

Japanese Agricultural Policy Reforms after FY 2014

(PART 2)

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INTRODUCTION

We translated a pamphlet, “New Policy for Agriculture and Rural Areas is beginning!!”, Previously, we translated pages 1-5. This time, we have translated pages 6-11.

TRANSLATION

The Organization for Temporary Farmland Management (OTFM)

- At such times...

What is the procedure of renting and lending?

1. OTFM regularly recruits farmers who wish to rent farmlands at every region. Then, it would understand their needs appropriately, including both the certified farmers and new entry farmers.
2. When a lender who wishes to lend his farmlands to OTFM applies, it consults with farmers who wish to rent, in conformity with the distribution rule which has been made through the authorization of a prefectural governor. Then, it decides a borrower.
3. OTFM decides the distribution rule. However, from a standpoint of contributing to the development of regional agriculture, OTFM coordinates lease contracts fairly and appropriately, based on requests from farmers who wish to rent farmlands.
4. When OTFM decides a borrower, it has to make the Plan for Distribution of Farmland¹. Prefectural government authorizes and announces it, then, the land-use right is transferred.

What is the role of municipality in relation to OTFM?

There has to be one OTFM at the prefecture level. It is indispensable for it to cooperate with municipalities closely which is the main actor of making the Farmers and Farmlands Plan to cope with farmland accumulation. OTFM can entrust parts of its jobs to municipalities. OTFM

¹ This is a tentative translation because MAFF hasn't announced the official translation yet.

can request municipalities to make the draft of the Plan for Distribution of Farmland. In addition to them, OTFM can request various collaborations to municipalities.

What is the role of the Agricultural Committee in relation to OTFM?

The Agricultural Committee, as independent municipal committee, practices various activities concerned with farmland. And, it has accurate information of farmlands. It is indispensable for it to cooperate with OTFM and municipalities.

● Related budget

Supports for lenders (the Subsidy for Accumulation of Farmland to OTFM²)

→ 253 million\$ (25.3 billion yen), all from National Treasury

1. Support for regions (The Subsidy for Region³, 140 million\$)

This subsidy is paid to “region” in a municipality, for example a rural community. It is necessary to be lent over a certain percentage of farmlands in “region” to OTFM. In case of between 20% and 50%, US\$200 per 10a is paid. In case of between 50% and 80%, US\$280 is paid. In case of more than 80%, US\$360 is paid. The amount which the unit price is multiplied by farmland areas lent to OTFM is paid, and “region” is permitted to use it at discretion.

2. Support for landlords (the Subsidy for Change of Farming Style and Retirement⁴, US\$65 million).

This subsidy is paid to “farmers who change their farming style”, “farmers who are retiring” and “successors of farmlands”, who lend their farmlands to OTFM. They have to lend their all farmlands to OTFM for more than 10 years, and their farmlands have to be subleased by OTFM. When OTFM makes the Special Farm Operation Contract⁵ to the Community-based Farming for more than 10 years, this subsidy could be paid. In case of less than 0.5ha, US\$3,000 per a holding is paid. In case of between 0.5ha and 2ha, US\$5,000 is paid. In case of more than 2ha, US\$7,000 is paid.

3. Support for the cooperation to farmland accumulation (the subsidy for farmers⁶, US\$45 million).

² A tentative translation.

³ A tentative translation. It is based on the ratio of accumulated farmlands to the total farmlands.

⁴ A tentative translation. It is paid by renting farmlands to OTFM.

⁵ A tentative translation. This form of farmland contract isn't complete transfer of the cultivation right but a kind of transfer of the right for use.

⁶ A tentative translation. It is paid just by renting farmlands to OTFM.

This subsidy is paid to “landlords who lend their cultivated farmlands to OTFM” and “farmers who cultivate farmlands lent to OTFM by landlords”. Eligible farmlands have to be lent to OTFM for more than 10 years and subleased to borrowers by OTFM. The unit price is US\$200 per 10a.

Supports for operations of OTFM

→ US\$314 million, all from National Treasury

This subsidy supports basic operations for farmland accumulation. US\$110 million is paid for the maintenance and announcement of farmland register and electronic map. US\$28 million is paid for certifying owner’s intentions about cultivating ACL.

Review of the Program to Stabilize Farmer’s Income

● Production Conditions Disparity Correction Measures for Upland-field Crops (“GETA”)

In regard to domestic products which have the disadvantage of production conditions compared with foreign countries, we will continue to compensate the gap between production cost and sales amount.

Targeted people

All commercial farm households and the Community-based farming are paid by means of a non-legislative measure for RY 2014. After RY 2015, the Certified Farmers, the Community-based Farming and the Certified New Farmers will be targeted (scale requirements will not be required).

The way of paying

Payment based on volume is a basic way, but payment based on areas (Payment for Continuing Farming⁷) is paid as a part of former payment. We will revise related laws for these payment. Payment for Continuing Farming is paid based on last RY’s planted areas (last RY’s production volume is divided by last RY’s yield per areas at every prefecture) as in the past. After RY 2015, it will be paid based on present RY’s planted areas.

Payment based on volume

Sales volume of wheat, barley, soybean, sugar beet, starch potatoes, buckwheat and rapeseed is targeted. The gap between “standard production cost”, based on the production cost counted in capital interest/land rent, and “standard sales amount⁸”. The unit price is set per unit volume, and based on products quality. The unit price is increased and decreased being

⁷ A tentative translation.

⁸ “Standard production cost” and “standard sales amount” is calculated at every prefecture.

equivalent to products quality, because there are the huge difference about quality between regions and between farmers (following table –by translator-). In regard to buckwheat, uninspected products are removed from support targets for RY 2014, and non-standardized products will be the same for RY 2015. In regard to people who receive Payment for Continuing Farming, the amount equivalent to it is subtracted.

Table 1. The unit price of wheat and barley^a

Quality class	Grade Rank	1				2			
		A	B	C	D	A	B	C	D
Wheat (\$/60kg)		64.1	59.1	57.6	57.0	52.5	47.5	46.0	45.4
<i>Nijyo</i> Barley ^b (\$/50kg)		51.9	47.7	46.5	46.0	43.3	39.1	37.8	37.3
<i>Rokujyo</i> Barley ^c (\$/50kg)		58.6	54.4	53.1	52.6	48.3	44.1	42.9	42.4
Naked Brley (\$/60kg)		76.5	71.5	70.0	69.1	60.8	55.8	54.3	53.5

a This table is picked up from MAFF’s original pamphlet by translator. Soybean, sugar beet, starch potatoes, buckwheat and rapeseed is also displayed on pamphlet.

b *Nijyo* (two-rowed) Barley is mainly used for manufacturing beer.

c *Rokujyo* (six-rowed) Barley is mainly used for manufacturing tea.

Payment for Continuing Farming

Areas of wheat, barley, soybean, sugar beet, starch potatoes, buckwheat and rapeseed are targeted. The unit price is US\$200 per 10a (buckwheat is 130\$).

The Subsidy for Regeneration and Use of Abandoned Farmland⁹

This subsidy is paid to farmers for maximum of 5 years, based on planted areas where they solve ACL and plant wheat, barley, soybean, buckwheat and/or rapeseed. It will be abolished after RY 2015 and paid the remainder in a lump for RY 2014.

- Income Decrease Mitigation Measures for Rice and Upland-field Crops (“*NARASHI*”)

We will continue to implement this measure as a safety net contributed by farmers to mitigate influence caused by income decrease and to make farmers continue their management stably.

Targeted people

It is paid to the Certified Farmers and the Community-based Farming which are above a certain size. The Certified Farmers above 4ha is targeted in Prefectures and 10ha in Hokkaido.

⁹ A tentative translation.

The Community-based Farming above 20ha is targeted. The Special Municipal Licensing System¹⁰ is introduced. After RY 2015, the Certified Farmers, the Community-based Farming and the Certified New Farmers will be targeted (scale requirements will not be required).

Targeted crops

Rice, wheat, barley, soybean, sugar beet and starch potatoes are paid.

Amount of compensation

If present RY's sum of sales amount (sales amount of each crop is added up) becomes less than "standard sales amount", 90% of the gap is compensated by the reserve fund contributed by government and farmers. Government aid is limited to three times as farmer's contribution.

You should become a Certified Farmer.

The Certified Farmer System is that farmers themselves make "Plan for improving agricultural management" which set targets for 3 years and clarify measures to achieve them, and that municipal government head authorizes them. All farmers who are motivated to improve their management are authorized, regardless of age and scale. You really should become a Certified Farmer.

- The measure for smooth transfer to "NARASHI"

To promote smooth transfer after RY 2015, we will not require farmers who can't participate in "NARASHI" because of size requirements to contribute to the reserve fund only for RY 2014.

Targeted people

It is paid to farmers who are targeted for Fixed Price Component of the Direct Payment for Rice Production but don't participate in "NARASHI".

Targeted crops

Only rice is paid.

Amount of compensation

If "NARASHI" is activated for RY 2014, 50% of the government part of compensation is paid. The farmer's part isn't required.

- Fixed Price Component of the Direct Payment for Rice Production

In regard to rice production, there isn't the handicap caused by production conditions disparity compared with foreign countries. And, because this measure doesn't suit the structural

¹⁰ The Special Municipal Licensing System is that municipal government head authorizes farmers who can't meet scale requirements.

reform of rice-paddy agriculture, we will decrease the unit price from US\$150 per 10a to US\$75 for RY 2014 and abolish after RY 2018.

Target people

It is paid to commercial farm households and the Community-based Farming which produces rice to sell and which follows the target volume of rice production (converted to production areas).

Target areas

It is paid to areas planted to rice for food which are subtracted 10a equally as the equivalent of self-consumption.

● Variable Price Component of the Direct Payment for Rice Production

It is afraid that this measure causes moral hazard on farmers because there are no farmer's contribution to it and it compensates all the gap between "standard production cost" and "standard sales amount". And, because there has already been "*NARASHI*" with farmer's contribution as the mitigation measure to rice price change, we will abolish this measure and cope with by "*NARASHI*" after RY 2014. Besides, for RY 2013, we compensate the gap as before, if sales price is less than standard price (from harvest season to March).

(To be continued)

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