

Days of Trial

The days of trial continue for Japan's agricultural sector as it finds itself forced to restructure to survive. A higher yen has widened the gap between domestic prices for agricultural products and those in foreign countries, while the continuing worldwide glut in farm produce and Japan's ever-growing trade surplus have fanned international pressure for Japan to open its market wider.

The most pressing issues facing Japanese agriculture today remain beef and oranges, and rice. In June 1988, after years of negotiations, Japan and the United States finally signed an agreement calling for full liberalization of Japan's beef and oranges markets by fiscal 1992, thus largely solving one of the most thorny trade issues between the two countries.

But the agreement, representing a major shift in Japan's agricultural policy, puts the nation's enfeebled agricultural sector on an even more precarious footing. With full liberalization of these items only three years away, Japan's farmers are being urged to increase their international competitiveness.

Rice poses an even more complicated problem, both domestically and internationally. Japan had a rather poor rice harvest in 1988 due to a cold summer, with the production index standing below average nationwide. The poor harvest came as a double blow to rice farmers who had already been hit by production cuts aimed at preventing national rice stocks from swelling further. Japan's rice farmers have the ability to produce 3,500,000 tons more rice than is actually needed by the nation for fiscal 1988.

The rice farmers are now being urged to take various measures to strengthen their competitiveness. These include expanding the size of paddy fields cultivated by single households to cut production



Japanese consumers are demanding greater diversity in their diet, putting more pressure on the nation's farmers.

costs, and developing new varieties of rice with higher yield and quality. Against this background, government control of rice production and distribution may have to be reviewed.

The rice problem resulted in one of Japan's greatest single trade headaches—a petition filed with the U.S. Trade Representative's Office (USTR) by the U.S. Rice Millers' Association in September 1988 in a fresh attempt to make Japan lift its near-total ban on rice imports. If the petition, which was rejected, was eventually refiled and accepted by the USTR, bilateral negotiations would have to be held to discuss opening Japan's rice market. Regardless of the petition, however, the rice issue is expected to surface again at the General Agreement on Tariffs and Trade (GATT). Either way, Japan's policy on rice, which it has long regarded as so important as to be exempt from criticism or control by trading partners, will be discussed in an international forum for the first time.

For both rice farmers and agricultural policymakers, the prospect of international debate on Japanese rice looms like the arrival of the "Black Ships" at the end of the Edo period in the 1850s, a seminal event which hastened the opening of the country after isolation of more than 200 years.

As Japan begins to open its agricultural market, the country's agriculture industry must restructure itself to survive the inevitable wave of competition, without sacrificing its ability to produce rice, meat and other essential foodstuffs. In concrete terms, this will require expanding the production base and heightening efficiency, steps achievable by narrowing price gaps between Japanese and foreign farm products, expanding the size of single-family farm holdings and making more efficient use of machinery and fertilizer.

All this must be done at a time when Japanese consumers are seeking greater diversity in their diet as the nation evolves into an affluent society. To keep pace with this diversification of consumers' tastes, farmers are being required to offer high value-added products. Inevitably, a shakeout is in store for those who cannot make the grade.

Japanese Rice Supply and Demand

	1984	1985	1986	1987
Production	11,880	11,660	11,650	10,630
Consumption	10,940	10,850	10,800	—
Government stocks as of the end of October	120	310	1,030	1,820

Source: Ministry of Agriculture, Forestry and Fisheries

(Hiroto Koda, economist)