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MAFF Receives Budget Increase in JFY2019

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Report Highlights:

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) received 2.43 trillion yen (roughly \$21.8 billion) for its 2019 budget, a 5.6 percent increase over last year. Budgets were increased for disaster prevention/mitigation and the national land reinforcement program, the fisheries, farmland, and infrastructural improvement program, and support for livestock farmers. Additionally, free trade agreement countermeasures were funded by MAFF's second 2018 supplementary budget of 502.7 billion yen (\$4.5 billion).

General Information:

The Japanese Diet passed a Japanese Fiscal Year (JFY)¹ 2019 budget for a record 101.46 trillion yen (roughly US\$ 911 billion) on March 27, 2019. This is the first time in history that the Japanese annual budget exceeded 100 trillion yen. The increase in the budget is partly attributable to a 2.03 trillion yen (US\$ 18.2 billion) budget for economic stimulus measures in response to a consumption tax hike² expected in October 2019. The budget will also increase funding for disaster prevention public works. Following several natural disasters in recent years, the Government of Japan (GOJ) is implementing a three-year emergency disaster prevention/mitigation and national land reinforcement program between JFY2018³ - JFY2020. The JFY2019 budget earmarked 1.35 trillion yen (US\$12.1 billion⁴) for this program as a “temporary and extraordinary measure.”

The JFY2019 annual budget allocated to the Ministry of Agriculture, Forestry and Fisheries (MAFF) increased 5.6 percent to 2.43 trillion yen (US\$21.8 billion). The increase is predominantly attributable to 120.7 billion yen (US\$1.08 billion) being added to the budget for “temporary and extraordinary” measures under the disaster prevention and mitigation and national land reinforcement programs. These funds will allow MAFF to renovate agricultural waterways, reservoirs, forests, and fishing ports.⁵ Other than these “temporary and extraordinary” measures, MAFF’s JFY2019 annual budget focuses on improving conditions for: 1) fisheries, 2) farmland enlargement, consolidation and improvement, and 3) promotion of smart agriculture (all outlined in greater detail below).

Prior to the establishment of the JFY2019 annual budget, the GOJ developed a JFY2018 supplementary budget in two tranches. The first JFY2018 supplementary budget tranche of 935.6 billion yen (US\$8.4 billion) was established in November 2018 to fund recovery from July 2018 rain floods in Western Japan, as well as an earthquake in Hokkaido in September 2018, of which 97.4 billion yen (US\$874.6 million) was allocated to MAFF. The second JFY2018 supplementary budget tranche of 2.7 trillion yen (US\$24.2 billion) was established in February 2019, allocating 502.7 billion yen (US\$4.5 billion) to MAFF to predominantly fund free trade agreement countermeasures.

Support for Fisheries Reform

The allocation of funds in support of Japanese fisheries increased significantly in MAFF’s JFY2019 annual budget. Following substantial fisheries policy reforms,⁶ MAFF’s JFY2019 annual budget for fisheries increased 19 percent to 216.7 billion yen (US\$1.9 billion) (including the temporary and extraordinary measures budget). Specifically, the budget for establishing a new marine resource

¹ The Japanese fiscal years run from April 1 to March 31.

² The consumption tax will increase from eight percent to 10 percent.

³ JFY2018 2nd supplementary budget earmarked 1.0525 trillion yen (US\$9.5 billion) for the program.

⁴ Exchange Rate: US\$ = 111.34 yen

⁵ Of the total JFY2019 MAFF budget of 2.43 trillion yen, 816.6 billion yen (33.6 percent) is allocated for public works projects, a 19 percent increase from JFY2018, mainly due to “temporary and extraordinary” measures under the disaster prevention and mitigation and national land reinforcement programs.

⁶ The Fisheries Act was revised in December 2018. The fisheries policy reform includes: 1) establishment of a new marine resource management system, 2) restructuring of the national seafood distribution system, 3) review of Japan’s fisheries licensing system, 4) review of Japan’s coastal waters use system, and 5) review of Japan’s fisheries cooperatives system. For additional information, see [JA9046](#).

research and assessment program increased 180 percent to 12.9 billion yen (US\$115.8 million) in the JFY2019 annual budget and in the JFY2018 second supplementary budget combined. Also, in an effort to support fishermen's efforts to purchase high performance fishing vessels, 10.1 billion yen (US\$90.7 million) was earmarked in the JFY2019 annual budget and the JFY2018 second supplementary budget, up 42 percent from the previous year. Furthermore, to support leases of fishing vessels and fishing equipment, a total of 42.4 billion yen (US\$380.8 million) was earmarked in the JFY2019 annual budget and JFY2018 supplementary budget combined, up 84 percent from the previous year. The budget for ports and coastal area improvement and disaster prevention projects also increased 41 percent to 115.5 billion yen (US\$ one billion) via the JFY2019 annual budget, the temporary and extraordinary measures budget, and JFY2018 supplementary budget combined.

Farmland and Infrastructural Improvement

Japan's "Agriculture and Agricultural Villages Improvement Program" is the core public works project under which farmland enlargement, consolidation, agricultural waterways and reservoir improvement projects are conducted. Aiming to ensure that certified farmers⁷ are farming 80 percent of Japan's national farmland areas by 2023, MAFF promotes farmland consolidation, and established Farmland Banks in each of Japan's prefectures in 2014. To accelerate farmland consolidation through Farmland Banks, 30 billion yen (US\$26.9 million) is earmarked in the JFY2019 annual budget, up 0.7 percent from the previous year. Combined with this budget, a total of 645.2 billion yen (US\$5.8 billion) was earmarked for farmland and infrastructural improvement projects in the JFY2019 annual budget, the temporary and extraordinary measures budget, and the JFY2018 second supplementary budget combined -- up 18 percent from the previous year.

The significant increase in the budget for farmland and infrastructural improvements is reflective of MAFF's efforts to improve Japan's agricultural productivity and competitiveness to take advantage of the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) agreement and Japan-EU Economic Partnership Agreement (EPA)), as well as its desire to implement disaster prevention and mitigation measures to protect agricultural infrastructure.

Promotion of Smart Agriculture

MAFF has been promoting smart agriculture as a means to address farm labor shortages and as a means to transfer superior farming techniques and skills to Japan's next farming generation. In JFY2019, MAFF intends to evaluate previously funded research and development projects, assist with their practical application on farms, and continue promoting technological development. To fund these activities, 19.7 billion yen (US\$176.7 million) was earmarked in the JFY2019 annual budget and the JFY2018 supplementary budget. This is a 3.7 percent increase in funding from the previous year.

Support for Livestock Farmers

Support for livestock farmers increased approximately nine percent to 296.3 billion yen (US\$2.7 billion) in the JFY2019 annual budget and JFY2018 supplementary budget combined. The budget increase is for: 1) deficiency payments for beef calf producers, 2) the Hog Growing Business Stabilization

⁷ Certified farmers are those whose plans to improve agricultural management are certified by their municipal governments.

Program, and 3) support for raw milk for cheese production (as a countermeasure in response to the Japan-EU EPA).

Deficiency Payment for Beef Calf Producers

Under the GOJ's "Comprehensive Trans-Pacific Partnership Policy Framework,"⁸ (the Policy Framework) the GOJ committed to review the Deficiency Payment for Feeder Calf Producers (see USDA/ERS' report on [Japan's Beef Market](#)). Under this program, registered feeder calf producers are eligible for deficiency payments when the market price for feeder calves falls below the "Guaranteed Standard Price" set by MAFF. Previously, the Guaranteed Standard Prices for each breed were calculated based on average farm gate prices from the seven year period before market liberalization (February 1983 – January 1990) multiplied by a percent change in the cost of production (compared to the seven year period). In accordance with the Policy Framework, MAFF revised the calculation method for the Guaranteed Standard Price using more recent costs and prices. As a result, the Guaranteed Standard Prices were increased, on average, by 39 percent and became effective as of December 30, 2018. The Guaranteed Standard Prices remained unchanged for JFY2019. Accordingly, the budget for the Deficiency Payment for Beef Calf Producers increased 72 percent to 66.2 billion yen (US\$594 million) in the JFY2019 annual budget.

Pork Marukin

As a CPTPP countermeasure, the GOJ has increased support for swine producers.⁹ The income loss compensation ratio in the Hog Growing Business Stabilization Program (commonly known as *Pork Marukin*) (see [JA9006](#)), was raised from 80 percent to 90 percent, and the portion of the GOJ's contribution ratio to this program was raised from the current 50 percent to 75 percent (GOJ: producers = 1:1 → 3:1). As a result, the budget for this program increased from 9.97 billion yen (US\$89.6 million) in JFY2018 to 16.8 billion yen (US\$150.9 million) in JFY2019.

Support for Production Conversion from Table Rice

Because table rice prices remain high in Japan, MAFF is concerned about the possibility of an oversupply of table rice in 2019/20, as farmers seek to capitalize on these prices. Accordingly, MAFF is increasing support payments to farmers to encourage them to plant other crops or rice for purposes other than table rice beginning in JFY2019 (see [JA9028](#)). As a result, the budget to facilitate production conversion from table rice (Direct Payment for Full Utilization of Rice Paddies) increased 5.1 percent to 321.5 billion yen (US\$2.9 billion) in JFY2019.

CPTPP and Japan-EU EPA Countermeasures

CPTPP and Japan-EU EPA countermeasures have been funded in Japan's supplementary budgets since JFY2015. Of the 502.7 billion yen (US\$4.5 billion) allocated in the JFY2018 MAFF second supplementary budget, 63.4 percent (or 318.8 billion yen (US\$2.9 billion)) was exclusively allocated to

⁸ Following the TPP general agreement, the GOJ released the "Comprehensive Trans-Pacific Partnership (TPP) Policy Framework" on November 25, 2015 which set policy targets and corresponding support measures.

⁹ A higher loss compensation ratio was also institutionalized for beef producers after a temporary increase in JFY 2018. As a result, funding for this program did not increase in JFY2019.

support programs implemented in response to the CPTPP and Japan-EU EPA – up slightly from 317 billion yen (US\$2.8billion) in the JFY2017 supplementary budget.

The centerpieces in the JFY2018 supplementary budget allocation for CPTPP and Japan-EU EPA countermeasures were the “Production Area Power-Up Program” and “Livestock Cluster Project” for which 40 billion yen (US\$359 million) and 56 billion yen (US\$503 million) were earmarked, respectively. Both programs provide financial support for the purchase of high-performance machinery and equipment, and for the improvement of facilities such as collection and shipment facilities, storage and cattle sheds, etc. Aimed at improving Japanese cheese competitiveness in the face of an expected increase in the volume of cheese imported from EU Member States, 15 billion yen (US\$134 million) was also earmarked for dairy farmers who purchase facilities and machinery to lower production costs and improve the quality of raw milk for Japanese cheese production.

Major Line Items from MAFF's JFY 2019 Budget (Billions of Japanese Yen)

Budget Line Items	JFY2018	JFY2017 suppleme ntary	Total	JFY2019	Temporary and Extraordin ary measure	JFY2018 1st suppleme ntary	JFY2018 2nd suppleme ntary	Total
Farmland and Infrastructural Improvement								
Farmland and Pasture Enlargement and Improvement	210.1	35.0	245.1	196.3			38.4	234.7
Conversion of rice paddies to dry field, orchard improvement	111.0	45.7	156.7	129.7			55.8	185.5
Waterway and reservoir improvement	20.0	46.8	66.8	20.8	51.1		51.1	123.0
Subsidies to Prefectures for farmland and waterway improvement	63.9		63.9	65.0	3.5		3.5	72.0
Farmland enlargement and consolidation for transaction through Farmland Banks	29.8		29.8	30.0				30.0
Support to Rice and Crop Farmers								
Support for production conversion (from table rice to other crops and rice for other purposes) on rice paddies	305.9	5.0	310.9	321.5				321.5
Direct payment for field crops	206.5		206.5	199.8				199.8
Safety net program, income insurance	100.6		100.6	94.6				94.6
Rice consumption promotion programs	5.1		5.1	5.1				5.1
Support for farmers for purchase of machinery and facilities (Strong Agriculture and Nurturing Core Farmers Program)	22.9		22.9	23.0				23.0
Vegetables price stabilization program	16.6		16.6	15.7				15.7
Support for sugar crops production	10.2	1.6	11.8	10.8			3.1	13.9
Support for purchase of machinery and facilities, etc (Production Areas Power-up Program)		44.7	44.7				40.0	40.0
Sustainable Production Enforcement Program (vegetables, greenhouse horticulture, fruit trees, tea, herbs, flowers)	20.2		20.2	20.1				20.1
Support for potato and sugar beet farmers for purchase of machinery etc		3.0	3.0				3.0	3.0
Support for Livestock Farmers								
Deficiency Payment and Safety Net Program (including <i>Marukin</i>)	186.4		186.4	222.4				222.4
Livestock Cluster Program		57.5	57.5				56.0	56.0
Support for dairy farmers and cheese manufacturers for raw milk and cheese production improvement		15.0	15.0				15.0	15.0
Support for livestock improvement and feed production	11.5	1.5	13.0	1.4			1.5	2.9
Support for Farmers in Mountaineous and Hilly Areas								
Direct Payment to Farmers in Mountaineous and Hilly Areas	26.3		26.3	26.3				26.3
Other support for mountaineous and hilly areas	40.0	30.0	70.0	44.0			28.0	72.0
Direct Payment for Environmental Conservation	2.5		2.5	2.5				2.5
Direct Payment for Multi-functionalities	48.4		48.4	48.7				48.7
Promotion of Smart Agriculture and Innovative Technologies	12.0	7.0	19.0	13.5			6.2	19.7
Export Promotion	8.6	16.5	25.1	5.0			23.1	28.1
Food Safety and Biosecurity	8.8	0.9	9.7	8.4				8.4
Forestry								
Support to improve facilities and forestry roads for production of playwood, timber and glue laminated timber	30.0	40.2	70.2	30.3			39.2	69.5
Forestry Management and Disaster Prevention Projects	180.0	32.0	212.0	182.7	44.2	5.2	32.5	264.6
Fisheries								
Establishment of new marine resources management system	4.6		4.6	11.2			1.7	12.9
Support for purchase of highperformance fishing vessels	4.9	2.2	7.1	5.1			5.0	10.1
Support for leasing fishing vessels and equipment		23.0	23.0	10.0			32.4	42.4
Ports and Coastal Area Improvement, disaster prevention	70.0	11.9	81.9	75.5	19.8		24.7	120.0
Disaster Recovery	19.3	41.8	61.1	19.6		87.0	33.6	140.2
All others (including personnel expenses)	526.0	6.7	532.7	471.8	2.1	5.2	8.9	488.0
Total	2,302.1	468.0	2,770.1	2,310.8	120.7	97.4	502.7	3,031.6
TPP etc Countermeasures		317.0					318.8	

Figures in red are funded via the TPP, etc. countermeasures budget

Source: MAFF

**MAFF's FTA Countermeasures Budget Funded in the Supplementary Budgets
for JFY2015 - JFY2018 (Billions of Japanese Yen)**

MAFF's TPP etc. Countermeasures in line with GOJ's Comprehensive TPP etc. Policy Guidelines	Amount Budgeted in JFY			
	2015	2016	2017	2018
Nurture Future Generations of Business-Minded Farmers <ul style="list-style-type: none"> • Financial support for purchase/lease of machinery and construction of facilities • Extend zero-interest loans • Enlarge plots of farmland and establish underground irrigation systems [public works] • Convert paddy fields to dry fields, and establish production/sales facilities in mountainous and hilly areas • Support establishment of agricultural management schools 	5.3	5.3	5.0	5.0
	11.0	4.6	100.0 ¹⁰	100.0 ¹¹
	37.0	37.0	35.0	34.8
	1.0	10.0	10.0	8.0
		0.2		
Promote Innovation in Rice, Field Crops, Vegetables and Fruit Producing Areas to Improve International Competitiveness <ul style="list-style-type: none"> • Provide financial support to upgrade machinery and facilities and to re-plant profitable crops (Production Area Power-up Program fund) • Turn rice paddies into fields, and improve infrastructure of fields and orchards [public works] • Provide support to research institutions, universities, producers and companies which team up to develop new varieties and technologies, carry out verification tests, and implement new technologies in practical use. • Provide support to flour millers, sugar refineries, potato starch factories, and meat processing facilities for restructuring and improving productivity, and to dairy manufacturing facilities to modify production to produce high demand products (such as soft cheese, fresh cream, concentrated skim milk, etc.) 	50.5*	57.0 ¹²	44.7 ¹³	40.0 ¹⁴
	40.6	49.6 ¹⁵	45.7 ¹⁶	51.8
	10.0**	11.7	6.0	6.2
	4.6	1.0	2.5	2.4
Comprehensive Project to Improve Profitability of Livestock and Dairy Farmers <ul style="list-style-type: none"> • Expansion of the livestock cluster project - support for the 	61.0*	68.5 ¹⁷	66.5 ¹⁸	56.0 ¹⁹

¹⁰ A credit line of 100 billion yen (US\$910 million) includes the existing fund

¹¹ A credit line of 100 billion yen (US\$910 million) includes the existing fund

¹² Includes a 5 billion yen (US\$45.5 million) quota prioritized for hilly and mountainous areas

¹³ Includes a 4 billion yen (US\$36 million) quota prioritized for hilly and mountainous areas

¹⁴ Includes a 4 billion yen (US\$36 million) quota prioritized for hilly and mountainous areas

¹⁵ Includes a 10 billion yen (US\$91 million) quota prioritized for hilly and mountainous areas

¹⁶ Includes a 1.2 billion yen (US\$11 million) quota prioritized for hilly and mountainous areas

purchase of machinery, facilities and livestock to improve productivity (Livestock Cluster fund)				
<ul style="list-style-type: none"> • Provide support to dairy farmers and cheese factories for improving the quality and production of raw milk and cheese production, and for purchasing machinery and facilities 			6.0	15.0
<ul style="list-style-type: none"> • Improve and enlarge grasslands to improve productivity of feed crop production [public works] 	16.4	9.4	9.5	3.6
<ul style="list-style-type: none"> • Increase <i>Wagyu</i> production, improve raw milk supply capacity, and improve the supply of superior swine genetics (fund) 	3.0	1.6	1.0	1.0
<ul style="list-style-type: none"> • Establish technologies to improve the taste/flavor etc., of <i>Wagyu</i> to increase its value 	**			
<ul style="list-style-type: none"> • Provide support to control weeds, to renovate bunker silos, and to improve utilization and operation of public ranches 	0.7	0.9	0.5	0.5
<ul style="list-style-type: none"> • Provide interest support for loan refinancing. Exempt farmers from the loan guarantee payment when increasing dairy cattle and breeding cattle (fund) 	2.0*	1.7	13.0 ²⁰	10.7 ²¹
Develop Demand Frontiers (such as Exports) of High Quality Agricultural, Forestry and Fisheries Products				
<ul style="list-style-type: none"> • Implement export promotion measures to CPTPP and EU countries through JFOODO²² and JETRO²³ 	8.8	6.7	3.6	5.7
<ul style="list-style-type: none"> • Improve export infrastructure for wholesale markets, container yards, controlled atmosphere storages, HACCP²⁴ certified processing and meat processing facilities 	4.3	20.3	17.1	6.0
<ul style="list-style-type: none"> • Improve market access to increase exports and establishment of export GAP²⁵ and HACCP-based food safety management standards, and promote protection of intellectual property rights (e.g., plant variety rights) overseas 	0.01		0.8	1.7

¹⁷ Include a 5 billion yen (US\$45.5 million) quota prioritized for hilly and mountainous areas

¹⁸ Include a 4 billion yen (US\$36 million) quota prioritized for hilly and mountainous areas, and a 9 billion yen (US\$82 million) quota for raw milk for cheese production with participation of cheese manufacturers

¹⁹ Include a 4 billion yen (US\$36 million) quota prioritized for hilly and mountainous areas

²⁰ A credit line of 13 billion yen (US\$118 million) includes the existing fund

²¹ A credit line of 10.7 billion yen (US\$ million) includes the existing fund

²² Japan Food Product Overseas Promotion Center

²³ Japan External Trade Organization

²⁴ Hazard Analysis and Critical Control Points

²⁵ Good Agricultural Practices

<ul style="list-style-type: none"> • Develop new products through tie-ups between farmer groups and the food service industry • Promote sales of agricultural, forestry, and fisheries products to foreign tourists • Improve export facilities at ports and fishing ports to increase exports of fisheries products [partially public works] • Provide consultation to farmers, fishermen, foresters, and food manufacturers who wish to export and are registered with MAFF's GFP²⁶ 	3.6				
	0.4				8.7
					1.0
Strengthen International Competitiveness of Plywood, Lumber and Glue Laminated Timber					
<ul style="list-style-type: none"> • Improve forestry roads and wood processing facilities, utilize thinnings, and promote Cross-Laminated Timber use • Promote use of legally-logged wood and collect information on illegal logging 	29.0 *	33.0	40.0		39.2
	0.2	0.2	0.2		
Turn Fisheries into Sustainable and Highly Profitable Operations					
<ul style="list-style-type: none"> • Provide financial support to upgrade fishing vessels, machinery and facilities 	22.5 *	25.5	23.0		32.4
Strengthen Communications with Consumers					
<ul style="list-style-type: none"> • Disseminate information on country of origin labelling, geographical indications, etc. to increase consumers' understanding of domestic agricultural, forestry, and fisheries products and food (to contribute to their food selection/purchase) 	0.4	0.2			
Establish Price Information Disclosure System for Farming Input Materials to Help Farmers Compare Prices		0.1			
Total	312.2	345.3	317.0		318.8

*Establishment of a fund where the budget amount is used over a period of several years

** Two projects under one program, with a total budget of 10 billion yen (US\$91 million)

Source: MAFF

²⁶ Global Farmers/Fishermen/Foresters/Food Manufacturers Project