“Scientific” whaling – a sea change
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Summary
Although the market for whale meat in Japan is collapsing, and the “scientific” whaling industry has been sliding further into debt for over a decade, the industry has secured a loan to refurbish and modernise its factory ship. This modernisation will increase the ship’s efficiency and extend its life by at least a decade. At the same time, the dying whaling industry has secured government guarantees to cover 90% of its operating losses for the next three years. It is unlikely that efforts to expand its sales – including for school lunches, and direct sales to consumers – will be successful. But the guarantees from government, along with enough frozen whale meat to supply the whole nation for two years, mean that the financial survival of the whaling industry is largely independent of its catches of whales.

Background
Whaling has never been a major part of Japanese culture. When it was practiced in old Japan, it was restricted to five of the 47 current prefectures. Consumption of whale meat only became widespread after the Second World War, when the Americans – then occupying Japan – encouraged Japan to resume the Antarctic whaling it had begun the decade before. Whale meat was a substitute as meat production industries had been decimated in the war, and was widely consumed.

When the moratorium on commercial whaling came into effect in 1987, Japan’s whaling industry quickly created the Institute for Cetacean Research (ICR), and donated its ships to a newly formed company. The ICR then chartered the whaling ships and returned to the same part of the Antarctic where the commercial fleet had hunted before, using the same ships and same crews to hunt the same whales – but now under the guise of science.

What has changed?
Whale meat is still viewed nostalgically by older people, but has not become popular with young Japanese citizens. Polls show that the consumption of whale meat is strongly related to the age of the customer. Sales have been declining for years. Per capita consumption is tiny – less than 25g a year. That’s one quarter the weight of a single chocolate bar. Sales are now so poor that three quarters of the total catch from the 2011 “scientific” whaling in the North Pacific near Japan went unsold at auction. Many lots received no bids at all.

The ICR is trying to increase sales by selling directly to restaurants and individuals. In a tacit acknowledgement of the lack of interest of younger consumers they will target their sales to individuals on middle aged and elderly people.

Due to these poor sales, the whalers have reduced their catching effort and no longer aim to take their whole quota. But despite reduced catches, the amount of whale meat in storage has remained the same.
Because the stockpiles are so high (the current stockpile is equal to about two year’s sales) and sales are so low, it is not possible for the ICR to catch its way out of debt. The annual catch level no longer has any effect on the ICR’s revenues.

The losses go back at least as far as 2001 and have been getting worse.

Increased funding from Japan's taxpayers
The ICR is increasingly relying on taxpayer funding to stay afloat. The ICR has enjoyed a government subsidy since its inception in 1987, but in 2007 requested, and got, an increased subsidy. Further increases followed but the ICR continued to slip into debt.

The ICR received 2.2 billion yen in 2011 from Japanese government funds earmarked for tsunami relief, on the grounds that they were needed to protect the activities of the Antarctic whaling fleet from interference. Since a few crew members were from the tsunami affected region, supporters of the ICR argued that the grant would assist the recovery of the region. The Japanese press reported that 1.8 billion yen of the 2.2 billion was used to pay off the accumulated debts of the ICR.

But this was not enough. The operating losses continued. Officials of the companies that operate the whaling fleet's factory ship Nisshin Maru asked that the entire whaling operation be nationalised. Their rescue came from an unlikely source – the Fisheries Structural Reform and Comprehensive Measures Project. Operated by Japan's Fisheries Agency, and better known as the Profitable Fisheries Support Project (PFSP), this body tries to help small local groups of fishermen who are running successful fisheries but cannot afford modern equipment. It aims to modernise these operations with an emphasis on efficiency, especially fuel efficiency. It also subsidises up to 90% of any deficit the fishermen may have for up to three years.

The 10-year plan

In the fall of 2012, after approval by the PFSP, the ICR obtained a loan for a refurbishment project to refit the Nisshin Maru and extend her lifetime by at least 10 years. The loan appears to have come from an unidentified arm of the Japanese government.

The emphasis of the project is on reducing operating costs by improving fuel efficiency, reducing crew size, and producing better quality meat. Substantial work on the Nisshin Maru is planned, and some is already underway with more scheduled for 2013.

Some work entails structural repairs to ensure that the Nisshin Maru remains seaworthy. The propeller will be overhauled, and rust will be removed from the hull. The ship has already been lightened by 22 tons by replacing a massive weighing machine. It will be further lightened in 2013 by removing a machine for making fish paste (the factory ship began its life as a fishing trawler), which has sat below decks unused for decades for 20 round-trip journeys to the Antarctic.

The new whale meat processing line will produce smaller 1kg packages, since the old 15 kg packages could only be sold for wholesale. There will be efforts to improve meat quality, through aging and by only taking the best cuts from each whale. This means that lower quality meat will continue to be discarded.

The whalers have promised the PFSP a target catch of 2,400 tons a year – less than half their catch in 2005. This corresponds to catches of about 300 whales a year from the Antarctic and 200 from the North Pacific. The planned annual catch amounts to half of the amount of unsold meat currently on hand. The existing subsidies, plus the deficit guarantee and the modernisation funds for the Nisshin Maru, mean that the industry has effectively been nationalised. The ICR is further insulated from market forces by its huge supply of whale meat, which means that if catches were to drop even further there would be no immediate impact on income.

How deficits are subsidised:

A grant is paid to cover the estimated budget deficit, but must be partly repaid, depending on sales.

If the amount of this grant is \( A \), and the income (proceeds from the sale of the product) is \( B \), then:

\[
A - (A - B) \times 0.9 = \text{amount to be repaid}
\]

Therefore, if the grant was 10 million, and income from it was 1 million, then the amount to be repaid would be:

\[
10 - (10 - 1) \times 0.9 = 1.9 \text{ million}
\]

If the income was 9 million, then the amount to be repaid would be:

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10 - (10 - 9) \times 0.9 = 8.1 \text{ million}.
\]

There is thus an incentive not to do too well, particularly since the aid package ends if \( B \) exceeds \( A \).

Conclusion

Greenpeace Japan and 18 other Japanese NGOs have recently issued their five demands to the Japanese government. These are:
• Terminate the Antarctic “scientific” whaling programme;
• End subsidies for “scientific” whaling through the “Profitable Fisheries” programme;
• Halt programmes to increase whale meat sales, particularly through school lunches;
• Disclose the details of the *Nisshin Maru*’s repair and safety upgrade; and
• Release financial information about the relationship between ICR and Kyodo Senpaku

The Japanese government should meet these five demands and then focus on pressing disasters instead of spending money to prop up a dying industry.

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