

SUCCESSION OF FARMLANDS TO NON- FAMILY SUCCESSORS

**OPTIONS FOR THE YOUNG GENERATION
OF FARMERS**

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INTRODUCTION

- Shortage of farm successors has become a critical problem in agriculture of Asia including Japan
- Farm succession to non-family members draws attention as an alternative to address this problem
- The Objective of this presentation:
To illuminate advantages and challenges in the farm succession to non-family members, especially through establishing a company (Limited Liability Company or LLC)

THE STATE OF WORKFORCE IN JAPANESE AGRICULTURE

THE STATE OF WORKFORCE IN JAPANESE AGRICULTURE

- The number of farmers is decreasing
- Japanese farmers are aging

Number of farmers and farmers of 65 years old or older in Japan (Unit: 1000)

Year	1985	1990	2000	2010
Total number of farmers	5,428	4,819	3,891	2,606
65 years old or older (%)	1,443 (26.6)	1,597 (33.1)	2,058 (52.9)	1,605 (61.6)

THE STATE OF WORKFORCE IN JAPANESE AGRICULTURE

- A large portion of farm households have no successor

The number of farm households with/without successor (Unit: 1000)

Year	2000	2005	2010
Commercial farm households	2,337	1,963	1,631
with successor	1,646	1,071	969
without successor	691	892	662
(%)	(29.6)	(45.4)	(40.6)

New Farmers

- The majority of new farmers are the “returning-home-to-start-farming”
- The “getting employed in farms” and the “new entrant farmers” have recently increased.

How new farmers start farming in Japan

Year	2009	2011	2013
Returning home to start farming	57,400	47,100	40,370
Getting employed in farms	7,570	8,920	7,540
Establishing a new farm (new entrant farmers)	1,850	2,100	2,900
Total	66,820	58,120	50,810

New Farmers

- “Returning-home” new farmers are old.
 - More than 60 percent are 60 years or older
- “Employed” farmers and “new entrant” farmers are younger

Age structure of new farmers (2013)

	<39 years old	40-59 years old	>60 years old	Total
Returning home to start farming	7,410	7,570	25,390	40,370
Getting employed in farms	4,500	2,180	860	7,540
Establishing a new farm (new entrant farmers)	1,450	930	520	2,900
Total	13,360	10,680	26,770	50,810

Farm succession to non-family members

- Farm succession to non-family members also is becoming an option for those who newly enter farming.
 - But no specific figures are shown in the above statistical data.
- 3 patterns of farm succession by a non-heir successor
 - 1) succeed a farm when the new entrant farmer begins farming
 - 2) succeed farm after the successor and predecessor work together for a while
 - 3) establish a company with the predecessor then the successor takes over the predecessor
- In the statistical data above
 - Pattern 1) is counted as “new entrant” farmer
 - Pattern 2) and 3) are counted as “employed” farmer

Farm succession to non-family members

- Japanese government has policy programs to assist young generations to start farming as non-heir successors.
 - In 2008, the “Farm on Japan”
 - In 2010, the “Farm Succession Aid Program (FSAP)”
- However, many succession attempts through these programs had failed. (reported by JMAFF)
- There are still challenges in the succession to non-family members

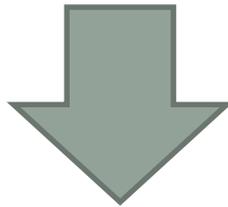
LITERATURE ON NEW ENTRANT FARMERS

Literature

- Reported that new entrant farmers (including non-heir farm successors) face unique obstacles
 - i) access to land
 - ii) acquisition of skills in agriculture
 - iii) time and cost until being able to make stable earnings
 - iv) securing the initial financial capital
 - v) being accepted into and building trust with the local community

Literature

- Coordinators can play critical roles in assisting entrants to get accepted in the place
- To overcome obstacles, support schemes offered by different organizations would be essential.



- Still, acquiring material assets (e.g. farmlands and machinery) from predecessors is difficult for entrant farmers

Literature

- Farm succession to non-family successors draws attention, because new farmers can acquire assets directly from predecessor without having to purchase.
- Characteristics of farm succession to non-family successors
- 1) starting farming with greater “material/tangible” assets.
 - Successor need invest to acquire these assets.
- 2) taking advantage of “non-material/intangible” assets.
- 3) To build trust between the successor and the predecessor, both parties may incur additional costs.
 - supports by public sectors and local communities would be critically important. (Yanagimura et al 2012)

Summaries so far

- Japanese farmers have suffered from the shortage of successors.
- The number of young generations who want to be a farmer with no farm-background increase.
- Farm succession to non-family successors might be a promising pathway to enter into farming; but there are some challenges.

The objective of this presentation

- **To illuminate advantages and challenges in farm succession to non-family successors by establishing a company.**

CASE STUDIES

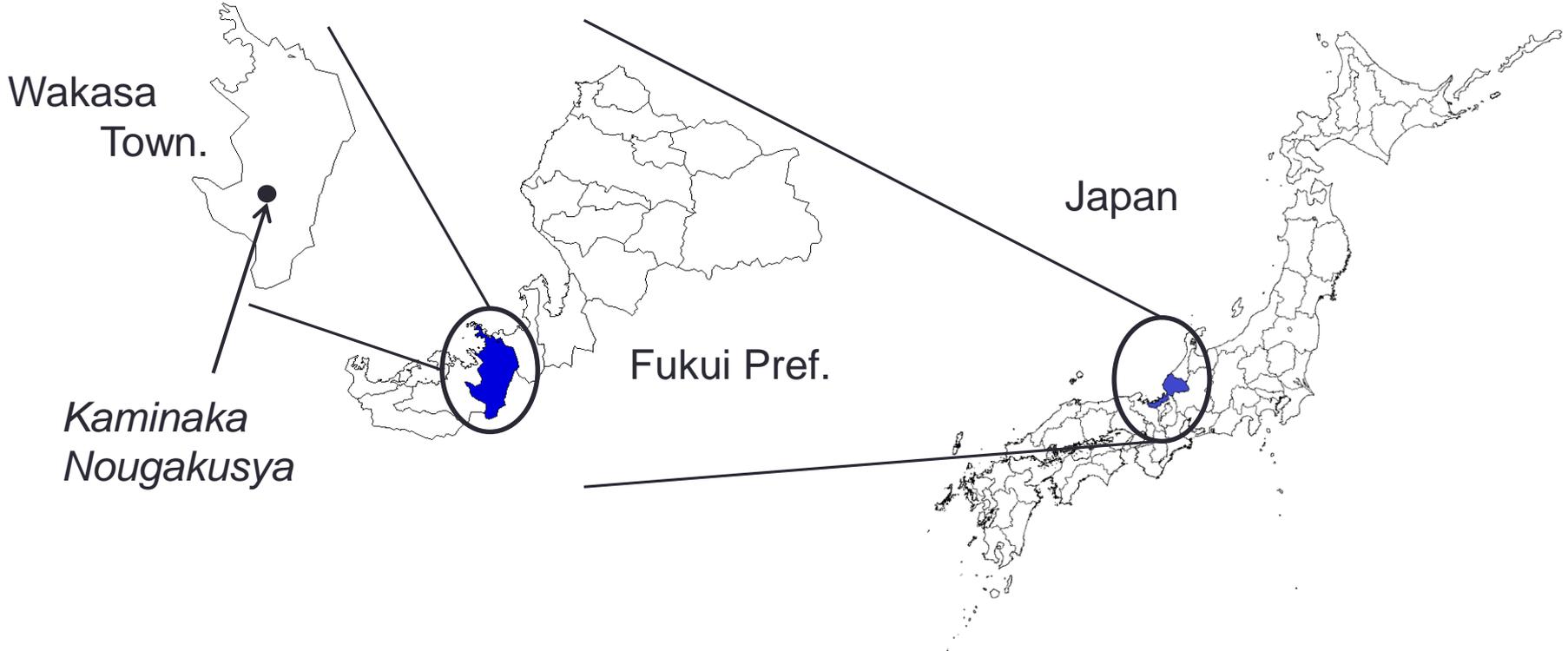
Kaminaka Nougakusya and it's graduates.

METHODOLOGY

- The case study: Wakasa Town
- The data collection relied on primarily interviews
- The analysis focused on how the entrant farmers
 - 1) acquire material/tangible assets.
 - 2) acquire non-material/intangible assets
 - 3) establish credibility and trust among the local communities.

Kaminaka Nougakusya

- *Kaminaka Nougakusya* is located in WakasaTown, Fukui prefecture.





Kaminaka Nougakusya

Training in Kaminaka Nougakusya



Flowchart of *Kaminaka Nougakusya*

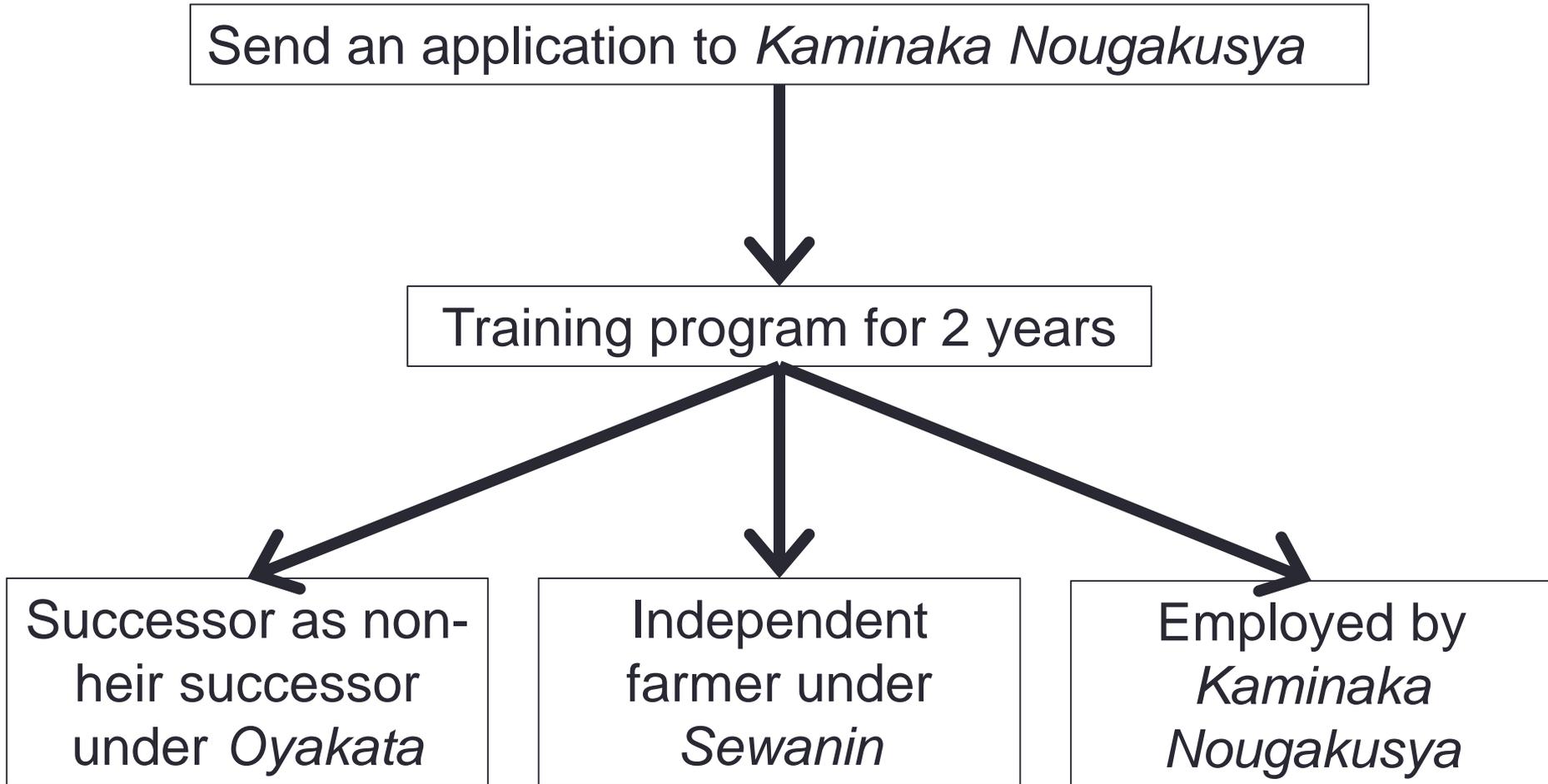
Send an application to *Kaminaka Nougakusya*

Training program for 2 years

Successor as non-
heir successor
under *Oyakata*

Independent
farmer under
Sewanin

Employed by
*Kaminaka
Nougakusya*



Oyakata and Sewanin

- *Oyakata and Sewanin* have been chosen from farmers of influence in the area.
- The role of *Oyakata and Sewanin*
 - Finding farmlands for new farmer (graduate of *Kaminaka Nougakusya*)
 - As a mediator between local community and new farmer
 - As an advisor of agricultural production and living in the community
- Difference between *Oyakata and Sewanin*
 - *Oyakata* intend to succeed their farm to new farmer.
 - *Sewanin* is just a supporter of new independent farmer.
- This system enables new farmers to overcome a variety of obstacles.

FINDINGS

- Supports system of Wakasa town (cases of being successor)

Status		Trainee		New farmer		
Year		1 st year	2 nd year	1 st year	2 nd year	3 rd year
Contents of supports	Access to farmland	-	Paddies 2 ha and vegetable tracts 20 a for training	Using <i>Oyakata</i> 's farmlands		
	Technical guidance	For rice production	For rice production and sales	Trained by <i>Oyakata</i>		
	Stipend	US\$500/month	US\$700/month	US\$15,000/year for 5 years		
	House	Living in Kaminaka Nogakusha		Assistance to find a house Subsidy to cover the half of rent (Up to US\$400/month for 3 years)		
	Building trust with local community	Participating in local festivals and visiting local farmers as training programs		Supported by <i>Oyakata</i>		

Source: the author's interviews

FINDINGS (Case 1 : Sanshin Farm)

- Established in 2006
- Successor: Mr. A (*Kaminaka Nougakusya's* graduate)
 - had a dream to be a business owner
 - intended to be an independent farmer
- Predecessor (*Oyakata*): Mr. H
 - a large-scale farmer in Wakasa
 - his son had worked in non-agricultural sector
- They decided to establish a company for succession with a suggestion by the prefectural extension service.

FINDINGS (Case 1 : Sanshin Farm)

How to succeed farm

- 1) acquire material/tangible assets.
 - Farmlands are “re-rented” by Sanshin Farm
 - Farm equipment is “leased” from Mr. H
- 2) acquire non-material/intangible assets
 - As Mr. A gained skills and knowledge, he was allowed to take responsibility in the production planning.
- 3) establish credibility and trust among the local communities.
 - Mr. H had Mr. A get participate in local community meetings

FINDINGS (Case 2 : Kamiya Nouen)

- Established in 2007
- Successor: Mr. B (*Kaminaka Nougakusya's* graduate)
 - Intended to be an independent farmer, but worried about time and cost until his product was sold.
- Predecessor: Mr. I
 - a middle-scale farmer in Wakasa
 - had failed to bring up an entrant farmer to be successor before accepting Mr. B
- They decided to establish Kamiya Nouen by Mr.I's experience and the story of Sanshin Farm

FINDINGS (Case 2 : Kamiya Nouen)

How to succeed farm

- 1) acquire material/tangible assets.
 - Farmlands are “re-rented” by Kamiya Nouen
 - Farm equipment is “leased” from Mr. I
- 2) acquire non-material/intangible assets
 - Mr. I had Mr. B participate in the planning of rice production.
 - Mr. I allows Mr. B to grow vegetables.
- 3) establish credibility and trust among the local communities.
 - Mr. I has succeeded to Mr. B early (in 2009) and help as an advisor.

FINDINGS (a company for succession)

- Each cases has established a company (Japanese LLC) for smooth succession of assets
 - Japanese LLC or *godo gaisya*
 - One of classes of business organizations defined by Japanese Corporate Law.
 - Easy to establish
 - Each member has equal right in decision-making
 - Profits can be flexibly distributed among members
- It enables new farmers to
 - 1) acquire material assets only by taking over president
 - 2) earn money when they start farming.

FINDINGS (Summaries from cases)

		Succession through a company	Establishing a new farm
Initial stage in farming	Farm size	Larger	Smaller
	Time period needed to be able to earn stably	Shorter	Longer
Material assets	Farmlands	Properties accumulated by predecessors ^a	Successors have to expand by themselves
	Machinery and equipment	Properties accumulated by predecessors ^a	Successors have to procure by themselves
	Additional investment	Not needed	Occasionally needed
Non-material assets	Skills and knowledge for management	Can be learned directly from predecessors	Successors have to learn by themselves
	Sales channels	Established by predecessors and	Successors have to develop by themselves
Trust and credibility among local communities		Successors can tap into what predecessors have built	Successors have to build by themselves

^a In case of without establishing a company, the successor has to purchase from the predecessor.

Source: Cases of company from the author's interviews; Cases of new farm establishment from Inamoto (1992) and Uchiyama (1999)

CONCLUSION

CONCLUSION

- Advantages of the succession by non-family members
 - 1) starting farming with large land
 - 2) counting on the predecessor's farm machinery and other equipment
 - 3) gaining skills and knowledge from the predecessor
 - 4) allowing the successor to be recognized and admitted smoothly by the community.
- Especially when a company (LLC) is established for smooth succession,
 - 1) the successor can acquire assets without investment
 - 2) the successor can earn from farming readily and become a full-time farmer.

CONCLUSION

- Challenges in the succession by non-family members
- 1) the matching between the successor and the predecessor is critically important.
 - In *Kaminaka Nougakusya*, its staff members can give effective and timely advices.
- 2) the predecessor has to take care of the entire process to inherit non-material / intangible assets to the successor.
 - Knowledge management and using ICT could be highly valuable.

Thank you for your kind attention

