

# RECENT TRENDS IN YOUNG PEOPLE'S ENTRY INTO FARMING IN JAPAN: An International Perspective

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# Background

- The characteristics of agriculture in Japan are perhaps more unusual than most other countries in the developed world.
- Three key influences have been responsible for shaping contemporary farming in Japan
  1. Industrial development (competition for labour),
  2. Changing domestic diets (reduction in demand for domestic food supplies) and
  3. An increasingly ageing population.

# The Purpose of the Paper

- 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

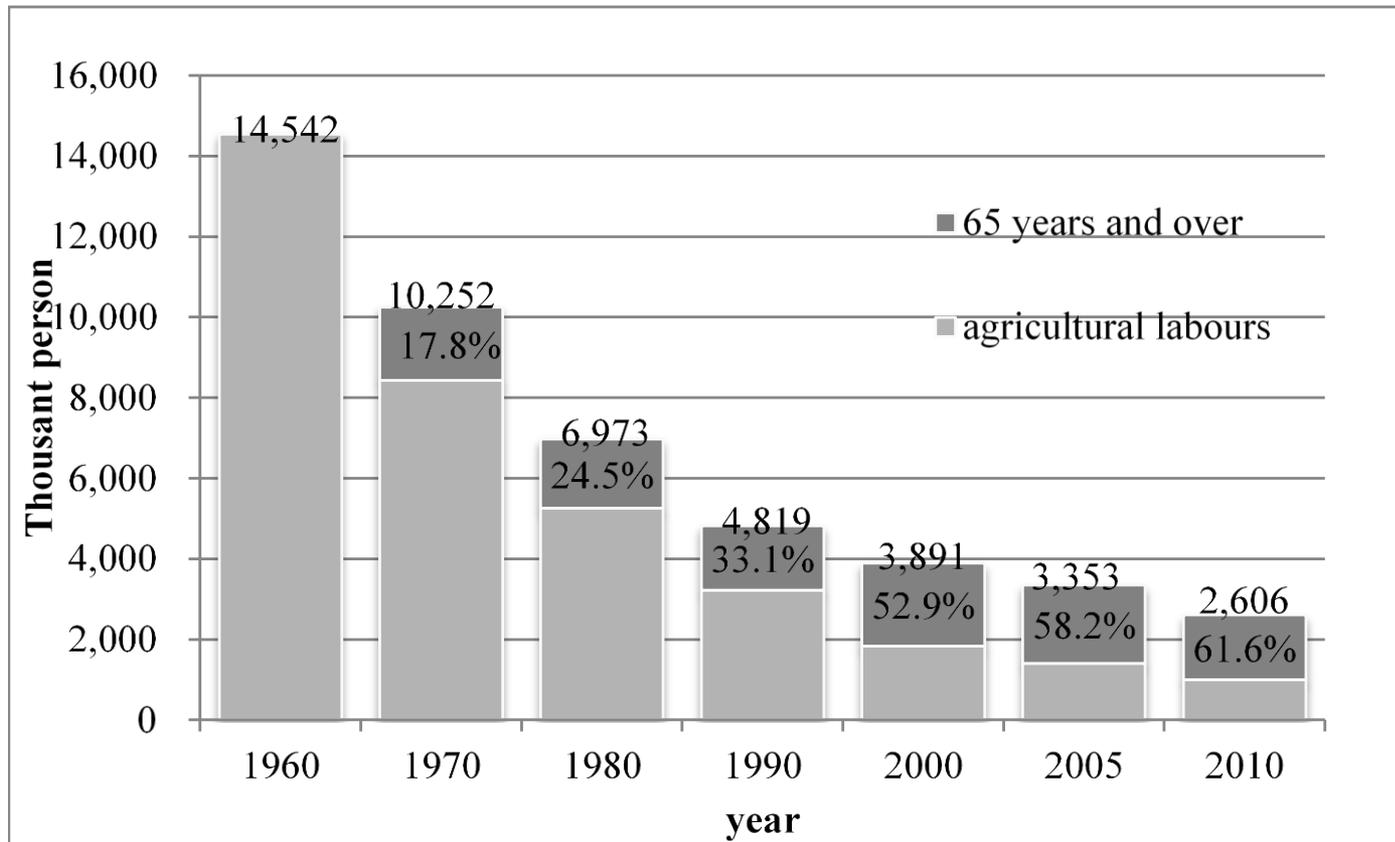
Table 1 Trends in Agriculture in Japan (1960-2010)

	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

# Ageing Problem in Agriculture

Figure 1. Trends in age of agricultural labor in Japan



Source: JMAFF statistics

# 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-farming ('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

# “Abandoned” Farmland

- 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.
- “Disappearing rural settlement”
  - The trend is confirmed by JMAFF estimates (2010) that 386,000 ha of farmland has, thus far, been left abandoned.

# Summary of review of farming in Japan

- Contemporary pressures and practices
- 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

# Statistics of new farmers entry

- ‘Back to home farm’
  - the people who come back to their home farm from non-farming jobs - farmers’ children or retired people.
- ‘New employees’
  - those who are employed by farm businesses for farm work.
- ‘Create new farm’
  - those who begin their own farm business but do not succeed to any farmland by kinship.

# 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. 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	15,030	12,090	29,380	56,500

# Trend of New Entrants

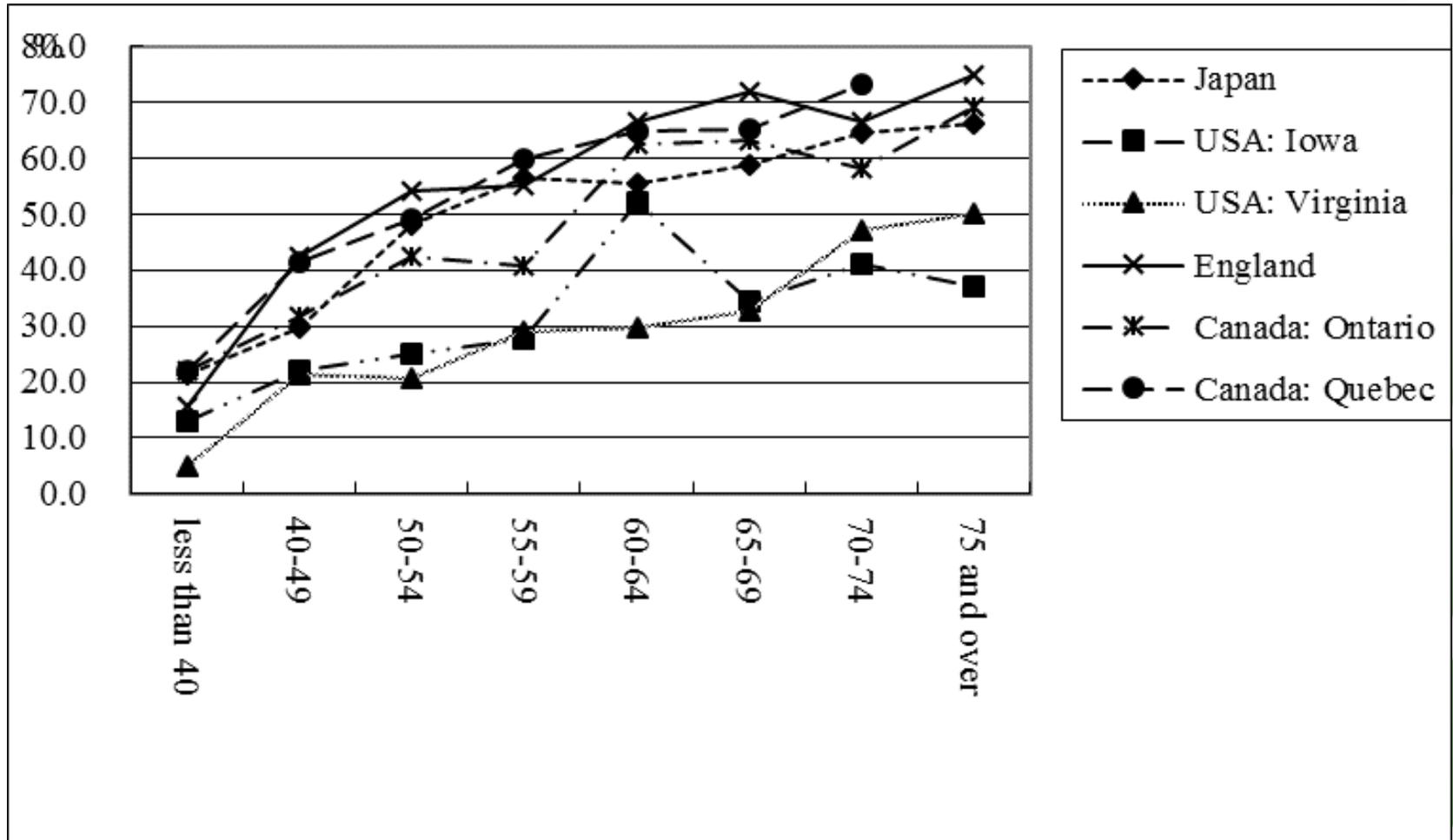
- Most 'new entrants' are 60 years old or older, and their main method of entry is 'back to home farm'.
  - The recent 'new entrants' are usually people who retire from non-farming jobs to begin farming by using their home farmland; hence the Japanese trend to 'retire to farming'.
- Younger people (39 years old or less) tend to be hired by farm businesses or those returning to home farms.

# **CHARACTERISTICS OF FARM SUCCESSION IN JAPAN**

# Farmtransfers

- An international comparative study of farm succession.
- The survey was originated in England.
- Japan replicated the survey in 2001.

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



# Successor Identification

- 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

# 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*

- Farmers in Japan appear as the least likely to retire, with 44.5% indicating that they would never retire.
- The fact that many people become involved in farming after enforced retirement from off-farm jobs 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.

# Government Policies

- 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 (1)

- 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.

# Exemption of farmland transfer and inheritance tax (2)

- To ensure the viability of farm businesses, the government provides exemption for farmland from inheritance tax when one heir inherits the farmland solely.
  - 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.

# Exemption of farmland transfer and inheritance tax (3)

- This rule enables successors to avoid the division of the farm holdings, as long as they are willing to continue farming for a long period.
- This policy does nothing to encourage much needed farm amalgamation.

# Farmers' Pension Scheme (1)

- 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.

# Farmers' Pension Scheme (2)

- The scheme collapsed in 2002 as there were more pension beneficiaries than the successors to pay for the pension payments. (the ageing problem).
- Now 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.
  - The current scheme clearly encourage young people to take up farming.

# Farmers' Pension Scheme (3)

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.

# 'Farm On Japan' (farm succession aid 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.

# Farm-On Japan: Results

- Different approaches to succession.
  - Sale of the property to the beginning farmer
  - Long-term lease agreements
  - Gradual transfers are effected by incorporation.
- In October 2013, of 501 beginning-farmer and 289 landowner registrants,
  - 127 cases were matched for ‘takeover’ training.
    - 37 were cancelled because of disagreement on the conditions.
    - 23 were reported that they had finished the succession process.

# Farm-On Japan: Coordinating Team

- 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 (National Chamber of Agriculture) consider it unwise to leave the matching landowner and the beginning farmer to their own devices.

# Farm-On Japan: the purpose

- To prevent the breaking up and eventual loss of ‘excellent’ farms with no successors, and
- To promote young people who want to become farmers.
- “eligibilities” of the established farmers;
  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.

# Young People Employed by Farms

- 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)”.
  - 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.

# 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.
- It is providing the significant opportunity to people without farm background to get into farming by leasing the farms.
- One of the benefits of the CFEs is that young people can get the “full-set” of farm assets with lower money.
  - The case of the CFEs shows extreme example to provide the opportunity to the young people who want to be farmers.

# CONCLUSION

# Disappearing 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 in Japan.

# Policy measures

- Policy measures have been established by the government in response to this situation.
  - the ‘Farm Succession Aid programme’ (Farm-On)
    - can facilitate farm business continuity and provide opportunities to potential ‘beginning farmers’.
    - 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.

# Long term constraints

- Two potentially long term constraints to future progress exist in Japan.
  1. The structure of farming – the very small holding sizes, insufficient to support a household from farming income alone.
  2. Traditional preferences of farmers for holding farmland for cultural reasons or as property with potential development value.
    - There are undoubted issues relating to performance efficiency and the ultimate constraints to a prospective new entrant.