

# Key Concerns Regarding the 'Rice Question'

By Namiki Masayoshi

The old Eastern saying, "There is only one of everything under the sun," applies to the most fundamental of issues surrounding Japan's rice question. A consistent characteristic of the Japanese diet spanning both the pre- and postwar eras, supported by data supplied by an Organization of Economic Cooperation and Development percentage comparison of total caloric intake derived from fats (known as the F calorie rate), is the low consumption of animal protein relative to income levels. Other Asian countries with a rice-based diet show this same trend.

Until the 1960s, the dearth of meat, milk, animal fat, and eggs was regarded as a shortcoming of the Japanese diet. This view was turned on its head in the 1970s when low intake of animal products began to be seen as an advantage. This change in perception was directly triggered by a U.S. government report in 1977 entitled "Dietary Goals for the United States" (G. McGovern Report). The paper reported that the U.S. F calorie rate stood at 42% and urged a decrease closer to the recommended goal of 20% to 30%. In 1978, Japan's F calorie rate was reported to be 23% (for comparison, the rate was 29% in 1992). With the realization that its goal of increasing the F calorie rate in pursuit of improved nutrition was based on standards set by developed nations which were actually wrestling with a problem of over-consumption of high-calorie foods, Japan decided that its national diet was actually healthier.

Japanese have the world's longest average life span, and death from lifestyle-related diseases remains very low. Many nutrition experts attribute a diet based on rice as the fundamental reason for this. There is no English equivalent to the Japanese word for "staple food" in the Webster's *New International Dictionary of English Language* Second Edition or the *Oxford English Dictionary* (IX). In an age of abundant food, a low F calorie rate rela-

tive to income is beneficial.

At the same time, however, there is a major defect in the structure of grain production. As rice consumption has fallen and consumption of meat, dairy products, and oil and fat has risen, it has been impossible to convert rice paddies for new uses to keep up with changing consumption patterns. According to the Ministry of Agriculture, Forestry and Fisheries report, "The Food Balance Sheet," over the nearly three decades between 1965 and 1993 per person consumption of rice has fallen by 440 calories while consumption of animal products and fat has risen by 450 calories.

The total number of calories from rice, animal products and fat has remained fairly consistent over the years at approximately 1,400 calories. Clearly the increase in animal products and fat intake is cutting into rice consumption, resulting in an excess of rice fields. Although the optimal course would be to plant in these fields livestock feed (corn), soybeans (for oil), or to use excess rice as livestock feed, the large price differential between rice and livestock feed has made a conversion to feed crops difficult.

Europe had a similar problem of rising meat consumption coupled with over-production of wheat. The solution was to switch from wheat to barley production or to use wheat for livestock feed. This possibility was facilitated by the small difference in the market price of the grains.

Rice is the most expensive cereal. In general, if the price of rice in the United States is equivalent to one unit, wheat costs half that and corn one-third. In Japan, government intervention has even exaggerated this price difference. While the price of rice has been artificially held up by the government, corn is imported without import levies and at low prices. The price of rice has—with the large effect of the strong yen—increased to 10 times the price of corn. This only serves to further empha-

size the defects imbedded in Japan's production system.

In summary, the role of rice as beneficial to the Japanese diet and as detrimental to the agriculture production structure is the exact opposite of its role in the United States and Europe. The only way to maintain the dietary benefits while correcting the faults in the production system is to shrink the difference between the price of rice and the price of livestock grains. Though I realize it sounds absurd, the price of rice must be brought down and the price of livestock feed grains raised.

Some would assert that narrowing the price differential is not only impossible but unnecessary. The merits of the Japanese diet can be maintained just as easily by importing inexpensive grain, the argument goes, a method that makes economic sense from the viewpoint of an international division of labor. While there is some validity to this argument, it is the path to the future as an economic superpower with no agriculture. Considering the importance of preserving Japan's natural environment and the concrete role that agriculture plays in environmental preservation, I can not agree with this line of reasoning.

## Effects of the UR agricultural agreement

While the agreement on agriculture at the Uruguay Round of GATT had no effect on the benefits rice offers to the Japanese diet, it did heighten the adverse effects of the food production structure.

As a means of protecting nations from agricultural product dumping, full tariffication of agricultural products was implemented and all non-tariff barriers were completely eliminated. However, Japanese rice met the criteria for special treatment under the agreement, whereby tariffication can be avoided until the year 2000. This provision has eased the pressure to lower rice prices. In return



An expansion of per-person acreage under cultivation is needed in order to achieve low-cost rice cultivation to compete with cheap rice imports. The photo shows the Inbanuma land improvement zone, where the agricultural technique of helicopter sowing is being used.

for special treatment, Japan has pledged to increase minimum access of foreign rice imports to the equivalent of 4% of total domestic imports in the first year, increasing to 8% in six years. (If tariffication is implemented, the minimum access levels would be 3% the first year, increasing to 5% in six years.) It is this detail of the agreement which has heightened the squeeze on domestic rice production.

If tariffs were applied to rice, the tariff rate for the first year would be set at a rate equivalent to the previous non-tariff barriers and a gentle drop in tariff levels over the six-year implementation period of 15% could be selected. It was also recognized that the Food Agency would pocket the mark-up between the purchase price and the wholesale price of imported rice since the rice trade is run by the government. The mark-up will be ¥292 per kilogram, as indicated on the "country list of commitments." The mark-up price, which is the basis for calculating the mark-up, is the import price (CIF) plus the cost of transportation and warehousing prior to sale. The mark-up price is lower than the tariff derived from the difference in import price and wholesale price. A tar-

iff derived in this way would probably exceed ¥300 on the kilogram, prohibitively high even after a 15% decrease in tariff rates. Dairy products now under tariffication are facing the same sort of high tariffs. Thus, tariffication will have little effect on lowering the price of rice and the increase in minimum access will further restrict the volume of rice production. Tariffication will have an ill effect on the food production system.

Some people have doubts about the prohibitive extent of these tariffs. There are wide fluctuations in international rice prices, the yen continues to gain strength, exports are subsidized and rice is available at below the average international price. With all these factors working together, even if the tariff is high the first year, they fear that the import price plus the tariff could drop to half today's prices, one-third or perhaps even lower. This argument is still deeply rooted in Japan. However, this problem can be almost totally avoided upon tariffication by setting the specific rates of tariffs. The country list of commitments for the GATT members shows that the majority of items are listed for specific rates and just a few listed as ad-

valorem.

A special safeguard agreement (SSG) that can be immediately put into effect when there is an increase in import volume over a set level, or falling prices, was also agreed upon without eliminating compensation for the export country. Thus, in this way, impediments to imports were carefully established for agricultural products slated for tariffication. In response to the obvious question of just what "comprehensive tariffication" means in this light, GATT members pledged in the most recent agricultural agreement to maintain "current access," i.e. import volumes from 1986-1988, for items slated for tariffication. If that import volume is under 3% of total domestic consumption, "minimum access" is set on the 3% to 5% timetable mentioned earlier. Thus, we have tariffication in name only and the real meat of the agreement is in the current access and minimum access clauses of the treaty.

The result of all this is little pressure to lower the price of Japanese rice and less opportunities for rice production.

Even more distressing, the GATT agreement binds Japan to the amounts and rates of tariffs, making it impossible to raise them. In negotiations with the United States, the European Union called for re-balancing of tariff rates, in effect asking for the opportunity to raise tariffs on some items even though the trade agreement calls for lowering tariffs at the average rate of 36% over the six-year period, but the United States did not agree. This re-balancing is also vital for Japan's rebuilding of the rice production structure, but the EU precedent suggests it will not be possible.

## Low hopes for the new food control act

Although there is neither time nor space for a detailed analysis of the Food Supply and Demand Price Stabilization

(continued on page 51)