" beef market; the large and rapidly growing "popular" or middle-priced market; and the low-priced "processing" trade.

TABLE 1:

*A Comparison of some Japanese Meat Sector Statistics for two thirteen year periods: Actual results* 1960 *to* 1973 *versus MAF targets* 1972 *to* 1985

| Meat Type | Item | Units | Actual 1960 to 1973 | | | Targets 1972 to 1985 | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1960 | 1973 | 1973/1960 | 1972 | 1985 | 1985/1972 |
| | | | | | (per cent) | | | (per cent) |
| Beef .. | Total demand | 1 000 t. | 148 | 355 | 240 | 367 | 625 | 170 |
| | Production | 1 000 t. | 142 | 227 | 160 | 290 | 508 | 175 |
| | Self-sufficiency ratio | per cent | 96 | 64 | .. | 79 | 81 | .. |
| | Consumption per capita | kg/year | 1.1 | 2.3 | 209 | 2.4 | 3.6 | 150 |
| | Beef cattle | 1 000 | 2 340 | 1 818 | 78 | 1 776 | 3 305 | 186 |
| Pork .. | Total demand | 1 000 t. | 286 | 984 | 344 | 883 | 1 335 | 151 |
| | Production | 1 000 t. | 147 | 858 | 584 | 793 | 1 325 | 167 |
| | Self-sufficiency ratio | per cent | 51 | 87 | .. | 90 | 99 | .. |
| | Consumption per capita | kg/year | 1.1 | 6.4 | 582 | 5.6 | 7.5 | 134 |
| | Pigs | 1 000 | 1 918 | 7 490 | 391 | 7 168 | 11 790 | 165 |
| Chicken .. | Total demand | 1 000 t. | 75 | 711 | 948 | 668 | 915 | 137 |
| | Production | 1 000 t. | 75 | 686 | 915 | 640 | 914 | 143 |
| | Self-sufficiency ratio | per cent | 100 | 96 | .. | 96 | 100 | .. |
| | Consumption per capita | kg/year | 0.8 | 5.1 | 638 | 4.7 | 5.7 | 121 |
| | Broilers | 1 000 | n.a. | 80 177 | n.a. | 68 650 | 102 500 | 149 |
| Other meat | Total demand | 1 000 t. | 54 | 198 | 367 | 229 | 318 | 139 |
| | Consumption per capita | kg/year | n.a. | n.a. | .. | 1.5 | 1.8 | 120 |
| Total all meats | Total demand | 1 000 t. | 430 | 2 248 | 523 | 2 147 | 3 193 | 149 |
| | Production | 1 000 t. | 392 | 1 777 | 453 | 1 730 | 2 747 | 159 |
| | Self-sufficiency ratio | per cent | 91 | 79 | .. | 81 | 86 | .. |
| | Consumption per capita | kg/year | 5.0 | 16.2 | 324 | 14.2 | 18.6 | 131 |

n.a. = not available

*Sources*—See [7, 8]

In summary, the targets indicate the MAF expects the rates of growth in the demand for all meats will slow down compared with the rates of increase achieved in the decade prior to 1972. The demand for chicken is expected to grow at 1 per cent per annum, pork at 2 per cent and beef at 3 per cent.[4]

On the supply side, MAF has set production targets to achieve 100 per cent self-sufficiency for chicken, 99 per cent for pork and 81 per cent for beef.

In the case of beef it seems highly unlikely that production will expand rapidly enough to permit *both* a 3 per cent per year increase in consumption *and* a self-sufficiency ratio of 81 per cent to be achieved by 1985. Therefore, the MAF will be forced either to "choke-off" domestic demand by allowing beef prices to rise much faster than the general level of prices[5], or to quietly sacrifice the goal of 81 per cent self-sufficiency for beef. As demonstrated towards the end of 1975, there are limits to which consumers (and the press) can be pushed in the name of self-sufficiency.[6] In addition, the MAF currently has another good reason for quietly abandoning the beef self-sufficiency goal. As imports increase the amount of money available to the MAF (through the LIP Corporation) to promote modernization of the domestic beef industry is also likely to increase.[7]

The current MAF (Japanese Government) strategy, therefore would seem to be designed to keep beef prices as high as possible without creating too much consumer reaction (in an election year) and at the same time, to use a levy on imports to finance the development of the domestic industry. If the domestic subsidies are successful, it may be possible to achieve the self-sufficiency targets in the long-run.

## 4. LIVESTOCK INDUSTRY PROMOTION COUNCIL

The Livestock Industry Promotion Council (LIP Council) should not be confused with the Livestock Industry Promotion Corportion (LIP Corporation). The LIP Council is one of 15 advisory councils associated with MAF[8]. It was established by the Act which provides for the basic

---

[4] For details of the assumptions underlying these predictions see [6].

[5] This approach has been adopted in the past.

[6] For example, an article entitled "Carcase Beef Prices Sharply Up in Tokyo Due to Government's Reluctance to issue Import Quotas" appeared in the Japanese language *Yomiuri Shimbun* on 14th October, 1975. Similar lengthy articles appeared in other prominent Japanese newspapers during late October and November, 1975. Additional import quotas were announced on 22nd October (10 000 tonne), 7th November (10 000 tonne) and 17th December (25 000 tonne).

[7] If the price elasticity of demand for imported beef is less than unity, the LIP Corporation would actually collect less money as imports were increased (*ceteris paribus*). The extent to which the prices in the exporting country react to the increased Japanese demand would also need to be considered.

[8] For a full list of these councils see [17, pp. 32–33]. There are 248 advisory councils attached to the various Ministeries and Agencies of the Japanese Government [17, pp. 29–35]. They function as channels of communication between interest groups on the one hand and the bureaucracy and politicians on the other. These councils are an important part of the "Japanese web of influences and pressures interweaving through government and business" [12, p. 503].

organisation of MAF [5, p. 22]. The LIP Council is charged with advising the Minister of Agriculture and Forestry on important matters relating to the improvement and increased production of livestock (and poultry); the modernization of livestock (and poultry) management; the stabilization of prices and the supply of and demand for livestock (and poultry) products; the stabilization of prices and the supply of and demand for livestock (and poultry) feeds; and other miscellaneous issues related to the promotion of the livestock (and poultry) industries.

The LIP Council consists of up to 25 part-time members appointed by the Minister from "among the persons of learning and experience in the livestock (and poultry) industries." Appointments are for two years. At present there are no politicians and no current MAF officials on the LIP Council. However, there are several retired senior MAF officers on this body. Other members represent major producer and manufacturing groups, unions, consumer organizations, agricultural journalists and academics. The Minister may, on occasions, appoint additional "special" members.

The LIP Council elects its own chairman from its members. The council also has the power to appoint special investigators to gather information on problems of particular importance. Normally the business of the council is handled by a series of five sub-councils. Each member of the council may be a member of one or more of these sub-councils. The five sub-councils are concerned with domestic animal improvement and production; dairy farming; poultry; meat; and livestock feeds.

Traditionally the Minister will refer any specific problem falling within the fields covered by the LIP Council to this organization for their advice. The relevant sub-council will meet to discuss the problem with MAF officials. Eventually the full council will make its recommendation to the Minister. (If consensus is not reached a minority view may also be presented to the Minister.) The advice of the LIP Council may not be followed exactly. As a result the Minister (which in effect means MAF) may often have to explain to the council why a course of action different to that suggested by the council has been adopted.

With the amendments to "The Price Stabilization Law for Livestock Products" enacted early in 1975, the Minister is now responsible for setting floor and ceiling prices for certain grades of beef on the domestic market. The LIP Council is called upon to advise the Minister on this matter. Since changes in the floor and ceiling prices will have a great influence on future import quotas, the Australian beef industry should take a close interest in the LIP Council, especially the members on the sub-council responsible for investigating problems relating to meat.

## 5. LIVESTOCK INDUSTRY PROMOTION CORPORATION

The Livestock Industry Promotion Corporation (LIP Corporation) is one of 20 public corporations of the *Jigyodan* type.[9] The LIP Corporation

[9] In all there are 112 public corporations in Japan. For a complete list see [17, pp. 37–39].

was established under "The Price Stabilization Law for Livestock Products (1961)."[10] In 1961 this Act was designed to assist with the development of the livestock and associated industries especially dairying and pig production. At that time the national government wanted to improve the diet of the Japanese people by making more domestically produced sources of animal protein available at stable prices. The LIP Corporation was created to administer the price stabilization aspects of the Government's programme covered by the law and to act as a "tunnel" by which government funds could be directed into the livestock industries on a continuing basis.[11]

An outline of the LIP Corporation and its activities is available in [11]. Unfortunately, although this document is dated August, 1975, it does not take account of amendments to the 1961 Act which were legislated to take effect from 1st May, 1975. These changes have completely altered the role of the LIP Corporation in respect to beef marketing.

### 5.1. LIP Corporation Price Stabilization Activities for Commodities other than Beef[12]

As indicated above, when the LIP Corporation was created in 1961 the primary concern of the Japanese Government was for the dairy and the pig industries. As a result the LIP Corporation administers the guaranteed price and deficiency payment scheme for raw milk destined for processing. In addition, seven processed dairy products are so-called "designated products" under the price stabilization law.[13] These seven dairy products, together with pork, became designated products in 1961.

For the seven designated milk products the Minister (after consultation with the LIP Council, MAF and, presumably the LIP Corporation) establishes "stabilized indicative prices". If the market price for certain of these dairy products (namely butter, skim milk powder, sweetened condensed whole-milk, or sweetened condensed skim-milk powder) falls to 90 per cent of the corresponding stabilized indicative price, the LIP Corporation is empowered to purchase the product in question from processors at 90 per cent of the administratively determined price. On the other hand, if the market price for *any* of the seven milk products designated (not only the four just mentioned) rises above 104 per cent of the established price, the LIP Corporation is empowered to sell stocks

---

[10] For details of this legislation see [5, pp. 609–610]. Additional MAF regulations concerning LIP Corporation administrative details are set out in [5, p. 616 and p. 619].

[11] For example, the LIP Corporation administers both the Government deficiency payment scheme for raw milk used for processing and the national subsidy associated with the supply of milk for school lunches.

[12] The Japanese Government also assists with price stabilization schemes for many other products other than the LIP Corporation administered schemes discussed here-in. For example, there is a comprehensive scheme for vegetables which commenced in 1966.

[13] The seven processed dairy products are butter; skim milk powder; sweetened condensed whole-milk; sweetened condensed skim-milk; whole-milk powder; butter-milk powder; and whey powder.

and/or import to prevent further price rises.[14] The LIP Corporation has the import monopoly for all designated dairy products while ever they remain restricted imports covered by the Import Quota system (with the exception of skim-milk powder for school lunches and for stock-feed).

Until May, 1975, pork of grade A was the only non-dairy product designated under the price stabilization law. As from the 1st May, 1975, beef (of certain grades) became subject to market intervention measures very similar to that which have operated for pork since February, 1962.

In the case of pork, the price stabilization scheme commenced in the last 2 months of the Japanese fiscal year 1961 (April, 1961, to March, 1962), when the government announced a floor price in the wholesale market for pork of grade A. However, from April, 1962, until the present, a so-called "stabilized standard price" (or floor price) and a ceiling price have been announced once per year. If the price of grade A pork falls below the floor price, the LIP Corporation is empowered to enter the central wholesale markets at Tokyo and Osaka and buy at the floor price. Purchases may also be made elsewhere. If the price of pork exceeds the ceiling price the LIP Corporation is empowered to sell its stocks.[15] However, since pork is a liberalized product not subject to the Import Quota system, any licenced importer may import pork.

The LIP Corporation has been an active purchaser of pork on two occasions. In the first instance, 111 000 carcases were purchased between March and June, 1962. Although 82 per cent of this meat was sold during the 1962 Japanese fiscal year (April, 1962 to March, 1963), the remaining 18 per cent was not sold until the following fiscal year. The second period of LIP Corporation buying occurred from March, 1965 to July, 1967, when 886 000 carcases were purchased. Of these 79 per cent were sold in the 1967 business year and 19 per cent in the 1968 business year. (In addition, there was a very small quantity sold in the 1966 business year.)

With the important exception that beef is a restricted commodity subject to the Import Quota system, the new beef price stabilization plan has been modelled on the (successful) pork scheme. Therefore, a close examination of past government policy in regard to pork could provide valuable insights into the future operation of the beef scheme.

---

[14] As a safeguard against the continual build-up of stocks, the LIP Corporation is authorized to sell stocks of domestic or imported dairy products after these stocks have been held for one year or if the volume of these stocks exceeds a "certain amount". The LIP Corporation is charged with disposing of these stocks by any method which does not "inflict an adverse impact on current price" [11, p. 4].

[15] The LIP Corporation is also authorized to sell its pork stocks once the pork has been in storage for 6 months or if stocks have reached a "certain volume" (details unspecified). As in the case of designated dairy products, these "special sales" of LIP Corporation stocks are supposed to be made in a manner which does not depress the market.

## 5.2. LIP CORPORATION AND BEEF PRICE STABILIZATION

During the 1965 Japanese fiscal year the powers of the LIP Corporation were extended to permit it to engage in the importation and sale of beef. The aim was to restrain the upward movement in domestic beef prices by having a government agency standing ready to sell imported beef. Since 1965, as indicated in Table 2, the LIP Corporation involvement in the importation of beef has increased sharply.

The powers assigned to the LIP Corporation in 1965 did not provide for the Corporation to take any action (other than ceasing to sell imported beef) in the event of a market decline. Consequently, when the domestic price of wholesale beef dropped dramatically in the December, 1973, to February, 1974, period (see Figure 1), there was little the LIP Corporation could do to stabilize the market. The Government (and MAF) reaction was to suspend 40 000 tonnes of the 90 000 tonne quota originally allocated for the October, 1973, to March, 1974, quota period.[16] Eventually the greater part of the 40 000 tonnes of suspended quota was cancelled. The cancelled quota was virtually all LIP Corporation quota. As shown in Table 2, there were no significant new beef quotas announced until the end of June, 1975.[17]

The sharp reversal in the Japanese wholesale prices for beef caught the domestic fatteners at a critical time. Many farmers had borrowed heavily both to expand their fattening activities and to purchase feeder calves. The prices of these feeder cattle had moved up even faster than the price of beef during 1973. In addition, "oil-shock" and the poor grain harvests around the world had greatly increased the price of stock-feed in Japan. Many beef fatteners were threatened with financial disaster. Consequently, the co-operative movement (headed by ZENCHU) mounted a strong campaign for Government measures to stabilize beef prices at the wholesale level.

Eventually the Diet passed legislation in April, 1975, creating a price stabilization scheme for beef very similar to the existing scheme for pork. The plan provides for the Minister of Agriculture and Forestry to set annual floor and ceiling prices at the beginning of each Japanese fiscal year for "2nd" grade beef carcases. There are two sets of prices, one

---

[16] As indicated in Table 2, the total original quota for 1973 (Japanese fiscal year) was 160 000 tonnes of which 70 000 tonnes was allocated in the first half of the year and 90 000 tonnes in the second half of the fiscal year. When the decision to allow 90 000 tonnes to be imported was being considered in September and October, 1973, the domestic market was at record levels and rising.

The hesitancy on the part of the Japanese Government to increase import quotas in the September to December, 1975, period is directly related to the costly (in political terms) mistake made in 1973.

[17] There was a small quota of 2 400 tonnes announced for the October, 1974, to March, 1975, quota period. This quota, which was made public in March, 1975, was for Okinawa only.

TABLE 2: *Beef import quotas for Japan since their introduction in* 1958

| Year* | Total quota | LIP Corporation quota† | Private quota |
|---|---|---|---|
| | (tonne) | (tonne) | (tonne) |
| 1958.. .. .. | 3 000 | .. | 3 000 |
| 1959.. .. .. | 3 000 | .. | 3 000 |
| 1960.. .. .. | 4 200 | .. | 4 200 |
| 1961.. .. .. | 3 000 | .. | 3 000 |
| 1962.. .. .. | 3 000 | .. | 3 000 |
| 1963.. .. .. | 5 000 | .. | 5 000 |
| 1964.. .. .. | 3 000 | .. | 3 000 |
| 1965.. .. .. | 10 100 | 600 | 9 500 |
| 1966.. .. .. | 10 000 | 5 000 | 5 000 |
| 1967.. .. .. | 19 000 | 6 000 | 13 000 |
| 1968.. .. .. | 20 740 | 2 740 | 18 000 |
| 1969.. .. .. | 22 000 | 5 000 | 17 000 |
| 1970.. .. .. | 24 200 | 12 100 | 12 100 |
| 1971.. .. .. | 36 000 | 22 000 | 14 000 |
| 1972.. .. .. | 71 500 | 57 500 | 14 000 |
| 1973.. .. .. | 160 000 | 146 000 | 14 000 |
| 1974.. .. .. | Nil | .. | .. |
| 1975.. .. .. | 75 000 | 69 900 | 5 100 |
| 1976‡ .. .. | 45 000 | 39 500 | 5 500 |

* Japanese fiscal year, April 1 to March 31.

† The LIP Corporation was only empowered to arrange for the importation of beef from 1965 onwards.

‡ The figures for 1976 refer only to the first 6 months of that year.

*Source*—Data supplied by the LIP Corporation (personal communication) and the Tokyo Office of the Australian Meat Board (personal communication).

set for "2nd" grade beef from Wagyu steers and the other for "2nd" grade beef from dairy steers.[18] As can be seen in Figure 1, market prices have been well above the established ceiling prices since August, 1975.

As originally conceived by MAF officials, the scheme provided for a buffer-stock system to keep the domestic prices within the administratively determined price ranges. When prices rose toward or above the ceiling the MAF would direct the LIP Corporation to release beef from its stocks. In the event of the Corporation not having stocks, further import quotas would be allocated to increase the flow of imported beef to the market. On the other hand, when prices approached or declined below the floor prices, the LIP Corporation was empowered to buy beef at the floor price in the central wholesale markets and elsewhere.[19]

[18] For Wagyu carcases the ceiling prices have been ¥1,518 (1975) and ¥1,647 (1976) while the floor prices have been set at ¥1,143 (1975) and ¥1,240 (1976). In the case of dairy beef the ceiling prices have been ¥1,236 (1975) and ¥1,341 (1976) and the floor prices ¥930 (1975) and ¥1,009 (1976). All prices are in yen per kilogram carcase weight. (¥380 = $(A)1.00 approx.).

[19] This outline of the wholesale beef-price stabilization scheme is very brief. For more detail see [1, pp. 86–88].

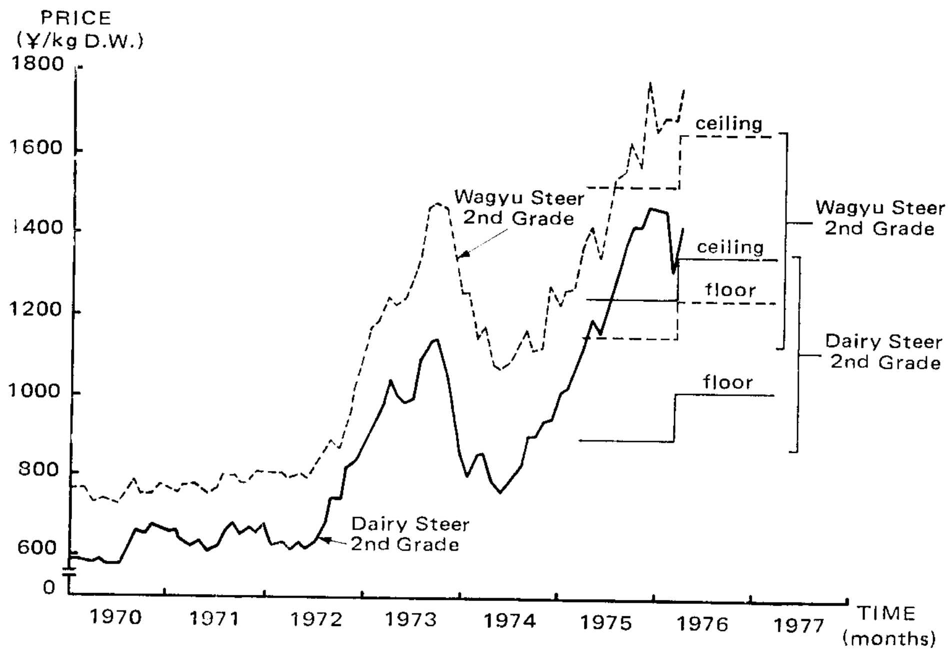


FIGURE 1. *Tokyo Wholesale Beef Carcase Prices*

In practice, the Japanese Government (MAF) seems to have taken a very cautious approach to containing upward movements in the price of beef during the second half of the 1975 calendar year. There were two basic reasons for this caution.

First, the experiences of the 1973/74 market collapse were still fresh in the minds of the administrators. They did not wish to be embarrassed again by over-responding to a buoyant domestic beef market. Therefore, they adopted a "wait and see" policy which led to three separate relatively small quotas being announced between late October and mid-December, 1975.[20] Although prices turned down in the early months of 1976, this was anticipated as part of the normal seasonal cycle. Since April, 1976, beef prices have moved well above the new ceiling prices (see Figure 1). In addition, the Japanese economy has continued to recover from the recession. Under these circumstances (and with a national election in prospect) it is not surprising that a significant beef import quota (45 000 tonne) was announced in late April, 1976.

The second reason for the cautious import policy in 1975 was the state of the feeder-calf market. As indicated earlier, the Wagyu breeding areas in Southern Kyushu (in particular) are well represented politically. Despite the all-time record prices for finished cattle in 1975, feeder cattle prices had been slow to recover. As these prices moved up significantly in early 1976, they removed another restraint on beef import policy.

[20] See footnote 6 for details.

### 5.3. Financial Arrangements of the LIP Corporation

The capital of the LIP Corporation as at 31st March, 1975, was ¥7,230.2 million of which the Government has invested ¥6,800 million and private enterprise ¥430.2 million.[21] There are 91 private enterprises with funds invested in the LIP Corporation. All of these firms are dairy processors who have subscribed capital to the LIP Corporation so that the corporation will guarantee the borrowings of these businesses.

The corporation operates five separate accounts (or divisions of funds) namely: general, beef, subsidy, credit guarantee, and deficiency payments for manufacturing milk accounts. The general account finances all market intervention activities *except* the purchase and sale of beef. It also covers all storage and administrative costs associated with its market intervention activities *including* costs associated with holding beef stocks. The beef account finances only the actual purchase and sale of beef. Funds for the purchase of beef (either domestically or on the international market) may be borrowed from the Central Agricultural Fund (or Bank) of the Agricultural Co-operative Banking System provided the LIP Corporation obtains authorization from MOF.

Neither the credit guarantee nor the deficiency payments accounts are directly related to the corporation's intervention in the beef market. However, dairy policy has had (and will continue to have) a big impact on beef production in Japan. Some appreciation of these aspects of dairy industry policy may, therefore, be necessary before one can make informed judgements about future beef production trends in Japan.[22]

Operating surpluses in the beef account may be transferred to the subsidy account. As the name implies, the subsidy account covers the payment of subsidies by the LIP Corporation (on behalf of the National Government). The most important are the provision of milk for school lunches, the feeder-calf price stabilization scheme, and the subsidization of specific development projects associated with the livestock industries. Although relatively insignificant at present, the corporation is also involved in a stock-feed price stabilization scheme. This scheme may become a major undertaking in the near future.

The LIP Corporation is currently generating large operating surpluses in the beef account. It is extremely difficult to estimate these surpluses accurately. However, the data in Table 3 suggests that since imports recommenced in July, 1975, the corporation has been in a position to collect an average import levy of at least ¥1,000 per kilogram on all beef entering Japan as part of the import quota allocated to the corporation. At this rate the operating surplus in the beef account for the 1975 Japanese fiscal year could have been at least ¥69,900 m. ($(A)184 m.). In addition, at least another ¥39,500 m. ($(A)104 m.) could be collected during the first half of the 1976 business year.

---

[21] Assuming an exchange rate of ¥380 = $(A)1.00, the corresponding figures in Australian dollars are: Total Capital = $(A)19.03m.; Government investment = $(A)17.9m.; and private investment = $(A)1.13m.

[2] For details see [11, p. 7 and pp. 9–10].

The Japanese beef price stabilization scheme, as mentioned earlier, is a buffer stock scheme. Therefore, some of the surplus in the beef account may be retained to cover the possible future need to buy beef on the domestic market and thus maintain the floor price. However, large amounts of the surplus cash will also be used to assist the development of the domestic beef cattle industry. What form the assistance will take has not yet been made clear. However, there have been strong pressures on both the Prefectural Governments concerned and the National Government to raise the level of support prices under the various prefectural feeder-calf price stabilization schemes. The beef import levy represents an additional source of funds for this purpose. The LIP Corporation is also likely to use its surpluses to speed up the modernization of the domestic beef industry especially in regard to abattoirs. On the other hand, despite the magnitude of the current operating surplus, it is unlikely that the corporation will commit these funds to financing massive and long-term projects such as the grassland development schemes which have been suggested for Hokkaido Prefecture.

### 5.4. The LIP Corporation Designated Stores Programme

In 1972 the LIP Corporation initiated a voluntary programme for retailers which permitted designated retailers the "honour" of exhibiting signs (provided by the corporation) indicating that the store in question was part of a Government programme aimed at getting imported beef to the public at discount prices. At its peak in 1973 the programme embraced 85 different firms with 830 retail outlets. According to corporation officials, about 20 per cent of the chilled beef imported under the corporation's share of the 1973 quota was sold by these shops. Most of the firms who joined this programme were interested only in chilled beef. Never-the-less some of the biggest retail chains continued to sell imported (frozen) beef obtained from the LIP Corporation stockpile after the importation of chilled beef ceased in 1974. As Australian chilled beef once more became available in significant quantities early in the 1976 calendar year, the designated stores program was re-activated.[23]

## 6. THE BEEF TARIFF

At present all beef imported into Japan, including the beef imported on behalf of the governmental agency (the LIP Corporation), is subject to a 25 per cent *ad valorem* tariff. The beef tariff is a very old revenue tariff and the proceeds go directly into consolidated revenue.[24]

---

[23] The Australian Meat Board has been actively engaged in market promotion in Japan for many years. For example, at the end of 1973 the Board was supplying its Logo Stickers to 39 retail chain stores (with 542 outlets) at a rate equivalent to 109 000 pre-packs of beef per day. This pre-pack sticker programme has received renewed support from the major retail chains during 1976 (Mr Ken Wilson personal communication).

[24] Prior to 10th April, 1964, beef imports were subject to only a 10 per cent *ad valorem* tariff.

TABLE 3: *Estimating the margin between a Comparable Japanese Wholesale Price for Beef and the cost of Australian Beef landed in Japan**

A. *Estimating a comparable price for boneless beef on the Tokyo wholesale market—*

| | (¥) |
|---|---|
| "Representative" price for 2nd Grade Dairy Steer beef (per kg carcase weight) .. .. .. .. .. .. .. | 1 450 |
| Corresponding price for boneless beef (per kg bone-out)† .. .. | 2 132 |
| *Minus* the discount of 20 per cent applied to imported beef .. | 426 |
| Net comparable price per kg for beef in Tokyo wholesale market .. | 1 706 |

B. *Estimating the cost of Australian beef landed in Tokyo—*

| | *At "Representative" Current Wholesale Price in Australia* | *At Double Current Wholesale Price in Australia¶* |
|---|---|---|
| | i.e. $0.46/kg D.W. | i.e. $0.92/kg D.W. |
| (a) *Outlays per head FOB Australian ports—* | ($/head) | ($/head) |
| Live beast (330 kg D.W. carcase) .. | 151.80 | 303.60 |
| Kill, dress and deliver .. .. .. | 18.00 | 18.00 |
| Bone, slice and pack .. .. | 13.00 | 13.00 |
| Packing materials .. .. .. | 4.00 | 4.00 |
| Freezing and storage .. .. .. | 3.97 | 3.97 |
| Cartage (plant to ship) .. .. | 1.11 | 1.11 |
| Other charges .. .. .. .. | 4.94 | 4.94 |
| Total costs per head FOB Australia | 196.82 | 348.62 |
| (b) *Outlays per kg of boneless beef landed Tokyo—* | (cents/kg) | (cents/kg) |
| Cost of boneless beef FOB Australia† | 87.71 | 155.36 |
| Freight to Tokyo .. .. .. | 17.00 | 17.00 |
| Japanese beef tariff (25 per cent) .. | 26.40 | 43.48 |
| Handling charges in Japan .. .. | 40.00 | 40.00 |
| Total cost of Australia beef landed in Japan .. .. .. .. | 171.11 | 255.84 |

TABLE 3 (*continued*)

C. *Calculating the estimated margin—*

(a) *At current "representative" prices both in Australia and in Japan—*

| | (¥/kg boneless beef) |
|---|---|
| Comparable beef price in Tokyo wholesale market .. | 1 706 |
| Cost of Australian beef landed in Tokyo‡ .. .. | 650 |
| Estimated margin.. .. .. .. .. .. | 1 056 |

(b) *At double the current price for live cattle in Australia—*

| | |
|---|---|
| Comparable beef price in Tokyo wholesale market .. | 1 706 |
| Cost of Australian beef landed in Tokyo‡ .. .. | 972 |
| Estimated margin.. .. .. .. .. .. | 734 |

* This table indicates the order of magnitude rather than the exact size of the margin in question. There are many limitations on the accuracy of the calculations. In particular, rarely will the whole carcase be sold to Japan. In the case of chilled beef the Japanese market takes approximately 40 per cent of the average suitable carcase. For frozen beef, sales are usually negotiated on the basis of a container load of a specific cut.

† For both Japanese and Australian beef carcases the calculations assume a cutting out yield of 68 per cent.

‡ A "representative" exchange rate of \$(A)1.00 = ¥380 has been adopted.

¶ These calculations have been included to show that even if cattle prices in Australia increased by 100 per cent, the estimated margin between imported and domestic beef in Japan would fall by only about 33 per cent.

As MAF officials frequently point out apparently, the beef tariff is an anachronism which could be dropped now that beef imports are subject to import quotas. Further, since the LIP Corporation is in a position to collect the sizeable margin which presently exists between the cost of landing beef in Japan and its domestic market price, the tariff represents a reduction in the amount of money available to the corporation for the promotion of the domestic beef industry. On the other hand, the Ministry of Finance (MOF) officials take the view that a unilateral elimination of the beef tariff would signal to the world that beef imports will be controlled by import quotas for the forseeable future. That is, such a move would indicate that the Japanese Government has no intention of liberalizing the beef trade. MOF does not want to create this impression.

## 7. BEEF IMPORT QUOTAS

### 7.1. Background

Until 1957 beef was a liberalized commodity subject only to the 10 per cent *ad valorem* revenue tariff. Anyone could apply for an import licence under the Automatic Approval (A.A.) foreign exchange control system. In 1957 there was a sudden and unprecedented surge in beef imports and the government became worried about the speculative imports of beef. As a result, beginning with the 1958 Japanese fiscal year, beef became a restricted import subject to the Fund Allocation (F.A.) system of foreign exchange control. Under the F.A. system, import restrictions were in value terms and this tended to encourage the importation of low quality beef (especially frozen briskets).

In 1964 Japan ceased using direct foreign exchange controls (the F.A. system) as its major means of protecting domestic industries.[25] As from 1st April, 1964, all import commodities still on the restricted list (and there were 174 such products) were subject to the Import Quota (I.Q.) system.[26] In the case of beef this policy change was of profound significance. It removed the incentive for importers to buy only the lowest quality (value) beef so as to maximize the quantity imported. As a result the Australian Meat Board decided to launch a campaign to convince the Japanese meat trade that better quality beef was available in Australia.[27] Eventually, this campaign began to pay off in the early 1970's when the introduction of container shipping facilities for chilled beef made it possible to ship small lots (12 to 15 tonnes) of high quality chilled beef from Australia to Japan in as little as two weeks.

At present import quotas are decided by an elaborate series of consultations between MITI and MAF. Then the officials responsible in MAF consult with the officials of the LIP Corporation. In addition, although as discussed earlier the LIP Council now has an important advisor role in respect to floor and ceiling prices for domestic beef, this body is not consulted in regard to import quotas. The real power lies with MITI and MAF and their political masters.

Once agreement has been reached, MITI (with the approval of MOF) announces the new import quota and allocates it to the LIP Corporation and the private companies permitted to import beef. At present (and for the foreseeable future) 90 per cent of the total quota for any one quota period (i.e., either April/September or October/March) is allocated to the corporation. The remaining 10 per cent is distributed by MITI among the private companies. As at March, 1976, there were 36 private companies on the list of approved importers.

---

[25] The change in the methods used to protect Japanese industry was made so that Japan would comply with Article 8 of the I.M.F. Charter. Article 8 prohibits the use of exchange controls as the normal means of protection. Japan also joined the OECD in April, 1964.

[26] Under the Import Quota (I.Q.) system the importer obtains an import quota certificate from the MITI and presents this certificate at any authorized foreign exchange bank together with an application for an import licence.

As at September, 1975, there were 84 items subject to the I.Q. system. Of these items, 29 (including meat from bovines) were under what is called residual import restriction (R.I.R.). The Japanese Government claims sanction for the remaining items under the GATT Articles relating to State Trading (XVII) or under the General and Security Exceptions (i.e., Articles XX and XXI). (Australian Trade Commission officials, Tokyo, personal communication.)

[27] Prior to the introduction of quantitative import quotas in 1964, frozen boneless briskets represented about 95 per cent of all Japanese beef imports from Australia.

## 7.2. The Historical Evolution of the Quota System

The beef import quotas announced since the introduction of import restrictions in April, 1958, are shown in Table 2. As indicated in Table 2 all imports prior to 1965 were handled by the private importers. As mentioned earlier, in the 1965 Japanese fiscal year the LIP Corporation was given the power to purchase imported beef "so as to stabilize the domestic market for beef".

From 1965 to December, 1971, beef import quotas were allocated to the corporation and 16 authorized private importers. In December, 1971, the corporation introduced the so-called "tender" system and three new firms were added to the list of importers. The list of private traders has continued to grow over the years with five new firms being added in 1972, a further five in 1973, four in 1975, and three more joined the list in March, 1976. While the number of authorized importers has increased the proportion of the total quota being allocated directly to the private trade has diminished sharply (see Table 2). At present the quota allocated to some private firms is very small. Nevertheless they all utilize their quota, since a "poor performance" would not only jeopardize their chances of receiving a larger share of the private import quota in the future, but also reduce the likelihood of them being permitted to import beef on behalf of the LIP Corporation.

The channels by which the LIP Corporation's share of the beef import quota has entered the domestic trade since 1965 have changed significantly on three occasions. Until June, 1970, the corporation had attempted to forecast market requirements and buy its share of the quota through certain of the authorized importers soon after the quotas were allocated. The corporation placed this meat in storage and then attempted to distribute it to the trade, usually by public auction. On several occasions the market forecasts of the corporation as regards the type of meat required, proved wide of the mark and the corporation was forced to store its meat for long periods.

Presumably in response to these experiences, the LIP Corporation first changed its mode of operation in June, 1970. It began to encourage the so-called "one touch" system whereby authorized importers contracted to sell corporation quota beef directly to authorized distributors. The role of the corporation was reduced to ensuring that the prices at which the meat changed hands was consistent with a set of standard prices established from time-to-time by the corporation. The corporation also collected a fixed levy on all "one touch" meat. The levy was varied from time-to-time and was designed to "syphon-off" the excessive profit-margin between the cost of landing beef in Japan and the domestic value of the meat.

The second change in LIP Corporation policy occurred in December, 1971, with the emergence of the "tender" system. The introduction of the tender system appears to have been a move by the corporation to regain greater control over its share of the import quota. In its simplest form the tender system was supposed to operate in the following manner. Each of a number of approved distributor organizations were allocated a share of the corporation quota. These organizations then informed the corporation of their quality reguirements. Next, the corporation called for tenders from the authorized private importers to supply the corporation with the relevant quality and quantity of beef. Finally, the corporation sold the meat to the distributors at prices determined by the corporation.

The third major change was forced on the LIP Corporation when it was realized that the "tender" system represented a potential bottle-neck, especially for a highly perishable commodity like chilled beef. As the "one touch" system was more flexible and better suited to the handling of chilled beef, the corporation has now re-introduced the "one touch" system for chilled beef imported under the LIP Corporation quota.

## 7.3. Future Policy as Regards Import Quotas

The import quotas for all commodities on the restricted import list are usually announced by MITI twice each year. However, in the case of beef, quotas have not been announced on any regular basis due to "the chaotic state of the Japanese beef industry and market". The MAF, MITI and LIP Corporation would all prefer a regular, twice per year announcement. Although a regular twice per year announcement of import quotas would appear to reduce the uncertainty in the beef trade, this is largely an illusion. As demonstrated early in 1974, announced quotas can be suspended and even cancelled, if the domestic Japanese beef market situation deteriorates. On the other hand, the Japanese Government may decide to increase imports after the quotas have been announced.

At present under the private quota system an approved importer has up to four months in which to register an application for foreign exchange and thus obtain an import licence for beef. The licence is then valid for six months. Although these arrangements will permit a time lag of up to ten months between when an approved importer is assigned a share of the private quota and when he must have the beef in Japan, senior MAF officials feel the current system does not allow sufficient time flexibility. It has been suggested that licences should be valid for ten months in future. Extending the "life" of the licences would increase the flexibility of those importers concerned with the relatively small private quota. However, such a change would not affect the time lag between the announcement of quotas and the landing of the beef imported under the LIP Corporation quota. Traditionally, the corporation spreads its share of the quota over the quota period. Tenders are called from time-to-time and the successful tenderer(s) are usually given two months to land the beef in Japan (there are substantial penalties associated with late arrival except where there are extenuating circumstances).

Currently MAF wants to maintain "some" private trade in beef. The nominal percentage of the total quota going to the private firms seems to have been set at 10 per cent. Of this, 7 per cent is allocated to members of the All Japan Meat Industry Co-operative Association (AJMICA) and 3 per cent to meat canners and processors. There appears to be little chance these percentages will be increased in future. On the other hand, the revised legislation which created the beef wholesale price stabilization scheme also provides for the LIP Corporation to become the monopoly importer of beef "if there is an emergency" (meaning if the current policy measures do not produce results acceptable to the various interest groups concerned and beef once again becomes a topic for heated debates in the Diet).

From the viewpoint of the Australian beef industry, whether the LIP Corporation is allocated all the import quota (i.e., becomes the monopoly importer) or not is irrelevant. Emotional opposition to "a government monopoly over beef imports to Japan" is a waste of time and is likely to be counter productive. The corporation already controls 90 per cent of imports and very little would change if this became 100 per cent. The corporation has demonstrated its intention to purchase *all* of its beef through normal commercial channels using either the "tender" system or the "one-touch" system. The real issue for the Australian industry is the size of the total quota, not to whom the quota is allocated. In this regard, the real decision-makers are in MITI, MAF and the LDP, not in the LIP Corporation.

## 8. CONCLUSIONS

For reasons of national security, the Japanese Government is endeavouring to improve (or at least maintain) the current level of self-sufficiency for most foods. Beef is no exception. However, since beef is essentially a luxury good in Japan, the Government appears to have decided to force beef consumers to pay for the development of a viable domestic beef industry. To this end Japanese wholesale beef prices have been permitted to rise to levels approximately three times the landed cost of comparable imported beef. The margin between the landed cost of imported beef and the domestic price is being collected by the LIP Corporation. While it is not certain what these funds will be used for, it seems logical that they will be channelled into the domestic beef industry.[28] To the extent that these funds successfully boost domestic production, the current Japanese import policies may threaten the future of the Australian beef trade. On the other hand, there are enormous technological and biological constraints on the Japanese beef industry and it is highly unlikely to expand fast enough in the long-run to keep pace with the rapidly growing consumer demand (despite the high prices). Therefore, in the long-run Japan will continue to import increasing quantities of beef. However, as in the recent past, the level of imports is likely to vary greatly from year-to-year due to domestic factors. Nevertheless by studying what has happened in the past and by closely examining the institutions charged with devising and implementing government policies with respect to beef, it should be possible to predict any significant short-

[28] The extent of government assistance provided to the rural sector in Japan is remarkable both in terms of the absolute magnitude of the support, and in terms of the diversity of policy measures employed [18].

run changes. The present paper represents a step in that direction. The appointment of an Australian agricultural attache in Tokyo could represent several steps in that direction.

It is futile to imagine that the Japanese Government (now or in the foreseeable future) will introduce free trade in beef. However, it is in the interests of both the Japanese Government and the overseas suppliers of beef to reduce the uncertainty which currently surrounds the Japanese beef trade. From the Japanese viewpoint, imports represent a source of funds with which to finance domestic subsidies (this is only true, of course, while ever world beef prices remain below domestic Japanese prices). In addition, though it may seem extraordinary given the current margin between world and Japanese beef prices, influential people in Japan expect world prices to rise dramatically within a decade as the world enters a period of severe animal protein shortage. It would seem, therefore, that Japan may be prepared to sign a long-term bilateral agreement guaranteeing itself a source of beef. Unfortunately, from the viewpoint of the Australian beef industry, trade between Australia and Japan is not restricted to beef. It would be most unwise to expect MITI to overlook such a valuable opportunity for a little "horse trading".

## REFERENCES

[1] BUREAU OF AGRICULTURAL ECONOMICS, *Developments in the Japanese Beef Markets: Their Implications for Production Systems in the Australian Beef Cattle Industry*, (B.A.E. Beef Research Report No. 17, Canberra, July, 1975).

[2] BUREAU OF AGRICULTURAL ECONOMICS, *Food Consumption in Japan: A Review of Selected Japanese Data and Research Results*, (B.A.E. Occasional Paper No. 32, Canberra, December, 1975).

[3] CRAWFORD, J. G., KENZO HEMMI, HUGH T. GRAHAM, RORY ALLAN, NANCY ANDERSON, and JENNY CORBETT, "Japanese Agriculture and Trade with Australia", in SIR JOHN CRAWFORD and SUBURO OKITA, *Australia, Japan and the Western Pacific Economic Relations: A Report to the Governments of Australia and Japan*, (Canberra: AGPS, 1976), pp. 189–209.

[4] FUJISAWA, Y., "National Nutrition Survey in Japan" in *Nutrition in Japan* (1973), (Tokyo: The Japan Dietetic Association, 1973).

[5] GOVERNMENT OF JAPAN, *Agricultural Laws—1976*, (In Japanese).

[6] JAPANESE MINISTRY OF AGRICULTURE AND FORESTRY, *Long-Term Prospects of Demand and Production of Agricultural Products and the Fundamental Trend of Food Policies*, (Tokyo: May, 1975). (In Japanese, essential data reproduced in [7]).

[7] JAPANESE MINISTRY OF AGRICULTURE AND FORESTRY, *Long-Term Prospects of Production and Demand of Agricultural Products in Japan*, (Tokyo: August, 1975).

[8] JAPANESE MINISTRY OF AGRICULTURE AND FORESTRY, *The Meat Statistics in Japan*, (Tokyo: Latest Edition January, 1976).

[9] JAPANESE MINISTRY OF AGRICULTURE AND FORESTRY, *Statistical Yearbook of Ministry of Agriculture and Forestry*, (Tokyo: March, 1975).

[10] KANEDA, H., "Long Term Changes in Food Consumption Patterns in Japan, 1878–1964", *Food Research Institute Studies in Agricultural Economics, Trade and Development*, Volume VII, No. 1 (1968) pp. 3–32.

[11] LIVESTOCK INDUSTRY PROMOTION CORPORATION, *L.I.P.C.*, (Tokyo: August, 1975).

[12] LOCKWOOD, WILLIAM, W. (ed.), *The State and Economic Enterprise in Japan: Essays in the Political Economy of Growth*, (Princeton: Princeton University Press, 1965).

[13] MISAWA, SHIGEO, "An Outline of the Policy-Making Process in Japan", in HIROSHI ITOH (ed.), *Japanese Politics—An Inside View*, (Ithaca: Cornell University Press, 1973), pp. 12–48.

[14] NATIONAL FEDERATION OF AGRICULTURAL COOPERATIVE ASSOCIATIONS, *Zennoh*, (Undated).

[15] OFFICE OF THE SENIOR AUSTRALIAN TRADE COMMISSIONER, *A study of the Japanese Market for Beef Cattle*, (Tokyo: Commodity Policy Survey 1/73, July, 1973).

[16] OFFICE OF THE SENIOR AUSTRALIAN TRADE COMMISSIONER, *A Study of the Japanese Market for Meat*, (Tokyo: Commodity Policy Survey 2/72, August, 1972).

[17] OFFICE OF THE JAPANESE PRIME MINISTER, *Table of Organization of the Government of Japan*, (Tokyo: January, 1975).

[18] ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, *Agricultural Policy in Japan*, (Paris: An Agricultural Policy Report, 1974).

[19] RACHMAN, ALHAMBRA, R. O. WHEELER, and J. M. MARSH, *The Demand for Beef in Japan: An Economic Analysis and Implications*, (Montana State University, Agricultural Experiment Station: Bulletin 680, July, 1975).

[20] SAXON, E. A., "Food Self-sufficiency in Japan: Political Football or Idle Dream?", Paper presented to the 20th Annual Conference of the Australian Agricultural Economics Society, Armidale, February, 1976.

[21] WU, CARSON KUNG—HSIEN, *Survey of the Beef Industry in Pacific-Asia: A Study of Production, Consumption and Price Trends and Developments*, (The Economic Co-operation Centre for the Asian and Pacific Region: Study No. 5, Bangkok, October, 1973).