



Japanese Agricultural Policy Reforms after FY 2014

(Part 1)

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INTRODUCTION

In December 2012, the Liberal Democratic Party won the 46th Japanese general election and President Shinzo Abe became the Prime Minister again. The second Abe Shinzo cabinet had been reviewing existing agricultural policy made by the Democratic Party of Japan, and announced new policy in December 2013. At the same time, the Ministry of Agriculture, Forestry and Fisheries (MAFF) published a pamphlet, “New Policy for Agriculture and Rural Areas is beginning!!”(<http://www.maff.go.jp/j/kanbo/saisei/minaoshi/pdf/siryoul.pdf>), for explaining new policy easily. This pamphlet consists of 29 pages.

We will share the task of translation. In this term and next, Kunio Nishikawa will cover from 1-11 pages. Then, Yoshiaki Iiguni (Kochi University) will cover from 12-29 pages at parts 3 and 4. This article is translation from 1-5 pages. All footnotes were made by the author who translated the text from Nihongo to English.

TRANSLATION

New Policy for Agriculture and Rural Areas is beginning!! (Pamphlet)

December 2013

Ministry of Agriculture, Forestry and Fisheries

Our point of view on 4 reforms

Principal farmers (in Japanese term, so called, “*Ninaite*”) have already used about 50% of all farmlands in Japan. We, however, have to accelerate speed of structural reform because households who engage in their own farming are aging quickly and the Abandoned Cultivated Lands (ACL) are expanding.

To cope with these problems, we have made “The Plan for Vitalization of Agriculture, Forestry, Fisheries, and Rural Areas”¹. We will promote two policies inseparably that make agriculture competitive as an industry (industrial policy), and conserve and promote multifunctionality in agriculture and rural areas² (regional policy). All stakeholders are expected to cooperate for solving problems.

Specifically,

- As industrial policy, we, firstly, have to continue intensive use of farmlands, and to accelerate accumulation of farmland uses to *Ninaite* who make their farm management more efficient. For these purposes, we have instituted the system of the Organization for Temporary Farmland Management (OTFM)³, and will take various measures so that this organization will be used everywhere.
- Secondly, we review the Program to Stabilize Farmer’s Income (former the Income Support Direct Payment Program for Farmers⁴). We, on the one hand, have decided to abolish existing programs, the “Fixed Price Component” and the “Variable Price Component of the Direct Payment for Rice Production”, because these programs didn’t meet the aim of structural reform in parts such as uniform payment ignoring farm size differences. On the other hand, we remain the “Income Decrease Mitigation Measures” (“*Narashi*”) and the “Production Conditions Disparity Correction Measures” (“*Geta*”), promoting motivated farmers to participate by removing a uniform requirement on farm size.
- In addition, we will realize the situation under which motivated farmers can choose crops to plant using their own business judgment, and reviewing the “Direct Payment for Rice Production”. We will also promote crop production which is in demand, for example, wheat (or barley), soybean, and rice for feed, and will not make too much of rice for food. As a result, rice policy, including the Adjustment of Rice Supply, will change dramatically. We

¹ This is a tentative translation because MAFF hasn’t announced official translation yet. This plan was published on December 2013 by the Prime Minister of Japan and His Cabinet, preceding MAFF’s pamphlet.

² MAFF usually uses the term, “multifunctional roles of agriculture and rural areas”. But, we use “multifunctionality” because we follow the way of OECD.

³ A tentative translation.

⁴ The Democratic Party of Japan used this term until the change of government.

will make the situation suitable to enable farmers to produce rice for food, and to meet demand without relying on the target volume of rice production distributed by government.

- For promoting multifunctionality in agriculture and rural areas, we will institute the Japanese-typed “Direct Payment” (the “Direct Payment for Multifunctionality”)⁵ as regional policy. This program will maintain farmlands as farmland by co-management of rural communities, and will guarantee the promotion of multifunctionality sufficiently in the future. This program will also reduce burden to *Ninaite* who efforts to expand farm size, promote structural reform.

By promoting these 4 reforms, we will make the situation to enable imaginative farmers to be constantly challenged. Then, we will make regional residents cooperate to promote multifunctionality, will raise the food self-sufficiency ratio, will establish food security, and will create “Competitive Agriculture, Forestry and Fisheries.”

Backgrounds of reforms

- The core persons mainly engaged in farming by age group

There is the unbalanced state that the core persons mainly engaged in farming over 65 years old account for 61% while those below 50 years old account for 10 %.

- Trend of ACL

ACL expands rapidly because of the retirement of elderly farmers. Especially, ACL owned by the land tenure non-farm households increases rapidly and occupies half of all the land. Land inheritance is excluded from permission to rights transfer by the Agricultural Land Act. It is highly possible that ACL will expand hereafter.

- Rice-paddy communities which don't have *Ninaite*

Rice-paddy communities⁶ which don't have *Ninaite* account for over 50% of all communities. It is feared that, in these communities and regions, productive ability will fall dramatically after 5-10 years.

- The food self-sufficiency ratio in major developed countries

Today, the food self-sufficiency ratio in Japan is 39% on a calorie basis. This figure is the lowest level in major developed countries. 60% of Japanese food consumption is dependent on imports.

⁵ A tentative translation.

⁶ MAFF explains this term, “‘Rice-paddy communities’ are the communities which rice-paddy farmers occupy above 70% of all farmlands” (http://www.maff.go.jp/j/ninaite/n_syuraku/a.html, Question 5).

Outline of Reforms

- OTMF

The budget allocation is 0.4 billion US\$ (40 billion Japan yen, 1 US\$ = 100 Japan yen) on FY 2013 supplementary budget and 0.3 billion US \$ (30.5 billion yen) on FY 2014 budget. For promoting mobility of farmlands, OTMF is established at every prefecture as public agency. OTMF will do the following tasks. 1) OTMF rents farmlands from landlords. 2) If necessary, OTMF improves the state of farmlands, for example the enlargement of parcel-size. 3) OTMF subleases farmlands to *Ninaite*, taking into consideration the scale expanding and farmlands accumulation, and optimization regional farmland use.

- Reviewing the Program to Stabilize Farmer's Income

Geta for upland-field crops

The budget allocation is 2.1 billion \$ (212.3 billion Japan yen) for FY 2013 budget and 2.1 billion \$ (209.3 billion yen) for FY 2014 budget. It will be implemented same as before for rice year (RY) 2014. All commercial farm households and the Community-based Farming⁷ will be targeted. After RY 2015, new requirements will be introduced through a legal reform. The Certified Farmer⁸, the Community-based Farming and the Certified New Farmer⁹ will be targeted, but size requirements will not be set.

Narashi for rice and upland-field crops

The budget allocation is 0.7 billion \$ (72.4 billion yen) for FY 2013 budget (RY 2012) and 0.8 billion \$ (75.1 billion yen) for FY 2014 budget (RY 2013). It will be implemented same as before in RY 2014. Another mitigation measure for non-participants will be implemented. After RY 2015, new requirements will be introduced through a legal reform. The Certified Farmer, the Community-based Farming and the Certified New Farmer will be targeted, but size requirements will not be set.

The Fixed Price Component

⁷ “The Community-based Farming” is the collective term used for farm-based on “regional bond” and “cooperativity” in communities. MAFF uses “the community-based farming cooperatives” to express this farm. But, we don't use it because the Community-based Farming has various forms of corporation, and not limited to cooperatives.

⁸ “The Certified Farmer” is the farmer authorized to do his farm management plan by the prefectural governor. Various policy measures, such as farm finance, is primarily implemented to him.

⁹ “The Certified New Farmer” is the new farmer authorized to do his farm management plan by the prefectural governor. He could receive the payment for living during his training phase.

Participant have to be paid 150 \$ (15 thousand yen) per 10a. The budget allocation is 1.6 billion \$ (161.3 billion yen) for FY 2013 and 0.8 billion \$ (80.6 billion yen) for FY 2014. The payment per 10a will decrease to 75\$ (7.5 thousand yen) after RY 2014, and will be abolished after RY 2018.

The Variable Price Component

The budget allocation is 80 million \$ (8.4 billion yen) for FY 2013 (RY 2012) and 20 million \$ (20 billion yen) for FY 2014 (RY 2013). It will be abolished after RY 2014.

- Reviewing Measures for Full-use of Paddy-fields¹⁰ and rice policy

The Payment for Paddy-field Use¹¹

The budget allocation is 2.5 billion \$ (251.7 billion yen, including the Payment for Production Areas¹², 0.5 billion \$) for FY 2013 and 2.8 billion \$ (277.7 billion yen, 0.8 billion\$) for FY 2014. After RY 2014, the payment based on the volume of rice for feed will be introduced (upper limit is about 1 thousand \$ per 10a). Total budget allocation will be increased by enhancing the Payment for Production Areas which can be used as per discretion.

Rice policy

In the next 5 years, government, producer organizations and producers will cooperate to realize the situation which enables producers and assemblers to supply rice for food to meet demand smoothly, enhancing the Payment for Paddy-field Use, taking into consideration its fixing, and making use not of the target volume of rice production, but of the supply-demand forecast, made by government.

- Instituting the Japanese-typed Direct Payment

It will be implemented as a non-legislative measure for FY 2014 and as a measure based on law from FY 2015.

The Payment for Conserving Farmlands and Water

The budget allocation is 0.3 billion \$ (28.2 billion yen) for FY 2013 and 0.5 billion \$ (48.3 billion yen) for FY 2014. New payment will be established, focusing on the cost which results from community actions operated by regional farmers. 1) New payment will be established as “the Payments for Conserving Farmlands¹³”. It supports community activities which conserve multifunctionality such as basic conserving activities for regional resources, 2) The “Payment for Conserving Farmland and Water” will be reconstructed and renamed to “The Payment for

¹⁰ A tentative translation.

¹¹ A tentative translation.

¹² A tentative translation.

¹³ A tentative translation.

Improving Resources¹⁴”, and will support community activities which promote regional resources.

The Direct Payment to Farmers in the Hilly and Mountainous Areas

The budget allocation is 0.3 billion \$ (28.5 billion yen) on FY 2013 and FY 2014. It will be continued, keeping the basic concept.

The Direct Payment to Environmentally-friendly Agriculture

The budget amount is 26 million \$ (2.6 billion yen) for FY 2013 and FY 2014. It will be continued, keeping the basic concept.

OTMF

We will establish OTMF to continue the effective use of farmlands and to promote accumulation to *Ninaite* who makes their farm management efficient.

- Machinery of OTMF

Establishment and use of OTMF

We, integrally, will promote legislation, budgetary measures and communication with farmers and extension service workers. OTMF is established at every prefecture as the Farmlands Bank for Accumulation Management¹⁵. 1) OTMF rents farmlands and ACL from landlords, if it is necessary to order use of complicatedly scattered farmlands and to accumulate for *Ninaite*. 2) For subleasing, OTMF improves the state of farmlands, for example land readjustment, if necessary. Then it subleases to *Ninaite* (corporation farms, large family farms, the Community-based Farming, general corporations), taking consideration into *Ninaite*'s integral use of farmlands. 3) OTMF manages its farmlands as farmland 4) OTMF entrusts the part of its jobs to municipalities and promotes accumulation of farmlands and reduction of ACL, gathering all strength of stakeholders.

Enhancing reducing of ACL

The government is not only afraid of farmlands being abandoned by farmers. They are also afraid that because of their old age, the natural death of farmers will cause the farmlands to be abandoned. Cases like these are being targeted by the government. The Agricultural Committee makes efforts to prevent ACL from increasing and to reduce it, improving and simplifying the legal process radically. For example, the Agricultural Committee begins with confirming owner's intention to lease to OTMF. ACL because successors' addresses are unknown, are announced publicly, and prefectural governors set the land-use right to OTMF.

¹⁴ A tentative translation.

¹⁵ A tentative translation.

- At such times...

What is the aim of OTMF?

There was an opinion that “it will be easy to solve problems of farmers and farmlands, if there are reliable and temporary farmland organizations” in making the process of “the Farmers and Farmlands Plan”¹⁶ from FY 2012, at each municipality. OTMF was established to address this particular concern.

e.g. 1: What should elderly farmers do when they retire?

First, retiring farmers should lease their farmlands to OTMF which is the third sector of prefecture. Second, OTMF can sublease to *Ninaite*, taking into consideration *Ninaite*'s wish and accumulation of farmlands.

e.g. 2: What should *Ninaite* do when they would like to change complicated land-use rights with one another?

First, each *Ninaite* who would like to change transfers his land-use rights to OTMF. Second, OTMF subleases *Ninaite* for changing land-use rights easily, taking into consideration the accumulation of farmlands.

e.g. 3: What should landlords do if no one rents the farmlands?

OTMF recruits people who would like to rent while OTMF itself will rent to manage the farmlands adequately. It can find an efficient way of quickly utilizing the farmlands. In some cases, it searches for possibilities of using allotment gardens and training farms for new farmers.

“The Farmers and Farmlands Plan” is the basis of farmland policy. We will continuously promote the creation and interval review. It is important for regional farmers and municipalities to cooperate with OTMF and to use this scheme well. It is ideal, as well, to lease regional farmlands to OTMF collectively and to agree to the reorientation of farmlands use, in the whole process of consulting about “Farmers and Farmlands Plan”.

(To be continued)

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¹⁶ Since 2012, MAFF has promoted the movement to make the plan about farmers and farmlands all over the country. This plan specifies principal farmers and farmers who would retire in the region, and promote the accumulation of farmlands to the former.

