

Recent Trends in Young People's Entry into Farming in Japan: An International Perspective

Tomohiro Uchiyama
Mie University, Tsu, Mie 514-8507, Japan
Email: uchiyama@bio.mie-u.ac.jp

ABSTRACT

Agriculture in Japan has shrunk for a long time. This paper examines the recent trend of farming sector, latest statistics on farm entry and succession, unique characteristics of farm succession process, and policy measures to encourage young people to entry into farming in Japan. The paper also shows the international comparison of farm succession patterns between the UK and USA, and introduce some interesting program conducted in the UK and USA. The paper confirms that the ageing of the farmers and the decline of young people are commonly observed among developed countries.

Keywords: NEW ENTRY, FARM SUCCESSION, NEW EMPLOYEES, POLICY MEASURE

INTRODUCTION

The characteristics of agriculture in Japan are perhaps more unusual than most other countries in the developed world. To understand the trends in Japanese farming, therefore, requires a degree of contextual background detail. Three key influences have been responsible for shaping contemporary farming in Japan - industrial development (competition for labour), changing domestic diets (reduction in demand for domestic food supplies) and an increasingly ageing population.

This paper provides the basic information of agriculture, and recent trends of farm succession and new entry into farming in Japan, with comparative viewpoints of other developed countries, such as the UK and the USA. The details can be found at Uchiyama and Whitehead 2013.

AGRICULTURAL SHRINKAGE IN JAPAN

Table 1 highlights the decline in the influence of agriculture on Japan in the fifty years from 1960. From 1960 to 2010, the area farmed declined by 24%, the number of farm households decreased by 58% and the share of the population in farm

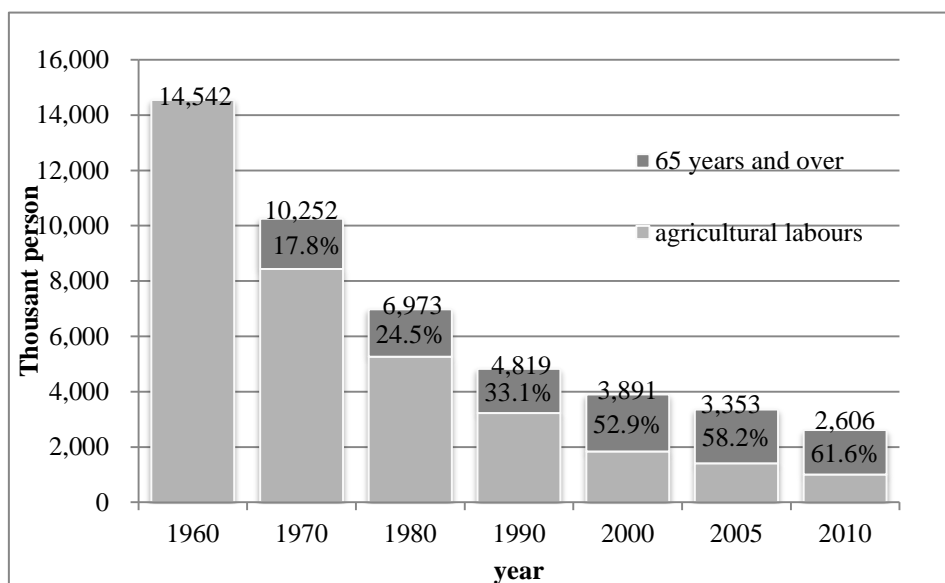
households also declined to 5.4% of the population. As mentioned above, increasingly farms have sought off-farm income, with the share of full time farm households dropping from 34% to 17%. (NB. if a husband farms on a full-time basis and his wife is employed outside the farm, the farm household would be classified as a ‘part-time farm’ as the household income comes not only from farming but also from non-farm job.) In addition to this, the size of the agricultural labour market has shrunk from 14 million in 1960 to 2.6 million in 2010.

Table 1 Trends in Agriculture in Japan (1960-2010)

	1960	1970	1980	1990	2000	2010
Total population (million)	94	105	117	124	127	128
Farm household population (million)	34	27	21	17	10	7
Share of population in farm households %	36.2	25.7	17.9	13.7	7.9	5.4
Farm households (‘000)	6,057	5,342	4,661	3,835	3,120	2,528
Share of full-time farm households %	34.3	15.6	13.4	12.3	13.7	17.9
Agricultural labors (‘000)	14,542	10,252	6,973	4,819	3,891	2,606
Farmland (‘000 ha)	6,071	5,796	5,461	5,243	4,830	4,593
Share of agriculture for GDP %	8.6	4.4	2.5	1.7	1.1	1.0

Source: JMAFF statistics

Figure 1. Trends in age of agricultural labor in Japan



Source: JMAFF statistics

To make the situation worse, total food supply in Japan started to decline from the mid-2000s, largely because of an ageing society, an issue in Japan overall, but with specific repercussions in the agricultural sector (Figure 1). In 2010, more than half of the agricultural workers were 65 years or older.

Trends in the economics of farming over the last 50 years are illustrated in Table 2. In terms of consideration of young farmers, perhaps the most significant figure here is the very small mean size of farm units in Japan, increasing steadily since 1960 but, by 2010 still less than 2 ha. Farmland Reform after World War II provides the main reason for such small farm sizes in Japan. Farmers were permitted to own farmland up to one hectare, and were also prohibited from renting any additional farmland. As a result, many tiny holdings were ‘born’ in Japan. Such size restrictions or lease prohibition no longer exist, but the Reform seems to have had a lasting effect on the ways in which farmers’ value farmland – a move from land ‘for agricultural production’ to land as ‘property holding’.

Table 2. Farm Economics in Japan

	1960	1970	1980	1990	2000	2010
Average farm size (ha)	0.98	1.09	1.18	1.33	1.79	2.30
Income from farming (‘000JPY)	219	508	952	1,163	1,085	1,196
Income from non-f arming (‘000JPY)	192	885	3,563	5,438	4,975	1,610
Farm household income (‘000JPY)	411	1,393	4,515	6,601	6,060	2,806
Pension receipt (‘000JPY)	32	199	1,079	1,797	2,221	1,825
Gross farm household income (‘000JPY)	443	1,592	5,594	8,398	8,281	4,633
Share of income from farming (%)	49.5	31.9	17.0	13.8	13.1	26.2

Source: JMAFF statistics

However, an increasing number of farmers are quitting, or decreasing their farm size, and few are willing to rent or buy the farmland released. The land becomes a ‘weeds paradise’, causing neighbouring farmlands to degenerate as well. Japan’s Ministry of Land, Infrastructure, Transport and Tourism (JMLIT) reported in 2007 that 412 rural settlements would disappear within 10 years, with another 2,219 possibly disappearing after 10 years (JMLIT 2007). This trend is confirmed by JMAFF estimates (2010) that 386,000 ha of farmland has, thus far, been left abandoned.

This section has endeavoured to provide a summary review of farming in Japan, highlighting contemporary pressures and practices, an essential context in which to set

the consideration of young farmers in this country. Farming in Japan is unique in many ways, and this has an impact on the importance attached to and the practice of farm succession and new entry into farming.

TRENDS OF NEW ENTRY INTO FARMING IN JAPAN

The previous section has identified a number of major differences in the characteristics of farming in Japan, critical to the clear appreciation of succession issues in this country. Focusing, now, on the issue of new entrants into farming, JMAFF began to maintain statistics on those in 2006 and the results, thus far, are presented in Table 3 below. Perhaps not surprisingly, from what has been said before, the overall picture is one of reducing entry, or re-entry into farming, a substantial drop over the six years. ‘Back to home farm’ means the people who come back to their home farm from non-farming jobs - farmers’ children or retired people. ‘New employees’ are those who are employed by farm businesses for farm work. ‘Create new farm’ are those who begin their own farm business but do not succeed to any farmland by kinship. From the Table, it is observed that the ‘back to home farm’ is the largest group, although declining in number in the recent years. With fewer individuals returning to the farm or starting up, it is not surprising, that the number of ‘new employees’ has risen. New start-ups, or ‘Create new farm’, are noticeably smaller in number, largely due to constraints on acquiring farmland since they have to obtain permission from both landowners and an agricultural committee in the area, which is usually not easy. The reason why the number of “create new farms” was jumped up in 2012 was probably the instalment of the government program, which will be mentioned later.

Table 3. New entrants into farming in Japan

Person	2006	2007	2008	2009	2010	2011	2012
Back to home farms	72,350	64,420	49,640	57,400	44,800	47,100	44,980
New employees in farm businesses	6,510	7,290	8,400	7,570	8,040	8,920	8,500
Create new farms	2,180	1,750	1,960	1,850	1,730	2,100	3,020
Total	81,040	73,460	60,000	66,820	54,570	58,120	56,500

Source: JMAFF statistics

Table 4 clarifies the situation further by showing this same data classified by age. From this it is clear that most ‘new entrants’ are 60 years old or older, and their main method of entry is ‘back to home farm’. This reflects the fact that the recent ‘new

entrants' are usually not young farmers, but people who retire from non-farming jobs to begin farming by using their home farmland; hence the Japanese trend to 'retire to farming'. On the other hand, younger people (39 years old or less) tend to be hired by farm businesses or those returning to home farms. The movement of older people into farming can partly be explained by the 'baby boomer' cohort. People born in the late 1940s reach their retirement age (60 years old in Japan) in the late 2000s.

Table 4. New entrants into farming in Japan (2012)

	39 years old or younger	40-59 years old	60 years old or older	Total
Back to home farms	8,160	8,720	28,100	44,980
New employees in farm businesses	5,330	2,410	760	8,500
Create new farms	1,540	960	520	3,020
Total	15030	12,090	29,380	56,500

Source: JMAFF statistics

CHARACTERISTICS OF FARM SUCCESSION IN JAPAN

To reveal further unique characteristics of farm succession in Japan, the *FARMTRANSFERS* results are shown in this section. Japan's survey was carried out in 2001 (Table 5). The details of the results can be seen at Uchiyama, et.al (2008).

Table 5. Farm Succession Data on Japan: Respondents' Profiles

	Farm size (ha)	Respondent's age	Successor's age	Number of full-time labours
Mean	4.9	57.1	31.5	2.6
N	4,108	4,136	1,848	4,351
Std. deviation	12.8	10.7	10.5	1.4

Source: *FARMTRANSFERS*

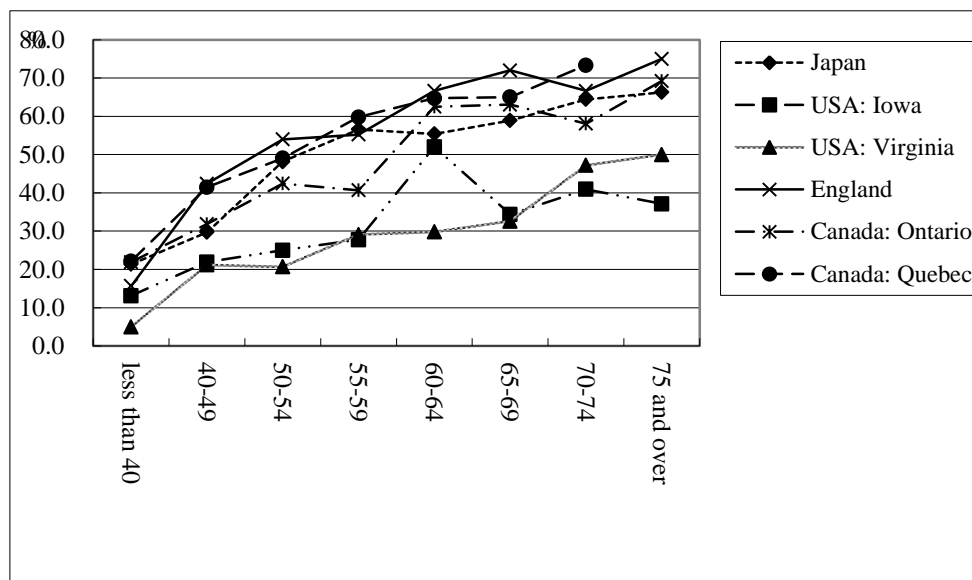
The respondent profiles confirm the foregoing contextual discussion, that is, farms are small, relative to those of many other countries in the developed world, although, in common with the latter, they are run by managers in their late 50's, with assistance from a number of full time staff.

Identification of a successor

Clearly, one of the first stages of the succession process involves the identification of a successor. The proportion of respondents in the *FARMTRANSFERS* study who had already identified a successor is higher in Japan than many other countries at 49.8%. For those who indicated that this was the case, the mean age of the successor identified was 31 years (Table 5). The likelihood of having identified a

successor is in part a function of the age of the farmer, which varies considerably between countries. Figure 2 compares the identification of successor by age of respondent and by country. Accepting the trends as the expected norm, it is noticeable that Japan presents a pattern of earlier successor identification than other countries in the survey. This is most probably due to the fact that, as a result of low farm incomes, Japanese farmers now tend to value farmland more for its potential development value, and less as a means of production. Successors therefore inherit the land with the expectation of realising huge capital returns. The succession is perhaps less dependent on a successor who is interested in farming and the decision is, therefore, more straight forward. In the meantime, as property taxation is lower if the land is farmed, and presumably for cultural reasons, the land is farmed.

Figure 2. Proportion of farmers who have identified a successor by age group



Source: FARMTRANSFERS

Farmers' retirement plans

Again, perhaps not surprisingly, farmers in Japan appear as the least likely to retire, with 44.5% indicating that they would never retire. Farming life in most, if not all countries, is characterised by the almost inseparable integration of work and home (Table 6). For Japan, this is quite clearly extreme, with very few farmers indicating that they will fully retire, eventually.

The fact that many people become involved in farming after enforced retirement from off-farm jobs, together with a particular virtue known as 'Shogai-Gen-eki' (a tendency for the Japanese, in general, to keep working as long as possible) may explain why such a large proportion of Japanese farmers report that they will 'never retire'. Opportunities in this scenario for 'new blood' entries are, as a result,

very few and very, very far between.

Table 6. Retirement plans of farmers in Japan

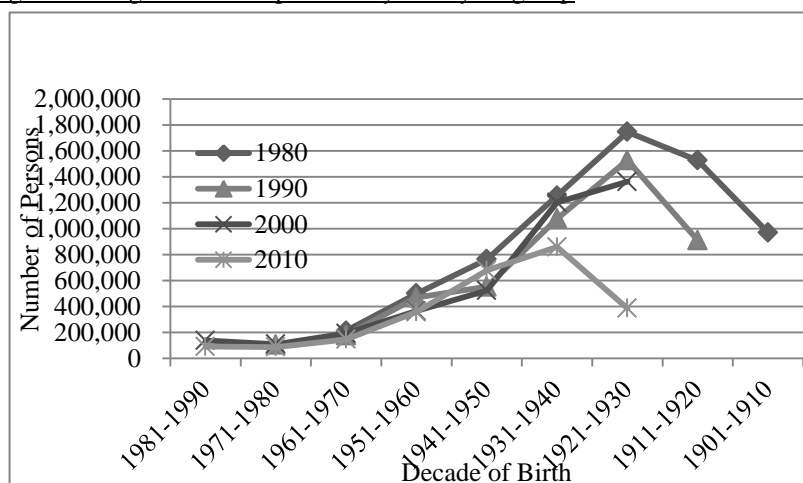
%	Japan	USA: Iowa	USA: Virginia	England	Canada: Ontario	Canada: Quebec
Never retire	44.5	27.4	42.1	14.9	22.1	13.3
Semi-retire	37.1	37.6	33.9	47.1	44.0	49.5
Fully retire	18.5	35.0	23.9	38.0	33.8	37.2
N	3,826	391	401	450	529	721

Source: *FARMTRANSFERS*

In summary, Japan presents a number of fascinating characteristics in terms of succession in farming. Many of these are clearly defined by the path of development in terms of land tenure, economic development and the cultural significance of farming. It is not surprising then, that a very high proportion of farmers never intend to retire. Two of the major issues in terms of succession, not unfamiliar elsewhere in the world, are the steady decline in new entrants coming into farming and the steady increase in age of farmers (Figure 3).

Even though the percentage of cases in which successors exist might not be considered low, most farmers, who are in their 70s and 80s, will shortly be expecting these successors to become more actively involved in the holding. In addition, it should be noted that when the respondents answered ‘yes’ to the question on securing successors, it might mean that the successor would inherit the farmhouse alone, thus separating the farmhouse from the land.

Figure 3. Agricultural Population by birth year group



Source: JMAFF statistics

Variations in socio-economic, cultural and environmental circumstances have a

tendency to dictate a range of different approaches by Government and others towards dealing with problems of public significance. Appreciating the decline in number of farming households in Japan in the second half of the twentieth century, and the nation's focus most definitely on industrial development in this period, what efforts have been made by Government and others to respond to these pressures?

GOVERNMENT POLICY CONCERNING NEW ENTRY INTO FARMING

Exemption of farmland transfer and inheritance tax

Japan's customs and practices on inheritance, including farmland inheritance, are based on primogeniture. However, the current civil law secures the equal rights of inheritance for property in general. If each farm was divided according to the number of heirs, the average farm size in Japan would be substantially less than a hectare. To ensure the viability of farm businesses, therefore, the government provides exemption for farmland from inheritance tax when one heir inherits the farmland solely. According to the rule, if a farmer transfers all the rights on the farmland to his/her successor, the successor is exempted from the transfer tax unless he/she quits farming, sells or leases out, or abandons the acquired farmland. If a successor inherits the whole (or a part) of the farmland and continues farming for 20 years from inheritance, she/he is eligible for full exemption. This rule, therefore, enables successors to avoid the division of the farm holdings, as long as they are willing to continue farming for a long period. The government believes that this rule will help promote farm succession (JMAFF 1996), although, whilst this policy may be useful in preventing further division of farmland, it does nothing to encourage much needed farm amalgamation.

Farmers' pension scheme

The Farmers' pension scheme was first established in 1970 to encourage farm succession from one generation to the next. In this scheme, if the pension members retired from farming between the age of 60 and 65, they could get what was referred to as the 'basic' pension. When they retired from farming and transferred their right to the farm to a successor, they would get a further 50% premium. Its objective was as an incentive for older farmers to transfer their farm to the younger generation.

However, the scheme was designed as a pay-as-you-go plan and it collapsed in 2002 as there were more pension beneficiaries than the successors to pay for the pension payments. The successor to this is based on a funded system designed again to correct 'the ageing' problem. All agriculture-related people involved in farming for at least 60 days a year can participate in this scheme. The main feature is that those who meet the requirements benefit from monthly Government contributions, equal to their own contributions, for a maximum of 20 years, as long as they continue to contribute to the

scheme. Table 7 indicates the detailed requirements for the subsidies. The differential rates in the current scheme clearly encourage young people to take up farming, as they receive higher payments if they meet the requirements before 35 years of age.

Table 7. Requirements for Government Pension Contributions under the new scheme

		Subsidies rate	
		Less than 35 yrs old	35 years and older
1	An authorized farmer using 'blue return' for tax report	50%	30%
2	An authorized beginning farmer using 'blue return' for tax report	50%	30%
3	The successors or spouse of above the two categories, who have made the family farm partnership agreement	50%	30%
4	Authorized farmer or 'blue return' tax reporter who promises to become the other within 3 years	30%	20%
5	A successor who promises to become the category (1) by the age of 35	30%	-

Source: Farmers Pension Fund

Note): "Blue return" is a tax return where detailed financial accounts are submitted.

Participants become pensioners when they reach 65 years of age and they are entitled to the benefits of the premium when they hand over their farm business to their successors. The eligibility of the successors is the same as in the old scheme. The Farmers' pension scheme was designed to facilitate farm succession by encouraging younger farmers to enter into, as well as older farmers to retire from, farming. Some are sceptical about the sustainability of the new scheme and, in fact, this programme was required to be 'fundamentally reformed' in 2010 by a government revitalization review. The review report concludes that the benefits of the scheme are disappointing, with the number of participants less than 100,000 up to March 2010, against the 2.5 million agricultural labourers in Japan in 2010. It seems probable that fiscal discipline is likely to restrict the level of payments available to participants in the future.

'Farm On Japan' (farm succession aid programme)

In 2008, JMAFF launched the 'Farm On Japan' programme based on 'the Farm On' programme in Iowa, USA. This programme helps farm businesses by matching 'beginner farmers', who do not own land, with retiring farmers who do not have successors to continue the family farm business. In 2010, JMAFF changed the programme name to the 'Farm Succession Aid programme', as it is difficult for Japanese farmers and staff in the related organization to understand the meaning of 'farm on' (!!). The programme is funded by JMAFF and operated by the National Chamber of Agriculture (NCA), which has branches in every prefecture (county in the UK).

In the programme, both landowners and potential beginner farmers are registered. The beginning farmers can visit the registered landowners to become acquainted with them (trial training of up to two weeks). When the landowner and beginning farmer are ready to enter into an agreement of succession, they enrol for ‘takeover’ training, which lasts two years at most. JMAFF subsidizes the fee for the training. After the training is over, the parties complete the ‘succession’ according to the agreement.

The NCA highlights several different approaches to succession. In some cases, this involves the sale of the property to the beginning farmer or long-term lease agreements, whilst in others gradual transfers are effected by incorporation. According to NCA data, in October 2013, of 501 beginning-farmer and 289 landowner registrants, 127 cases were matched for ‘takeover’ training. Unfortunately, 37 out of 127 cases were cancelled because of disagreement on the conditions, including the value of the property for sale. On the other hand, 23 cases were reported that they had finished the succession process. Under the ‘Farm Succession Aid’ programme, a coordinator team is formed for each matching case. The members of the team are extension officers, agricultural cooperative staff, and neighbouring farmers. JMAFF and NCA consider it unwise to leave the matching landowner and the beginning farmer to their own devices. A further issue, however, is that, in some cases, the role of ‘the coordinator team’ has not been clear or there is a lack of leadership in the team. This results in confusion about each one’s responsibilities, and the team fails to help the matched cases.

The purpose of the programme is to prevent the breaking up and eventual loss of ‘excellent’ farms with no successors and to promote young people who want to become farmers. Success relies not only on the conduct of the parties and the leadership / facilitation within the programme, referred to above, but also on the availability of landowners who 1) intend to cease farming within five years, 2) are willing to open their balance sheet and profit and loss statement to outside parties, and 3) are willing to transfer their skills and knowledge to “successors”, as well as the farm assets. Traditionally, Japanese farmers have been bound by strict rules to transfer their farmland according to kinship. The legacy of these rules are seen as a major constraint in the success and expansion of the ‘Farm Succession Aid’ activities, and Japanese farmers may need further assistance to change their ways of thinking in the future.

Young People Employed by Farms

Farming by corporations (corporate farming) is expected to develop in Japan since the 2009 farmland law revision, which via deregulation encourages more corporations in other sectors to become involved in farming. The number of farm corporations was reported to be 14,600 in 2013, whose share in the area farmed was

6.7%. The number of new employees in farm businesses is steady increased as shown at Table 3.

The government encourages farm corporations to employ more people. The policy measure is “Farm employment aid program (No-no-Koyo-Jigyo)”. According to the program, a corporation hiring a person(s) can apply for 1.2 million JPY (approximately 12,000 USD) of the subsidy per year. The detailed information is shown in Table 8.

Table 8 The outline of farm employment aid program

subsidy amount	Up to 12,000 USD (1.2 million JPY) per year per person
Periods	Up to 2 years
Budget	4,500 people (2014)
Eligibility summary (new employee)	Age: younger than 45 years Experience in agricultural work: 5 years or less. Unrelated to the business owner(s)

Source: JMAFF

The new employees are expected to become managers in the corporation, or to become independent farmers by creating their own farm businesses in the future. On the other hand, the current problem is the fact turnover rate is high.

IMPLICATION FROM COUNTY FARM ESTATES IN THE UK

County farm estates (CFEs) in the UK are the farms owned by the local (county) government to rent out for young people who want to be farmers. The statistics shows that there were 3,743 county farms in England and Wales, whose acreage was 107,125 hectare in 2002. Though the number of the county farms and its acreage has decreased, it is providing the significant opportunity to people without farm background to get into farming by leasing the farms.

The new tenants are chosen by reviews by the local government. An example of reviewing points are shown at Table 9. To become a tenant, a young person are required: 1) agricultural experience, 2) related qualification, 3) his/her own money, 4) good sense to decide the rent price, 5) younger age, 6) spouse, 7) application track and 8) diversification plan.

One of the benefits of the CFEs is that young people can get the “full-set” of

farm assets with lower money. Though it might be difficult for other countries (including Japan) to own farms by government, the case of the CFEs shows extreme example to provide the opportunity to the young people who want to be farmers.

Table 9 Reviewing Point at a county

Items	Highest Mark	Lowest mark
1. Agricultural Experience	10 years as manager	Less than 5 years as general farm worker
2. Qualification	Applicable	Not Applicable
3. Own fund	1,000 GBP per acre	Less than 200 GBP per acre
4. Rent offered	The difference to the government estimates is less than 10GBP per acre	The difference to the government estimates is 30 GBP or larger.
5. Age	26-30 years	Younger than 20, or older than 35.
6. Marital status	Married	Single
7. Application Track	Applicable	Not Applicable
8. Diversification Proposal	Applicable	Not Applicable

Source: Authors survey

CONCLUSION

This paper has focused on the fortunes and misfortunes of a nation's farming industry evolving in the midst of a meteoric rise in domestic industrial development during the second half of the last century. Such dramatic changes in post-war economic development have featured elsewhere in the world, but have been accentuated in Japan by the scale and pace of change. In terms of impacts, industrial development has drawn labour from agriculture, it has resulted in major changes in diet and the demand for different foods, some of which cannot easily be produced in Japan, and it has increased the demand for rural land and housing from affluent industrialists with money to inflate property values. The setting for this is a nation of farmers with strong cultural traditions. The product of the era is clear - a farming industry where the majority of units are small and unsustainable as farming households, with a declining share of the domestic food supply, partly as a result of the need to liberalise imports; reduced dependence on income from agricultural enterprises on the farm holding (increase in off-farm and on farm non-agricultural income) and a greater tendency for farmers to *retire to farming*, thus perpetuating the ageing issue in Japanese agriculture.

Some fear that Japanese agriculture is facing the threat of 'extinction'. For many years, Japanese agriculture was considered to be stable, although not particularly efficient. This stability was brought about by part-time rice producers who had full-time

non-farm jobs. In recent years, however, employment instability and the ageing problem have had a significant impact on agriculture and have left their mark in the rural areas of Japan.

Policy measures have been established by the government in response to this situation. Of them, the 'Farm Succession Aid programme' can facilitate farm business continuity and provide opportunities to potential 'beginning farmers'. This programme provides farmers with a strategy to enter into, as well as to retire from farm businesses without a kinship successor. Although it has the potential for major impact on farm asset utilization and in nurturing beginning farmers, the programme is beset with difficulty in realizing its objectives.

Two potentially long term constraints to future progress exist in Japan. The first is the structure of farming – the very small holding sizes, insufficient to support a household from farming income alone. This has, perhaps, been perpetuated by the non-agricultural economic development, which has secured a rural economy allowing farming households to subsidise their farming income. The second major constraint concerns the traditional preferences of farmers for holding farmland for cultural reasons or as property with potential development value. The 'territorial hold' of the former is still strong and closely related to tenurial custom in Japan. Whilst there are attractions in terms of preserving links between people and land for a good proportion of the population, there are undoubted issues relating to performance efficiency and the ultimate constraints to a prospective new entrant.

The future holds a number of challenges, not least in terms of food security. Japan's agriculture is likely to pass through a long period of adversity. Both policymakers and academics need to make sustained efforts to assist with the restructuring of agriculture and to continue to encourage retirement and the availability of opportunities for new entrants.

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