

# Wresting with a Rice Glut

Japanese agricultural production falls into three categories—livestock production, field crops and cocoon and raw silk production. Total livestock production in fiscal 1987 is estimated to have increased about 1% from 1986, in part because of expanded production of broilers and eggs as feedstuff prices stabilized at low levels. Crop production fell an estimated 5% as acreage cuts sent rice production skidding 9%. Vegetable production was little changed from 1986, while production of wheat, barley, rye and soybeans increased. Cocoon production dropped sharply. In all, fiscal 1987 agricultural production is predicted to decline about 3%.

Agricultural output will continue to fall in fiscal 1988. The major reason will be the continuation of rice acreage reductions designed to counter the large surplus of rice. Livestock production is also likely to decline as overproduction erodes the price of eggs.

Japanese agriculture today faces two major problems, one of which is domestic, the other external.

The domestic problem is the continuing surplus of rice. For four consecutive years from 1984 to 1987 the country has had bumper rice crops, keeping supply above planned levels despite the government policy of reducing acreage. Thus the stocks carried over to the next year have continued to expand. The volume of rice left over from the 1986 crop to be sold together with the 1987 crop in the new grain year starting in November 1987 reached some 2.1 million tons, well over the 1.9 million-ton government estimate. The volume of old rice is equivalent to 20% of annual production.



Imported cattle being unloaded at the Narita international airport

Photo: Daiel Inc.

Approximately half of Japan's rice production is purchased by the government under the Food Control Law. With supply far exceeding demand, the government has now cut its purchasing price—the so-called producer's price—for the 1987 crop by 5.95%, the first reduction in 31 years. The official selling price—the consumer's price—was also reduced for the first time since the law was enacted.

However, the cut in the consumer's rice price is not likely to stop the downward trend in consumption of the staple. With stocks of old rice running above planned levels, the acreage reduction target may be revised upward in fiscal 1988 following the increase to 770,000 ha. in fiscal 1987.

Further price cuts may also be necessary. Both questions pose a serious challenge to Japan's agricultural administration.

The external problem is the growing pressure for the government to ease or remove import restrictions on agricultural products. Japan currently maintains so-called "residual import restrictions" on 22 items, 12 of which were referred to the General Agreement on Tariffs and Trade (GATT) to determine their validity. Japan has also been under pressure from abroad to lift import restrictions on rice. Japan and the United States will soon return to the negotiating table on beef and citrus imports for fiscal 1988 and beyond with the expiration of the current bilateral agreement in March.

A combination of factors are fanning pressure for agricultural liberalization, including the still-large trade surplus, the widening gap in domestic and foreign farm product prices due to the appreciation of the yen and a deep-rooted belief at home that Japan should maintain self-sufficiency in rice, its staple grain. The liberalization problem will remain a focus of concern in 1988, involving not only basic agricultural policy but diplomatic issues as well.

(Mitsuaki Tsuchiya, senior economist)

## Official Targets for Rice Acreage Reduction and Estimated Old Stocks

	FY 1986		FY 1987	FY 1988	FY 1989
<b>Reduction target</b> (1,000 ha.)	600		770	770	770
<b>Old stocks</b> (million tons)	(as of the end of Oct. 1986)	(as of the end of Oct. 1987)	(as of the end of Oct. 1988)	(as of the end of Oct. 1989)	(as of the end of Oct. 1990)
Government stocks	1	1.9	1.7	1.5	1.3
Private stocks	1	1.5	1.5	1.5	1.3
	—	0.4	0.2	—	—

Source: "Agricultural Measures for FY 1987" by Ministry of Agriculture, Forestry and Fisheries