The History of Japan’s Post-Pacific-War Rice Policy

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Rice, being a staple food of the Japanese, is the most important crop in Japan’s agricultural sector. This paper describes the history of Japanese rice policy after the Pacific War up to the present times (note 1).

From the Pacific War period to the mid-1950s

Food shortage continued to be a serious problem in the first several years after the Pacific War. The distribution of major agricultural commodities including rice was strictly controlled under the Staple Food Control Act (SFCA), which was stipulated in 1942. As required by the SFCA, rice was solely procured and distributed by the Food Agency, an extra-ministerial bureau of the Ministry of Agriculture and Forestry (note 2). Marketing channels and trade prices were strictly controlled by the Food Agency. This system, illustrated in Figure 1, was called the Staple Food Control System (SFCS).

Throughout the Pacific War, factories and manufacturing infrastructure were almost destroyed by the end of the war. However, the manufacturing sector achieved a rapid recovery from war damage. Demand for manufactured commodities increased substantially. Consequently, the manufacturing sector experienced a boom period from around 1950 (note 3). In contrast, demand for agricultural commodities grew only slowly, whereas agricultural production continued to increase sharply after the Pacific War. As a result, the income level of farm households fell far behind that of urban working households. This problem became politically intolerable in the mid-1950s (Figure 2).

Japan’s food shortage problems ceased around 1950. In particular, after a bumper crop in 1955, rice supply increased significantly. If the purpose of setting up the SFCS were to cope with the food shortage, it would have been reasonable to abolish the SFCS and liberalize the rice market at this time. However, the government chose to maintain the SFCS to meet a new goal: providing income support for farmers. Because the entire rice supply was procured by the Food Agency under the SFCS, rice farmers’ income levels could be raised by setting a higher procurement price.

In 1960, the government employed a new price-determination formula for rice, the “Production Cost Compensation Program,” whereby the government established a procurement price that included the cost of rice production for which the cost of unpaid family labor was estimated by using the manufacturing sector wage rate. On the basis of this formula, the government raised its procurement price for rice in response to the rapid increase in manufacturing sector wages. Accordingly, the difference between the domestic and the international prices of rice increased sharply. However, because the government prohibited rice imports, foreign rice did not flow into Japan.

The government’s high procurement prices for rice stimulated rice production. Although the government set the sale price of rice lower than its procurement price, its rice stocks continued increasing because Japanese consumers became more westernized in their eating habits, causing demand for rice to decrease at an unexpectedly high rate. As a result, the burden in the national budget for rice price support increased in two ways. First, since the government sold rice at a negative margin, it had to allocate a special budget to fill the gap between the sales price and procurement price. Second,
the government had to bear the burden of storage and disposal costs of the existing rice stock.

**Rice policy reform in 1970**

The national budgetary burden for rice price support peaked at the end of the 1960s. In addition, the income disparity between farm households and urban worker households almost disappeared around 1970 owing to the government’s rice price support policy and increased income from off-farm employment.

As such, the period around 1970 seemed an appropriate moment for the government to suspend rice price support and liberalize the rice market by abandoning the SFCS. However, this was not the government’s strategy. Instead, the government launched two measures to reduce fiscal expenditure on rice marketing. First, the government allowed rice wholesalers to purchase rice directly from agricultural cooperatives by bypassing the Food Agency. This type of rice was called voluntarily distributed rice (Jishu Ryutu Mai in Japanese). This new system encouraged the production of high-quality rice (to the customers’ taste) that could not be priced adequately in the Food Agency’s procurement process.

The rice purchased by the Food Agency was called government rice (Seifu Mai in Japanese). In addition to these two types, some rice was distributed outside the SFCS and was called freed rice (Jiyu Mai in Japanese) or illegal rice (Yami Gome in Japanese). Figure 3 illustrates the post-1970 system of the Japanese rice market.

Another measure for curbing the national budgetary burden was the across-the-board land-use diversion program. This program functioned as a government-led rice production cartel. The government began by stipulating the target acreage to be diverted from rice planting to prevent excess supply of rice. With the collaboration of agricultural cooperatives, the target acreage was allocated to all the villages. All farmers in a village cooperated in achieving the allocated acreage.

While the government provided financial support to rice farmers according to the acreage diverted from rice planting, it did not fully compensate for the associated reduction in their income at the microeconomic level. Nevertheless, in aggregate, the cartel effect of the across-the-board land-use diversion program benefitted rice farmers by maintaining a high price for rice. As a result, the target acreage attained was nearly 100% every year (note 4).

Although the across-the-board land-use diversion program was originally introduced in 1970 as an emergency (or impermanent) countermeasure against the excess accumulation of rice stock, it was continued for more than 30 years.

**The Staple Food Law in 1994**

By the early 1990s, the percentage of government rice decreased to less than 5% of the total rice sold (Figure 4). In addition, although the legal basis for freed rice was not secure, the percentage of freed rice as well as that of voluntarily distributed rice continued to increase. Responding to this situation, the government enacted a new law, the Act on Stabilization of Supply, Demand and Prices of Staple Food (the “Staple Food Law” hereafter), in 1994. The Staple Food Law came into force in 1995 and the SFCA was then abolished.

Figure 5 illustrates the new system for the rice market under the Staple Food Law. As can be seen, freed rice was legalized as unplanned traded rice. While government rice
and voluntarily distributed rice were maintained as planned traded rice, regulations on market channels between rice traders were largely removed. The position of government rice within rice policy also changed. The SFCA stipulated that government rice was the mainstream of the rice market. In contrast, the Staple Food Law recognized government rice as a price buffer. The government considered the optimum stock of government rice at the end of the rice year (i.e., October 31) should be between 2 million and 1 million tons (note 5).

The Staple Food Law was the first written law that stipulated the across-the-board land-use diversion program. From 1970 to 1994, the government did not have any written laws for implementing the program. Instead, the program was coordinated with administrative guidance from the government and lacked a formal legal standing.

**Total liberalization of the rice market in 2004**

The Staple Food Law underwent a major revision in 2004. Through this revision, the rice market was entirely liberalized. Almost all the regulations on rice marketing were removed. The terms “government rice”, “voluntarily distributed rice”, and “freed rice” disappeared from the rice policy (and, in turn, from the rice market). The Food Agency was also dissolved.

Moreover, the across-the-board land-use diversion program was abolished. Instead, the government introduced a new system to curtail rice production (the “New Program” hereafter). Under the New Program, the government is not directly engaged in curtailing rice production. Instead, the Central Union of Agricultural Cooperatives (CUAC), the headquarters of the national network of agricultural cooperatives, implements the New Program. CUAC initially sets the target volume of rice that can be produced in a year. The target volume is then allocated to all the villages. The *Suiden Nogyo Suishin Kyogikai* (Local Commission for Promotion of Paddy Field Farming) in every village prepares a plan for achieving the target. If the actual volume of rice production exceeds the target, the excess rice should not be sold as a staple food (it should be sold at lower prices for other purposes such as cattle feed). Those who participate in the New Program qualify to receive favorable treatment in agricultural subsidy allocation. Farmers are free to choose whether to join the New Program. Currently, nearly 70% of rice farmers participate in this program.

The government continues to procure rice to hold as emergency stock, with a stipulated upper limit of 1 million tons.

**Notes**

1) Because of space constraints, this paper focuses on domestic policy and makes only a passing reference to rice trade policy. Details of rice trade policy would be discussed in a future work.

2) In 1978, the Ministry of Agriculture and Forestry was renamed the Ministry of Agriculture, Forestry and Fisheries.

3) Triggered by special procurements for military stores during the Korean War (1950–53), the Japanese economy entered a stage of heavy industrialization.

4) Of the total acreage of paddy fields in 1971, 16.7% were diverted from rice planting under the across-the-board land-use diversion program. In 2003, when the program was abolished, it had increased to 38.0%.

5) The actual stock often exceeded 2 million tons.
Note: Another type of rice called *Jiyu Mai* (freed rice) is traded without regulation (while this type of rice was illegal before 1995, the Food Agency acquiesced in its distribution).
Figure 2 Ratio of farm household to urban household per capita disposal income.

Sources: Ministry of Agriculture, Forestry and Fisheries, Statistical Research on Farm Economy, Management and Coordination Agency, Family Income and Expenditure Survey.
Figure 3  The system of rice marketing
--- From 1970 to 1994 ---

Across-the-board land-use diversion program

Rice farmers
  ↓
Agricultural cooperatives
  ↓
Prefectural Economic Federation of Agricultural Cooperatives
  ↓
National Federation of Agricultural Cooperative Associations
  ↓
Government (Food Agency)
  ↓
Wholesalers
  ↓
Retailers
  ↓
Consumers

Seifu Mai (government rice)
↓
Jishu Ryutsu Mai (voluntarily distributed rice)

Note: Another type of rice called Jiyu Mai (freed rice) is traded without regulation (while this type of rice was illegal before 1995, the Food Agency acquiesced in its distribution).
Figure 4  Total production and distribution of rice, 1965-2003

Source: Documents of the Food Agency

Figure 5  The system of rice marketing  
--- from 1995 to 2003 ---

Across-the-board land-use diversion program