

Tough for Farmers

The environment surrounding agriculture this year will remain as severe as last year. In addition to the yen's appreciation taking firm hold, it is almost impossible to expect price differentials between imported farm produce, from producers who enjoy the advantages of large-scale farming, and domestic agricultural produce to shrink instead of widening.

In June 1988, the Japanese government abruptly decided to liberalize beef and orange imports from April 1991 and imports of orange juice from April 1992, and incurred the wrath of the nation's farmers. The decision accounted in part for the ruling Liberal Democratic Party's crushing defeat in the Upper House election last July. Obviously, whether the import liberalization of these farm products leads to the collapse of Japan's dairy farming and *mikan* (Japanese mandarin orange) growing, or, conversely, to the consolidation of Japan's agricultural structure and the improvement of its competitiveness, will have a significant impact on rice liberalization, which is expected eventually to become the most crucial farm issue for Japan.

In the case of beef, demand in Japan has continued to rise and domestic dairy farmers are currently shifting to the production of high-quality beef, while most imported beef is frozen—a type that is unfamiliar to Japanese consumers. This will enable Japanese dairy farmers to

cope fairly easily with the liberalization of beef imports.

In the case of *mikan*, a further cut of 17% in the area for *mikan* growing was sought in 1989 to avert excessive supplies in 1990. However, demand for *mikan* juice, which has been traditionally used as an important means of adjusting *mikan* production and disposing of sub-standard fruit, will possibly fall, with the mandatory mixing of domestic *mikan* juice with imported orange juice set to be abolished in April 1990. This is in addition to the scheduled import liberalization of orange juice in April 1992. The resultant decline in demand for *mikan* will severely affect the nation's citrus fruit growers.

According to an announcement by the Ministry of Agriculture, Forestry and Fisheries, the nation's average rice crop in 1989 was normal, with an estimated production index of 101 and bumper crops harvested in some areas. The government has made public its plan to reduce rice tillage by an additional 20% or so in fiscal 1990 against a backdrop of diminishing demand for rice and the continued reduction in rice production. This means that rice paddy tillage will be reduced by one-third, 930,000 hectares, from the present 2.81 million hectares.

The Japanese government, harrassed by the oversupply of rice at home, is being pressed by the U.S. Rice Millers' Associa-



Photo: Nihon Keizai Shinbun

A rice shop owner sells both American meat and Japanese rice, two major causes for concern to Japanese producers in the liberalization of Japan's import markets.

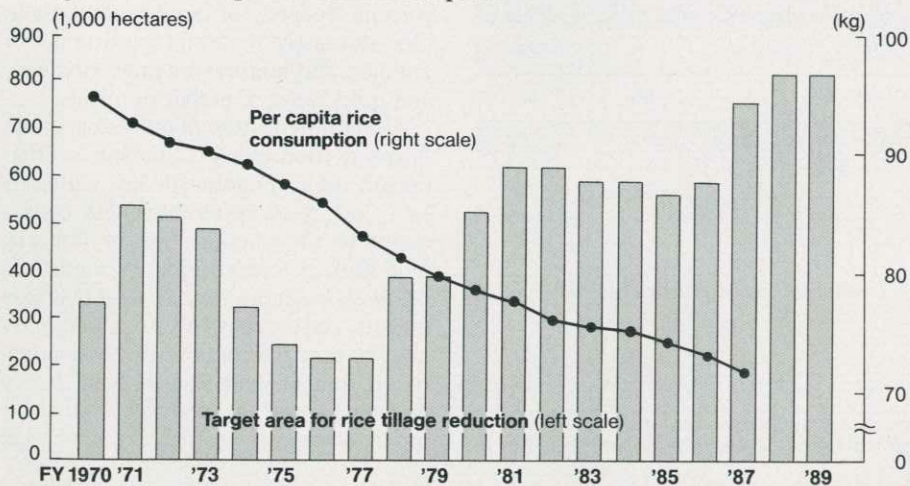
tion and the Office of the U.S. Trade Representative to open Japan's rice market, and is currently wondering how to deal with the problem. More concretely, the Japanese government is having difficulty in defining, from the social standpoint, the need to protect full-time rice farmers and the role played by rice paddies.

Today, nearly 90% of Japan's farm households are engaged concurrently in occupations outside farming, and most of these part-time farm households earn their income principally from nonfarming activities. For full-time rice farmers, however, reductions in production and falls in rice prices in recent years have meant decreases in their direct income. Lately there have been moves to reevaluate the role traditionally played by rice paddies, which stretch from mountains to flatlands, in helping to prevent floods.

In order for Japanese agriculture, mainly rice, to acquire international competitiveness, there is no alternative but to promote farmland liquidity, expand farming operations and bring down production costs through the management of farmland on an industrial basis. Under the present agricultural system, however, this is difficult because the liquidity of farmland is hampered by soaring land prices and also because business corporations are prohibited by law from possessing farmland. It is important to solve the problems involved at an early date in a manner appropriate to the actual status of the nation's agriculture.

(Nobuo Jinnai, economist)

Changes in Rice Tillage and Rice Consumption



Source: Asahi Shinbun