

Agricultural Policy: Supporting the New Developments in Japan's Agriculture

Masayoshi Honma

Abstract Japan's agriculture is changing both in the field and in policy terms. The first change is the development of new farm activities and a system of distribution of agricultural products, and the other is the breaking up of the "iron triangle" which has been the foundation of Japan's agricultural policy to date.

In the field, managers practicing advanced agricultural management are beginning to appear. But the creation of food value chains based on "market in" strategies is lagging behind, and is being impeded by Japan's distribution system.

Japan's Agricultural Cooperatives (JAs) are the institutions behind the distribution problems. The Abe administration is working to break up the "iron triangle" which includes JAs, but the process is still underway. Further reform is desirable.

Keywords Agricultural policy • Food chain • Market in • Liberal Democratic Party • Ministry of Agriculture • Forestry and Fisheries • Agricultural Cooperatives • "iron triangle" • Agricultural Cooperative reform • Abe administration • Council for Regulatory Reform

M. Honma (✉)

Department of Economics, Seinan Gakuin University, Fukuoka, Japan

© The Author(s) 2018

T. Hatta (ed.), *Economic Challenges Facing Japan's Regional Areas*,

https://doi.org/10.1007/978-981-10-7110-2_1

Change is coming to Japan's agriculture. Irrespective of the fate of the Trans-Pacific Partnership (TPP) negotiations, the nation's agricultural sector must formulate a new survival strategy and create twenty-first-century business models. More than a movement away from Japan's long-lasting postwar agricultural policy, this represents an escape from the "1940 system," created during the Second World War, in the sense that it has formed the basis of that postwar agricultural policy (Honma 2014).

What we are witnessing is the collapse of the "iron triangle" formed by the Liberal Democratic Party (LDP), the Ministry of Agriculture, Forestry and Fisheries, and the agricultural cooperatives. With the re-examination of the acreage reduction policy and the reform of the agricultural cooperative system, agricultural policy is beginning to move in a very different direction from its previous course (Honma 2015). New fruit and vegetable businesses, which have not been reliant on policy measures for their establishment, are also being nurtured (The 21st Century Public Policy Institute 2016). The points for discussion offered here will consider Japan's agriculture from two perspectives.

The first perspective is that of the development of a new agriculture. Throughout Japan, entirely new agricultural businesses are being created, and the possibilities for Japanese agriculture are multiplying. However, problems can also be observed. Can agricultural policy contribute to their solution?

At the same time, Japan's traditional agriculture is in a state of deadlock, and is undergoing a process of decline. What is causing this? Our second point for discussion concerns the re-examination of the system which has traditionally underpinned Japan's agricultural policy, and the escape from that system. Rather than the LDP or the Ministry of Agriculture, Forestry and Fisheries, it is the agricultural cooperatives which are clinging to the old system. Why is this?

In Chap. 2, Kazunuki Ohizumi addresses our first point for discussion. First, Dr. Ohizumi considers the initiatives implemented by practitioners of advanced farm management, and finds that the points they have in common are the adoption of market-oriented strategies which emphasize product development based on consumer needs, and a focus on the creation of food chains which encompass the entire flow from producer to consumer. However, these food chains are not yet sufficiently strong, and despite efforts to increase added value, such initiatives do not transcend the domain of the "individual value chain" and have little influence on the surrounding agricultural milieu (Ohizumi 2018).

Dr. Ohizumi indicates that it is the system of distribution based on product-oriented approaches which impedes the creation of food chains. The Staple Food Act in the case of rice, the Wholesale Market Act in the case of vegetables, meat and flowers, and the system of designated organizations for the production of raw milk—all these systems related to agricultural products serve to separate the domains of production and consumption. The separation of producers from consumers fosters the delusion that producers exist independently. This nurtures a culture which rejects cooperation with other industries and the entry of outsiders to the sector, impeding the creation of food chains. In order to realize a fully fledged new direction for Japanese agriculture, it will be essential to fundamentally reform the system which separates producer and consumer.

Taking up our second point for discussion, in Chap. 3 Kazuhito Yamashita argues that Japan's agricultural cooperatives are the driving force behind the system described by Dr. Ohizumi. The national system responsible for the administration of agricultural production during the Second World War was carried over into the agricultural cooperative system in the postwar period. Japan's agricultural cooperatives are therefore not independent bodies, but rather government-administered organizations. They were positioned from their inception as the organs responsible for the ultimate implementation of agricultural policy, and have been granted a variety of special privileges as a result (Yamashita 2018).

Dr. Yamashita argues that in seeking to maintain their privileges, the agricultural cooperatives have in fact contributed to the decline of Japanese agriculture. In particular, they have adhered to a policy of high rice prices in order to maintain commissions, and have thus continued a policy of reducing the acreage under cultivation on rice farms for more than 45 years. In order to enable this, they have set prohibitively high rice tariffs to discourage imports, and have opposed the reduction of tariffs by the World Trade Organization (WTO) or through the establishment of the TPP.

The efforts of the Abe Cabinet toward reform of the agricultural cooperatives have produced certain outcomes, but are still in progress. In the area of rice policy, a transition toward the production of fodder rice is proceeding as a new form of the acreage reduction system. Dr. Yamashita suggests that the scrapping of this policy, which entails enormous subsidies, and the transition to a system of direct payments to protect farmers

while allowing the market to determine the price of rice would reduce the disparity between domestic and overseas rice prices, increasing the potential for export (Yamashita 2015).

Political reform will also be necessary to enable Japan to exit the old system, and the dissolution of the “iron triangle” would be one desirable initiative. The conditions are auspicious. The former Minister for Agriculture, Forestry and Fisheries has a background in trading companies rather than agricultural interests and the current Minister is a former official of the Ministry of Economy, Trade and Industry. The minister responsible for overseeing the Council for Regulatory Reform, which is the driving force behind reform of the agricultural cooperatives, is passionate regarding agricultural reform, and this is another factor which has been behind the Cabinet-led push for reform of the agricultural cooperatives. We can regard the era when political supporters of the agricultural sector came together with an immovable resolution to defeat reform proposals as over.

These changes in the political climate are being observed because agriculture itself is changing. While the agricultural cooperatives might cling to the old system, farmers are moving forward. Rice farms of 100–200 hectares are appearing throughout the country, and many fruit and vegetable farmers are making use of information and communications technology (ICT) and other new technologies. In the area of dairy farming also, producers and distributors who supply raw milk without involvement with designated organizations are also appearing.

The issue for agricultural policy will be how to support these new developments, and how to bring the majority of farmers within its purview. It will be important above all not to impede their activities, and essential to fundamentally reform the systems which break up food chains. Further desirable initiatives would be the abolition of the acreage reduction system, the re-examination of the systems governing agricultural land which impede the free acquisition of land, and the adoption of policies to encourage greater efficiency in the operation of agricultural cooperatives and increased competition between the cooperatives in order to further advance the reform of the organizations.

REFERENCES

- Honma, Masayoshi (2014), *Nogyo Mondai: TPP Go Nosei wa Koukawaru* (Agricultural Problems: How the TPP will Change Agricultural Policy), Chikumashobo Ltd (in Japanese).

- Honma, Masayoshi (2015), “The TPP and agricultural reform in Japan,” in A. George Mulgan and M. Honma (eds.), *The Political Economy of Japanese Trade Policy*, Palgrave Macmillan, pp. 94–122.
- Ohizumi, Kazunuki (2018), “A New Direction for Agriculture in Japan,” in T. Hatta (ed.), *Economic Challenges Facing Japan’s Regional Areas*, Plagrave Macmillan, pp. 9–17.
- The 21st Century Public Policy Institute (2016), *Atarashii Nogyo Bijinesu wo Motomete* (Pursuit of New Agricultural Businesses), Research Project Report, February 2016 (in Japanese).
- Yamashita, Kazuhito (2015), *Nihon Nogyo wa Sekai ni Kateru* (Japanese Agriculture Can Compete with the World), Nikkei Publishing Inc (in Japanese).
- Yamashita, Kazuhito (2018), “Japan’s Agricultural Policy: Escaping the *Ancien Régime*,” in T. Hatta (ed.), *Economic Challenges Facing Japan’s Regional Areas*, Plagrave Macmillan, pp. 19–27.