



TPP and Agricultural Reform under the Abe Administration

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Last September 15 and 16 Japanese Professor Masayoshi Honma, a world famous agricultural economist, delivered his lecture on the “Trans-Pacific Partnership (TPP) Under the Abe Administration” at Taiwan’s Council of Agriculture and the Department of Agricultural Economics, National Taiwan University.

Dr. Honma is a Professor of the graduate school of agricultural sciences, University of Tokyo in Japan and is a consultant of Prime Minister Shinzo Abe, especially on matters concerning agriculture and economic trade. TPP, as Professor Honma explains, is a new stage of Free trade Agreement in this age of globalization, and as more countries are getting into this partnership, everyone is curious as to how Japan is getting itself involved. Professor Honma’s lecture was organized by FFTC, Department of Agricultural Economics, NTU and the Council of Agriculture, Executive Yuan.

Below is the complete text of his lecture.

Thank you very much for inviting me. I am very honored to be here to talk about some current issues regarding Japanese agriculture, and the current situation of the TPP negotiations. I love Taiwan. Every time I come here, I always enjoy my stay here, whether it be giving a seminar or going on leisure trips because I have many friends here.

Now let’s talk about TPP under the Abe administration—a topic that you are all interested in. The TPP for Japan, I’d like to address first. The TPP is one of the Free Trade Agreements or FTAs but beyond the traditional FTAs. It is like a new stage of FTA in this age of globalization. Now, why does Japan need TPP? First is to reduce export barriers and to escape from the long-term economic stagnation. As you may know, Japan is under recess for the past 20 years. So we need to get rid of that situation and exports are very important for that. I will say not only the exports but also other important things a little bit later. When we say traditional FTAs, it is mostly to eliminate trade barriers. But beyond that, we need to liberalize other aspects of economic conditions.

But as far as trade is concerned, we need to export more for economic growth. Right now, we are very much behind South Korea especially in trade liberalization, and also FTAs. So we need to catch up with Korea. That is the first motivation for Japan to promote TPP.

Another is, as growth strategy, to make common rules for promotion of investments. Also important is trade facilitation. It means to make trade easier beyond tariff reduction, from administration to quarantine to processing and so on.

Trend of GDP in China

As far as China is concerned, Japan and US have some common strategy in dealing with China. China has different values and standards in investment procedures when compared to other countries in the world. We suffer from some bad attitude of China. There are some selfish economic policies, such as resource export ban, investment restrictions, state-owned firms in Mainland China. So we should establish some international rules to which we can invite China to follow. This is important for establishing TPP. TPP is important also to strengthen Japanese agriculture. Of course reduction or elimination of tariffs for agricultural goods is very serious. It would damage Japanese agriculture in the short term but it could be the triggering point for structural reform. TPP can deal with subjects that would be very difficult in case of bilateral negotiations. For example, on food safety and some safety standards, if we discuss in bilateral conditions like US-Japan negotiations, the US would enforce some loose standards. But in the case of TPP, that is a multilateral framework, we can cooperate with other countries like Australia and New Zealand, which also have very strict standards for food safety, etc.

The multilateral framework is very important in getting some harmonized standards.

This is a figure of the GDP—the trend of China, Japan and the US. While Japan is facing stagnant economy over the last 20 years, this figure is very shocking because we had it in mind the economic recess for 20 years, but this figure dramatically shows the reality. The United States is growing and China is catching up beyond the Japanese economy, but we are staying at the same level as we were 20 years ago. So we should escape from this situation.

The TPP Negotiations

Now we go to the present stage of TPP negotiations and its future prospects. When President Obama visited Japan last April, many Japanese expected much progress of TPP negotiations with the discussions of President Obama with the Japanese government. But in reality, nothing happened. At that time, Obama has no room to compromise with Japan on the base of reduction of agricultural tariffs. If the positive tariffs were left after the negotiations, Obama would be criticized because the US Congress and US business people are asking Japan not only to reduce but to eliminate tariffs. So, if positive tariffs, say for beef and pork, are maintained, it would be considered much compromised. And the Congress would not accept such a compromise. And still, Obama's administration does not have the Trade Promotion Authority or TPA that is for the President to be authorized by the Congress to negotiate trade issues. The Congress has to decide to accept or not the whole contents of the agreement. That is the procedure in the United States in order for Congress to accept the agreement that the President made. Now this TPA is not given to President Obama.

Under these conditions, Obama did not have any room for compromise, so we could not expect any progress and that is the reality as of April this year. But it was found in the

negotiations between Japan and the United States that the arguments were in a package instead of tariff reductions on commodity basis like rice, beef and so on. It became a package of combinations of degree of tariff reductions and time of implementation periods. This means that if a tariff reduction is large, then the implementation period would be longer. Implementation period means a time to take for a tariff reduction or elimination. If the tariff reduction is very large, then the country would take longer time. The US committed that the automobile tariff reduction would take 20 years or more, and maybe there is no reduction for 19 years. But in the final year, the 20th year, they would reduce or eliminate the tariffs at once.

And then there's some discussion on the levels of reduction and length of implementation. So the combination would matter or would be found in two-country negotiations between Japan and the US. So now, tariffs for rice have been considered exempted from tariff elimination, also wheat, barley—those would be exempted. That's my judgment and not a government announcement. What would matter are beef and pork. The discussions in April and May talked about issues on tariff reduction on beef and pork. In particular the FTA with Australia, beef became the matter. We already made a commitment to reduce the tariff for beef, so Australia would have an advantage over the United States because Australia would export at a lower tariffs of beef to Japan compared to the US. In this case, the US would be rushing to an agreement regarding beef but still, there is no room for Obama to compromise.

Of course the US is willing to make an agreement with positive tariffs but that would not be admitted without the TPA. Japan had negotiations with EU for FTAs. The number of our country partners in the FTA is increasing but the contents of the FTAs are quite different between the TPP and other FTAs.

The importance of TPP is communalization of competitive conditions, especially the application of most favored nations treatment and national treatment to investment beyond abolition of tariffs. What I mean here is the core of TPP is the liberalization of capital. Liberalization of trade in goods and services were already made in GATT negotiations which were already in place for the past 50 years.

The next is liberalization of money or capital for business. I think this is the most important to recognize. The TPP is a negotiation mostly for investment.

Most favored nation treatment is a very basic principle for WTO or GATT. That is the established platform for trade of goods and services. This means we should not discriminate the members of the FTA or all the members of the WTO. They should be treated equally. So once we make an agreement with US, the contents would also be applied to Australia or any other member countries as well. This is the most favored nation treatment.

On the other hand, the national treatment means we should not discriminate the foreign products once it enters the domestic market. This kind of principle should be applied to capital—money. Sometimes we say that capital or money is quite different from goods and services. That means that money is rapidly moving from country to country. Just like in the case of oil money as investment. So the investment and capital movement are quite different from the case of goods and services. But TPP and globalization need some liberalization of capital so we should establish the common rules.

Communalization means the common basis for rules. So we should have common rule and common institutions to treat the movement of capital for investments. This is the key issue of TPP. But on the other hand, for agricultural products, we still have very high tariff rates and in a sense the agricultural sector is a front-runner of the delay in globalization. It looks like a front-runner but it is also much behind in meeting the conditions for liberalization.

In the bilateral negotiations between US and Japan, the US is committed to take 20 years of tariff elimination for automobiles. Tariffs are just 2.5% for the regular class and 25% for trucks. Twenty-five percent is large, but 2.5% is a very small as a tariff. Exchange rate changes take over the difference. But still, the US insists and sticks to the tariff of 2.5% for automobiles. And they say it would take 20 years. So I would say, why not the same for Japanese agricultural products? So this is the commitment between US and Japan in the bilateral negotiations, and I think this is a US weak point. As I said, if the US takes 20 years, why not for Japanese agricultural products?

If it can take 20 years to implement tariff elimination, it would take enough time for structural reform domestically. If we have 20 years, then the tariff rate for rice would be maintained at Y170 per kilogram even 10 years later. That is very high. Now it's Y341 per kilogram—that's the tariff for rice. After 10 years it would be half of that, but still very high tariff rate for rice. There would be no imports with this high level of tariff on rice. So we could take 10 or 12 years for domestic reform on rice. That would be enough. Of course some oppositions would say it's not a long time and 10 or 12 years is very short, and it's impossible to do reform. If we cannot do reform in 10 years, we would never do reform in rice farming. So 10 years is a very important period. We should all be rushing to reform in that sense.

TPP is quite different from the traditional FTAs. RCEP is a moderate FTA compared with TPP. However, all these FTAs and some international frameworks for liberalization is just a step for further globalization and also this kind of negotiations of rule-making and communization would be leading to promote the WTO negotiations as well.

Tariff lines

Japanese agriculture tariffs, on the average are relatively low. The OECD estimates that the average is just 12% for Japanese tariff. However we have a small number of items with very high level of tariffs. For example, rice, the actual tariff is Y341, and it's about 800% high in *ad valorem* tariff equivalent. Wheat and barley and skimmed milk are about 300%, and starch, about 600% and so on. These are called the sensitive commodities, or politically sensitive ones so Japan is requesting to eliminate these products from the list of tariff abolition in the TPP negotiations.

On the other hand, these are the number of tariff lines in the table. Rice is not considered a single commodity on the tariff lines. Rice is classified into 58 tariff lines. We have paddy rice, brown rice, "broken" rice and so on. We also have some rice products. They are classified into 58 tariff lines for rice: Wheat and barley; 109; beef and pork, each about 50; sugar, 81; dairy products, 188; starch, 50. All these, from starch to rice are considered very sensitive—these five items. Beef and pork would be in one item. Sugar and starch are also in one. Starch would be used for some sweets, so it is considered as same as sugar in a group. Sum of these tariff lines is 586. It is 6.5% of the total tariff lines. So liberalization would be only 93.5%. Japan is supposed to liberalize 95% at least of the tariff lines but we couldn't reach it if we exclude all these five items. From the initiation, we could not protect all of the five items if we commit 95% of the liberalization in tariff lines.

The matter for negotiations would be beef and pork. These would be the target items for reducing the tariff and elimination. And on rice, wheat and barley, as far as the US is concerned, they are not interested in these commodities because they do not have the competitiveness. In the case of rice, maybe Vietnam would increase the exports to Japan. But in the case of rice, we give

the US 50% of share in minimum access imports. This is the commitment of the Uruguay Round agreement on agriculture. We are now importing about 800,000 tons of rice as minimum access. Half of them are imported from the United States. It's a kind of managed trade. It is not reserved in competition because minimum access is imported in state trading. State trading means the government of Japan could assign the amount of rice to import to each exporting countries. So China and Vietnam are always complaining the share of the United States in Japan. It's another side of the competition and a political assignment.

So the US would like to maintain that share. My guessing is that US and Japan might have had an agreement on rice to expand that minimum access for TPP. If it would be 200,000 to 300,000 tons assigned to the US, it would be better for the US than totally liberalized rice market in Japan. In the case of wheat, the most competitive exporter is Canada. And the US is not really strong, and also the share of imported feeds is very stable among US, Canada, Argentina and Australia. It's also the result of state trading. In Japan, the government would purchase wheat and then sell wheat to the users. It's like a managed trade like the case of rice. The matter is beef and pork. Sugar would be exempted from tariff elimination because US is protecting sugar.

Abenomics

Now let's talk about Abenomics. Derived from the name of our current Prime Minister, this is the Economics of his administration. As far as agriculture is concerned it should be aggressive agriculture, forestry and fisheries. And last year, Prime Minister Abe mentioned four points for his agricultural reforms. One is making exports double in agriculture, forestry and fishery products by 2020. Now we have about 500 billion yen in exports, not only in agricultural exports, but also some other activities related to primary industries. It should be up to 1 trillion yen by 2020. And also the expansion of the 6th industrialization market is expected. It means agriculture should have more value-added including the activities of the secondary and tertiary industries. Not only processing, rice and vegetables are also making value in marketing to the retail outlets. Actually, it's not only in retail outlets but also cooking of foods in the restaurants. If farmers have their restaurants where they can cook their own products, it would be the 6th industry. This is a concept that is currently very popular and utilized to promote agriculture in Japan. The government will fund for that so the farmers can cooperate with agricultural corporations for joint ventures then additional capital would be provided by the government funds.

Also, there is a foundation of the farmland consolidation bank. This is a kind of promotion of rental market for farmland. In this system, each prefecture has its own farmland consolidation bank and they collect unused farmland whose owners would like to lease. The bank consolidates the land collected and list some candidates for very large operations. This is the system. Just last year, the government started this and we expect that the size of farm operation would be enlarged. This is related to income doubling, not only in exports but also doubling the incomes in the rural areas. After the reform, the number of farmers would be reduced, and the average income for farmers would be doubled. So not all farmers would be benefitted but only some selected farmers. Then with 80% of farmland covered with core farmers and more efficient distribution of farm inputs, the cost of rice production is supposed to be reduced by 40%. That's the expectation of the government.

But the reality is that in agriculture, about three trillion yen has been lost for the past 20 years. Particularly for rice, the production value share was reduced by about 20%. Since 1990s there

was really a downward trend. During the past 20 years, there was no reduction of tariffs or trade barriers. In 1995, we started the commitment for WTO, but most of the tariffs were very high, so there was no effect on world trade.

Agricultural exports

In terms of exports, government tried to double its exports and targeted 2020 to make it double. But processed foods and fishery products are topped in the agricultural exports. Agricultural products like rice, beef and vegetables—the export figures for these were recorded at 55 to 80 billion yen. The destinations for these products were mostly Asia like Hong Kong and Taiwan, etc..

In 2013, it was processed food, which contributed to 27% of the total agricultural exports. Other products like livestock and vegetables contributed around 8 billion yen. So the processed foods and fishery products are the major contributors to the business. These products are mostly shipped in different parts of Asia.

According to Japan's Ministry of Agriculture, we say that we have three strategies of farm exports. And we call this the FBI strategy. It means From Japan, By Japan, and In Japan. Made from Japan means the materials are made in Japan but with collaborations in foreign countries' companies and restaurants as well whose food materials are from Japan. Made in Japan means the traditional exports. The products are made in Japan and are exported to other countries. Made by Japan means the Japanese are going abroad to produce the products. This does not only include production but also some food businesses, which are developed in foreign countries. This strategy makes use of Japanese human capital and knowledge in agriculture abroad. So this combination is used to promote export of Japanese agricultural products.

If we look at the future market, particularly for meat and cereals—for cereals, the forecast in year 2021 is not much in Asia but in China. Not really much increase, but in the case of meat consumption, Asia would increase by about 30% of its market. In terms of China, that's a 137% increases expected. India is about 50% expected increase, but the basic consumption is very small so it's very hard to increase meat consumption by 7 kilograms per year per person. So, the target here is China, particularly for meat consumption. This is not only in terms of Chinese food style. Japan has an opportunity to export Japanese type of beef and pork. This means we should investigate more about China market.

Abe's regulatory reforms

There are three main points in Abe Administration's Regulatory Reforms in agriculture. First is the re-examination of the agricultural committee. This is the authority for land transactions and the land market. So the recommendation is to change the role of the Agriculture Committee from the guardian of the Agricultural land Law to be a manager to prevent abandoned farmland and to apply the restrict ban on conversion of farmland to non-agricultural uses. Agricultural committee is strongly related to the agricultural land law. It used to have a very strong role to control the shift of producing rice from one to another. But it's relatively liberalized through the law. Most of the land transaction does not use the agricultural land law but they utilize the so-called by-pass institution. So the role of the agricultural committee is changing. The management would focus on abandoned farmlands, and that would be increasing a lot—around 420,000 hectares of abandoned land. We should reduce the abandoned farmlands. We also have a strict

rule for land conversion—farmland to non-agricultural uses. This is the problem. The Agriculture Committee therefore should watch these transactions.

Second, the agricultural production corporations are also related to agricultural land law. Currently, the corporation cannot own the farmland. They can lease the farmland but they cannot own the patches of agricultural land. The exception is agricultural production corporations. Farmers dominantly own them. The non-agriculture people are requesting to liberalize or deregulate this condition to make other companies own farmlands.

Third is the reform of agricultural cooperatives or the so called JA-Zenchu, the Central Union of Agricultural Cooperatives, that is the headquarters of the JA system national leader. And the JA Zenchu has a role to give guidance to individual and local JA and do audit of the individual JA and JA groups. That is one. The second one is the JA-Zen-noh or the National Federation of Trading System of JA. JA Zen-noh should be a corporation rather than cooperative. So it is also a strong message of deregulation. The individual are also recommended to convert banking and insurance business to an agency business.

The JA system

You may not be familiar with the Japanese JA system. It is very strong system in Japan. It practically covers everything in the rural areas. We often call them from cradle to grave because everything can be obtained by JA activities. This is often described as very bureaucratic and a top-down system. For that purpose, it is the three-tier system. At the bottom is the local primary JA, and the prefectural level of the association and national federations by kind of business. The nature of business of JA is threefold. One is trade—just economic transaction. This is the purchasing of fertilizers and chemicals and also the selling of the outputs or products which members have produced. This is the major one. Second is the banking system or the so-called JA Bank. The third one is the insurance. JA handles these three major activities and it's a very huge organization. It's made up of close to 5 million regular members and more than 5 million non-farm members—totaling about 10 million in memberships. But the number of farm households is only 2.5 million. More than the farm households are members of JA. The JAs are given special treatment. Not only JA but also other cooperatives are also given. But JA is much huge compared to other cooperatives. Among the various special treatments is the exception of other business prohibition of a financial institution. Any other banks cannot sell agricultural products. But in the case of JA, it is a bank and they can also sell rice. They also have the exception of the ban on life and non-life insurance operation together in what they call JA Mutual Insurance. There is also the inapplicability of the Anti-Trust law for the joint procurement or the pooling account. Also the corporate tax is lower than regular corporations.

The shares of JA in trade are shown in the figure. There is rice, vegetables, fruits, flowers and so on. Now these are the shares of production in the Japanese market. Rice is about 40%, reduced from 80%, but it's still more than 40% share. The share in total agricultural transaction is more than half for JA. In terms of the structure of JA, the number of primary local JAs is more than 700 here, but it reduced rapidly because of the merges one to another. It used to be more than 10,000 cooperatives but is now also reduced to only 700. The number of members is about 10 million. Now the new non-regular members are exceeding the regular members.

Sales value is recorded at 4 trillion yen. But the purchasing value—that means the purchase of fertilizer, chemicals and farm machineries is two trillion yen, that's a huge number. But agriculture trade as a business is in deficit. The black triangle sign means negative. JA bank as a

business is making profit, but the trading production activities are in deficit. This deficit is offset by the profits. In total, they are making positive profit. The problem is agricultural trade, that is the major activity of JA. Banking and insurance are not their major business in a sense but other business nowadays is now considered major. JA should concentrate on trading business to make agriculture more efficient among the farm members. So we used to insist that the accounting system should be independent each among the JA business.

JA issues and institutional reforms

Let me say in detail what JA is, especially its relations to agricultural policy. We have had long-term rice acreage control program. It started in 1970. At that time, we already faced overproduction compared with consumption. Consumption of rice started decreasing in 1962 and it appeared that we had overproduction of rice in the late 1960s so the government introduced the rice production acreage control first. It was considered a temporary policy but it lasted more than 40 years now. It was very beneficial for the JA. The price was maintained higher than an equilibrium price, so that the small rice farmers could continue to do farming. So the small farmers are very important for JA because the number is a symbol of the political farmers. So the reduction of acreage control made the price higher than the equilibrium, which was very beneficial to the JA.

For the part-time farmers, JA was very convenient. They do marketing for small-part-time farmers. Since they do not have time to do marketing and do research on their markets. They just hand their products to JA. They receive farm inputs from JA regardless of price of fertilizers, chemicals, etc. JA just carried them into the yards of their houses. It was very convenient for small farmers. So JA has an interest to maintain the number of small, part-time farmers. For the purpose of rice production control, this is very important. Also important is nationwide organization initiatives. That used to be working but nowadays, it's quite troublesome for individual local JAs because it's a top-down order. So the individual JA should follow this bureaucracy. And individual JAs should take advantage of the local resources efficiently because it is under competition. Even now with globalization, the local JAs should have their own strategy. But sometimes, it's conflicting with the top-down JA order.

JA covers all areas in the nation. So any commodity produced in Japan is considered important. There is no compromise in TPP negotiations. The cooperatives themselves are considered groups that have mutual interests and make some common or mutual transaction activities. But in Japan JA is just like a bureaucracy. The JA organizations are in a pyramidal structure. Also, the non-farmers are the major users of the JA Banks and JA Insurance, but most of them are not really interested in agriculture. Sometimes, JA Banks are just conveniently located near their homes, and JA insurance covers everything so it's very easy to use. It used to be that the users of trade, banks and insurance were all farmers. But nowadays they are split. The users of trade are getting few because the number of farmers is decreasing. But the users of banks and insurance are increasing so there would be some conflict among the users. The deficit of transaction or trade would be fulfilled by the profit of JA Bank and JA Insurance. If you were a member or user of the JA bank, you would be able to receive more interest, especially if they don't transfer the profit to the trading division that suffers from deficits. But the purpose of the JA, given the interest of the farmers, is that JA acts as a cooperative and a Union for farmers. This kind of characteristics would be fading. And also JA Central Union Organization conducts auditing. We made it a point that an outside accountant should conduct auditing.

Now, there should be an introduction of activities to spur competition among cooperatives.

The Regulatory Reform Council's final report and is compared with the initial draft, the very radical recommendations on the right hand side. It's dated May 14 but it's revised with consultation from the ruling party LDP, which is also supported by farmers' groups.

Sometimes, it's difficult for foreigners to understand the recommendation. It is recommended to change the Central Union of Agricultural Cooperatives, JA-Zenchu Headquarters. That's the top of the administration of JA. They have a role to give guidance and do audit. But nowadays the individual local JA should be more independent. From the Central Union of Central Cooperatives, the JA-Zenchu shifted to a new autonomous system after preparing the suitable transition period of reference. So this is the first recommendation of the Council of Regulatory Reform.

The second recommendation is about JA Zen-noh. It is the Federation of individual local JA for trading activities. But it is recommended that JA Zen-noh shall be converted into an incorporated company. Why is this necessary? It is because each JA has only one voting right to control JA Zen-noh. It's a shift to a stock company. Individual cooperatives would be big shareholders of JA Zen-noh. They could control the Zen-noh as a trading company. So to recover the power of the local JA, Zen-noh's shift to cooperation is necessary. That we consider. Also this is a device to end the exemption of the application of the Anti-Trust Law. More than half of the agricultural transactions come from JA, particularly Zen-noh. There should be more competition among agricultural companies, so the exemption of the Anti-Trust law should be eliminated. This is the purpose of this recommendation.

Also, in order that Primary JA may aim at mitigation of unnecessary risks, particularly in banking operation. It is recommended that the business of banking and insurance should be shifted to the agent of the National Federation—this is the Norinchukin Bank and JA Zenkyoren. This could be better for Primary JA to operate.

Possibility of Japan's rice exports

We expect rice to be exported in the future from Japan. Nowadays, the rice sector is very fragile because of the less consolidation of the farmland, and also because the rural society is very conservative, and they refuse new entry from outside agriculture. The quality of Japanese rice is very well recognized, but the problem is just the cost. Nowadays, there are several movements to reduce the cost of rice production.

Rice is the most promising agricultural product if we consider the size of the market in the world. Of course we are exporting some fruits and vegetables and strawberries, but these are niche markets, so we could not expect the expansion of these markets in the world. The most promising is the rice market, and this does not only include Asia. If we produce the long grains, the market will continue to expand—Europe, United States, Latin American and African countries. They are all eating rice.

If the cultivated lands are consolidated, the cost of production would be remarkably reduced. Also we have some new developments to plant directly the paddy rice into the field, particularly dry land and also to utilize machineries for the fields efficiently. We use very slow planting machines, or very slow harvesters. If these technologies are applied, the farmers can produce rice with the cost of 100 yen/kg—equivalent to the US California rice. In consideration of this new development, I expect rice to export in near future.

This is our calculation using the Frontier production function model. This is by the size of the farms. In 0.5 hectares or less, the farmers are producing rice at the cost of 25,000 yen. The selling price is about half, less than 15,000 yen. Why are they producing rice with this high cost? It is because they do have other benefits from producing rice. Maintenance of paddy fields has many fringe benefits such as tax exemptions and expectations of their land to be sold for non-agricultural uses. The reality is that they are producing rice in deficit. Even in large farms with 15 hectares or more, the production cost is still 10,000 yen. But in the frontier—from the actual data, the estimation of the frontier production function, which is kind of a production function shows the cost being about 100 yen per kg, 6000 yen for 60 kg . If more farmers would realize this low cost of production, we can probably export with this rice price.

And the second aspect of Japanese agriculture in the future is known as the food cluster. This is the non-rice sector, particularly vegetables, fruits and even the livestock sector. This is the base in which companies, universities, research institutes are consolidated geographically and working in a coordinated fashion to create new value-added and innovative ways through mutual cooperation and competition. You can imagine the place like Silicon valley, where people can concentrate on research and develop new products. So this kind of base or cluster should be created in some place in Japan.

Important are the measures for the endogenous economic development by cooperating with research institutions and processing food companies and some marketing business together.

Development of the Netherlands food valley

The food cluster is very famous in the Netherlands, in Wageningen University. It started relatively recent about 20 years ago. It was collaboration between the University and the food research institute. Then the research work was published and famous food companies collaborated each other and did more research and developed more food products. In their third term, they collaborated with 1500 companies with 15,000 researchers with a area of radius of 30 km.

The possibility of having a food valley in Japan has been promoted in several places, not on the national level but in the prefecture level. Niigata prefecture, Kamamoto prefecture, Hokkaido prefecture—these prefectures have their own ideas of how they are going to develop their own food valleys. Especially Niigata prefecture has its own National Strategic Economic Zone, so they are trying to develop their food valley with their own specific conditions.

Finally, I have to summarize my own ideas for further development of Japanese agriculture. First is establishing agriculture independent of subsidies, farmers should stand on their own feet for their own businesses. We have a long history of subsidies and protection for agriculture. But there is no industry to develop well with protection. That's why agriculture should be independent from subsidies. Of course there are some subsidies needed for direct payment for handicapped areas, but not to all the farmers. There should be conditions to support farmers for some food security purposes or condition for production base.

Regional agricultural administration should know the advantage of their agriculture. So local administration should promote plans and measures made by farmers of the area. There should also be collaboration of farmers with non-agricultural companies. Through the 6th industrialization movement, there are many companies, together with the farmers creating new business—it's new business but it should be promoted more, like the strategic economic zones in Niigata.

Three types of agriculture should be developed. Not uniform type of agriculture, but more of taking advantage of their unique regional resources. There should be the development of Japanese business model for agriculture. I thought of three types depending on the area. One is food-based agriculture. This is traditional, efficient, large farm size operation particularly in Hokkaido. The second is the cluster type of agriculture—the food valley like in the Netherlands. These could be in Niigata, Hokkaido or Komo Moto. And the third one is the service of value-added agriculture. Not only the final products of agriculture but also the process of production could be an industry. Of course very high quality of products is important, but the value added should be created in the course of production. What I mean is the agricultural experts could teach how to produce very tasty products like very high quality cabbage and so on. Just like in learning centers, many people would like to go and learn and won't mind paying. We have a school type of farming system. This is very famous inside Tokyo. They are teaching the proper way of growing vegetables and the tuition is about 40,000 yen for three months. It's very expensive but still, the list of applicants is very long. This is very applicable to elder farmers. They are very skilled and know the proper techniques and know-how to produce good agricultural products. So we should take utilize and take advantage of this resources before they pass away.

Agriculture is a very important resource in the rural area and its revitalization should be prioritized, but farmers do not know how to utilize agricultural resources. They have some ideas which they learn in exhibits of agri machineries and so on. But leadership is very important, and so is the export market. Farmers should learn how to market their agricultural products to the world. In Japan, we have good resources for that. We have companies like Mitsubishi and other successful trading companies. Finally, if rice could cut on its production costs, then it can be developed into an export industry. I have more hope than before because of this new development.

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