Farm Expansion and Entry to Farm Business: Experiences in Hokkaido Agriculture

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1. Introduction
   : The two sides of a farm business entity: farm and farmer
2. Trend of Agricultural Policy for Securing Young Farmers
   ✓ Promotion of establishing farm business
   ✓ Is farm business policy effective on securing farmers?
3. Difficulty to Re-joint ‘Farm’ and ’Farmer’
4. New Entrance into Hokkaido Agriculture
   ✓ Farm transfer as a part of major issues Hokkaido agriculture faces
   ✓ Various supports for beginning farmers
5. Conclusion
1. Introduction (1) Decline of Japanese agriculture

- The peak of gross output of agricultural products in Japan was $117 billion in 1984 or $115 billion in 1990, and after then it has dropped down to $85 billion in 2012.
- Such a trend has been caused not only by the fall of agricultural product prices due to the agricultural policy reform oriented to market mechanism, but also by the decline of agricultural production.
- Between 1980 and 2010, total number of farm families decreased from 4,661 thousand to 2,528 thousand, and total acreage of arable farmland decreased from 4,707 thousand ha to 3,191 thousand ha.
### Table 1. Outline of the decline of Japanese agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of farm families</td>
<td>(1,000)</td>
<td>4,661</td>
<td>3,835</td>
<td>3,120</td>
</tr>
<tr>
<td>Commercial farm families</td>
<td>(1,000)</td>
<td>⋯</td>
<td>2,971</td>
<td>2,337</td>
</tr>
<tr>
<td>Total acreage of arable farmland</td>
<td>(1,000 ha)</td>
<td>4,706</td>
<td>4,199</td>
<td>3,734</td>
</tr>
<tr>
<td>Abandoned farmland</td>
<td>(1,000 ha)</td>
<td>123</td>
<td>217</td>
<td>343</td>
</tr>
<tr>
<td>Farmers engaged mainly in farming</td>
<td>(1,000)</td>
<td>4,128</td>
<td>2,927</td>
<td>2,400</td>
</tr>
<tr>
<td>Proportion of 65 year old and older</td>
<td>(%)</td>
<td>27.8</td>
<td>46</td>
<td>66.5</td>
</tr>
<tr>
<td>Average age</td>
<td>(Years old)</td>
<td>⋯</td>
<td>59.6</td>
<td>62.2</td>
</tr>
</tbody>
</table>

* Census of Agriculture
1. Introduction (3) The decrease and aging of farmers’ population

- The background of the decline of agricultural production is the decrease and aging of farmers’ population.
- The population of farmers engaged mainly in farming decreased from 4,128 thousand to 2,051 thousand, and the proportion of 65 years old and over rose from 27.8% up to 74.3% for the same period. The average age is 66.1 years old in 2010.
- Japanese government has been concerned about maintaining a certain number of farm business entities.
1. Introduction (4) Connecting rejuvenation with restructure

It seems appropriate to connect the rejuvenation of farmers’ population with agricultural restructure, because the rejuvenation can be a good opportunity to change social structure and solve problems in general.

I will consider the above by tracing the trend of agricultural policy and local activities for supporting beginning farmers in Hokkaido, and show some points we should think of.
1. Introduction (5) Two sides of farm business entity

- Two sides of farm business entity: ‘farm’ and ‘farmer’
  
  **‘farm’ side issue:**
  How to establish farm business by solution of structural problems such as small and non-profitable farming.

  
  **‘farmer’ side issue:**
  How to secure the population of farmers while the elder generation’s retirement.

- I’ll be looking back upon what kind of concerns the government has had after the 1990s, considering both ‘farm’ side and ‘farmer’ side.
Policy Frame after ‘The New Policy’ in 1992

‘Farm business policy’ started.

Goal: establishing ‘efficient and stable farm business’

Measures: farmland accumulation + stabilizing farm income

Retirement of the elder generation:
recognized as a chance to accelerate restructuring agriculture, rather than worrying about the reduction of farmer population
Attention to the side of ‘farmer’

Loan program targeting new entrants started in 1995. A beginning farmer center was set up in every prefecture as a special organization to manage support programs.

The Basic Law on Food, Agriculture and Rural Areas article 25: "securing and fostering the workforce"

Main context: structural change and establishment of farm business as a basic condition for securing the population of farmers
The proportion of farm families holding a farm successor goes up as farmland acreage becomes large.

But • • •

- The difference between classes is small.
- If focusing on successors engaged mainly in farming, the difference extends, but the proportion of such successors is 45% even in the largest class.
- Many farm families are operating a large farm with no farm successor.

Evidence suggests farm establishment may influence new entrants’ behavior into farming, yet it does not secure enough entrants.
2. Trend of Agricultural Policy for Securing Young Farmers (4)

Fig. 1 Proportion of farm families holding a farm successor (All prefectures but Hokkaido)

*2005 Census of agriculture
It's important to build up the condition of supply side of new entrants separately and run parallel with the policy to establish farm business.

Support policy for beginning farmers started in 1995 is a no-interest loan program, not income support.

Recently government has improved support polices for beginning farmers and the level of support has been raised.

- Promotion of employment by corporate farms since 2008
- Income support program for young beginning farmers since 2012

2. Trend of Agricultural Policy for Securing Young Farmers (5) Income support
Income support program for beginning farmers since 2012

- Targeting young generation who are under 45 years old and entering agriculture
- They can receive $15,000/year $\times$ max 7 years.

Two types of income supports

- Preparation for starting farming type (2 years)
  - Work at the designated farm as a trainee for more than 1,200 hours/year is required.
- Beginning farmers starting farming type (5 years)
  - Have to register with agricultural development plan made by local government.
  - Total income for the precious year must be less $25,000.
2. Trend of Agricultural Policy for Securing Young Farmers (7)

Fig. 2 Entrants supply-curve and income level
Today the amount of financial support to a beginning farmer from the Japanese government may be the highest in the world.

Such combination between the ‘farm’ related policy and the ‘farmer’ related policy, a kind of policy mix, seems effective from the point of view of the flow economy.
3. Difficulty to re-joint ‘farm’ and ‘farmer’ (1)

Flow economy

Farm expansion & income support → Increase of income → Securing ‘farmers’

Stock economy

Farm expansion
→ Increase of farm assets
→ Difficulty of transfer

● Both tangible assets and intangible assets are difficult to transfer
● Making efforts for transferring farm assets can’t not be able to be avoided even in a farm family.
● Improve communication, family agreement, incorporation of farm organization, and so on.
New entry into agriculture is important, when considering a small portion of farm families holding a farm successor.

Transferring farm assets to new entrants is much more difficult than inside of farm family

Nature of the problem

: Excess of farm assets for beginning farmers without background of farm family to take over
4. New entrance into Hokkaido agriculture (1) Where’s Hokkaido?

- Newly developed since the late 19th century
- Historical and agricultural background is different from other prefectures.
4. New entrance into Hokkaido agriculture (2)

Hokkaido agriculture needs new entrants

Farm transfer is more difficult because of large farm size and method of transfer mainly by buying/selling farmland

<table>
<thead>
<tr>
<th></th>
<th>Hokkaido</th>
<th>Other prefectures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of farm families holding a farm successor</td>
<td>31%</td>
<td>60%</td>
</tr>
<tr>
<td>Average acreage of operated farmland</td>
<td>21.4ha</td>
<td>1.4ha</td>
</tr>
<tr>
<td>Proportion of farm families of which sales of farm products are over $100 thousand</td>
<td>56%</td>
<td>6%</td>
</tr>
</tbody>
</table>

By 2010 Census of agriculture
4. New entrance into Hokkaido agriculture (3)

Total number of new entrants into Hokkaido agriculture in the past 8 years (2006 - 2013): 5,162

Those without farm family background: 609 (11.8%)

Total number of new entrants without farm family background in Japan (2006 - 2013): 17,480

The share of Hokkaido is small but most of them are operating not a hobby farm but a farm business.
## 4. New entrance into Hokkaido agriculture (4)

### Table 2. The number of new entrants into Hokkaido agriculture

<table>
<thead>
<tr>
<th>Year of Start of Farming</th>
<th>Rice</th>
<th>Crops</th>
<th>Dairy</th>
<th>Beef Cattle</th>
<th>Vegetable</th>
<th>Floriculture</th>
<th>Poultry/Swine</th>
<th>Orchard</th>
<th>Horse Breeding</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>603</td>
</tr>
<tr>
<td>2013</td>
<td>169</td>
<td>199</td>
<td>125</td>
<td>17</td>
<td>73</td>
<td>4</td>
<td>2</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>603</td>
</tr>
<tr>
<td>Having the background of farm family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start just after finishing school</td>
<td>2013</td>
<td>50</td>
<td>113</td>
<td>49</td>
<td>5</td>
<td>11</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>230</td>
</tr>
<tr>
<td>Start after being engaged in other jobs</td>
<td>2013</td>
<td>114</td>
<td>78</td>
<td>56</td>
<td>10</td>
<td>20</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>285</td>
</tr>
<tr>
<td>No background of farm family</td>
<td>2013</td>
<td>5</td>
<td>8</td>
<td>20</td>
<td>2</td>
<td>42</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>0</td>
<td>88</td>
</tr>
<tr>
<td>No background of farm family</td>
<td>Past 5 years (2009~2013)</td>
<td>25</td>
<td>34</td>
<td>95</td>
<td>13</td>
<td>160</td>
<td>16</td>
<td>4</td>
<td>22</td>
<td>0</td>
<td>386</td>
</tr>
<tr>
<td>1970~2013</td>
<td>72</td>
<td>165</td>
<td>588</td>
<td>96</td>
<td>462</td>
<td>108</td>
<td>43</td>
<td>110</td>
<td>36</td>
<td>83</td>
<td>1,763</td>
</tr>
</tbody>
</table>

*New entrants into agriculture survey, Department of agricultural policy, Hokkaido prefectural government.*

The largest portion of new entrants without the background of farm family used be those entering dairy farming, but recently those into vegetable farming have been increasing.
Hokkaido agriculture has faced farm transfer problem from early time. Various measures has been taken in many areas to solve the difficulty a new entrant faced.

4. New entrance into Hokkaido agriculture (5) Various measures to support BF.

<table>
<thead>
<tr>
<th>Support for acquiring tangible assets</th>
<th>Support for acquiring intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide an opportunity to acquire basic technology and management skill</td>
<td></td>
</tr>
<tr>
<td>• in a farm run by the organization</td>
<td></td>
</tr>
<tr>
<td>• by farmers</td>
<td></td>
</tr>
<tr>
<td>• at the Hokkaido prefectural college of agriculture</td>
<td></td>
</tr>
<tr>
<td>Provide an accommodation support for a house rent</td>
<td></td>
</tr>
<tr>
<td>Pay compensation for training</td>
<td></td>
</tr>
<tr>
<td>• to a trainee</td>
<td></td>
</tr>
<tr>
<td>• to a trainer</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support for acquiring tangible assets</th>
<th>Assist to purchase/rent farmland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide subsidy</td>
<td></td>
</tr>
<tr>
<td>• for acquiring fixed assets</td>
<td></td>
</tr>
<tr>
<td>• for paying loan interest</td>
<td></td>
</tr>
<tr>
<td>• for paying farmland rent</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support after starting farm business</th>
<th>Provide subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• for purchasing/refoming a house</td>
<td></td>
</tr>
<tr>
<td>• for making economic status stable</td>
<td></td>
</tr>
</tbody>
</table>
4. New entrance into Hokkaido agriculture (6) types of support for BF

- Downsizing
  - Choice of crop: vegetable/floriculture
  - Leasing farmland/machinery, Contract farming

- Standardizing
  - Training farm
  - Production supplies/technology/sale methods/financing

Risk of farm business failure

Table 4. Types of new entry to agriculture

<table>
<thead>
<tr>
<th>Style of farm business</th>
<th>Farm assets</th>
<th>Farm assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Standardized</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Not standardized</td>
<td>C</td>
<td>D</td>
</tr>
</tbody>
</table>

- Low risk
- Small support
- High risk
- Large support
4. New entrance into Hokkaido agriculture (7)

Case D: Large asset and Not standardized  
→ Large risk of business collapse
Paddy farming + other crops and vegetable ･･･ Difficult to be standardized

Farm transfer to non-related person like parent to child
- Transferring both tangible asset and intangible asset by the cooperation for several years
- How to make the relationship between farm owner and successor stable is important.

Incorporation of farm business organization
- Young generation can enter into agriculture as an employee without capital investment.
- They can raise up status to a manager and an owner in a farm gradually.
- Incorporation may be useful to carry out farm transfer between non-related parties to make the relationship stable.
Thank you for listening.