

A g r i c

Big Farming Is the Key to Survival

By Susumu Yamaji

For some time, agriculture in Japan has been beset by a malady known as stagnation. During the 1960s and into the early 1970s, the rapid rise in per capita income stimulated the consumption principally of meat products and fruits, boosting farm output. However, since the first oil crisis in 1973, the indices of agricultural production have risen only slightly and, for the most part, have remained unchanged. The index for 1983 was 104 (1980=100), which was a decline from the average of 107 recorded for the period from 1977 through 1979.

Several reasons can be cited for this drop. Rice, which by value is the largest single item of Japan's agricultural production and accounts for 30% of gross volume output, declined for four successive years from 1980 through 1983, while the imports of fruits and livestock products increased substantially. Moreover, the abundance of marine products, which provide one-half of the animal protein in the Japanese diet and meet one-quarter of total protein requirement, held down the growth in output of livestock products.

But the most decisive factor has been that in Japan, as in the other developed countries, the per capita calorie intake has remained static since 1980; in Japan's case, based on supply, it has remained at approximately 2,500 Cal per day. Hence, the growth in the food demand basically must keep pace with the growth in population, which is currently about 1% per year.

No doubt, the 2,500 Cal level may seem low to the average American or European, whose normal daily intake is between 3,000 and 3,300 Cal. However, this has been statistically proven to be adequate for the Japanese because of the proportionately smaller body surface.

Consequently, Japan has been plagued by a farm products surplus, and this has resulted in a slight decline in wholesale prices over the past few years. Further-



Economies of scale are essential to agricultural productivity.

more, the rising depreciation cost of farm equipment and facilities has forced down the ratio of agricultural income as compared with gross output. Hence, in 1982, agricultural income decreased by some 20% from the peak year of 1978.

Subsidies ruled out

Expansion of farmers' income through government fiscal policy is no longer possible. At one time, for example, rice was purchased by the government from the farmers at a relatively high price and sold to consumers at a lower price, the difference being subsidized from government coffers. However, for several years now, the huge national budget deficit has forced the government to implement a stringent fiscal policy that rules out such subsidies.

Consequently, the farmers are trying to increase their non-agricultural income. In 1984, of the 4.5 million farm households, 3.2 million were classified as type II part-time farming households, that is, those whose non-agricultural income exceeded their agricultural income. The number of women in this type of farming household who work off the farm has been growing rapidly.

The concept of controlling the supply of agricultural products to keep it in step with demand is now being implemented. It has been applied to rice for the past 10-odd years in the form of government incentives for reducing the area under cultivation. And the producers' organizations of the "unshu" mandarines and of milk, eggs and cocoons have called upon their members to implement this supply control concept.

Despite these measures, however, Japan's agricultural market still suffers from excessive supply and weakening prices. So, to stave off a further price erosion, there appears to be no alternative but to cut production costs and increase the ratio of agricultural production income to gross agricultural output. Other possibilities include tightening import restrictions and additional financial aid, but the government does not appear to be contemplating such measures at present.

In both 1980 and 1982, the Agricultural Policy Review Commission, the supreme

Susumu Yamaji is a professor of economics at Tokai University, specializing in agricultural affairs. He was an editorial writer for the Nihon Keizai Shimbun 1969-1984.

body for studying agricultural policy and an advisory organ to the Prime Minister, has stressed the need to cut production costs through restructuring agriculture. Such views are prevalent not only at the official level but also among producers' organizations, many of which have been striving to publicize to their membership the need for efficiency, quoting measures already taken in some areas.

Following the EC example

Targets for production cost cuts recommended by the Agricultural Policy Review Commission are those established by the European Community (EC) for their common agricultural policy. The EC price levels were selected because, among developed countries, conditions in Japan differ from those in the large continental

countries such as the United States, Canada and Australia but are similar to European countries.

These targets, however, are not generally considered to be readily attainable. In Japan, the number of farming households in the northern island of Hokkaido has halved during the past 20 years, but the average size of the farms has doubled and the average number of dairy cattle per farm now exceeds the average in EC countries. Apart from Hokkaido, however, the density of population elsewhere in Japan is high and the average size of the farms is extremely small.

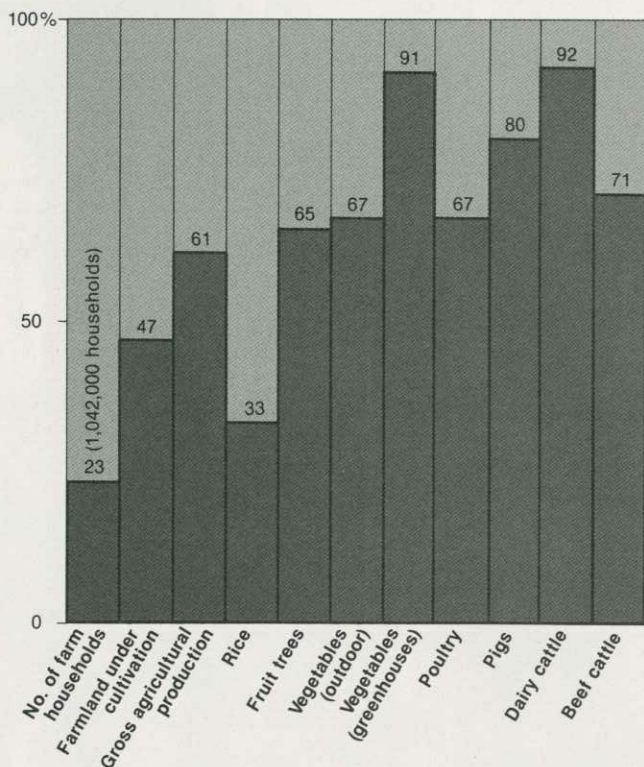
Nonetheless, factors are emerging to indicate an expansion in the scale of Japanese farms. For instance, because of the aging of the farming population, the number engaged in farming is decreasing, while rising land prices and improvements in old-age pension systems are encouraging more landowners to lease their farmland. While part-time farming households

in Japan, as in other developed countries, are not likely to fall significantly in the near future, it is likely that in every sector of agriculture an increasing proportion of production will come from farmers operating on a larger scale. While Fig. 1 shows the situation in 1980, the current trend seems to be toward a proportionate increase in core farm households.

The Agricultural Policy Review Commission strongly recommended establishing farm support prices based on the production costs of these core farm households (Fig. 2), a trend that has become evident in recent years.

Demand from abroad, from the United States in particular, for further liberalization of Japan's agricultural products market has gained strength. Therefore, it is not enough merely to talk vaguely of reducing the cost of agricultural production to EC levels, but annual targets must be set and all measures and policies directed toward achieving them. ●

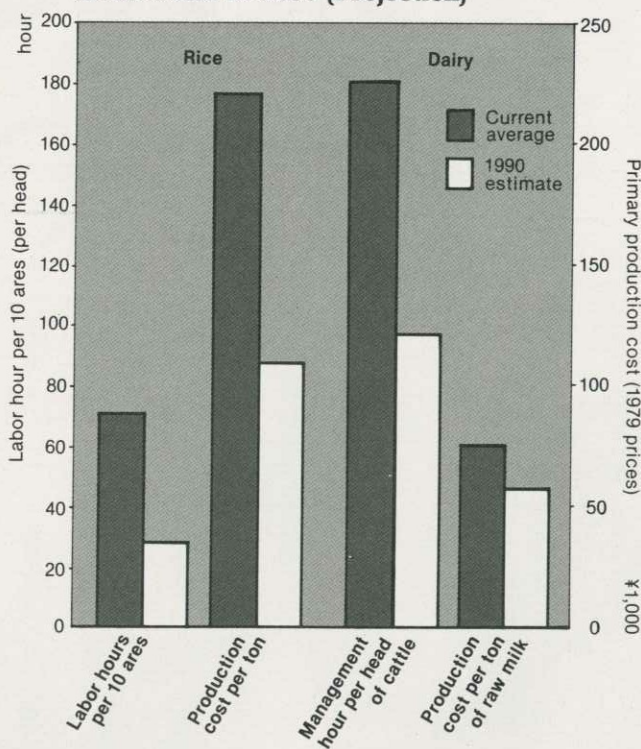
Fig. 1 Shares of Core Farm Households (1980)



Sources: Estimates based on Ministry of Agriculture, Forestry and Fisheries, *Agricultural Survey and Farm Household Economy Survey*

Note: The term "core farm household" means a farming household with a male of under 60 years old who is engaged in his own farm work for 150 days or more a year.

Fig. 2 Productivity of Large-scale Farming Households in 1990 (Projection)



Note: The operational scales on which the above estimates were based are: rice, wheat and soybeans grown on a farm with a cultivated area of about 10ha (current average is 0.8ha in the case of rice-growing), and 30-40 head (currently an average of 16 head) of cattle, with about 60-80% domestic supply ratio of feed, in the case of dairy-farming.

Source: Ministry of Agriculture, Forestry and Fisheries