

An outlook on Japanese farm households

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1. Definition of a farm household

A farm household is a typical unit of farming in Japan. The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) defines a farm household as “a household engaged in farming and managing cultivated land of 10 ares or more, or earning more than 150,000 yen.”

Conducting field surveys on farm households, however, poses practical problems. For example, while some farm households grow potted flowering plants as agricultural products, many ordinary families also grow potted flowering plants as a hobby. In theory, if those ordinary households receive more than 150,000 yen by selling their flowering plants, they should be recognized as farm households. In reality, however, it is very difficult for MAFF to access and verify such cases.

In addition, the definition of “managing” is controversial. Let us consider the following two cases. In the first example, a farmland owner rents his entire farmland to somebody else. In the second example, a farmland owner asks somebody else to perform all farming operations (i.e., from seeding to harvesting). In theory, the landowner’s household is recognized as the farm household in the second case, but not in the first case (note that consigning a farming operation is recognized as a part of “management” according to MAFF’s definition). In practice, however, it is hard to distinguish between the two cases. As such, the demarcation between management and other cases is sometimes difficult.

In spite of these problems, MAFF conducts a census survey on farm households every five years in February and publishes its results in the Census of Agriculture and Forestry.

2. Classification of farm households by type of business

There are various types of farm households. In particular, the distinction between “commercial farm households” and “noncommercial households” allows one to observe the structure of Japanese agriculture.

A commercial farm household is defined as “a farm household managing cultivated land of 30 ares or more or one earning more than 500,000 yen per year from sales of agricultural products.” A farm household that does not satisfy this condition is classified as a noncommercial farm household.

There are three types of commercial farm households. The first is the “business farm household,” with the main source of income (50% or more) being farming and which has at least one family member under the age of 65 who is engaged in self-employment farming for more than 60 days a year. The second is the “semi-business farm household,” with the main source of income (50% or more) derived from activities other than agriculture and which has at least one family member under the age of 65 who is engaged in self-employment farming for more than 60 days a year. The last type is the “side-business farm household,” which does not have any members under the age of 65 engaged in self-employment farming for more than 60 days a year (i.e., commercial farm households other than business and semi-business farm households).

Table 1 Number of farm households by types of business							(1,000 households)
Year	Total	Farm household			Non-commercial farm household		non-farm household possessing cultivated land
		Business farm household	Semi-business farm household	Side-business farm household	Non-commercial farm household		
1990	3,835	820	954	1,196	864	775	
1995	3,444	678	695	1,279	792	906	
2000	3,120	500	599	1,237	783	1,097	
2005	2,848	429	443	1,091	885	1,201	
2010	2,528	360	389	883	897	1,374	

Source: Census of Agriculture and Forestry

The numbers of farm households by type of business are shown in Table 1. Note that the majority of farm households do not rely mainly on farm income. In addition, the numbers of both business and semi-business farm households have been decreasing over time. The number of side-business farm households increased from 1990 to 1995 and decreased thereafter. The number of noncommercial farm households decreased until 2000 and increased thereafter.

In Japan, a significant number of nonfarm households possess farmland, which is either rented to tenant farmers or left idle. Statistically, they are called “nonfarm households possessing cultivated land.” Such a household is defined as “a household other than a farm household possessing 5 ares or more and cultivated land, abandoned and otherwise.” MAFF conducts field surveys of nonfarm households possessing cultivated land and publishes the results in the Census of Agriculture and Forestry (see the last column of Table 1).

In principle, the Agricultural Land Law does not allow nonfarm households to purchase farmland. The Agricultural Land Law, however, imposes no regulations on inheritance. The inheritance tax on farmland is generally quite low. Thus, an overwhelming majority of descendants of farmers prefer to inherit farmland ownership from their parents even if they are not interested in farming. This is mainly why a large number of nonfarm households own farmland, as shown in Table 1.

It is widely known that many nonfarm households possessing cultivated land do not live in rural areas and it is hard for MAFF to access them during the field surveys. Thus, it would be safe to assume that the number of nonfarm households possessing cultivated land are in fact underreported in the Census of Agriculture and Forestry and that this the gap continues to grow. Thus, it is expected that the actual number of nonfarm households possessing cultivated land would keep increasing at a faster rate than what was shown in Table 1.

3. Classification of farm households by full-time and part-time status

Another popular way to classify farm households is as per their full-time or part-time status. A full-time farm household is defined as “a farm household without family members who are part-time farmers (persons employed in other work for more than 30 days a year or self-employed persons running non-agricultural businesses).” A part-time farm household is defined as “a farm household with one or more family members who are part-time farmers.” Part-time farm households are further classified into two types: “type I part-time farm household” and “type II part-time farm household.” The former is defined as “a part-time farm household gaining more income from farming than from other work.” A type II farm

household is defined as “a part-time farm household gaining more income from work other than farming.”

Table 2		Number of farm households by income				
						(1,000 households)
		Commercial farm household				
Year	Total	Full-time farm household	Part-time farm household			
			Type I	Type II		
1990	2,971	473	521	1,977		
1995	2,651	428	498	1,725		
2000	2,337	426	350	1,561		
2005	1,963	443	308	1,212		
2010	1,631	451	225	955		

Source: Census of Agriculture and Forestry

However, this classification is problematic in the treatment of farm households comprising old people. If they do not have off-farm income, they are classified as full-time farm households, even if their farm income is extremely low. In fact, such cases have been increasing according to the demographic movement of young laborers from rural to urban areas. Thus, MAFF places more emphasis on the classification of farm households by their “type of business” rather than by “full-time” and “part-time” status. Accordingly, for 1990 and thereafter, for commercial farm households, the Census of Agriculture and Forestry provides data on the number of farm households by full-time and part-time status only. The results are shown in Table 2, which shows that the numbers of both type I and type II part-time farm households have decreased over time. The number of full-time farm households decreased until 2000 and increased thereafter.

4. Agriculture management entities

Farm households contribute the majority share in Japanese agriculture today. Simultaneously, however, new types of enterprises, such as corporations, are becoming increasingly active in the farming business. To capture this new trend, MAFF invented a new term, “agriculture management entities.” This term was first introduced in the 2005 Census of Agriculture and Forestry.

MAFF defines agriculture management entities as “those who perform agricultural operations under consignment agreements, with the land area/number of heads of livestock for their production/operations conforming to one of the following stipulations.

- a. Farming, whereby the cultivated land under management exceeds 30 ares.
- b. Farms where the area under cultivation for agricultural products, the number of feeding livestock or shipped poultry, as well as the size of other operations, exceed the following overall standards for agriculture management entities:
 - Planted area for outdoor grown vegetables: 15 ares
 - Cultivated area for greenhouse grown vegetables: 350 m²

- Cultivated area for fruit trees: 10 ares
- Cultivated area for outdoor grown flowers: 10 ares
- Cultivated area for greenhouse-grown flowers: 250 m²
- Number of milking cows: 1 head
- Number of fattening cattle: 1 head
- Number of pigs: 1 head
- Number of hens: 150 heads
- Number of broiler chickens shipped each year: 1,000 heads
- Others: Total sales of farm products equivalent to 500,000 yen or more during a year

c. Farms operating under consignment agreement.”

Agriculture management entities can be classified into two types depending on the legal title. If the entity possesses a legal title, it is called a “corporate management entity” (including the corporation consisting of one household). If not, it is called a “noncorporate management entity.” Among noncorporate management entities, if a farming operation is conducted as a household (excluding corporations consisting of one household), it is called a “private farm,” which is akin to the traditional style of farming in Japan.

According to the Census of Agriculture and Forestry (2010), there are 1,679,000 of agricultural management entities in Japan. Among them, 1,644,000 are private farms and 22,000 are corporate management entities. This means that the traditional style of farming is still dominant in Japan. Simultaneously, however, it should be noted that corporate management entities are increasing in number, while private farms are decreasing. Namely, corporate management entities increased by 13.0% from 19,000 in 2005, while private farms decreased by 16.8% from 1,976,000 in 2005. This reflects the relaxation of MAFF’s controls over non-agricultural stock companies who want to start farming businesses. Previously, MAFF allowed non-agricultural stock companies to enter the farming business only in areas where the percentage of idle farmland in the total farmland exceeded a certain number. MAFF abolished this restriction in 2009. Further relaxation of MAFF’s controls over non-agricultural stock companies is on the agenda. Thus, the number of corporate management entities is likely to continue increasing in the near future.

Date submitted: July 25, 2013

Reviewed, edited and uploaded: July 31, 2013