Meat marketing: the L.I.P.C. and Japan's meat import controls

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MEAT MARKETING

The L.I.P.C. and Japan's meat import contols

G. C. George,* Rural Economist

Hardly a week passes without some reference to Japan's Livestock Industry Promotion Corporation (L.I.P.C.), and its effort on Australian meat exporters.

This article describes some of the functions of the L.I.P.C., and attempts to provide some insights into the Japanese meat market. The author, Gil George, recently returned from Japan after completing a Master's degree in Economics.

The Livestock Industry Promotion Corporation was formed in 1961 for stabilization of milk products and pork, and its charter extended to beef in 1966. The L.I.P.C. can purchase, stockpile and sell imported beef to restrain domestic fluctuations and promote orderly marketing.

The Corporation also has almost complete control over Japanese domestic prices, setting farm gate prices for beef on a cost-plus basis. The small scale of beef farms (three to five head per farm), high land rentals and the need to import all feed means that domestic prices can exceed $1,500 per head. The L.I.P.C. uses a quota allocation system to control all meat imports. The quantity of meat going into Japan for any year is set by the Ministry of International Trade and Industry.

Of this overall quota, 90 per cent. is under the control of the L.I.P.C., and the remaining 10 per cent. is given directly to ham and sausage makers, and meat canners.

It is through the control of this 90 per cent. that the L.I.P.C. influences prices, quantities, and to whom imported meat is allocated.

The L.I.P.C.'s quota is divided into two main sections:—

- "One Touch", where the L.I.P.C. does not actually handle the meat, only the documentation. However, if the import price is too high (according to the L.I.P.C.'s guidelines), then the importer has to re-negotiate with the exporter, or take a loss.

- Tender, which is under more direct control of the L.I.P.C. Approved end-user organisations (such as ham and sausage makers or consumer organisations) are allocated a share of the quota, and when they make their quality requirements known to the L.I.P.C., the L.I.P.C. calls for tenders from the importers. The importers must then either supply from their bonded stocks, or negotiate with meat exporting countries. This system applies to frozen meat.

For chilled meat, tenders are still called, but quality requirements are stipulated exactly by negotiation beforehand between the L.I.P.C., importers, and end users.

In 1975, about 60 per cent. of imported beef was tender, 30 per cent. was "one touch" and the remaining 10 per cent. was made up by the private quota. The trend is for the L.I.P.C. to control more and more of the total quota (at the expense of the private quota) which means its control is becoming greater and greater.

Japan produces about 60 per cent. of its own beef requirements, but at a very high price. If the price of beef to the consumer fell, there would be a substantial increase in demand, which would be met by imports, and the self-sufficiency ratio for beef would fall. The activities of the L.I.P.C. have therefore been very successful in that they have maintained high prices for local producers, and (by suppressing demand) kept the self-sufficiency ratio for beef high.

The strong position of the L.I.P.C. can be partly explained by its relationship to the powerful agricultural co-operative movement in Japan.

The L.I.P.C. and the co-operatives

The agricultural co-operative movement in Japan is extremely powerful, both economically and politically.*

* See the article on Japanese Co-operatives by the same author, "Journal of Agriculture", Vol. 17, No. 2, 1976.

Political power comes from a strong rural block vote, and from the fact that many members of Parliament are also co-operative executives, and were elected by virtue of their positions within the co-operative movement.

Economic power comes from the extensive range of enterprises from import/export, to warehousing, to fertiliser production, carried out by the movement.

The L.I.P.C. is under considerable influence from the co-operatives for two reasons. The first is that the board of control of the L.I.P.C. has a large number (over 40 per cent.) of its members who are also high officials of the national co-operative bodies. These members are obliged to put forward their organisations' viewpoint, which explicitly favours strong control over agricultural imports.

The second reason is that the national organisations themselves (specifically the business arm, called Zennoh) control large warehousing facilities where the L.I.P.C. stores some of its stocks. The tighter the controls and needs for stockpiling, the more profitable it becomes for Zennoh. Strangely enough, Zennoh also imports beef through one of its subsidiaries (Uni-coop Japan), which seems to be a paradox.

An overall result of the activities of the L.I.P.C. is that Australian exporters are, in effect, competing against each other to sell to Japanese importers, but with the L.I.P.C. behind the scenes, this is like selling to a powerful single buyer.

JAPANESE IMPORTS OF BEEF 1965-74 ('000 tonnes)

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<tr>
<td>Total imports</td>
<td>11</td>
<td>23</td>
<td>42</td>
<td>58</td>
<td>127</td>
<td>56</td>
</tr>
<tr>
<td>Imports from Australia</td>
<td>8</td>
<td>20</td>
<td>37</td>
<td>53</td>
<td>107</td>
<td>42</td>
</tr>
<tr>
<td>Percentage imported from Australia</td>
<td>73%</td>
<td>87%</td>
<td>88%</td>
<td>91%</td>
<td>84%</td>
<td>75%</td>
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Australia's actual share of the market fell from 1972, perhaps indicating difficulty in supplying a fast-growing demand.

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130