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Japan's Basic Plan for Food Agriculture and Rural Areas

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Agricultural Situation

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Report Highlights:

The Japanese Government's Basic Plan for Food, Agriculture and Rural Areas, which sets Japan's agricultural policy direction for the next 10 years, is revised every five years. In March 2015, it was revised to reflect the policies of the now-ruling Liberal Democratic Party (LDP). The new Basic Plan lowers Japan's food self-sufficiency target to a more attainable ratio and establishes a new indicator, "food self-sufficiency potential," to evaluate latent food production capability. The new Basic Plan also establishes a new policy direction to increase feed rice production and to provide support to leading and professional farmers, with the aim of improving overall domestic farm efficiency.

General Information:

The Japanese Government's Basic Plan for Food, Agriculture and Rural Areas (hereinafter referred to as “the Basic Plan”), which sets Japan's agricultural policy direction for the next 10 years, is revised every five years. The last Basic Plan was established in 2010 under the administration of the Democratic Party of Japan (DPJ). It has been revised to reflect the policies of the now-ruling Liberal Democratic Party (LDP) and was approved by the Cabinet in March 2015.

The new Basic Plan lowers Japan's food self-sufficiency target to a more attainable ratio and establishes a new indicator, “food self-sufficiency potential,” to evaluate latent food production capability. The new Basic Plan also establishes a new policy direction to increase feed rice production and to provide support to leading and professional farmers, with the aim of improving overall domestic farm efficiency. The main points of the new Basic Plan are summarized below.

Basic policy

With the ultimate goal of doubling the income of farmers and agricultural villages, the new Basic Plan establishes two main policies: “maintaining and developing multi-functionalities of agriculture and rural areas” (rural policy), and “turning agriculture into a growth industry” (commercial policy).

The rapidly aging Japanese population began to decline year-on-year in 2011 - and in rural areas, that decline is moving at an alarming pace - which negatively affects domestic agricultural production and utilization of farmland. The new Basic Plan states that these factors must be kept in mind when tackling various economic issues, such as the globalization of food supply and demand, diversified consumer needs, nurturing leading farmers, and developing the potential of rural areas.

Rural policy

In 2014, to help maintain population and agricultural production in rural areas, the government established a direct payment system consisting of a multi-functionality payment, a direct payment for hilly and mountainous areas, and environmental and conservation payments. In addition, and in line with the Abe administration’s goal of revitalizing regional economies, the new Basic Plan suggests consolidating life-service providers in one place and establishing a support network for surrounding communities.

Commercial Policy

To improve farming efficiency, the LDP has traditionally tried to concentrate the GOJ’s support towards what is called “*Ninaito*” in Japanese – those who are considered to be the future of Japanese agriculture - and subsidies under LDP administration were thus provided to those farmers with a certain, larger-scale farming operation (i.e., greater than 10 hectares in Hokkaido and greater than 4 hectares in the rest of Japan). When the DPJ came to power, it switched that policy, implementing the “Income Support Direct Payment” program in 2010 and 2011 under which subsidies were provided to all rice farmers and some field crop farmers regardless of their farming scale. With the return to power of the LDP, the

government is once again seeking to encourage a strong and sustainable agricultural structure by concentrating its support on those larger scale farmers, who are seen as the future of Japanese agriculture. To this end, the new Basic Plan notes the necessity to formally define “*Ninaite*.”

Ninaite are defined in the new Basic Plan as those who operate efficient and stable farming - i.e., those whose lifetime income and working hours are equivalent to people engaged full-time in other industries in the same region – and those who are aiming to operate such efficient and stable farming businesses in the future. Specifically, *Ninaite* are 1) certified farmers¹, 2) those who are expected to be certified farmers in the future, and 3) community farming groups. The new Basic Plan states that the government will support the *Ninaite* through subsidies, loans, financing, etc. It promotes the corporatization of farming organizations as a means to improve farm management and to create jobs. It also aims to promote corporate farming through farmland leases via farmland banks, especially in the regions where there are currently few *Ninaite*.

Prospects of Agricultural Structure

Ideal State of Agricultural Structure by 2025

In the last decade, farmland used by *Ninaite* increased from 30 percent of all farmland to 50 percent. The new goal is to increase this further, such that the *Ninaite* cultivate 80 percent of Japan’s farmland by 2025.

Prospect for farming labor

If the demographic trend experienced between 2005 and 2010 continues, the number of farmers less than 70 years old in 2025 would be estimated to decrease 30 percent from the 2010 level, to 870,000 individuals. In order to maintain the current level of agricultural production, estimates are that Japan will require a minimum of 900,000 farmers. MAFF estimates that Japan needs to double the number of people under 40 years old engaged in farming by 2025 in order to have one million farmers below 70 years old – i.e., slightly greater than the estimated 900,000 farmers necessary to maintain current production levels.

Food self-sufficiency target

Japan's food self-sufficiency target has been revised in the new Basic Plan to a more realistic and feasible target. The new target for the calorie-based food self-sufficiency ratio has been lowered from the previous 50 percent by 2020 to 45 percent by 2025. The 50 percent target was widely considered to be unrealistic; the actual food self-sufficiency ratio has been at around 39 percent for the last decade.

The current 50 percent target was established by the DPJ based on a policy to increase production of rice (for flour), wheat and soy beans, as the increase in production of these products would be effective

¹ Certified farmers are those whose plans to improve agricultural management are certified by their municipal governments.

in raising the calorie-based food self-sufficiency ratio. However, actual production of these products in JFY2013 was far below the production targets set in the 2010 Basic Plan². The LDP has changed this policy in the new Basic Plan to promote the production of vegetables and livestock products. (Note: Domestically produced livestock is largely not included in any calorie-based food self-sufficiency calculation because most of the feed utilized by Japanese livestock producers is from imported feed grains.) As the retail prices of these products are high, this new policy is in line with the goal³ of the LDP administration to double gross agricultural production and thus farmer income from farming. In addition, increased production of these products would be effective in raising the value-based food self-sufficiency ratio. Accordingly, the value-based food self-sufficiency ratio has been raised from the previous target of 70 percent to 73 percent in the new Basic Plan. (The actual value-based food self-sufficiency ratio in JFY2013 was 65 percent.)

Based on the food self-sufficiency targets, production targets for each commodity have been revised in the new Basic Plan. Production targets for vegetables and livestock products were raised or maintained, as these products materially contribute to raising the value-based food self-sufficiency ratio. Due to decreasing consumption (resulting from an overall decline in population as well as a per capita decline in table rice consumption), the production target for table rice has been lowered, but production targets for rice for flour and rice for feed have been raised significantly – five times and 10 times the current production, respectively – in order to maintain the overall rice production target.

In accordance with the increased production target for feed rice, the new Basic Plan raises the feed self-sufficiency target from the current 38 percent by 2020 to 40 percent by 2025, and the production target for feed crops has also been raised significantly. The feed self-sufficiency ratio has been at around 26 percent for many years, and moving away from a heavy reliance on imported feed grains has been a key issue for the livestock industry.

Consumption Projections and Production Targets for Japan Fiscal Year (JFY) 2025

	Annual per capita consumption (kg)	Total supply for domestic consumption (domestic production and imports)	Domestic production target (million MT)
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² The 2020 production targets set in the 2010 Basic Plan for rice (for flour), wheat and soybeans were 100 TMT, 950 TMT and 320 TMT respectively, while actual production levels in JFY2013 were 20 TMT, 810 TMT and 200 TMT respectively.

³ One of the key performance indicators set in Japan’s Growth Strategy in 2013.

			(million MT)			
	JFY2013 (actual)	JFY2025	JFY2013 (actual)	JFY2025	JFY2013 (actual)	JFY2025
Rice (except for flour and feed)	57	53	8.57	7.61	8.59	7.52
Rice for flour	0.1	0.7	0.02	0.1	0.02	0.1
Rice for feed	-	-	0.11	1.1	0.11	1.1
Rice total	57	54	8.7	8.81	8.72	8.72
Wheat	33	32	6.99	6.11	0.81	0.95
Barley	0.3	0.2	2.08	2.13	0.18	0.22
Soybeans	6.1	6.0	3.01	2.72	0.2	0.32
Buckwheat	0.7	0.5	0.14	0.11	0.33	0.53
Sweet potatoes	4.2	4.4	1.02	0.99	0.94	0.94
Potatoes	16	17	3.4	3.45	2.41	2.5
Rapeseed	-	-	2.32	2.16	0.002	0.004
Vegetables	92	98	15.08	15.14	11.95	13.95
Fruits	37	40	7.66	7.54	3.01	3.09
Sugar beets (refined sugar equivalent)	-	-	-	-	3.44 (0.55)	3.68 (0.62)
Sugar cane (refined sugar equivalent)	-	-	-	-	1.19 (0.14)	1.53 (0.18)
Green tea	0.7	0.7	0.089	0.085	0.085	0.095
Raw milk	89	93	11.64	11.50	7.45	7.5
Beef	6.0	5.8	1.24	1.13	0.51	0.52
Pork	12	12	2.44	2.27	1.31	1.31
Chicken	12	12	2.2	2.08	1.46	1.46
Eggs	17	17	2.65	2.51	2.52	2.41
Feed crops	-	-	4.36	5.01	3.5 TDN* (MT)	5.01TDN* (MT)

*TDN: Total Digestive Nutrients

Farmland, Area Planted, and Use Rate for Cultivation

	JFY2013 (actual)	JFY2025 (new target)
Area of farmland (ha)	4,540,000	4,400,000
Total area planted (ha)	4,170,000	4,430,000
Rate of area used for cultivation	92%	101%*

* Note: This is achieved by double-cropping.

Food Self-Sufficiency Targets

	JFY2013 (actual)	JFY2020 (old target)	JFY2025 (new target)
Calorie based food self-sufficiency rate	39%	50%	45%
Value based food self-sufficiency rate	65%	70%	73%
Feed self-sufficiency rate	26%	38%	40%

Calorie based Food self-sufficiency rate	JFY2013 (actual)	JFY2025 (new target)
Per capita per day caloric intake	2,424 kcal	2,313 kcal
Per capita per day caloric intake from domestic production	939 kcal	1,040 kcal

Value based food self-sufficiency rate	JFY2013 (actual)	JFY2025 (new target)
Value of food for domestic consumption	15.12 trillion yen	14.3953 trillion yen
Value of food by domestic production	9.8567 trillion yen	10.4422 trillion yen

Food self-sufficiency potential (*Shokuryo Jikyu Ryoku*)

Establishing a new indicator - “food self-sufficiency potential” – is a special feature of the new Basic Plan. Food self-sufficiency potential is an indicator to show the possible per capita caloric supply per day from domestic food produced using all farmland in Japan, including abandoned, but recoverable farmland. The purpose of establishing and publicizing this new concept of food self-sufficiency potential is to raise public awareness and understanding of the current state of Japan’s food security potential. The new Basic Plan shows estimated caloric supplies under four scenarios of crops planted. For example, scenario (1) considers nutritional balance by planting mainly grains (rice, wheat and soybeans) to maximize calorie efficiency. Under this scenario, a 1,495 kilocalorie daily intake per capita would be possible, which is much less than the estimated required caloric intake of 2,147 kilocalories. At the other extreme, scenario (4) does not consider nutritional balance, but rather it focuses primarily on planting potatoes. Under this scenario, a 2,754 kilocalorie daily intake per capita would be possible. (The current Japanese per capita caloric intake is estimated at around 2,424 kilocalories.) The food self-sufficiency potential indicator will be publicized every year, together with the actual and targeted food self-sufficiency ratios. As this concept is not easy to understand, efforts to publicize the concept are currently underway.

Increase in Feed Rice Production

The new Basic Plan also establishes a policy to promote and support an increase in feed rice production and sets a production target accordingly. According to the new Basic Plan, producers will be encouraged to meet the production target through the use of direct payment subsidies, technological

assistance (R & D for high yield varieties, verification of cultivation technologies, etc.) and the establishment of regional supply networks linking rice farmers, feed millers and livestock farmers.

To promote an increase in production of feed rice, MAFF has secured the necessary budget for subsidies for equipment, machinery and facilities necessary for feed rice manufacture, storage and supply. As feed rice will be sold at a price competitive with imported feed corn, it is estimated that the government subsidy will cover approximately 90 – 100 percent of the farmer's income from the production of feed rice.

The Ministry of Finance and many business leaders and academicians have been critical of the goal to increase feed rice production, as it imposes a heavy financial burden on the government, and because a policy that is heavily dependent on subsidies does not incentivize farmers to make efforts to cut production costs, become more internationally competitive and increase income. Several MAFF Council members have voiced concern over the commitment to a significant financial burden without a time limit, but MAFF maintains that feed rice is the only potential item with demand large enough to offset the declining table rice consumption. In line with the newly established concept of food self-sufficiency potential, MAFF considers the enhancement of feed rice production to be necessary to support a policy of maintaining paddy fields that can be converted to table rice production should that become necessary. It is also important to note that feed corn and feed rice are not fully substitutable; the ratio of corn and rice in feed can only change a limited amount if feed manufacturers are to maintain the proper balance of nutrients that Japan's livestock producers demand.

The new Basic Plan also raised the production target for rice for flour, arguing that high demand is expected for newly-developed products from rice flour, such as gels and purees for bakery use.

Increase Income of Farmers and Agricultural Villages

The new Basic Plan promotes policies to increase farmers' income from farming and related income in farming villages. Measures to implement such policies, through expansion of domestic demand and exports and a decrease in production costs through consolidation of farmland, are noted in the new Basic Plan. In order to achieve an increase in income in farming villages, the new Basic Plan lays out the growth potential of the following activities:

- 6th industry initiatives (processing and sale of agricultural products closer to the farm gate);
- Exchanges between urban and rural areas, such as green tourism;
- Collaboration between medical, welfare and food industries (e.g., development of “smile care food” (nursing care food));
- *Chisan Chisho* (consumption of locally produced foods);
- Use of Information and Communication Technologies (ICT) in farming and distribution;
- Development of biomass and renewable energy.

