

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Emergency Economic Package to Alleviate Food Price Hikes

**Country:** Japan

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**Report Category:** Agricultural Situation, Agriculture in the News

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**Report Highlights:**

On April 26, the Japanese Cabinet approved a 6.2 trillion yen (\$48 billion) emergency economic package to mitigate the effect of surging energy and food prices on households and small businesses. The Ministry of Agriculture, Forestry and Fisheries will receive 75.1 billion yen (\$582 million) to facilitate increased use of domestic grains, wood, and seafood products in favor of imports, diversification of fertilizer input suppliers, and increased feed price support for livestock feeders.

## General Background

On April 26, the Japanese Cabinet approved a 6.2 trillion yen<sup>1</sup> (\$48 billion<sup>2</sup>) emergency economic package to mitigate the effect of surging energy and food prices on households and small businesses. The Government of Japan (GOJ) will fund the emergency economic package with reserve funds and the establishment of a 2.7 trillion yen (\$21 billion) Japanese Fiscal Year (JFY)<sup>3</sup> 2022 supplementary budget. The Japanese Diet is likely to approve the JFY2022 supplementary budget is before the current Diet session ends on June 15, 2022.

Key features of package include support to bring down retail gasoline prices, the extension of interest-free loans for small and medium-sized companies by government-affiliated financial corporations, per-child cash distributions for low-income households, and support payments to alleviate the effect of increasing prices for food and raw materials.

## Countermeasures for Food and Raw Material Price Increases

The GOJ allocated 75.1 billion yen (\$582 million) to the Ministry of Agriculture, Forestry and Fisheries (MAFF) to alleviate the effects of price surges for food and raw materials through several measures, see Table 1. MAFF is still finalizing criteria, timing, and eligibility details for many of these measures.

**Table 1. MAFF Budget Allocation in Emergency Economic Package**

1. Chemical Fertilizer Material Procurement Support Emergency Measures	10 billion yen (\$77.5 million)
2. Compound Feed Price Hike Emergency Measures	43.5 billion yen (\$337 million)
3. Imported Wheat and Food Materials Price Hike Emergency Measures	10 billion yen (\$77.5 million)
4. Domestic Wheat Supply System Improvement Emergency Measures	2.5 billion yen (\$19 million)
5. Domestic Wood Products Conversion Support Emergency Measures	4 billion yen (\$31 million)
6. Seafood Processing Raw Material Procurement Facilitation Emergency Measures	5 billion yen (\$39 million)
7. Food Bank Activity Reinforcement Emergency Measures	100 million yen (\$0.8 million)
Total	75.1 billion yen (\$582 million)

Source: MAFF

### 1. Chemical Fertilizer Material Procurement Support: 10 billion yen (\$77.5 million)

To mitigate the effect of surging, global fertilizer prices, MAFF will support efforts by fertilizer manufacturers to diversify suppliers of raw materials.

- Support payments to fertilizer manufacturers to cover additional transportation and storage costs of raw materials for fertilizer associated with changes in supplying countries. The support payments are available to cover fertilizer materials imported by fall 2022.

<sup>1</sup> With additional private sector financing, the emergency economic package will total 13.2 trillion yen (\$102 billion).

<sup>2</sup> USD = 129 yen is used in this report.

<sup>3</sup> Japanese Fiscal Year (JFY) runs from April 1 to March 31.

## **2. Compound Feed Price Hike: 43.5 billion yen (\$337 million), ALIC 23.7 billion yen (\$184 million)**

MAFF will provide support payments to livestock farmers to alleviate the effect of rising feed material prices. MAFF will provide support payments to increase the supplementary compound feed price stabilization funds and relax the activation level for compensation payments from the supplementary compound feed price stabilization funds to livestock farmers. The compensation is activated when the average import price of a quarter exceeds 115 percent of the average import price for the previous 12 months. For the April – June 2022 quarter and the July – September 2022 quarter, the activation level will be relaxed to 112.5 percent (see [JA2021-0128](#) for more on the compound feed price stabilization system).

In addition, the Agriculture & Livestock Industries Corporation (ALIC) will allocate 23.7 billion yen (\$184 million) to the compound feed stabilization fund.

Furthermore, MAFF will encourage cattle feeders to increase domestic roughage consumption and provide support payments to regional initiatives to establish wider distribution of roughage supply chains to link livestock farmers and silage corn producers.

## **3. Imported Wheat and Food Materials Price Hike: 10 billion yen (\$77.5 million)**

MAFF will provide support payments to processors to facilitate the development of new products and production methods using the domestic raw materials (for example, domestic wheat, rice flour and soybeans) in favor of imported wheat. Support payments will cover:

- Development of new products
- Purchase of machinery and equipment to produce new products
- Changes in production lines needed to produce new products
- Changes in packages and labeling to reflect use of domestic materials
- Sales promotion and marketing of new products
- Procurement costs for raw materials of new products (staple food only, not confectionary or snacks) during sales promotion period

## **4. Domestic Wheat Supply System Improvement: 2.5 billion yen (\$19 million)**

To ensure stable wheat supply amid rising global prices and tightening global supplies, MAFF will provide the following support payments to incentivize farmers to increase wheat production.

- Support payments to farmers to increase wheat planting (10,000 yen (\$78)/10 are<sup>4</sup>), purchase new machinery (50 percent of costs), and implement new production technologies (15,000 yen (\$116)/10 are). Support payments are also available to facilitate discussion among farmers to create wheat production regions.

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<sup>4</sup> 10 are = 0.1 hectare

- Support payments to flour mills and distributors to build storage facilities for domestic wheat.

#### **5. Domestic Wood Products Conversion Support: 4 billion yen (\$31 million)**

MAFF will provide support payments to Japanese industry to cover additional costs associated with switching from using imported wood products to domestic wood and wood products, such as cross laminated timber (CLT).

- Support payments to wood processors to cover transportation and storage costs for switching to domestic log and wood products.
- Support payments to contractors and architects to cover costs associated with procuring domestic lumber and changing construction designs and methods for using domestic wood building materials, particularly CLT.

#### **6. Seafood Processing Raw Material Procurement Facilitation: 5 billion yen (\$39 million)**

MAFF will provide support payments to food processors who switch from Russian and other international suppliers of high-cost products to domestic and other lower cost suppliers of raw materials. In addition, MAFF will make available support payments for the development of new seafood products.

- Costs associated with changing suppliers and products, including additional transportation, new product development, sales promotion, and purchase of processing machinery and equipment (up to 5.5 million yen (\$426,357) for each application) This is an emergency measure and the support payments are only available through JFY2022.

#### **7. Food Bank Activity Reinforcement: 100 million yen (\$0.8 million)**

Amid prolonged COVID-19 pandemic and surging food prices, MAFF will strengthen support for food banks to facilitate delivery of food to children's dining rooms and people in need through the following measure.

- Support payments to food banks to increase capacity to accept food donation and strengthen networks among food manufacturers and distributors, food banks, and children's dining rooms.

#### **Attachments:**

No Attachments.