COMMUNICATION FROM THE DELEGATION OF JAPAN

The secretariat has received the following communication from the delegation of Japan, in connexion with paragraph 9 of Article III of the Arrangement Concerning Certain Dairy Products.

JAPAN

Skimmed Milk Powder Used for Welfare Purposes

1. Skimmed milk powder has been used for school lunch programmes since 1947 and also for welfare programmes (e.g. for handicapped children) since 1953. These practices have contributed to the recent changes in the Japanese dietary habit and have thereby increased consumption of dairy products in general.

2. In order to administer such programmes, the Japan School Lunch Corporation and the Japan Food Aid Association for Child Welfare were established in 1955 and in 1961 respectively. The Corporation and the Association have negotiated every year with the organizations concerned of exporting countries to conclude contracts for the purchase of skimmed milk powder for school lunch and welfare programmes. The contract prices have been lower than those of normal commercial transactions mainly due to the special objectives of school lunch and welfare programmes and the traditional pattern of transactions characterized by the fact that the contracts have been concluded in bulk and on yearly bases.

3. The expenses for school lunch and welfare programmes are, in principle, borne by parents and guardians of children. (In order to mitigate their economic burden the Government takes such measures as exempting customs duty on imports of skimmed milk powder for welfare purposes and granting subsidies for users of such milk powder.) Therefore, an increase in price of imported skimmed milk powder for welfare purposes is liable to increase the economic burden of parents and guardians.

4. Skimmed milk powder for welfare purposes is distributed to schools (in case of the school lunch programmes) and to child welfare institutions (in case of the welfare programme) through special channels under a strict supervision of the Government based on the Japan School Lunch Corporation Law, the Customs Temporary Measure Law and relevant regulations. (E.g. the Corporation, the Association importers and schools concerned are obliged to have records on date of receipt of the powder, name of distributor, name of the recipient, quantity involved, price, place to store, etc., which are to be inspected by customs officers.) Therefore, there is no likelihood that the powder concerned is diverted to uses other than welfare purposes.

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5. A derogation under paragraph 5 of Article VII from the provisions of paragraph 9 of Article III has been granted at the first meeting of the Management Committee held on 14 May 1970, (MCDP/l paragraphs 8 to 12), for imports of skimmed milk powder into Japan for the school lunch and welfare programmes on certain conditions as set out in paragraph 11 of MCDP/l.

6. During fiscal year 1970/71, the Japan School Lunch Corporation and the Japan Food Aid Association for Child Welfare have concluded with the organizations concerned of exporting countries contracts for the purchase of skimmed milk powder of 6,000 tons for school lunch programmes (4,000 tons from New Zealand, and 2,000 tons from the United States) and 3,677 tons for welfare programmes (from New Zealand).

7. Although the contracts mentioned in paragraph 6 were made at prices not below the minimum price of the Arrangement, these prices were lower than the market price prevailing at the time of conclusion of the contracts.

8. The Corporation and the Association intend to import during fiscal year 1971/72 14,600 tons of skimmed milk powder (10,500 tons for the school lunch and 4,100 tons for welfare programmes).

Although this depends upon the future development of the market price and the results of negotiations, export prices of such skimmed milk powder might be below the minimum price provided for in the Arrangement.

9. In view of the above-mentioned facts the Japanese Government is in the hope that the same favourable consideration as before will be given in the Management Committee to the matter of a derogation concerning welfare shipment of the skimmed milk powder.