

INITIAL SURVEY
Agriculture & Fisheries

Smiles on the Farm, Frowns at Sea

With its food life already near reasonable levels in terms of both calories and nutrition, food demand in Japan is expected to grow only in proportion to population increase. However, the influence of weather and other natural conditions on the supply of agricultural products means that it can take considerable time to adjust domestic output.

Agricultural production (on a production index basis) has followed a mild up-curve since fiscal 1980. In fiscal 1984 and 1985 there were bumper crops, while a decrease of about 2% is forecast for fiscal 1986. Rice crops promise to be good in 1986 for the third straight year, while all fruits except *mikan* (mandarin oranges) and vegetables are also showing slight increases. Wheat, barley and rye crops are expected to drop by 10% or less. Small decreases are also forecast for beans, potatoes and inedible crops. In the livestock sector, eggs, pork and poultry are projected to rise while beef is leveling off from a year before. Milk is likely to decline, leaving production for the sector as a whole at the previous year's level. Cocoon crops are expected to decrease considerably due to a relaxation of the silk yarn supply-demand situation.

Prices of agricultural products are expected to dip slightly below fiscal 1985 levels, as the supply-demand situation relaxes. Prices for agricultural supplies such as chemicals and machinery are expected to stay at last year's levels. Livestock feed prices, however, could drop more than 10% due to abundant international supplies. An equivalent de-

crease is predicted for lighting, heating and fuel costs as a result of low crude oil prices. The cost of agricultural production materials as a whole is thus expected to drop by 3-5%.

In fiscal 1986, the value of agricultural output will dwindle due to a slight decline in production and sagging prices for farm products. The gross income of farming families, however, will rise somewhat thanks to low prices for supplies and increased nonfarming revenue.

Meanwhile, fishery and breeding production, which rose steadily from 1980 through 1984, fell in 1985. Ocean and offshore fisheries production declined by 9% and 6%, respectively, because of reduced operations in Soviet and U.S. territorial waters. The total loss in production came to 5%.

In 1986 the sardine catch, accounting for more than a third of total catches, is forecast to remain at the 1985 level. Japan's quota for coastal and offshore fishing was reduced from 1985's 600,000 tons to 150,000 tons in 1986 Japan-Soviet fishery talks. Its salmon quota was slashed 35%. What is more, Japan's quota in U.S. waters is also likely to be slashed to 500,000 tons from 1985's 900,000 tons in Japan-U.S. fishery negotiations. These cuts, already agreed on or imminent, are expected to result in a drastic reduction in the total haul of Alaska pollack, which accounts for one-seventh of Japan's total fish catch. Even after adding in increases for other fish and aquaculture production, the nation's fish total will be smaller in fiscal 1986.

Marine product prices are expected to

drop from a year ago, with the supply-demand situation softening under the impact of increasing imports. The income of fishing families will dwindle, although much of the decrease will be offset by lower fuel costs and an increase in nonfishing revenue.

Because of the yen's appreciation and sluggish international prices for agricultural products at a time of global relaxation in food supply and demand, prices for most of Japan's main import items are moving downward. There should be a slight increase in quantity, but all told, the value of Japan's agricultural and marine products imports in 1986 is estimated to decline appreciably.

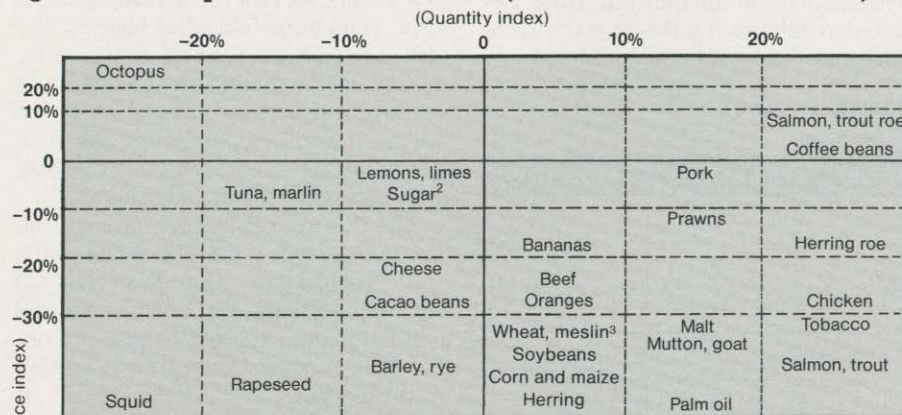
Looking ahead to fiscal 1987 and beyond, rice, accounting for 30% of total agricultural production, will continue to require production adjustments because of decreasing domestic demand and a growing production glut resulting from higher per-unit production. It is difficult to trim rice production, however, because of problems in diverting rice paddies to other crops.

In marine products, rich sardine catches are expected to continue, while Japan's quotas in the 200-mile zones of other countries have been slashed. Taking these factors into account, Japan's fisheries production is expected to level off from 1986 on. Marine product prices will be bearish in fiscal 1987 as government-determined prices for items subject to price stabilization come under review and the domestic supply-demand situation continues to ease.

Agricultural imports will increase marginally in quantity but drop slightly in value as the global supply-demand situation eases and pressures mount for Japan to open its market to foreign products. Imports of marine products will also rise in quantity and decline slightly in value as Japan will come under increasing pressure from the United States and East Asian countries to buy more such products.

The income of farming and fishing families in 1987 will decrease slightly from 1986 as prices of farm and fisheries products move downward while expenditure will level off due to stable crude oil prices.

Agricultural Import Volume and Value¹ (1st-half 1985 & 1st-half 1986)



(Masao Mori, economist)