

Annual Report on Food, Agriculture and Rural Areas  
in Japan

FY2004

Part 1 Trends in Food, Agriculture and Rural Areas  
Summary

(Provisional Translation)

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## **(Special Feature)**

### **Recent Changes in the Circumstances Surrounding Food, Agriculture and Rural Areas, and Future Agricultural Reform in Accordance With the New “Basic Plan for Food, Agriculture and Rural Areas”**

In March 2005, the Cabinet approved a new “Basic Plan for Food, Agriculture and Rural Areas”. The objective of its preparation was to explain the basic principles and future policies set out in the Basic Law on Food, Agriculture and Rural Areas and to enable implementation of these principles and policies. The Plan sets forth basic principles for agricultural policies for the next ten years and issues of highest priority to be addressed identified on a basis of significant changes in the circumstances surrounding food, agriculture and rural areas, and policy evaluation since five years ago when the previous version of the Basic Plan was established.

This special report describes: (1) changes in the circumstances surrounding food, agriculture and rural areas since the formulation of the previous Basic Plan; and (2) key issues in the new Basic Plan and future agricultural policies.

# **1 Recent Changes in the Circumstances Surrounding Food, Agriculture and Rural Areas**

## **(1) Food**

### **(Increased public concerns over food safety)**

There have been increased public concerns over food safety in recent years, triggered by outbreaks of BSE and highly pathogenic avian influenza, as well as problems with fraudulent food labeling. Reflecting these changes, consumers have adjusted their purchasing behaviors to pay more attention to food safety issues.

### **(Persisting dietary problems such as poor nutritional balance)**

In 2000, “Japan’s Dietary Guidelines” were prepared to promote better diets. The government has since taken effort to diffuse and implement these Guidelines but dietary problems, such as an excessive intake of fat, diet-skipping among young people, remain significant.

### **(Food industry’s increased dependence on imported agricultural products because of inability of domestic agriculture to keep pace with changing consumer demand)**

While the household expense for purchasing food is decreasing, the consumption of prepared foods is steadily increasing. Also increasing are eating-out and diversification of consumer preference and demands as demonstrated by populations of different age range and with different household composition showing different preference for quality and price of foods and inclination to convenience of preparation and eating of food.

As agricultural production inside Japan has been unable to keep pace with the diversification recently, food industries have become more dependent on imported agricultural produce.

### **(Inadequate progress in efforts to improve self-sufficiency in both consumption and production, leaving food self-sufficiency at 40% for 6 years in succession)**

Japan’s food self-sufficiency (on a supplied calorie basis) has remained at 40% for 6 successive years since FY1998. This is because the industry has been unable to instigate independent and continuous efforts on issues such as achieving a well-balanced diet or improving the productivity and quality of agriculture.

### **(Intensification of international rules and the advancing tide of trade deregulation in the medium to long term)**

In WTO agricultural negotiations, discussions on more stringent international rules against border measures and domestic support are underway, and negotiations towards the formulation of concrete rules are now in progress. Meanwhile, initiatives on agricultural trade negotiations between Japan and other east Asian countries are quickening, including EPA/FTA negotiations.

## Main recent events relating to food safety and consumer confidence

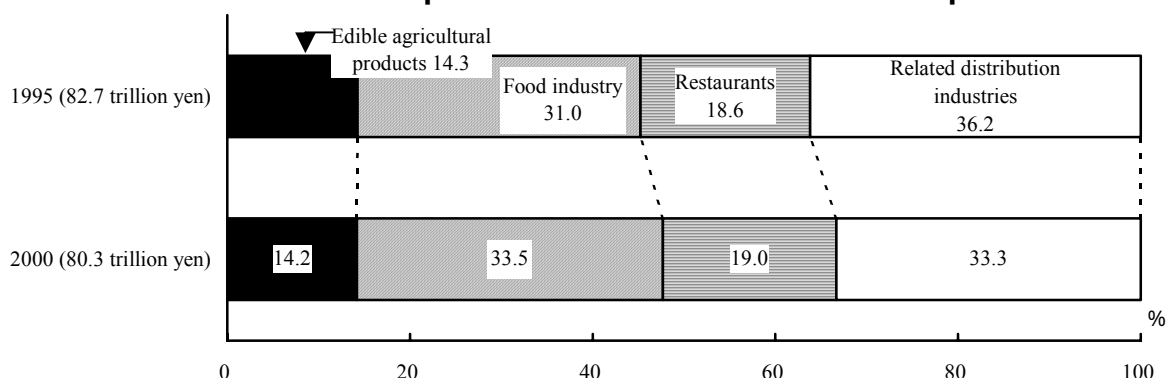
1999	Strong public concerns over a report on dioxin contents
2000	Large scale food poisoning caused by reconstituted low-fat milk product of a leading dairy company
2001	Occurrence of BSE (bovine spongiform encephalopathy) in Japan
2002	Recall of imported frozen vegetables due to the violation of maximum residue limits for pesticides; Use of unregistered agricultural chemicals
2003	Food Safety Basic Law put into force; Occurrence of BSE in the USA, ; Falsified "Best By" date on eggs
2004	Outbreaks of highly pathogenic avian influenza (Japan, other Asian countries)

## Basic Indicators for the Food Sector

Indicator		FY1997	98	2003 (change compared to 1998, percent difference)
Ratio of PFC to available calories	P (protein) %	13.2	13.2	13.1 (- 0.1 points)
	F (fats) %	28.3	28.4	29.0 ( 0.6 points)
	C (carbohydrates) %	58.5	58.4	57.9 (- 0.5 points)
Ratio of skipped breakfast	Males aged 20-29 %	32.9	27.4	26.5 (- 0.9 points)
	Females aged 20-29 %	15.9	13.8	20.6 ( 6.8 points)
Household consumption spending (actual)	thousand yen/person/year	1,175	1,174	1,167 (- 0.6%)
Food consumption spending (actual)	thousand yen/person/year	303	303	293 (- 3.2%)
Of which, ratio of cooked meals and eating out (actual)	%	27.6	27.7	28.6 ( 0.9 points)
Consumer price index (foods)	2000=100	101.6	102.7	98.5 (- 4.2 points)
Market scale of precooked foods and eating out	Trillion yen/year	34.7	34.3	31.2 (- 9.1%)

Sources: MAFF, MHLW, MIAC, Food Service Industry Research Center

## Destination of food expenditure in terms of final consumption



Source: Ministry of Internal Affairs and Communications and 9 other government bodies

## Trends in Food Self-Sufficiency

(unit: %)

Commodity		1997	1998	2003 (estimate)
Food self-sufficiency ratio on a calorie basis		41	40	40
Self-sufficiency ratio by major commodity (on a weight basis)	Rice	99	95	95
	Of which, rice as staple	103	100	100
	Wheat	9	9	14
	Pulses	5	5	6
	Vegetables	86	84	82
	Fruits	53	49	44
	Meat (except whale meat)	56	55	54
	Chicken eggs	96	96	96
	Milk, dairy products	71	71	69
	Fish and shellfish	59	57	50
Oils and fats	14	15	13	
Food self-sufficiency ratio on a production value basis		71	70	70

## **(2) Agriculture**

### **(A huge decline in main-business farm households, together with a marked aging of the agricultural workforce)**

While the number of commercial farm households fell by 13% in the five years from 1998 to 2003, the decline in the number of main-business farm households even exceeded this with a decrease of 22%. The number of key agricultural workers has fallen by 6% in five years, while the ratio of those aged 65 or over has reached 54%, revealing a pronounced aging of the workforce.

Now that retirements among those in their 70s (who have been at the core of agricultural production until now) are starting in earnest, the decline in the number of farm workers is expected to accelerate from now on.

### **(Increasing area of abandoned arable land, rate of arable land utilization in a downward trend)**

The arable land area decreased by 3.4% over the five years from 1998 to 2003, and abandonment of arable land has recently exceeded the conversion of land to other uses. The area of abandoned arable land multiplied 4-fold over the five years from 1995 to 2000.

Furthermore, since the total cultivated area is decreasing at a faster pace than the arable land area, the rate of arable land utilization is also in a downward trend. In 1994 it fell below 100%, reaching 94% in 2003.

### **(Delays in structural reform of agriculture)**

Some moves towards structural reform can be seen – for example, the number of agricultural corporations and certified farmers (subject of much expectation as the principal bearers of agriculture) continues to increase, while the area of farmland use concentrated in principal farmers is also increasing.

However, with the land-extensive agriculture practiced in prefectures other than Hokkaido, the concentration of farmland (an essential resource for farm business) in main-business and large-scale farms is low. Recently, moreover, the rate of increase in the area of farmland use concentrated in principal farmers (i.e. certified farmers) has been slowing, pointing to delays in structural reforms.

### **(Initiatives for environmental conservation demanded of agricultural production)**

The proportion of commercial farms that practice eco-friendly agriculture is 21.5% (2000), and the number of certified eco-farmers is increasing steadily. Steps are also being taken for appropriate treatment of livestock manure. Nevertheless, eco-farmers only account for 3% of all commercial farms across the country, suggesting problems in the diffusion of agriculture that focuses on environmental conservation. For Japanese agriculture to win the confidence of the people in the future, it is vital that agricultural production shifts to modes that contribute to environmental conservation, by making full use of the natural cyclical functions inherent in it.

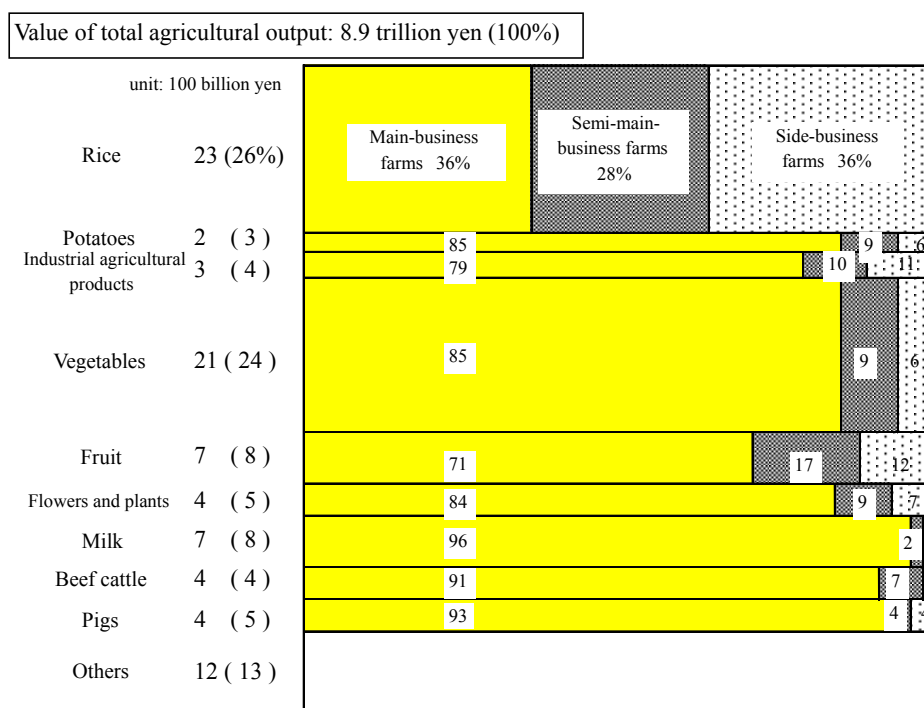
### **(Growing potential for increased exports of Japanese agricultural products)**

There is growing potential for increased exports of Japanese agricultural products and foods, resulting from heightened interest in Japanese food culture, demand for Japanese products with their perceived image of high quality, and greater purchasing power accompanying economic growth in Asian countries. As such, efforts geared towards exports are being stepped up around the country.

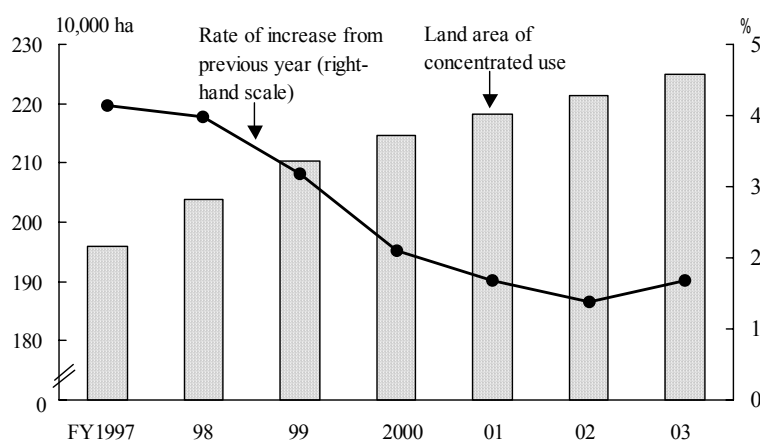
## Basic Indicators for the Agricultural Sector

Indicator			1998	2003 (change compared to 1998, percent difference)
Farm households	Commercial farm households	10,000 households	252.2	220.5 (-12.6%)
	Of which, main-business farms	10,000 households	57.4	44.8 (-22.0%)
Agricultural workforce	Key agricultural workers	10,000 persons	240.8	225.6 (-6.3%)
	Of which, proportion of those aged 65+	%	44.2	53.9 (+9.7 points)
Farmland, etc.	Arable land area	10,000 ha	490.5	473.6 (-3.4%)
	Arable land utilization rate	%	94.1	94.0 (-0.1 points)
	Area of abandoned arable land	10,000 ha	(24.4)	(34.3) (40.6%)
Agricultural production	Value of total agricultural output	100 million yen	99,264	89,011 (-10.3%)
	Agricultural product price index (overall)	2000=100	114.5	104.2 (-10.3 points)
	Agricultural production index	2000=100	98.1	92.3 (-5.8 points)
Farm business (commercial farms)	Commercial arable land area per farm	ha	1.60	1.67 (4.4%)
	Agricultural income per farm	thousand yen	1,246	1,106 (-11.2%)
	Of which, average for main-business farms	thousand yen	5,395	4,741 (-12.1%)
	Of which, large-scale paddy rice farms	thousand yen	(6,248)	(5,269) (-15.7%)

## Share of Total Agricultural Output by Commodity and Farm Type (2003)



## Trends in Concentration of Farmland Use in Principal Farmers



### **(3) Rural areas**

#### **(Progressive population shrinkage, aging, and multi-habitation)**

With the advance of aging and declining birth rates, provincial areas have entered a phase of population shrinkage, 29 prefectures now having smaller populations than 5 years ago. In future, more rural areas are expected to have small populations and a high ratio of elderly persons aged 65 and over. This brings fears of a decline in the vitality and functions of local communities. Meanwhile, the advance of multi-habitation has caused the farm ratio in agricultural villages to fall to 11%.

#### **(Progress in the development of living environment facilities for rural areas, but continuing disparity with urban areas)**

With progressive development of roads, water supply and sewerage, the convenience of rural life and social infrastructure are improving. However, levels of development are still below those in urban areas, while there is even some disparity among rural areas.

#### **(Concerns that a stable food supply and the fulfillment of multi-functionality may be hindered)**

Besides providing a stable food supply, agriculture has a multi-functionality that is fulfilled through the activities of food production – namely, conserving land, recharging water resources, conserving the natural environment, forming pleasant landscapes, and preserving cultural heritage. The benefits of this multi-functionality are available not only for local inhabitants but also for the nation as a whole. As such, there is increasing public understanding and expectation of unique and characteristic rural spaces where this multi-functionality is fulfilled, and where they can experience a rich natural environment, beautiful landscapes, and traditional culture.

With the progressive depopulation, aging and multi-habitation of rural areas, however, there are signs of a stagnation or regression of agricultural production activities as well as a decline in local action. Farmers are feeling an increased burden of responsibility for appropriate conservation and maintenance of agricultural resources, i.e. farmland and irrigation water. As a result, there are concerns that it may become difficult for a stable food supply and multi-functionality to be fulfilled.

#### **(Some motivated efforts drawing on rural resources, despite the harsh situation of agriculture and rural areas)**

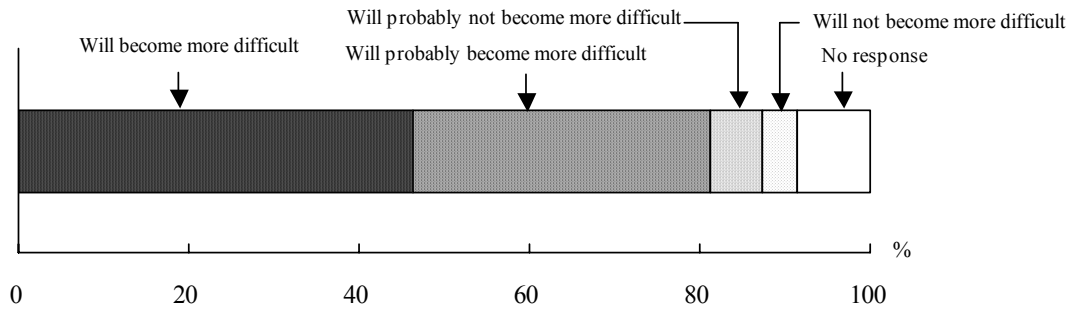
Although the situation of agriculture and rural areas remains harsh, there are signs of motivated efforts initiated by local communities, drawing on the knowhow and individuality of their own regions. These include the emergence of farm shops that sell produce directly to consumers, local consumption of local produce, symbiosis and interchange between urban and rural areas, and collaboration with the food industry and other sectors.

## Basic Indicators for the Rural Areas Sector

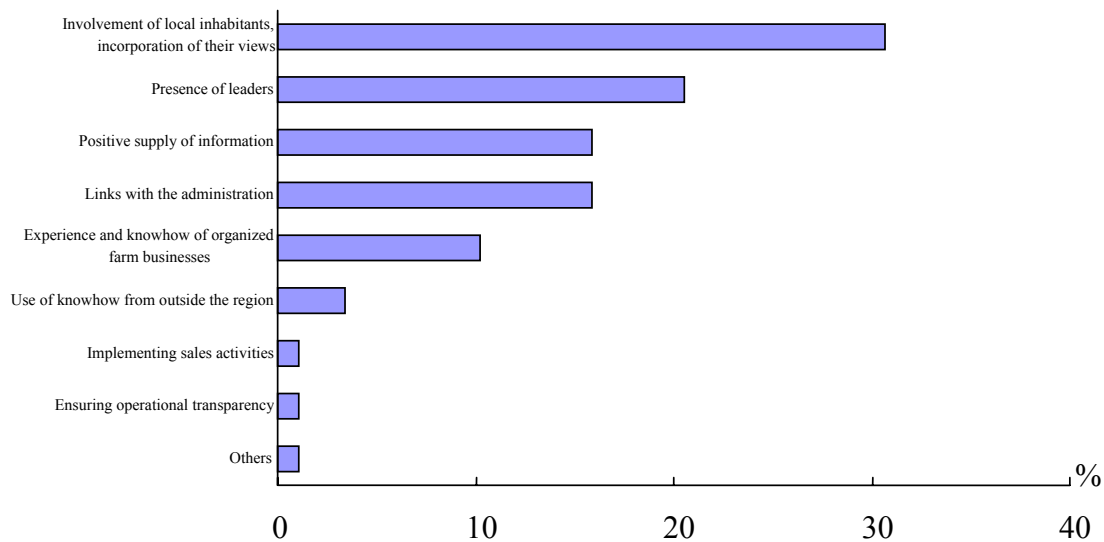
Population	Prefectures in which population has decreased	No.	29 prefectures (comparison between 1999 and 2004)			
Villages	Ratio of elderly population in regional prefectures	%	'95	16.7	2000	19.5 (+2.8 points)
	Number of farming villages	No.	'90	140,122	2000	135,163 (-3.5%)
	Farm ratio in farming villages	%	'90	15.8	2000	10.7 (-4.1 points)
Living environment	Road improvement rate (towns and villages)	%	'98	45.6	2000	49.1 (3.5 points)
	Water supply diffusion rate (towns and villages)	%	'98	90.2	2000	91.9 (1.7 points)
	Sewage treatment facility diffusion rate (towns and villages)	%	'98	21.5	2000	37.7 (16.2 points)
IT conversion	Internet utilization rate (towns and villages)	%	'98	6.3	2000	84.0 (77.7 points)
	Ratio of area accessible by mobile phones	%	2004	47.5 (depopulated regions), 74.4 (other regions)		

Sources: MAFF, MIAC

## Future Prospects for Maintenance of Farmland, Irrigation Water, Farm Roads and other Resources



## Conditions for Maintaining or Developing Activities in Future



Source: Japanese Institute of Irrigation and Drainage

## **2 Future Policies for Reforming the Agricultural Administration in line with the New “Basic Plan for Food, Agriculture and Rural Areas”**

### **(1) Main measures to date and the need for reform of the agricultural administration**

#### **(Main measures since the previous “Basic Plan for Food, Agriculture and Rural Areas”)**

Various measures related to food, agriculture and rural areas have been reviewed and enhanced in each of these sectors, in line with the previous “Basic Plan for Food, Agriculture and Rural Areas”.

In the food sector, for example, “Japan’s Dietary Guidelines” have been prepared. In the agricultural sector, the public stock company format has been introduced for agricultural production corporations, the price stability system has been revised, and business stability measures have been introduced for individual commodities. Measures taken in the rural areas sector, finally, include the creation of a direct payment system for mountainous and other regions. Based on the “Food and Agriculture Revival Plan” (2002), meanwhile, steps have been taken to develop agricultural administration with its focus shifted to the consumer, as well as radically reforming rice policies, promoting symbiosis and interchange between urban and rural areas, and promoting efforts based on the Biomass Nippon Strategy.

#### **(Need for reform of agricultural administration)**

Today, Japan is experiencing huge changes in the structure of its socio-economy, in the form of progressive population aging and declining birthrates, the shift to a phase of population shrinkage, a transformation in economy activity associated with the advance of globalization and IT, and changes in national awareness and values. As stated earlier, moreover, the circumstances of food, agriculture and rural areas have changed greatly since the previous “Basic Plan for Food, Agriculture and Rural Areas” was prepared. A task of pressing urgency is now to respond accurately to these major changes, and to continue efforts aimed at improving the national lifestyle and developing the socio-economy, by providing a stable supply of safe food in response to the diverse needs of the people, fulfilling multi-functionality, sustainably developing agriculture, and promoting rural areas. To this end, we will need to urgently promote reforms of the agricultural administration as a whole with a view to materializing the basic principles set out in the Basic Law on Food, Agriculture and Rural Areas, based on a verification of these changing circumstances and measures taken so far.

### **(2) Basic perspectives in reforms of the agricultural administration**

When attempting reforms of the agricultural administration as a whole, we will need to ensure the consistency of various policy measures and take rigorous steps to publicize the framework of new measures. Thus, given that the “Basic Plan for Food, Agriculture and Rural Areas” is the basic plan for various measures, we will formulate a plan with an outlook over the next ten years or so, in which we will clarify and promote the directions and content of policy reforms as well as processes aimed at materializing them. In doing so, our revision of existing measures or creation of new ones must be based on the following five viewpoints. The first will be to build a policy system that is effective, efficient and easy to understand. The second will be to incorporate the standpoint of consumers in these measures. The third will be to clarify the allocation of roles between private and public sectors or central and local governments, and to encourage farmers and local inhabitants to assert independence and creative ideas. The fourth will be to attempt to develop measures that emphasize environmental conservation. And the fifth point will be to develop “aggressive agricultural policies” based on new movements in agriculture and rural areas.

### **(3) Food self-sufficiency targets**

#### **(Basic rationale when setting food self-sufficiency targets)**

In the new “Basic Plan for Food, Agriculture and Rural Areas”, the aim is to identify matters for priority efforts, while continuing to tackle issues related to food self-sufficiency that have pertained until now, and to call for concrete action from stakeholders with a view to resolving these issues.

## New Basic Plan for Food, Agriculture and Rural Areas

Basic Law on Food, Agriculture and Rural Areas (July 1999)

### Four principles of the Law

- Securing a stable supply of food
- Sustainable development of agriculture
- Fulfilling multi-functionality
- Promoting rural areas

Development of main measures based on the previous Basic Plan for Food, Agriculture and Rural Areas (March 2000)

Formulation of the "Japan's Dietary Guidelines"  
Formulation of an "Emergency Food Security Manual"

"Food and Agriculture Revival Plan"  
(April 2002)

Ensuring food safety and reassurance

Formulation of a "Policy Outline for Food Safety and Reassurance"  
Promotion of "Food Education" and risk communication etc.

Amendment of the Agricultural Land Law, introduction of the public stock company format for agricultural production corporations  
Revision of the price stability system, introduction of business stability measures for individual commodities etc.

Accelerating structural reforms of agriculture

Radical reform of rice policies  
Entry into agriculture by concerns other than agricultural production corporations via the lease method, based on the system of special districts etc.

Creation of a direct payment system for mountainous and other regions etc.

Symbiosis and interchange between urban and rural areas

Promotion of symbiosis and interchange between urban and rural areas  
Formulation of a "Biomass Nippon Strategy" etc.

Great concerns over food safety and wholesome diet caused by BSE cases and fraudulent food labeling  
More diversified demands (increased food industry dependence on imported agricultural products)  
Delays in structural reform of agriculture (decrease and aging of farmers, delays in scale expansion)

Changes in the circumstances of food, agriculture and rural areas

Expectations of multi-functionality and rural areas (wishes for the realization of a sustainable society)  
Advance of globalization (WTO/EPA negotiations, economic growth in Asian countries)

The New Basic Plan for Food, Agriculture and Rural Areas (March 2005)

### Basic perspectives for reform

To draw up a new plan with an outlook over the next 10 years or so, and to indicate the directions for reforms to be attempted during the period of the plan as well as processes designed to materialize them.

(Perspectives of reform)

- To build a policy system that is effective, efficient and easy to understand
- To incorporate consumers' concerns into policies
- To encourage farmers and local inhabitants to assert independence and creative ideas
- To develop measures that focus on environmental conservation
- To develop "aggressive agricultural policies" based on new movements in agriculture and rural areas

### Food self-sufficiency targets

(on a calorie basis)

- Basically aim for at least 50%

● Provisional target

FY2003		FY2015
40%	→	45%

(on a production value basis)

- Provisional target

FY2003		FY2015
70%	→	76%

Foster independent farm businesses  
Encourage corporate involvement in agriculture  
Encourage participation by women  
Build a system of measures that places emphasis on environment and rural resources  
Ensure food safety and consumer confidence  
Achieve ideal dietary patterns  
Export agricultural products and foods  
Promote the use of biomass  
Ferment creative ideas and motivation with a view to stimulating rural areas

Systematic promotion of measures using process charts

Meanwhile, as an attainable result if these issues can be resolved, the Plan indicates the “ideal pattern of food consumption” and “targets for production efforts” in FY2015. Furthermore, a basic target for the total food self-sufficiency ratio on a supplied calorie basis continues to be set, given that food is the most fundamental commodity for the national way of life. In line with this, a target on a production value basis has also been set, to properly reflect production activities for fruit and vegetables – which, although supplying relative few calories, play an important role in maintaining and promoting the health of the nation – and those for livestock products, with relatively low self-sufficiency ratios on a calorie basis. While today’s food self-sufficiency ratio reflects the Japanese circumstances of food consumption including offering too rich a diet that could be described as over-feeding, if we turn to global food supply and demand, we find numerous elements of instability. These include expanding food consumption in Asia, global warming and the exhaustion of water resources. Therefore, as well as setting targets for food self-sufficiency and promoting a reconsideration of dietary lifestyles, taking steps to secure farmland and irrigation water, secure and foster principal bearers of agriculture, and improve agricultural technology will help us to expand agricultural production in Japan and ensure food security in the event of an emergency. In future, it is important that we take steps to strengthen the food supply capacity of Japanese agriculture through such efforts.

**(Key issues to be addressed for improving the rate of self- sufficiency of food)**

As for the policies concerning food consumption, key issues to be tackled are: nationwide strategy for practical and easy-to-understand “Food Education” and local consumption of local produce; promotion of increased consumption of domestically grown agricultural produce; and establishing consumer confidence in domestically produced food. In agricultural production, the priorities are to encourage production tailored to consumer demand by principal farmers with management skill; strengthen ties between the food industry and agriculture; and promote the efficient use of farmland. Moreover, these efforts need to be tackled independently, not only by the national government but also by local authorities, farmers and agricultural organizations, food industry businesses, consumers and consumer groups, based on appropriate role-sharing.

**(4) Key points of comprehensive and systematic measures related to food, agriculture and rural areas**

The main topics of comprehensive and systematic measures related to food, agriculture and rural areas are as follows.

1) Measures related to securing a stable supply of food

Ensuring food safety and consumer confidence, promoting “Food Education” to achieve better dietary patterns, promoting local consumption of local produce; securing the stable food importation, and food security in the event of emergencies; and so on.

2) Measures related to the sustainable development of agriculture

Securing and fostering principal bearers of agriculture with a view to establishing an ideal agricultural structure, securing and fostering human resources, promoting the effective use of farmland, establishing farm business stability measures, promoting efforts for diverse business growth, promoting ties between agriculture and the food industry, promoting exports of agricultural products and food, preparing the conditions fundamental to business growth, developing the foundation for agricultural production, introducing agricultural production environment measures, utilizing biomass resources, etc.

3) Measures related to the promotion of rural areas

Creating measures for the conservation of resources (i.e. farmland and irrigation water),

stimulating rural economies, symbiosis and interchange between urban and rural areas, materializing pleasant and safe lifestyles in rural areas, etc.

#### **(5) Matters needed for comprehensive and systematic promotion of measures**

When promoting measures, we need to build an effective and efficient system for promotion, including (1) promoting practicable measures in concerted action by the government as a whole, centered on the Headquarters for Promotion of Policies on Food, Agriculture and Rural Areas, (2) reflecting process management and policy evaluation of measures in improvements to measures, (3) making use of fiscal measures in an efficient and prioritized manner, (4) securing transparency through accurate provision of information, and (5) fostering human resources and creating organizations in the regions.

Measures related to food, agriculture and rural areas are deeply tied to the national way of life and the directions of Japan's socio-economy. In future, it is very important that we share a common awareness, among the nation as a whole, on the need to reform the agricultural administration and directions for measures, and practice concrete action in accordance with our various roles.

## Independent Efforts by Stakeholders Aimed at Improving Self-Sufficiency

- Independent efforts aimed at improving self-sufficiency, made not only by the national government but also by local authorities, farmers and agricultural organizations, food industry businesses, consumers and consumer groups, based on appropriate role-sharing.
- As well as setting up a council representing the government and all these stakeholders, action plans will be drawn up for each fiscal year, and planned initiatives promoted in concerted action by all stakeholders.

### Local Authorities

Efforts to promote agriculture as a key regional industry, in line with the conditions and characteristics of the region (e.g. setting targets for efforts aimed at regional food self-sufficiency and local consumption of local produce)

### Farmers

Efforts for concentrated use of farmland, etc., as well as practicing agricultural production with a positive grasp of consumer and actual user needs

### Agricultural Organizations

Efforts aimed at expanding demand for and production of local agricultural products, reorganizing regional agriculture by identifying principal farmers, incorporating farm organizations based in villages, etc., achieving various regional targets in collaboration with local authorities, etc.

### Food Industry Businesses

Provision of correct information through appropriate labeling of food, rationalization of food distribution in collaboration with agriculture, development of domestic agricultural product markets, etc.

### Consumers and Consumer Groups

Actively communicating with farmers, promoting well-balanced diets, reduction of leftovers and wastes, and other activities related to improving dietary lifestyles on their own initiative.

## Self-Sufficiency Targets

(unit: %)

	FY2003	2015
Total food self-sufficiency target on a supplied calorie basis	40	45
Total food self-sufficiency target on a production value basis	70	76

### 3 Principle Measures to be implemented in FY2005 in Accordance with the New “Basic Plan for Food, Agriculture and Rural Areas”

In FY2005, the first year of the new Basic Plan, the Ministry of Agriculture, Forestry and Fisheries will implement measures in accordance with the new Basic Plan, in particular, comprehensive and systematic measures to secure a stable supply of food and sustainable development of agriculture, and to promote rural areas-specifically, measures for: improving food self-sufficiency; ensuring food safety and consumer confidence; promoting “Food Education”; identification of motivated and capable farmers; focusing in prioritized areas; and promoting effective use of farmland, exportation of domestic agricultural produce and utilization of biomass, and so on.



## TOPICS

- 1 A series of meteorological disasters and the Mid-Niigata Prefecture Earthquake
- 2 Promoting strategic exports of agricultural products
- 3 Moves to establish regional brands
- 4 Initiatives in agricultural trade negotiations (WTO, EPA/FTA)

## **1 A series of meteorological disasters and the Mid-Niigata Prefecture Earthquake**

### **(2004 – a year of successive meteorological disasters causing unprecedented damage)**

As well as record-breaking temperatures in summer, Japan was struck by a series of meteorological disasters in 2004, causing colossal damage following that of the cool summer in 2003. In monetary terms, this damage amounted to around 870 billion yen in the agriculture, forestry and fisheries sector as a whole.

Damage due to heavy rains, storm winds and high tides, brought by typhoons that hit Japan between June and October, extended over vast areas of the country. Apple and pear farmers from Kyushu to Tohoku were affected by fallen fruit and broken branches. Paddy field areas along the coasts suffered salt damage, while farming facilities were damaged or destroyed in various parts of the country. The rice crop condition index was 98, falling below the annual average under the impact of typhoons and protracted rains, while field inundation in vegetable producing areas at harvest time helped to inflate vegetable prices.

Normally, typhoons that approach Japan move around the edges of Pacific high pressure, and tend to land from Okinawa northwards between August and September. By October, they usually pass harmlessly over seas to the south of Japan. In 2004, however, brisk movements of rising turbulence around the Philippines augmented the Pacific high pressure, causing it to extend further north towards Japan than in normal years, and for protracted periods. This made it easier for typhoons to approach or hit Japan; the country was struck by 10 landed typhoons, the highest number since records began.

The view has been expressed in some parts that this continuing series of abnormal weather phenomena is related to global warming.

### **(Tremendous damage to agriculture, forestry and fisheries caused by the Mid-Niigata Prefecture Earthquake)**

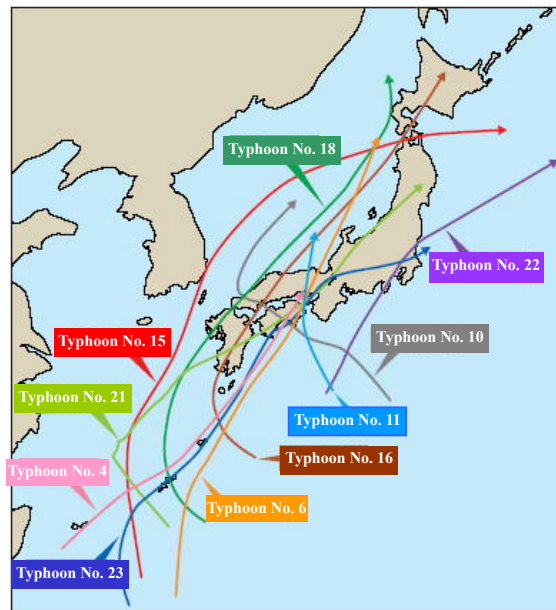
In October, the Chuetsu region of Niigata Prefecture was struck a huge earthquake registering a maximum 7 on the Japanese scale of seismic intensity. As well as causing many human casualties, the earthquake destroyed homes and shops and led to considerable disruption of gas, water, electricity and other domestic infrastructure, as well as transportation networks. In the agriculture, forestry and fisheries sector, meanwhile, paddy fields were destroyed, reservoirs, water supply and drainage channels, farm roads, and farming facilities were damaged, and agricultural products were seriously affected, while mountain forests also suffered very great damage. The total value of damage sustained by the sector as a whole amounted to around 130 billion yen, more than that caused by the Hanshin-Awaji Earthquake in 1995.

This earthquake had particularly serious consequences for rural villages in mountainous areas, where aging and depopulation have advanced. The relevant authorities have joined forces in tackling various disaster measures, aiming for a speedy reconstruction of the afflicted area and a revival of agriculture, forestry and fisheries.

### **(Importance of maintaining and developing agriculture, forestry and fisheries with a view to fulfilling their multi-functionality)**

On December 24th, 2004, a huge tsunami of unprecedented proportions was spawned off the coast of Sumatra, Indonesia, causing cataclysmic loss of life and material damage in surrounding countries. In view of its topographical situation, Japan is also prone to damage from earthquakes, typhoons, torrential rains, volcanic eruptions and tsunamis. The agriculture, forestry and fishery industries, which operate in partnership with nature, are particularly vulnerable to the impact of natural disasters. On the other hand, agriculture, forestry and fisheries not only form a foundation for life industries, but also bear a multi-functionality of roles that arise from their activities. Partly with a view to fulfilling this multi-functionality, we are expected to achieve sustainable development of agriculture, forestry and fisheries that can withstand natural disasters.

## Paths of typhoons that hit Japan in 2004



**Fallen apples (left) and flooded vegetable fields (right) following a typhoon**



**A landslide on farmland following the Mid-Niigata Prefecture Earthquake**

(photo: Asia Air Survey Co., Ltd.)

## **2 Promoting strategic exports of agricultural products**

### **(Growing potential for increased exports of Japanese agricultural products)**

Overseas demand for Japanese agricultural products has been rising in recent years, thanks to heightened interest in Japanese food culture and the strong brand image of Japanese products with their perceived evaluation of high quality.

In Asian countries, in particular, purchasing power has risen in line with economic growth in recent years, and high-class department stores and supermarkets aimed at higher bracket earners have been opening in major cities in each country. In China, where economic growth is particularly pronounced, the income levels of city dwellers have improved vastly. As such, there is potential for these markets to become export destinations for Japanese agricultural products, with their high quality and high level of safety.

### **(Lively export activity in various parts of Japan)**

Given this situation, some commodities are steadily increasing in export volume. Exports of apples to Taiwan, for example, are increasing sharply in value following Taiwan's scrapping of import quotas accompanying its membership of WTO.

In response to these developments, astute export-oriented initiatives are becoming more prominent in producing areas all over Japan, such as targeting higher bracket earners and the gift market.

### **(Importance of concerted efforts for export promotion by private and public sectors)**

While economic factors affect exports of agricultural products, legal systems and commercial practices also have a major influence. Since these entail many issues that are impossible to resolve by producing areas and exporting companies alone, it is imported that the private and public sectors join forces in tackling them.

In view of this, the Ministry of Agriculture, Forestry and Fisheries has, in collaboration with other government bodies, requested export destination countries to improve their treatment to smooth the way for exports, and has positively devised support measures to promote exports. Japanese companies and organizations took part in food trade fairs held in Shanghai, Seoul, Bangkok, and London in FY2004, and succeeded in establishing many commercial deals.

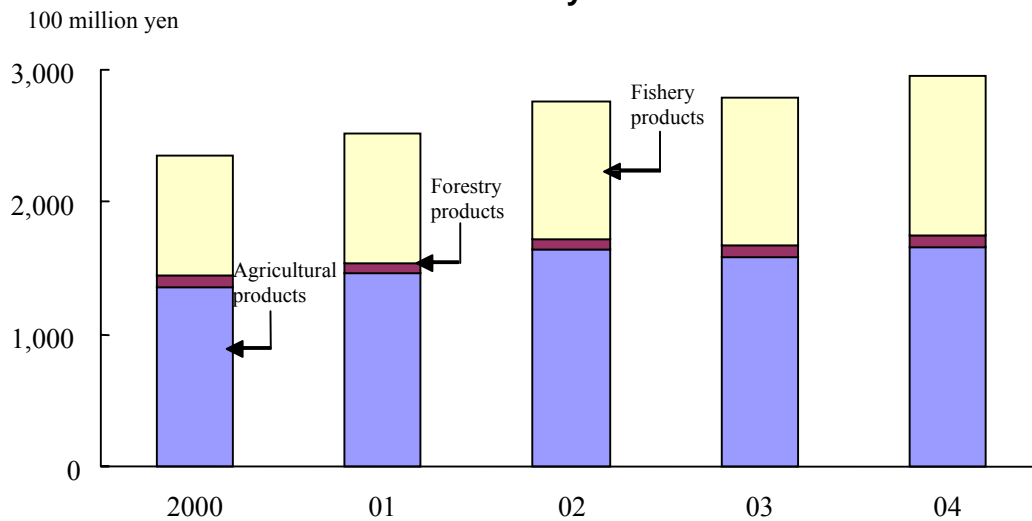
### **(Need for strategic exports of agricultural products as a central aspect of Japan's aggressive agricultural policy)**

As a central aspect of Japan's aggressive agricultural policy, exports of agricultural products will be of major significance in helping to strengthen business by opening up new sales routes, encourage a reform of awareness among farmers and producing areas inside Japan, and raise their motivation.

For this reason, the new "Basic Plan for Food, Agriculture and Rural Areas" calls for the creation of an export promotion system consisting of the relevant ministries and agencies, local authorities, and relevant organizations, with the aim of motivating stakeholders to make efforts to this end. Also, the Headquarters for Promotion of Policies on Food, Agriculture and Rural Areas set up inside the Cabinet has decided that concerted efforts will be made between the private and public sectors with a view to doubling the export value of food and other agricultural, forestry and fishery products by 2009.

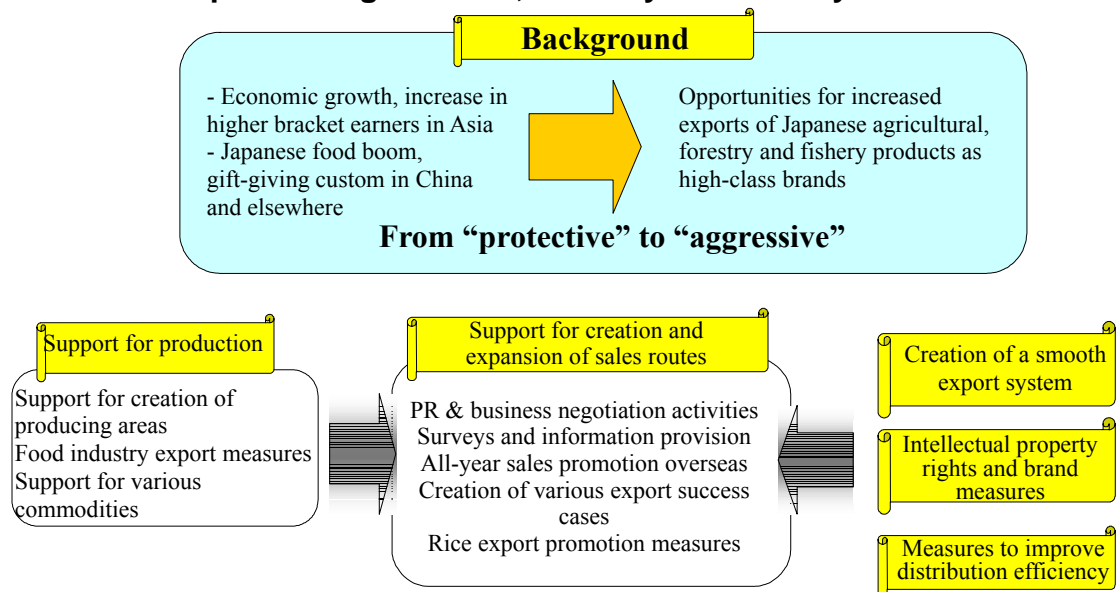
To positively expand exports of Japanese agricultural products in future, it will be important to undertake thorough market research in advance, develop local systems of sales and distribution, establish brand images linked to Japan's dietary culture, and promote efforts for stable and continuous shipments. In conjunction with these, it is now important that we take steps to create producing areas inside Japan and develop processed foods with which to respond to overseas needs.

## Recent Trends in Export Value of Japanese Food and Agricultural, Forestry and Fishery Products



Source: Ministry of Finance

## Establishing a System of Comprehensive Support Aimed at Promoting Exports of Agricultural, Forestry and Fishery Products



Source: Ministry of Agriculture, Forestry and Fisheries



Japanese brand booths and scenes of business negotiations at the China International Food and Drink Exhibition (Shanghai)

### **3 Moves to establish regional brands**

#### **(Strategic promotion of efforts aimed at creating, protecting and utilizing intellectual property)**

With the expansion of trade between Japan and the rest of Asia in recent years, damage caused by imitation merchandise and piracy has become serious in many industrial sectors.

To combat this, the Intellectual Property Basic Law was brought into effect in March 2003, and a Plan for Promoting the Creation, Protection and Utilization of Intellectual Property was decided in July 2003 by the Intellectual Property Strategy Headquarters set up in the Cabinet. In May 2004, the Intellectual Property Promotion Plan 2004 was prepared as a revision of the previous Plan. Now, initiatives including measures against imitation merchandise and piracy, speeding up of patent examinations, and support for SMEs and regions are being promoted strategically, with a view to creating, protecting and utilizing intellectual property.

#### **(Promotion of measures to protect breeder's rights for new plant varieties)**

For agricultural products, similarly, there have been problems such as infringements of breeder's rights (i.e. strains that have been improved and developed in Japan are taken abroad without permission, and the harvested products are then re-imported and sold in Japan).

To combat this, penal provisions against infringements of breeder's rights were strengthened through a partial amendment of the Seeds and Seedlings Law in 2003. Besides this, other measures being promoted include customs examination of goods that could infringe breeder's rights following an amendment to the Customs Tariff Law, promotion of the use of strain identification technology via DNA testing, and shortening of the period for examination of new plant varieties.

#### **(Promotion of efforts aimed at establishing regional brands)**

Brands have a major impact on consumer confidence in quality when selecting merchandise. As such, it is now important that we establish regional brands, so that individual agricultural products and products processed from them have merchandise value as brands and the various producing areas can raise their market competitiveness. This will serve to distinguish these brands from imported products as well as competitive products from other producing areas in Japan, and ensure that they are purchased by consumers. The basic rationale of establishing regional brands is thought to lie in using independent systems to raise awareness and confidence among consumers, by certifying brands of merchandise produced from natural, historical, cultural and uniquely rural resources, and imposing rigorous quality control. Around the country, there are various examples of efforts being made to establish regional brands by growing new products from unique local strains, maintaining quality through unique production methods and standards, and developing sales routes and markets.

In future, we will need to gain consumer confidence by establishing systems of certification and quality control, management methods and others for regional brands, and clarifying the responsibility of local producers towards the quality and value of agricultural products as well as products processed from them.

#### **(The importance of agricultural production drawing on the merits of Japanese produce)**

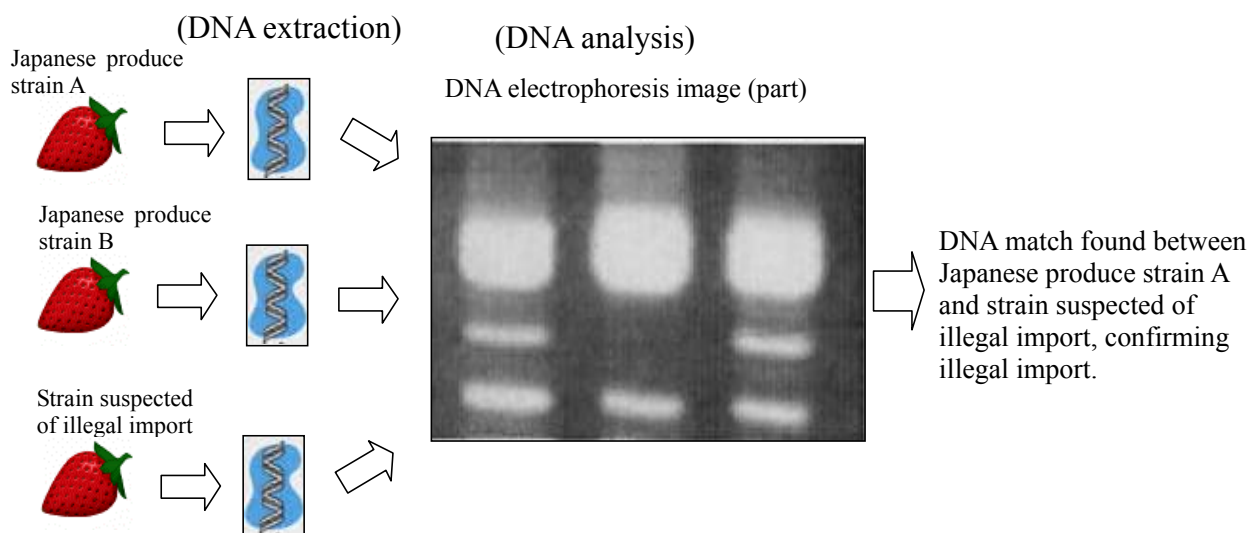
Consumers appreciate the safety and quality of Japanese agricultural products, and are happy to buy them even if on the expensive side. Supplying Japanese agricultural products that can satisfy this latent inclination, at prices that can be accepted by consumers, is vital with a view to strengthening the competitiveness of agriculture and achieving sustainable growth for agricultural businesses.

Together with efforts for structural reform of agriculture, therefore, farmers and producing areas need to convert to production systems that can independently meet the diverse needs of consumers while drawing maximum advantage from the merits of Japanese produce. Efforts to establish regional brands could be a key to this goal.

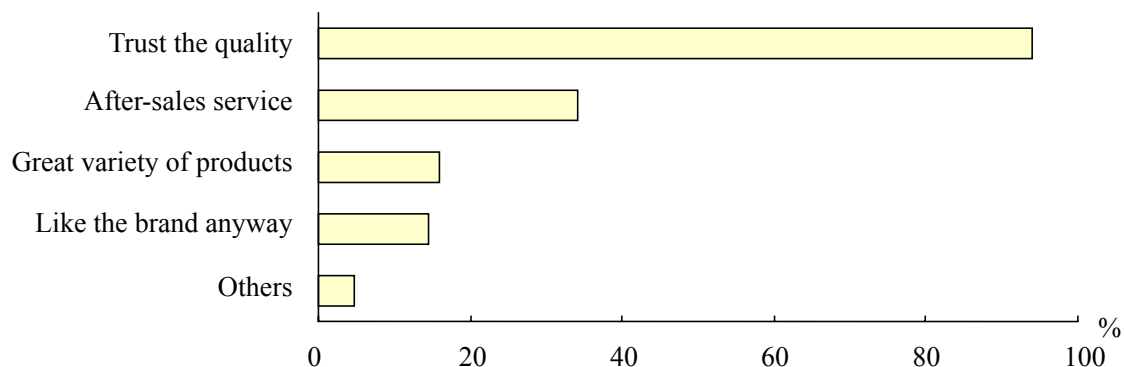
## Main Infringements of Breeder's Rights Concerning Japanese Agricultural Products in Recent Years

Plant name	Kidney beans	Strawberries		Rushes	Azuki beans	
Variety name	Yukitebo	Red Pearl	Tochiotome	Hinomidori	Kitaotome	Shumari
Summary	Seeds and seedlings were exported without permission, and harvested products were re-imported from China or South Korea and sold in Japan.					

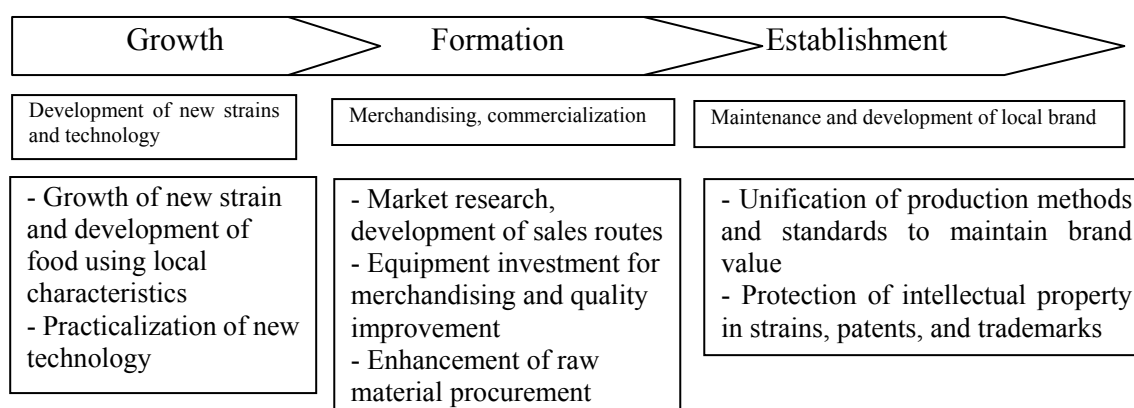
### Strain Identification via DNA Testing



### Why focus on brand when purchasing merchandise? (multiple response)



### Processes in Establishing a Local Brand



## **4 Initiatives in agricultural trade negotiations (WTO, EPA/FTA)**

### **(Establishment of framework agreement in WTO negotiations)**

In November 2001, the so-called Doha Round was launched at the 4th WTO Ministerial Meeting. Negotiations were also held with a view to establishing modalities in agriculture. Owing to differences in the various countries' positions, however, no agreement had been reached by the end of March 2003, the deadline for establishment of modalities. Nor was any concrete agreement reached at the 5th WTO Ministerial Meeting held in Cancun, Mexico, in September 2003.

In March 2004, negotiations were resumed and agreement was reached on a basic framework for modalities in July. For the agricultural sector, in particular, higher tariffs would be subject to deeper cuts, while sensitive products were to be accorded special treatment. In this, Japan's claims were reflected to a certain extent.

### **(Initiatives in future WTO negotiations)**

Negotiations towards the establishment of modalities have been underway since the agreement of the framework. Japan must continue to attend negotiations in future, to ensure that flexible, realistic trade rules are established with a good balance between exporters and importers, with a view to sustaining the multi-functionality of agriculture based on the principle of the "coexistence of diverse agriculture".

### **(Full-scale initiatives on EPA/FTA, mainly with other Asian countries)**

Economic Partnership Agreements (EPA) and Free Trade Agreements (FTA) have been increasing rapidly on a global level in recent years. Japan is positively striving to conclude such agreements, as supplementary to a system of multilateral free trade centered on WTO. EPAs with Singapore and Mexico have already come into effect, while agreement was reached on the framework of an EPA between Japan and the Philippines in November 2004. As of April 2005, negotiations were underway with the governments of Malaysia, Thailand, and South Korea, while negotiations with ASEAN as a whole were also started in the same month.

### **(The need to promote EPA/FTA efforts strategically and positively)**

In November 2004, with a view to creating a positive approach to EPA negotiations with other Asian countries, the "Asia-EPA Promotion Strategy" was formulated as the basic stance of the Ministry of Agriculture, Forestry and Fisheries. In line with this Strategy, EPAs with other Asian countries are to be promoted and steps taken to guarantee food security and safety, as well as developing rural, mountain and fishing areas in the whole of Asia including Japan.

When approaching EPA/FTA negotiations in future, we should adopt a strategic, forward-thinking stance (such as attempting to expand exports of Japanese agricultural products) in line with the "Asia-EPA Promotion Strategy", as well as applying the basic rationale of "protecting whenever necessary (e.g. key Japanese commodities and sensitive products in regional agriculture, forestry and fisheries) but compromising whenever possible". In doing so, we should take all due care that such agreements do not exert an adverse impact on our consideration for the multi-functionality of agriculture, forestry and fisheries, the guarantee of food security, and structural reform of Japanese agriculture, forestry and fisheries.

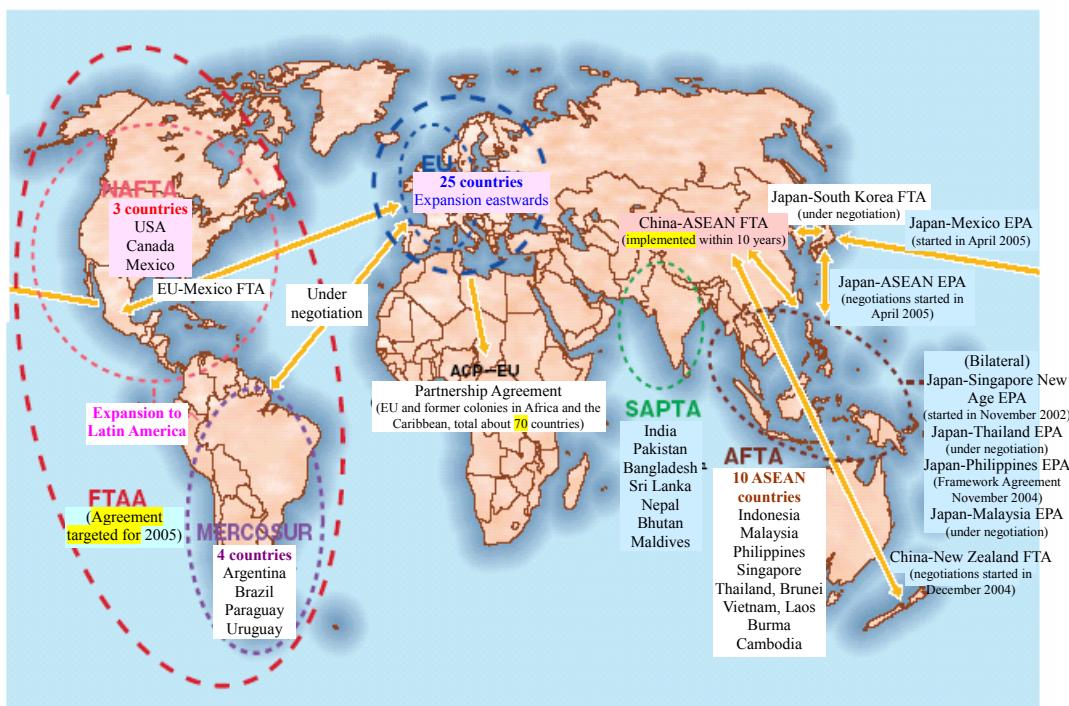
## Key Points in the Framework Agreement on WTO Agricultural Negotiations (July 2004)

Market access	Higher tariffs subject to deeper cuts, sensitive products accorded special treatment, appropriateness of upper tariff limits to be studied after evaluating their roles, balance achieved in negotiations by taking sensitive products into account, etc.
Domestic support	Countries with higher total amount of subsidies corresponding to “amber box” policies, “blue box” policies, and “de minimis” to be subject to deeper cuts, a cap set on “amber box” policies by product, etc.
Export competition	Credible end date to be set for eliminating all forms of export subsidies, etc.

### Initiatives on Economic Collaboration

2002	Japan-Singapore New Age EPA comes into effect
2003	Start of negotiations with South Korea
2004	Start of negotiations with Philippines, Malaysia, Thailand Signing of Japan-Mexico EPA Agreement on framework of Japan-Philippines EPA
2005	Japan-Mexico EPA comes into effect Start of negotiations with ASEAN as a whole

### The State of Global Economic Alliances



# **Chapter I Ensuring Food Safety and Consumer confidence and Establishing a System for Stable Supply (Food Policy)**

## **Section 1 Trends and Issues Concerning Food Safety and Consumer confidence**

### **(1) Changes in the situations surrounding food safety and consumer confidence**

1) In recent years, there has been a series of problems (such as agricultural chemical residues in excess of maximum limits in imported agricultural produce, fraudulent food labeling, incidences of BSE in Japan and the USA, and outbreaks of highly pathogenic avian influenza in Japan and other countries), and the situations surrounding food safety and consumer confidence have changed significantly.

2) In line with these changes, consumers have also adjusted their purchasing behaviors to pay more attention to food safety, for example, more attention to safety than price, and/or less purchase from those companies which caused problems related to food safety or fraudulent labeling in the past.

### **(2) Initiatives and issues to be addressed for ensuring food safety and consumer confidence**

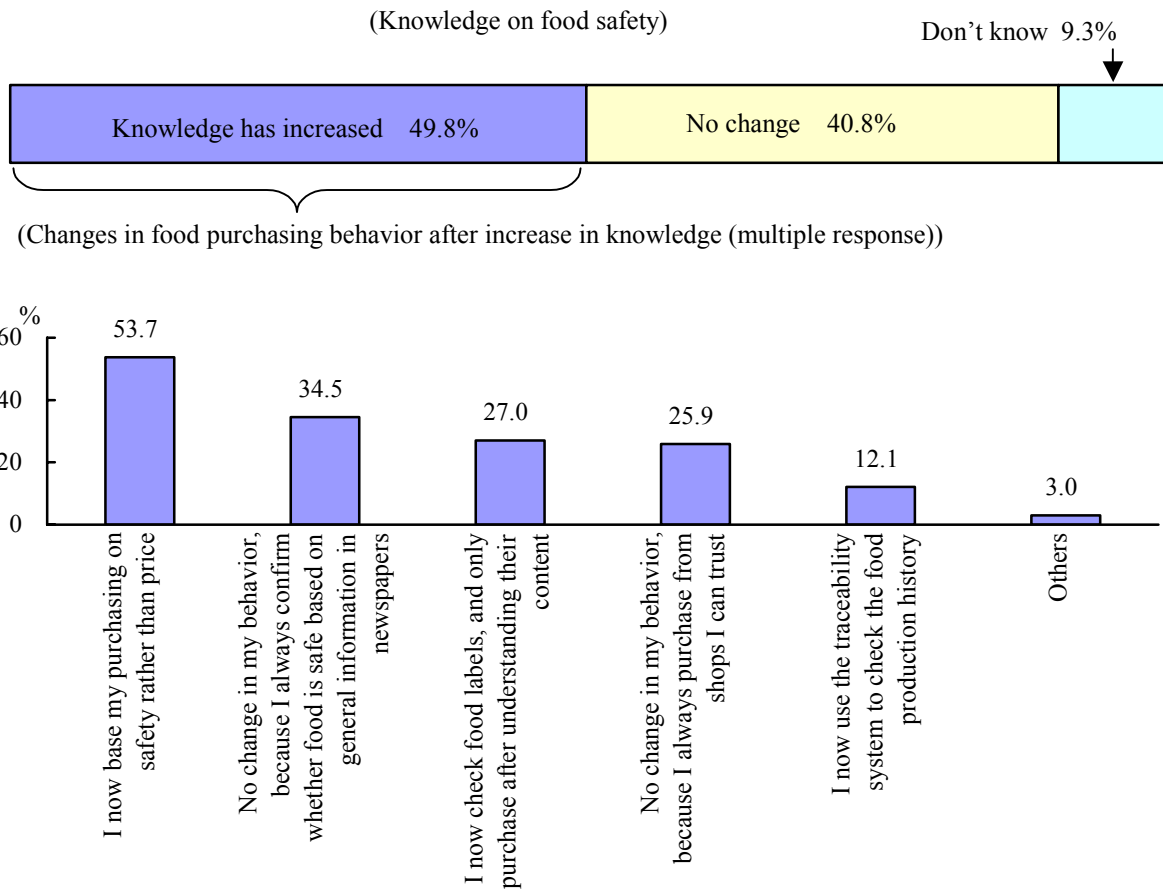
1) The relevant authorities implement comprehensive measures singly or in collaboration to ensure food safety within the framework of risk analysis as set out in the Food Safety Basic Law. The Ministry of Agriculture, Forestry and Fisheries, for its part, is implementing measures throughout food chain for ensuring food safety and gaining consumer confidence. The new process of establishing appropriate measures includes risk communication.

2) Food labeling plays an important role as a yardstick for consumers in purchasing foods. In future, food businesses will need to be rigorous in applying correct and easily intelligible labeling. The Ministry of Agriculture, Forestry and Fisheries will continue to monitor appropriateness of labeling and enforce strict measures against violation, as well as develop additional Japan Agricultural Standards (JAS), and quality labeling standards.

3) Given that consumers are now demanding various kinds of information about foods, they now hope the use of traceability systems. Presently, the main players in the traceability systems are food manufacturers and distributors, which indicates the need to foster common understanding and cross-sectional collaboration among all relevant stakeholders in order to establish a system that covers the whole food chain, from production to consumption.

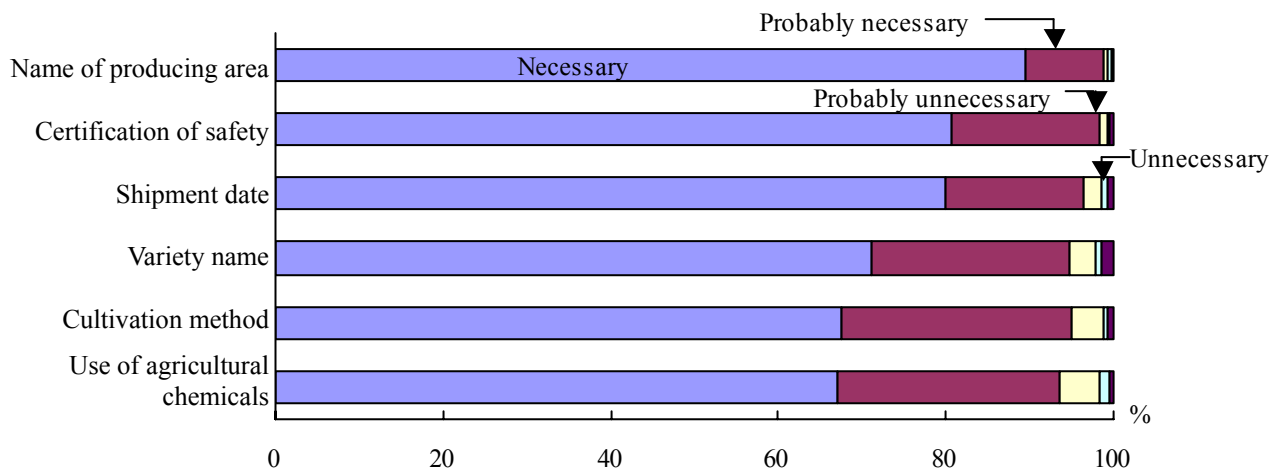
4) With the occurrence of food-related problems, such as fraudulent labeling, it is essential for food producers and businesses should realize and put into practice their social responsibility in the form of legal compliance and initiatives that focus on consumer demands.

**Fig. 1 Knowledge on food safety and changes in food purchasing behavior**



Source: Agriculture, Forestry and Fisheries Finance Corporation

**Fig. 2 Information needed by consumers when purchasing fresh vegetables**



5) Consumers realize the importance of acquiring ability to understand and judge safety of food. It is important for consumers to be able to understand information related to food and to keep aware and interested in food related information.

6) While we enjoy increasingly rich dietary life, various food related problems and concerns are caused by the widening of “the distance between the points of production and consumption” and the difficulty to see each other.

It is important to create relationships in which consumers, producers and businesses can remain to see each other, by building relationships of trust.

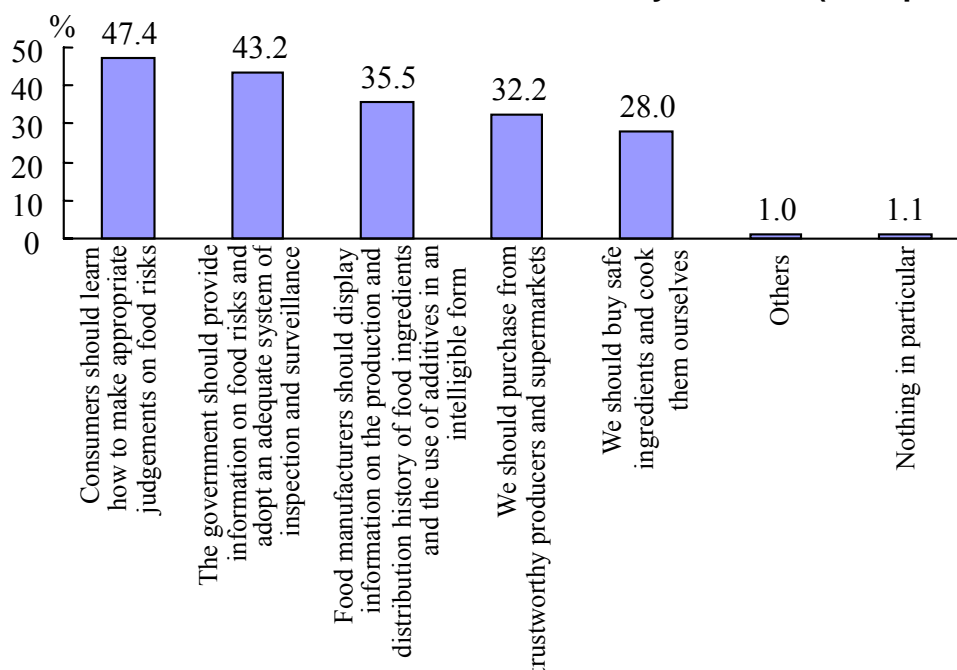
### **(3) Response to the problems of BSE and highly pathogenic avian influenza**

1) The first case of BSE in Japan occurred in September 2001. As a result, BSE testing and removal of Specified Risk Materials (SRMs) for all cattle have been carried out at slaughterhouses since October 2001. In October 2004, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health, Labour and Welfare consulted the Food Safety Commission for a review of the measures relating to BSE in Japan, on a basis of scientific verification of BSE countermeasures applied up to that point of time. It is important that future review of BSE countermeasures be on a scientific basis and complemented with risk communication with the public.

2) In December 2003, the first case of BSE infected cattle was discovered in the USA. Japan immediately suspended imports of US beef. Since then, the governments of these two countries have held consultations to discuss beef trade resumption. In October 2004, the director-general level consultation between the two governments shared the view on a mutual resumption of trade of beef based on scientific findings. Talks between the two governments are still continuing on the major premise of ensuring food safety and consumer confidence.

3) Between January and March 2004, there were outbreaks of highly pathogenic avian influenza in Japan for the first time in 79 years. Appropriate control measures were implemented for the infected farms. Because the disease has continued to occur in various Asian countries since then, it is important for Japan to keep monitoring the farms to prevent the occurrence of the disease. Collaboration with other Asian countries also needs to be carried out in order to control the outbreak of disease.

**Fig. 3 What should be done to ensure the safety of food? (multiple response)**



Source: Agriculture, Forestry and Fisheries Finance Corporation

**Table 1 Course of the Japan-US BSE Problem**

Year	Date	Events	Summary
2003	12/24	BSE infected cattle confirmed in the USA	Washington State, born in 1997
	12/24	Imports of US beef and others suspended	
	12/29	Japan-US Director-General level consultation (1st)	Report on confirmation of BSE infected cattle
	12/30	USA announces BSE countermeasures	Removal of SRMs from cattle aged 30 months or more, etc.
2004	1/8-18	Survey Team sent to USA	Pointed out possibility of future BSE incidences
	1/23	Japan-US Director-General level consultation (2nd)	Explanation of BSE countermeasures
	2/5	International Expert Survey Team Report published	US response inadequate, need for combined assessment of US-Canadian risk
	3/15	USA announces increased surveillance	Implemented for high-risk cattle as far as possible
	4/24	Japan-US Director-General level consultation (3rd)	Efforts would be made to reach a conclusion by summer 2004
	5/18-7/22	Working Group (3 meetings)	Compilation of report from scientific findings in both Japan and USA
	9/22	Japan-US Summit	Agreement on the importance of resuming imports as soon as possible
	10/21-23	Japan-US Director-General level consultation (4th)	Shared understanding that two-way beef trade can be resumed on scientific principles, based on a framework of conditions that SRMs be removed from all cattle, that all beef should derive from cattle certified to be no more than 20 months old, etc.
	11/12	1st Study Meeting on Age Identification of Cattle	Experts discuss possibility of identifying age from meat quality
	11/28-12/5	Local surveys in USA and Canada	Experts survey and discuss age identification based on production records, etc.
2005	12/16,17	Opinion Exchange Meeting between Japanese and US experts	Follow-up to local surveys by staff with practical responsibility, exchange of views concerning research on physiological maturity of dressed cattle carcasses
	1/19	2nd Study Meeting on Age Identification of Cattle	Exchange of scientific views concerning the final report on Research on Physiological Maturity of Dressed Cattle Carcasses
	2/8	3rd Study Meeting on Age Identification of Cattle	Final report on Research on Physiological Maturity of Dressed Cattle Carcasses studied from scientific angles, final study results compiled in the form of a report

## **Section 2 Trends in Food Consumption and Food Self-Sufficiency**

1) With the progression of the aging population with the declining birthrate, and increasingly characteristic consumption behavior, in particular, among the over-60s, the purchasing unit price for many foods is higher among the over-60's than among the over-40s. Similarly, as the group is higher, a trend for greater preference towards health and safety, as well as towards domestically produced food, can be discerned.

2) Among the factors that are spurring changes in food consumption, we may cite differences in income and orientation between age groups, changing lifestyles and modes of employment, and the increase in single households. As meals become faster and more convenient across the generations, pre-cooked foods are increasing, with an associated rise in imported products and raw materials.

### **(2) Food industry trends**

1) In the food industry (which accounts for 10% of Japan's GDP), the ratio of food-related manufacturing and distribution concerns is increasing in line with the growing diversification and sophistication of diets. The food manufacturing industry, in particular, also enjoys an important status within regional economies.

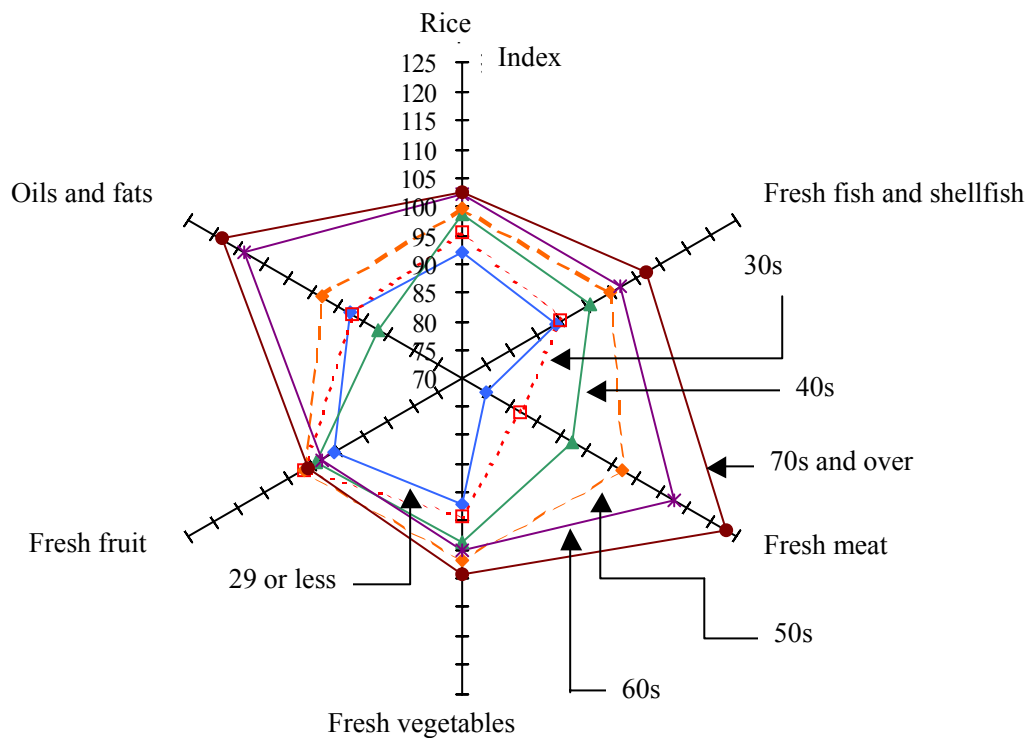
2) While, on the one hand, the ratio of agriculture to GDP is falling, that of agricultural materials and services to the value of agricultural production has been rising in recent years.

In future, it will be important to further reduce the cost of agricultural materials, by reviewing action plans for the reduction of agricultural production and material costs and rationalizing farm business, including a reorganization of agricultural material industries.

3) Food distribution costs take up 32% of the final consumption value of food and drink.

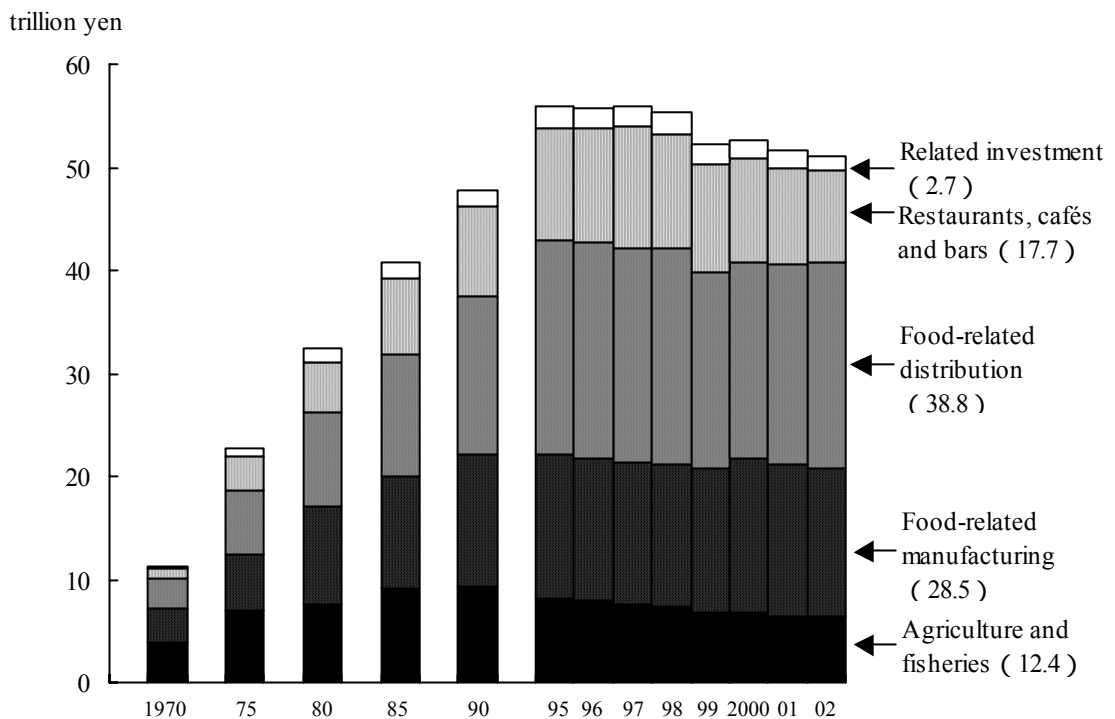
In future, it will be important to further promote the use of information technology, rationalization of product distribution, improved methods of transactions between retailers and suppliers, and structural reform of the food distribution system through competition from wholesale markets and off-market distribution.

**Fig. 4 Purchasing unit price of food by age of main householder (2003, index)**



Note: Index based on 100 as the average for all households.

**Fig. 5 Trends in GDP by Food Industry Sector**



Note: In parentheses – proportion of each sector in FY2002 (%).

4) The market scale of the eating-out industry has been in a consistently decreasing trend year-on-year since 1998. Similarly, growth in the precooked foods industry (producing bento lunchboxes, onigiri rice balls, sozai side dishes, and other such foods) has also slowed considerably in recent years. In a harsh market environment, there are signs of increasing efforts to differentiate products and enhance product quality in the eating-out and precooked food industries.

5) In the food industry, there is increasing dependence on raw materials imported from overseas and imports of products in final processed form, against the background of increased competition and the inability of domestic agricultural production to meet demand. Meanwhile, local subsidiaries of food companies that have ventured overseas are manufacturing and processing foods using raw materials procured locally or from a third country, and moves to export products to Japan are also becoming conspicuous.

6) In the food industry, moves are being made to strengthen links with production areas in Japan, in response to increased consumer orientation towards fresher, healthier and safer foods.

In future, with a view to strengthening collaboration between the food industry and domestic agriculture, it will be important to utilize the knowhow of the food industry and develop a domestic production system that can meet the demand for processing and commercial use.

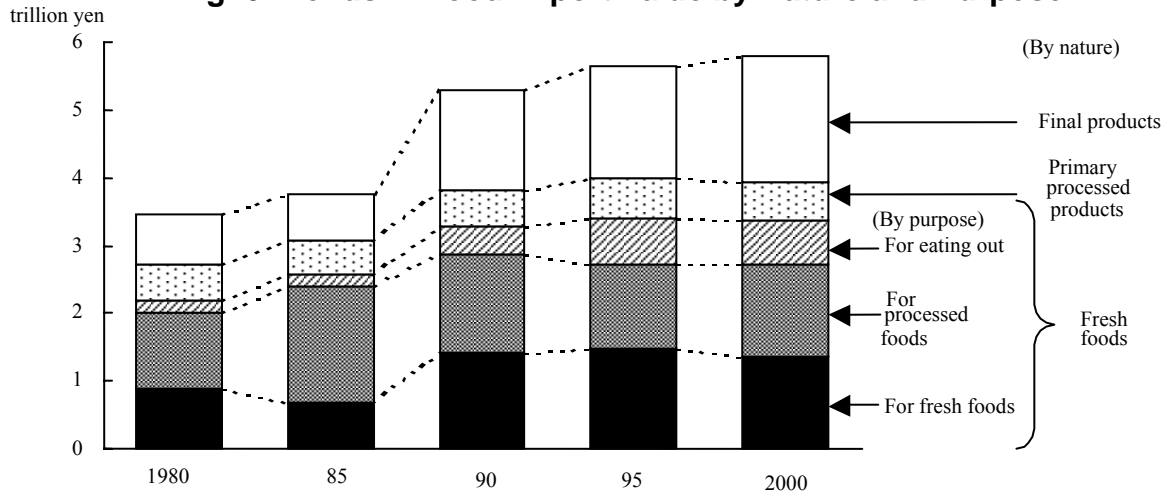
### **(3) Trends in imports of agricultural products**

1) Japan is the world's largest net importer of agricultural products. In recent years, there has been a progressive increase in processed imports and a decrease in the size of import lots, with a tendency to depend increasingly on China, a major source of fresh vegetables and chicken meat.

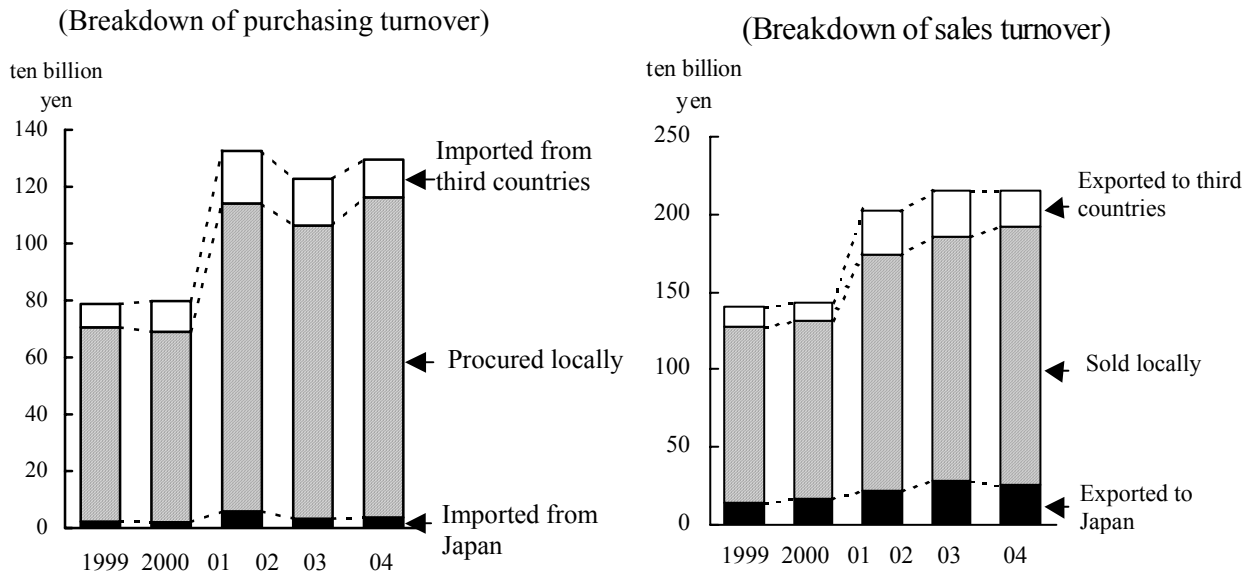
2) Japan tends to depend on specific countries (USA, China, Australia, etc.) for its imports. For this reason, variations in crop planting and crop types in these import source countries, as well as incidences of BSE and other livestock diseases, have a major impact on food supply and demand in Japan.

3) Owing to a series of incidents that have compromised food safety, many consumers feel uncertain about imported food. An import structure that depends too greatly on specific countries contains an element of fragility, from the viewpoint of guaranteeing food safety, consumer confidence and a stable supply of food.

**Fig. 6 Trends in Food Import Value by Nature and Purpose**

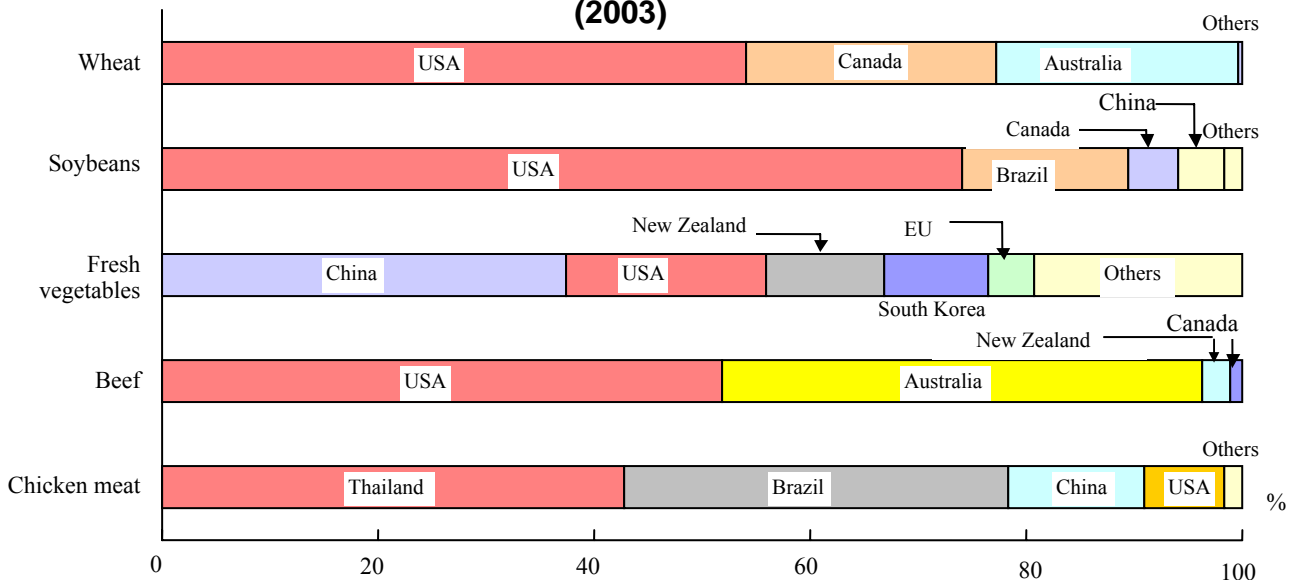


**Fig. 7 Trends in Purchasing and Sales Turnover by Overseas Subsidiaries of Japanese Food Manufacturers**



Source: Ministry of Economy, Trade and Industry

**Fig. 8 Import Ratios of Japan's Principal Agricultural Products by Country (2003)**



Source: Ministry of Finance

#### **(4) Trends in food self-sufficiency**

##### **a. Characteristics of Japan's food self-sufficiency**

1) The decline in self-sufficiency on a supplied calorie basis, seen over the long term, has been greatly influenced by dietary changes such as a decrease in consumption of rice suited to domestic production in Japan, increased consumption of livestock products, oils and fats, and so on.

Meanwhile, total calories supplied from Japanese agricultural products fell by 26% between FY1965 and FY2003, and changes in agricultural production are also contributing to the decline in self-sufficiency. During this time, although single crop yields rose, the total crop cultivation area fell by 40%.

2) The self-sufficiency ratio on a production value basis is decreasing more slowly than that on a supplied calorie basis. This is partly due to the impact of economic value on activities for the production of vegetables, fruit, and livestock products.

##### **b. Trends in food self-sufficiency since the formulation of the previous "Basic Plan for Food, Agriculture and Rural Areas"**

1) Food self-sufficiency targets are of vital significance as indicators for public involvement initiatives in food consumption and agricultural production.

In the previous "Basic Plan for Food, Agriculture and Rural Areas", the target for the total food self-sufficiency ratio on a supplied calorie basis was set at 45% (FY2010). This was seen as a practical level assuming that the various problems of food consumption and agricultural production could be resolved.

2) Viewing trends since the targets were set, the food self-sufficiency ratio remained unchanged at 40% for 6 years in succession from FY1998. In trends by commodity in FY1998-2003, expanded production of wheat, soybeans and sugars served to increase the ratio, while decreased consumption of rice and increased consumption of oils and fats had the opposite effect.

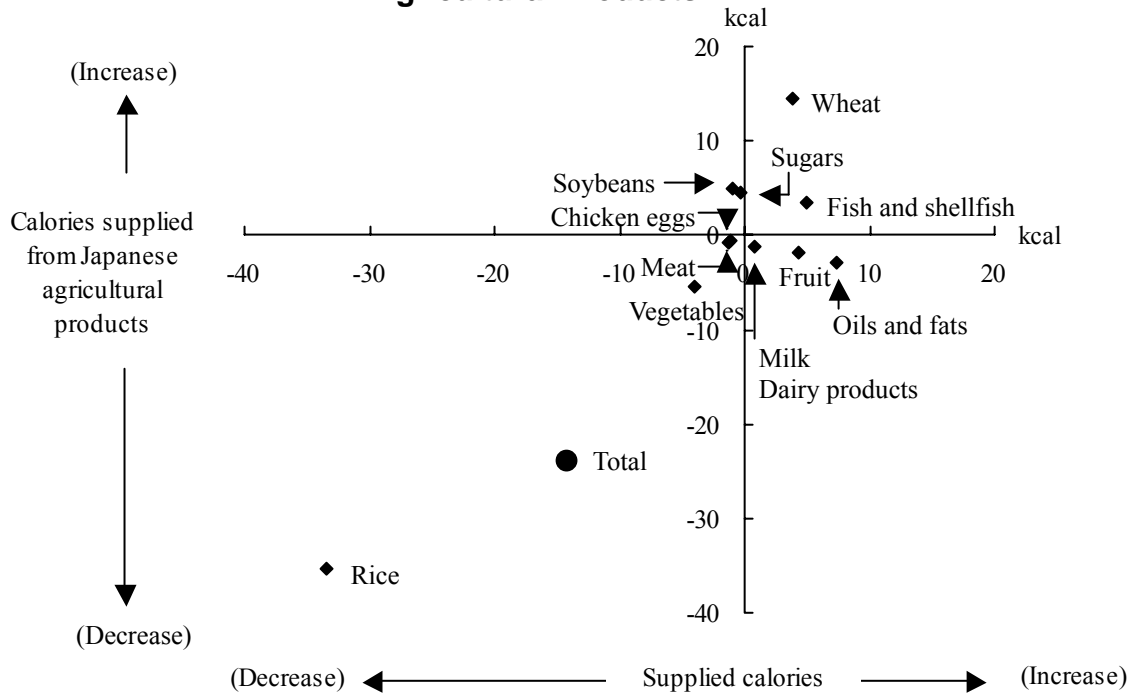
3) In terms of food consumption, unbalanced diets (such as an excessive intake of fats) have not improved, and the "ideal pattern of food consumption" set out in the previous "Basic Plan for Food, Agriculture and Rural Areas" has not been achieved.

As for agricultural production, meanwhile, production of wheat and soybeans has increased while that of many commodities including rice, vegetables and fruit has decreased. As such, the "targets for production efforts" have not been met.

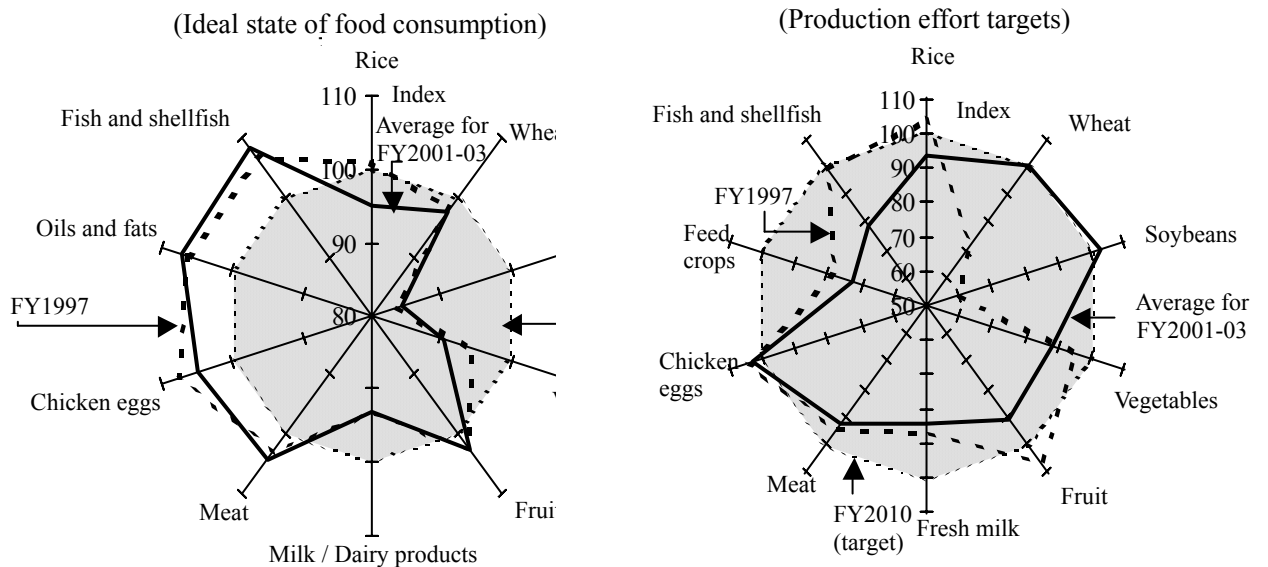
**Table 2 Trends in Food Self-Sufficiency of Agricultural, Forestry and Fishery Products**

	FY1965	75	86	97	98	99	2000	01	02	03 (estimate)
Food self-sufficiency ratio on a calorie basis	73	54	53	41	40	40	40	40	40	40
Food self-sufficiency ratio on a production value basis	86	83	82	71	70	72	71	70	69	70

**Fig. 9 Changes in Supplied Calories and Calories Supplied from Japanese Agricultural Products**



**Fig. 10 Ideal State of Food Consumption, Trends in Production Effort Targets and Actual Figures**



4) The reason why, both in food consumption and agricultural production, issues have not yet been resolved is thought to be that measures such as the reconsideration of dietary lifestyles based on “Japan’s Dietary Guidelines”, improvement of the quality of agricultural products, response to demand for processing and commercial use, and making efficient use of farmland have not been sufficient.

### **c. Tasks for improving food self-sufficiency under the new “Basic Plan for Food, Agriculture and Rural Areas”**

1) As well as setting food self-sufficiency targets, the new “Basic Plan for Food, Agriculture and Rural Areas” clarifies matters to be tackled with priority and calls for concrete action by stakeholders, in line with the principal of securing a stable food supply set out in the Basic Law on Food, Agriculture and Rural Areas. It sets targets for the total food self-sufficiency ratio on a production value basis, as well as continuing the basic stance of setting targets on a supplied calorie basis.

2) To improve the food self-sufficiency ratio, it is vital that everyone involved in food – including the government and local authorities, farmers and agriculture-related organizations, food industry businesses, consumers and consumer groups – takes independent action based on appropriate role-sharing.

In future, we will set regional food self-sufficiency targets and targets for efforts to consume local produce locally, and will promote practical “Food Education” as well as expanded production to meet demand, so that individual members of the public can tackle these as issues that are close to their interests. Meanwhile, we will set up a council representing the government, agricultural organizations, consumer groups and food industry businesses, formulate action plans for each fiscal year, and in other ways practice appropriate process management.

3) Efforts to secure the basic resources needed for agricultural production (namely farmland and irrigation water), secure and foster principal farmers, and improve levels of agricultural technology are also important in terms of expanding domestic agricultural production and guaranteeing food security.

In future, it will be important that we take steps to strengthen the food supply capability through these efforts.

### **(5) The current circumstances of dietary lifestyles, promoting “Food Education” and local consumption of local produce**

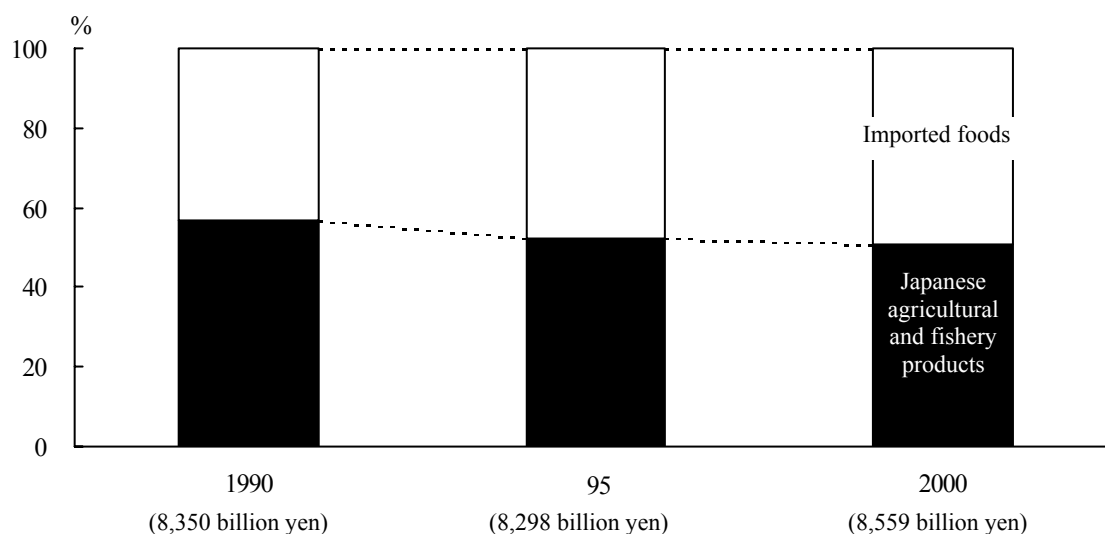
1) While many Japanese citizens enjoy what could be described as a full diet, problems such as an unbalanced diet with an excessive intake of fats, a spreading trend for skipping meals, and huge wastage of food have occurred.

It is important to re-examine this situation and take steps to materialize better dietary patterns.

Children’s diets, similarly, face problems in terms of basic knowledge on nutrition and cultural aspects of diets, due to progressive changes in the environment around them.

2) In future, it will be important to formulate practical plans for local consumption of local produce and to promote independent action based on these plans, as well as the development and application of a “Food Guide” (provisional name) that explains adequate food intake, and further promotion of “Food Education” as a national movement.

**Fig. 11 Value of Foods Purchased for Processing and Eating Out, by Japanese Produce and Imports**



Source: Ministry of Internal Affairs and Communications and 9 other government bodies

Note: In parentheses – Value of foods purchased for processing and eating out.

**Table 3 Matters to be Tackled with Priority to Improve Food Self-Sufficiency**

	Matters to be tackled with priority
Consumption aspects	<ol style="list-style-type: none"> <li>1) A nationwide strategy for practical, intelligible “Food Education” and “local consumption of local produce”</li> <li>2) Promoting increased consumption of rice and other Japanese agricultural products</li> <li>3) Winning consumer confidence in Japanese agricultural products</li> </ol>
Production aspects	<ol style="list-style-type: none"> <li>1) Encouraging production tailored to demand by principal farmers with superior management skill</li> <li>2) Strengthening ties between the food industry and agriculture</li> <li>3) Promoting the efficient use of farmland by concentrating the use of farmland in principal farmers and producing feed crops through constructive collaboration</li> </ol>

## **Section 3 Global Supply and Demand for Agricultural Products and Trends in Agricultural Trade Negotiations**

### **(1) International supply and demand for cereals and trends in trade of Asian agricultural products**

#### **a. International supply and demand for cereals**

1) In the international supply and demand for cereals in FY2004, although there was positive growth in major countries, the term-end inventory rate fell to 19.4% from the 30.4% of 5 years earlier.

2) Given that an increase in demand is forecast, global cereal production faces many elements of instability in the medium to long term, such as the exhaustion of water resources and the occurrence of abnormal weather patterns.

#### **b. Trends in Southeast Asian agricultural trade**

1) In Southeast Asia, where growth is particularly conspicuous, there is a progressive expansion and diversification of food consumption, in addition to a fall in the per capita arable land area, expanded production of high value-added agricultural products and a decline in cereal production.

2) Besides the fact that China has already shifted to a net importer of agricultural products, Southeast Asia is characterized by an increase in both imports and exports, rising dependence within the Southeast Asian region, a diversification of import commodities, and exports of specific commodities. On the other hand, Japan's share of imports and exports in and out of the Southeast Asian region are declining.

In future, it is possible that Southeast Asia will exert a stronger influence on global trade in agricultural products, in line with population growth as well as the expansion and diversification of food consumption in the region.

### **(2) Trade negotiations on agricultural products**

#### **a. Trends in WTO agricultural negotiations**

1) WTO agricultural negotiations were resumed in March 2004, and in July 2004 the Framework for Establishing Modalities in Agriculture was adopted.

2) It is important that we continue to attend negotiations in future, thus ensuring that they reflect Japanese claims (based on the principle of a "coexistence of diverse agriculture"), as well as boosting the competitiveness of domestic agriculture through structural reform and building a system of policies that will not depend excessively on border measures.

#### **b. Trends in negotiations for economic partnership agreements**

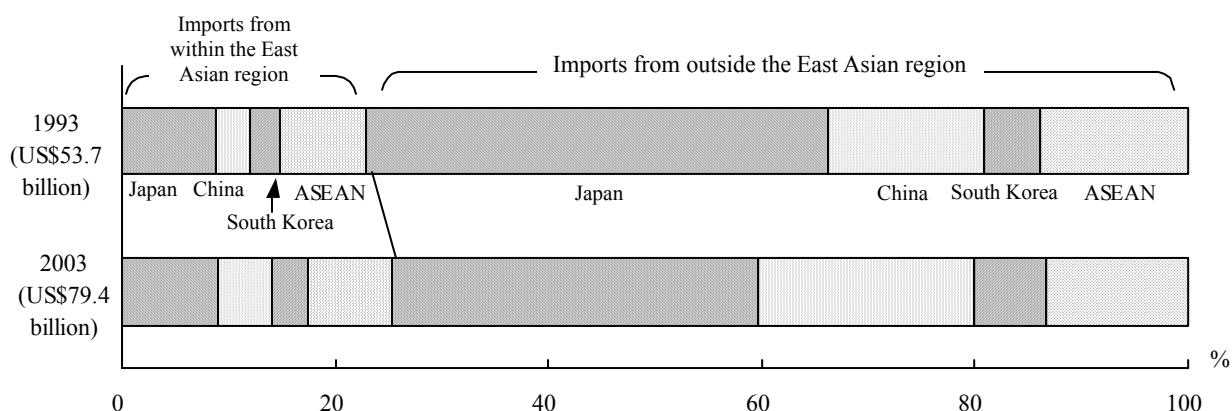
1) While EPA/FTA are rapidly increasing all over the world, Japan has succeeded in concluding an agreement with Mexico and agreeing a basic framework with the Philippines.

Negotiations are currently underway with Malaysia, Thailand, South Korea, and ASEAN as a whole.

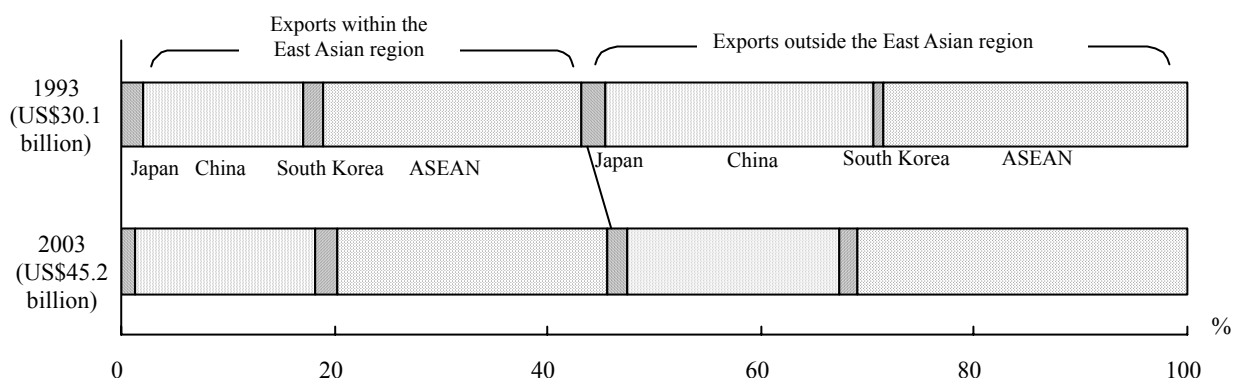
2) In EPA/FTA negotiations, we need to take the policy of "protecting whenever necessary but compromising whenever possible", and adopt a strategic, positive stance in line with the "Asia-EPA Promotion Strategy".

**Fig. 12 Changes in Proportions of Agricultural Product Trade Value by East Asian Countries**

(Value of agricultural product imports)



(Value of agricultural product exports)



Source: United Nations "UN Comtrade"

Notes:

- 1) East Asia is taken to consist of Japan, China, South Korea, and the ASEAN countries (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Burma, Laos, and Cambodia).
- 2) Owing to limitations of data, Vietnam, Burma, Laos, and Cambodia have not been included in calculations for ASEAN.
- 3) China includes Hong Kong and Macao.

**Table 4 Content of the Framework Agreement Concerning WTO Agricultural Negotiations (July 2004)**

Market access	<ul style="list-style-type: none"> <li>• Higher tariffs subject to deeper cuts</li> <li>• Sensitive products accorded special treatment</li> <li>• Number of sensitive products to be negotiated in future</li> <li>• Appropriateness of upper tariff limits to be studied after evaluating their roles</li> <li>• Balance to be achieved in negotiations by taking sensitive products into account, with respect to expansion of the low-tariff import quotas ... etc.</li> </ul>
Domestic support	<ul style="list-style-type: none"> <li>• Countries with higher total amount of subsidies corresponding to "amber box" policies, "blue box" policies, and "de minimis" to be subject to deeper cuts</li> <li>• A cap set on subsidies corresponding to "amber box" policies, by product ... etc.</li> </ul>
Export competition	<ul style="list-style-type: none"> <li>• Credible end date to be set for eliminating all forms of export subsidies</li> <li>• Elements of export subsidies in export credit (USA), export state trading (Australia, Canada) to be given the same treatment ... etc.</li> </ul>

## **Chapter II Accelerating Structural Reform of Agriculture and Developing Domestic Agricultural Production that Draws on the Strengths of Japanese Produce (Agricultural Policy)**

### **Section 1 Trends in Agricultural Economy**

#### **(1) Trends in agricultural production**

1) 2004 was a year of many natural calamities, in which Japan was struck by the largest number of typhoons ever recorded as well as the Mid-Niigata Prefecture Earthquake. As a result, the agriculture, forestry and fishery industries suffered damage to the tune of 1 trillion yen (half of which was sustained by agriculture, in particular).

2) With a poor rice harvest accompanying a cool summer, agricultural production declined in 2003 (falling by 4.9% from the previous year on a volume basis). Conversely, however, agricultural product prices rose by 7.4% from the previous year, and the total agricultural output (estimate) was more or less on a par with the previous year at 8.9 trillion yen (0.3% less than the previous year).

#### **(2) Trends in farm economy**

The gross farm income per main-business farm in 2003 rose by 1.1% from the previous year to 7.65 million yen, due to an increase in rice prices. Over the longer term, however, it is in a declining trend.

#### **(3) Agricultural labor force**

##### **a. Trends in farm households and farmer population**

In 2004, the total number of all farm households was 2.93 million, of which main-business farms accounted for 430,000 households. Both of these figures are in a decreasing trend. There were 2.2 million employees in key agricultural sectors (2004), a fall of 8.5% from 2000. There are concerns over the increasing fragility of the agricultural labor force, due to the acceleration of retirements among those in their 70s.

##### **b. Trends in new farmers, etc.**

In 2003, there were 80,000 new farmers. Of these, 12,000 were the combined total of new school graduates and workers aged up to 39 who had switched to farming. Meanwhile, routes to employment in farming are diversifying, and the number of farm workers employed by agricultural corporations is also increasing.

##### **c. Trends in female farmers**

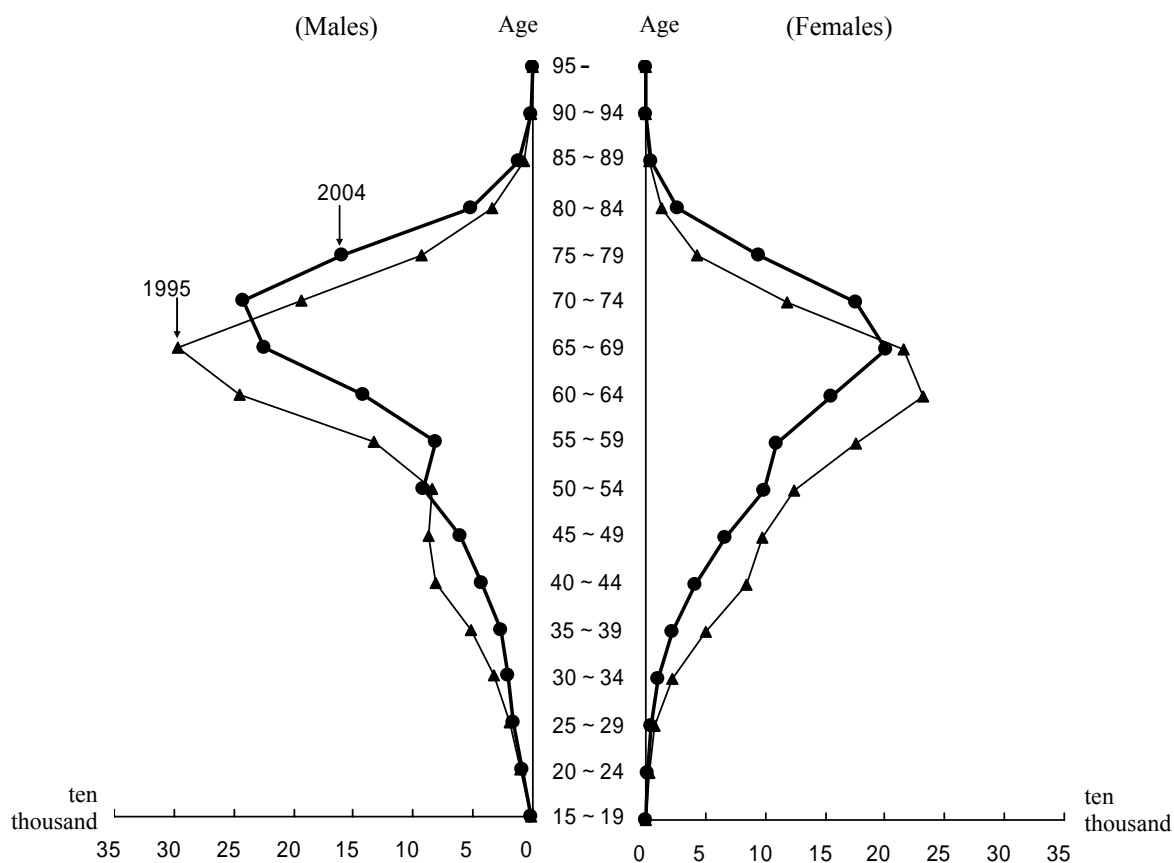
Female farmers account for 46% of key agricultural workers (2004), and play an important role in Japanese agriculture. Recently, more female farmers have qualified as certified farmers, while others have started up processing and sales businesses. This broadening of their scope of activity makes them indispensable to efforts for regional stimulation.

**Table 5 Trends in Farm Economy**

(units: thousand yen, %)

		Actual amounts					Change from previous year				
		1999	2000	2001	2002	2003	1999	2000	2001	2002	2003
Commercial farm average	Gross farm income	8,459	8,280	8,022	7,842	7,716	-2.5	-2.1	-3.1	-2.2	-1.6
	Agricultural income	1,141	1,084	1,034	1,021	1,106	-8.4	-5.0	-4.6	-1.2	8.3
	Non-agricultural income	5,130	4,975	4,751	4,527	4,324	-3.4	-3.0	-4.5	-4.7	-4.5
	Income from pensions, gifts, etc.	2,188	2,221	2,237	2,294	2,286	3.0	1.5	0.7	2.5	-0.3
	Household expenditure	5,544	5,397	5,274	5,150	5,032	-1.5	-2.6	-2.3	-2.3	-2.3
Main-business farms	Gross farm income	7,878	7,817	7,493	7,566	7,652	-3.6	-0.8	-4.1	1.0	1.1
	Agricultural income	5,063	5,020	4,764	4,696	4,741	-6.2	-0.8	-5.1	-1.4	1.0
	Non-agricultural income	978	959	899	838	849	-3.7	-1.9	-6.3	-6.7	1.3
	Income from pensions, gifts, etc.	1,837	1,837	1,830	2,031	2,062	4.2	0.0	-0.3	11.0	1.5
	Household expenditure	5,086	4,983	4,925	4,778	4,613	1.3	-2.0	-1.2	-3.0	-3.5
Gross farm income of semi-main-business farms		8,941	8,813	8,627	8,121	8,467	-4.6	-1.4	-2.1	-5.9	4.3
Gross farm income of side-business farms		8,430	8,207	7,955	7,816	7,516	-1.5	-2.6	-3.1	-1.8	-3.8

**Fig. 13 Trends in Key Agricultural Workers by Age Bracket**



## **Section 2 Accelerating Structural Reforms of Agriculture**

### **(1) Securing and fostering principal farmers**

1) There were 190,000 certified farmers as of August 2004, an increase of 29% from March 2000. Tasks for the future are to intensify efforts aimed at correcting regional imbalance in the application of the certified farmer system and enhancing follow-up after certification.

2) There are 7,000 agricultural production corporations, of which 80% are limited companies. These are in an increasing trend, including the public stock company format with capital investment from food and drinks manufacturers and construction concerns.

3) There are 10,000 village farming collectives (2000). While these are effective in sustaining regional agriculture, 60% of them have no successors. Tasks for the future will be to gain local consensus on fostering farming organizations based in villages, and to promote incorporation.

4) There are 20,000 agricultural service businesses (2000), which fulfil various functions in regional agricultural production. For example, a large proportion of them undertake contracted work for paddy rice seedling nursery and pest control, drying and preparation, etc.

### **(2) Securing and making effective use of farmland**

1) The arable land area is 4.71 million ha (2004), a fall of 20% from the peak in 1961.

The arable land utilization rate is 94% (2003), this also falling by about 40 percentage points.

2) The concentration of farmland use in principal farmers has been in a slowing trend in recent years, and in future it will be important to coordinate between the providers and recipients of farmland by forming local consensus. It will also be important to improve the utilization rates of arable land, secure good farmland and irrigation water, and respond to diverse needs for the use of farmland.

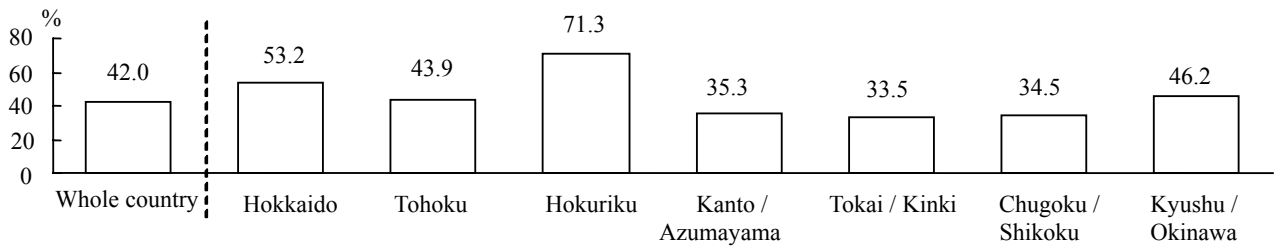
### **(3) Trends in agricultural structure**

#### **a. Present situation of the agricultural structure**

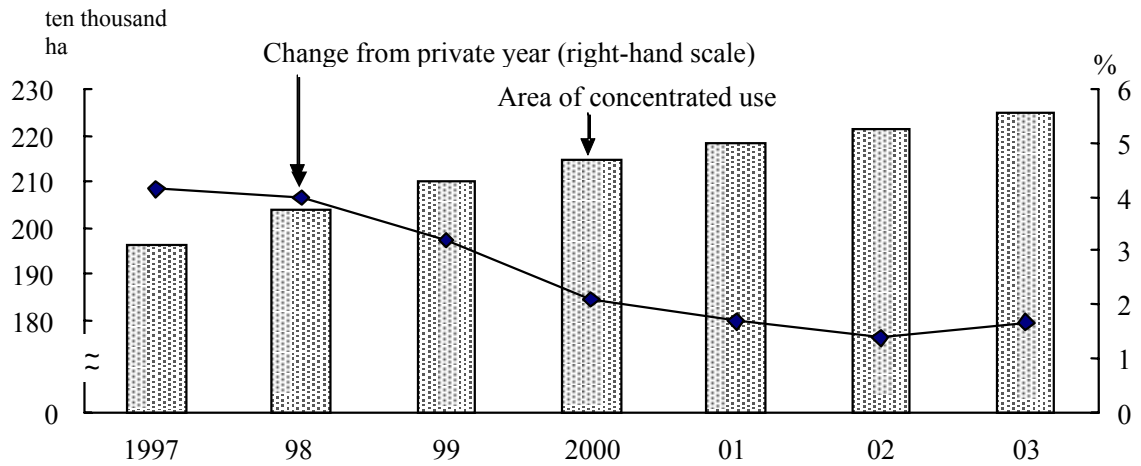
1) In ratios of “main-business farms with full-time agricultural workers aged less than 65” in farmed arable land area and herd size by farming format (2003), these farms account for more than 80% of farms engaged in greenhouse vegetable production, as well as upland field crops, paddy field crops and beef cattle farming in Hokkaido. However, the farmed arable land area of these farms now accounts for less than 20% of the paddy field crop sector in other prefectures.

2) In the years 1995-2003, the ratio of “main-business farms with full-time agricultural workers aged less than 65” in both households and farmed arable land area decreased in many farming sectors.

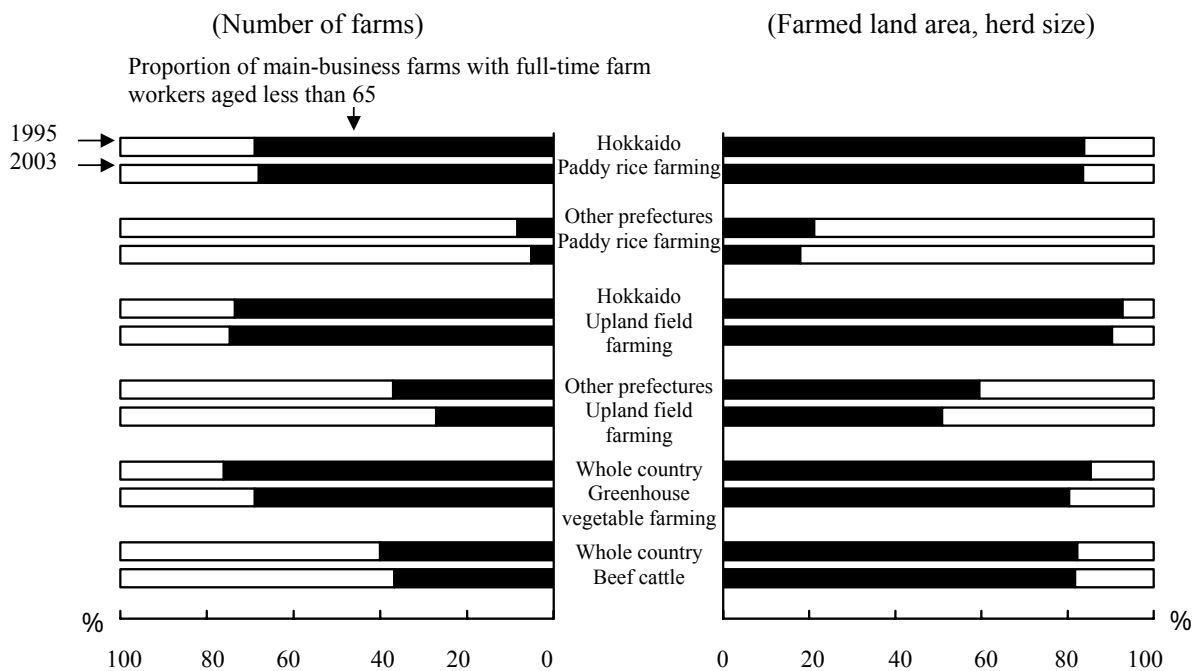
**Fig. 14 Ratio of Certified Farmers to Main-Business Farms (2004)**



**Fig. 15 Trends in Farmland Area Use Concentrated in Principal Farmers**



**Fig. 16 Proportion of Main-Business Farms with Full-Time Farm Workers Aged Less Than 65 in the Number of Farms and Farmed Land Area (Herd Size) (1995, 2003)**



## **b. Characteristics of large-scale farm businesses and their relationship with regional agriculture**

Many large-scale farm businesses and farms with large sales turnover are engaged in highly productive farming, and are making efforts for production that focuses on environmental conservation and business diversification. Similarly, many of these farms belong to farm work subcontracting organizations, and help to sustain regional agriculture. Recently, however, their farm incomes have been declining, and their business situation has grown harsher.

## **(4) Measures for principal farmers and farm businesses, reform of the farmland system, reorganization and stimulation of regional agriculture**

### **a. Reform of policies for principal farmers**

1) To establish an ideal agricultural structure, it will be important to identify the principal bearers of agriculture in each region, and to implement various measures related to their farm businesses in a concentrated and prioritized fashion.

2) When securing and fostering principal bearers of agriculture, we will need to promote the certification of farmers, as well as fostering and promoting the incorporation of farming organizations based in villages, including small-scale and part-time farms.

In future, by setting up a Council for Comprehensive Support to Foster Principal Farmers, we will develop a nationwide movement aimed at securing and fostering principal bearers of agriculture.

### **b. New strategies for business stability measures**

It will be important to revise business stability measures, which are currently devised according to individual commodities, and, after identifying the principal farmers targeted by the measures, convert them to measures aimed at stabilizing their business. For paddy rice and upland crops, in particular, we need to devise policies that include all commodities and focus on the overall business of principal farmers, rather than on individual commodities.

### **c. Reform of the farmland system**

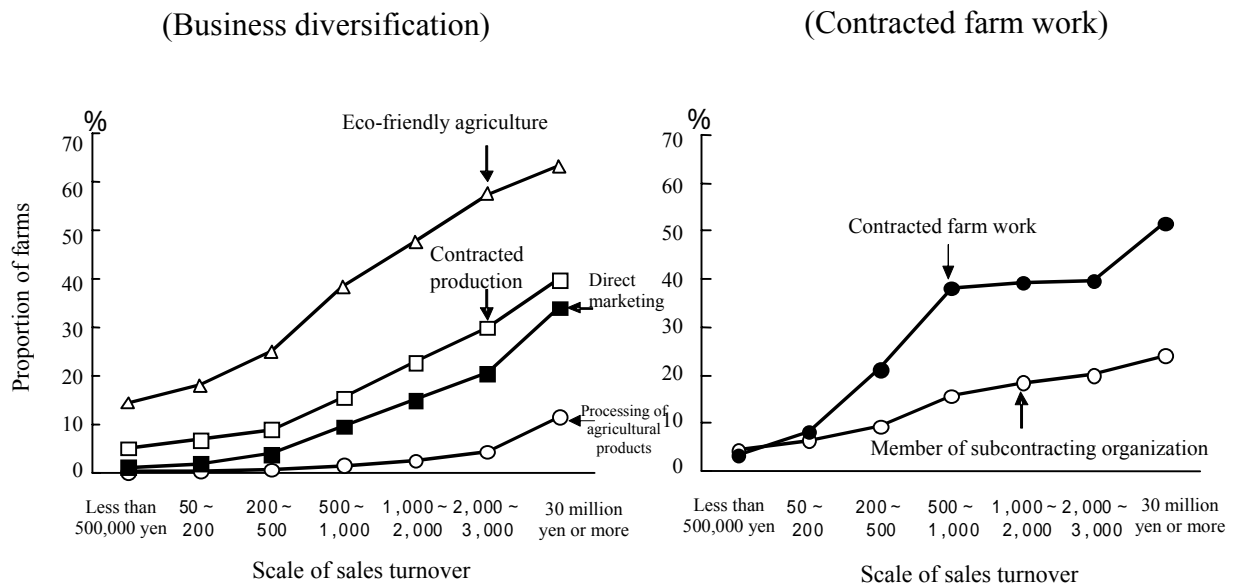
To promote more efficient use of farmland and accelerate structural reforms of agriculture, we will also have to reform the farmland system. This will mean promoting the concentration of farmland use in principal farmers, preventing and eliminating the abandonment of arable land, promoting the entry of motivated new farmers into the sector, and securing superior farmland.

### **d. Reorganization and stimulation of agriculture in the regions**

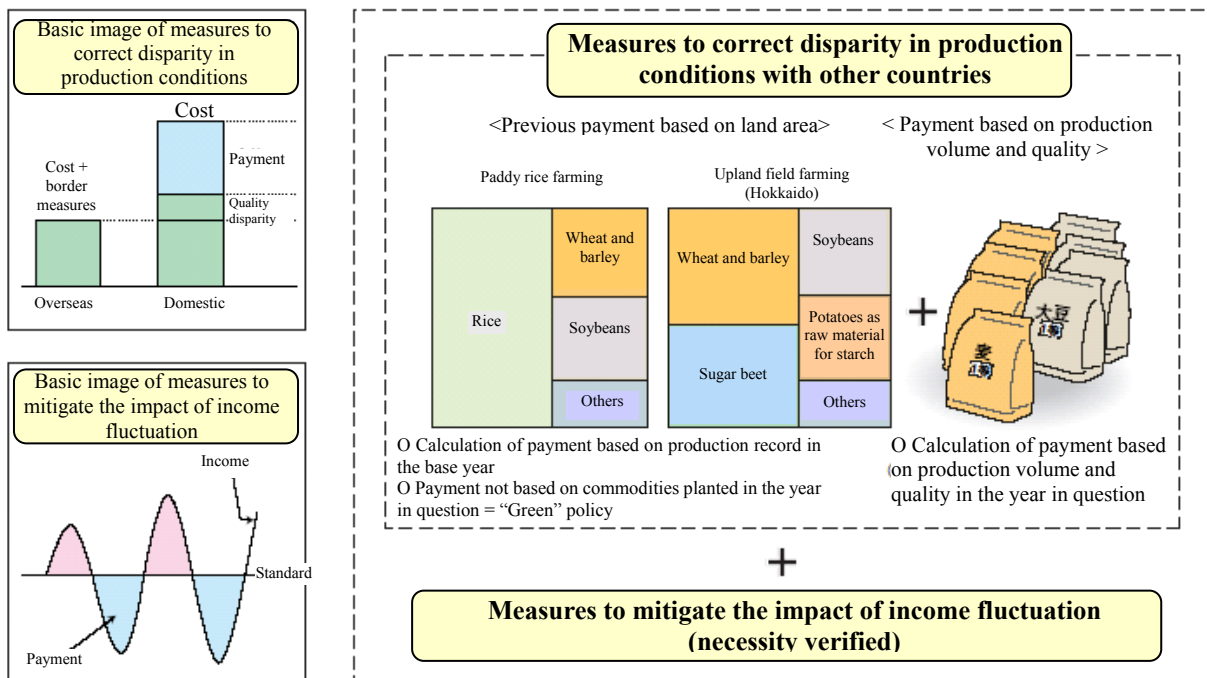
Various entities are engaged as principal actors in regional agriculture and various efforts by principal farmers aimed at reorganizing regional agriculture are now underway across the country.

In future, it is important that we make efforts to reorganize and stimulate regional agriculture, while taking steps to gain consensus among stakeholders in the region in question, including part-time farms and those run by elderly farmers.

**Fig. 17 State of Efforts for Business Diversification and Contracted Farm Work by Scale of Sales Turnover (2000, whole country, paddy rice farming)**



**Fig. 18 Image of Cross-Commodity Policies**



## **Section 3 Developing Agricultural Production that Draws on the Strengths of Japanese Produce**

### **(1) Changes in the circumstances surrounding Japanese agricultural production**

1) Consumers and actual users place high value on Japanese agricultural products, in terms of their safety, quality, and flavor, compared to imports. Eight out of ten consumers would buy Japanese agricultural products even if they were on the expensive side, and one in ten would do so even if they were over 30% more expensive.

2) Nevertheless, the retail prices of Japanese agricultural products tend to be at least 30% higher than imports in nearly all commodities (taking the example of vegetables). In addition to this problem, domestic agricultural production is in a serious situation today, owing to delays in structural reform and a decrease in total agricultural output.

3) To boost the competitiveness of domestic agriculture in future, it is vital that we convert to a production system that takes maximum advantage of the strengths and characteristics of Japanese agricultural products, with a view to providing agricultural products that can meet the needs of consumers and actual users at prices that are acceptable to them.

### **(2) Efforts and tasks for new agricultural production drawing on the strengths of Japanese produce**

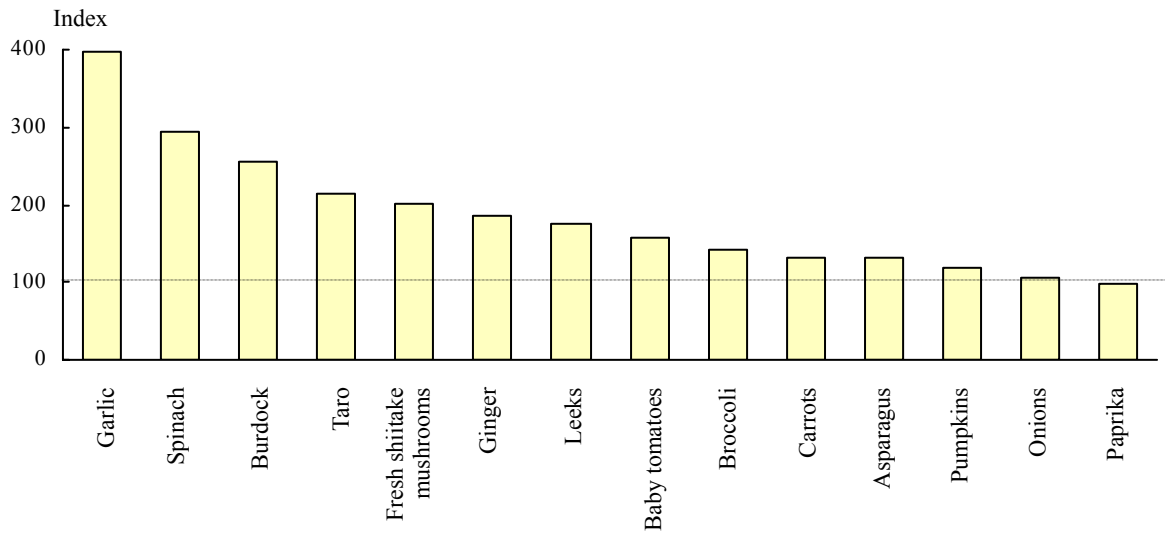
#### **a. Efforts aimed at ensuring food safety and consumer confidence**

1) With heightened consumer concern over food safety, there are moves in various producing areas to test for farm chemical residues and implement traceability systems, thus ensuring the safety of agricultural products.

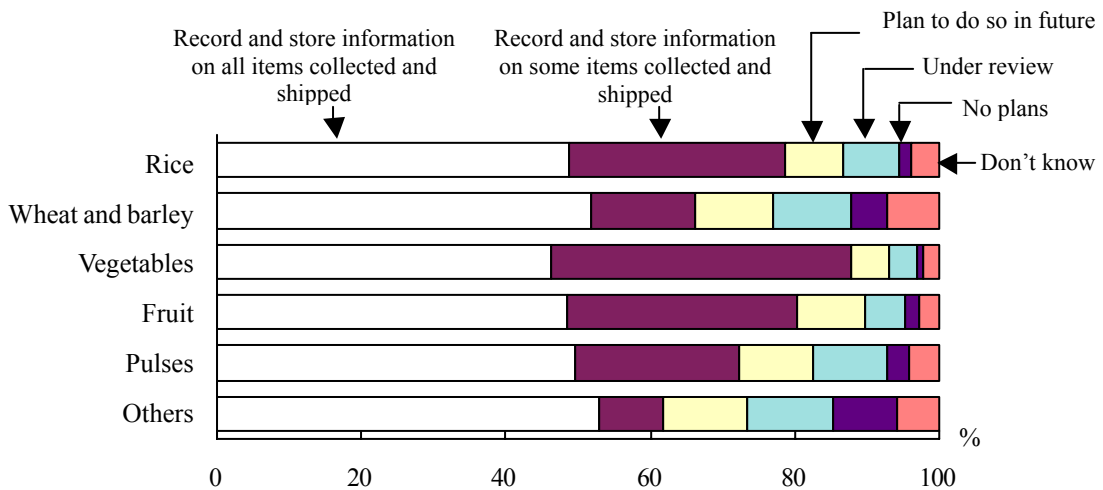
2) Efforts aimed at ensuring food safety at the production stage, though sometimes causing additional burdens of cost or manpower, may hold the key to awareness reform and differentiation of producers.

3) In future, as well as tackling these issues, it is important that we promote efforts to define hazard countermeasures at the production stage, as well as rules for the use and management of production equipment in cultivation processes (GAP: Good Agricultural Practices).

**Fig. 19 Retail Prices for Standard Japanese Varieties of Principal Vegetables in 7 Major Japanese Cities (2003, imported product price = 100)**



**Fig. 20 Recording and Storage of Information on Cultivation Management by Commodity**



## **b. Efforts to create regional brands that draw on the strengths of Japanese produce**

1) To distinguish Japanese agricultural products from imported products as well as competitive products from other producing areas in Japan, and to ensure that these are purchased by consumers, it is important that these products acquire value as brands.

In various producing areas, there are ongoing moves to establish regional brands with enhanced consumer recognition and consumer confidence, by using independent systems for certifying merchandise produced from unique rural resources, and applying rigorous control.

2) When establishing regional brands in future, it will be necessary to establish systems of certification and quality control, construct marketing strategies including the identification of purchasing targets and creation of regional image, and support local initiatives in the application of systems for the protection of intellectual property, i.e. new strains and trademarks.

## **c. Efforts to meet food industry demand**

1) In response to the growing consumer orientation towards domestic produce, there are moves in the food industry to increase the procurement of Japanese agricultural products. Some producers and producing areas are attempting to secure a stable supply of food materials for the food industry and enhance the quality of processed foods.

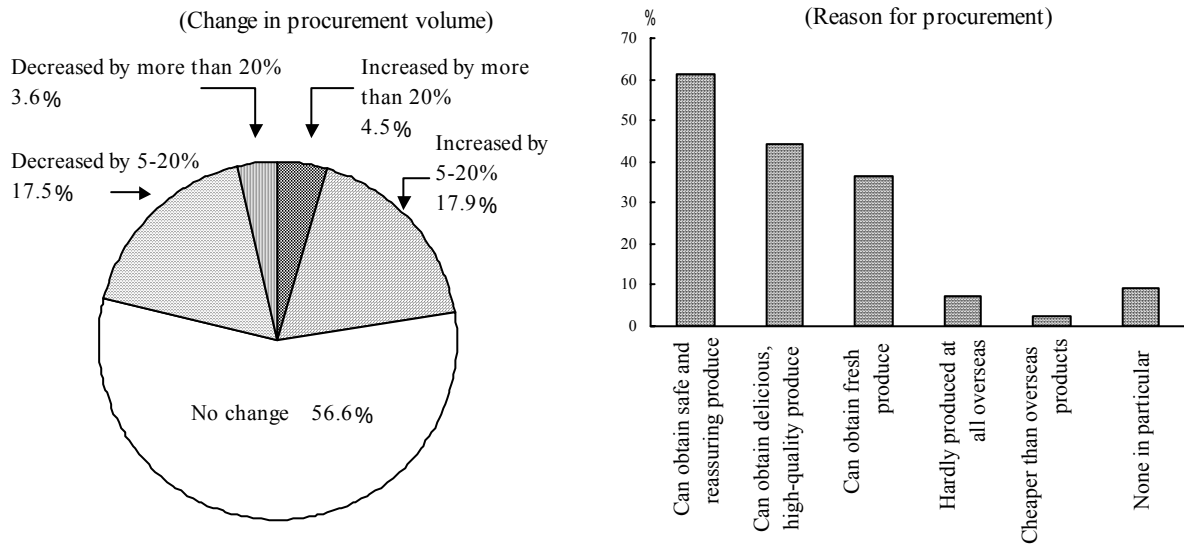
2) In future, as well as independent efforts by producers towards links between agriculture and the food industry, it will also be important to reinforce links with the food distribution industry, with a view to reducing distribution costs, improving freshness, and ensuring food safety.

## **d. Efforts involving technological innovation and development**

1) Public-sector research institutes are taking the initiative in promoting research and development in the agriculture, forestry and fisheries industries as well as the food industry sector. To respond to the increased consumer orientation towards health and safety and moves towards collaboration between agriculture and the food industry, it is important that industrial circles, research institutes and the administration promote collaboration, while dividing roles between these public research institutes and private companies.

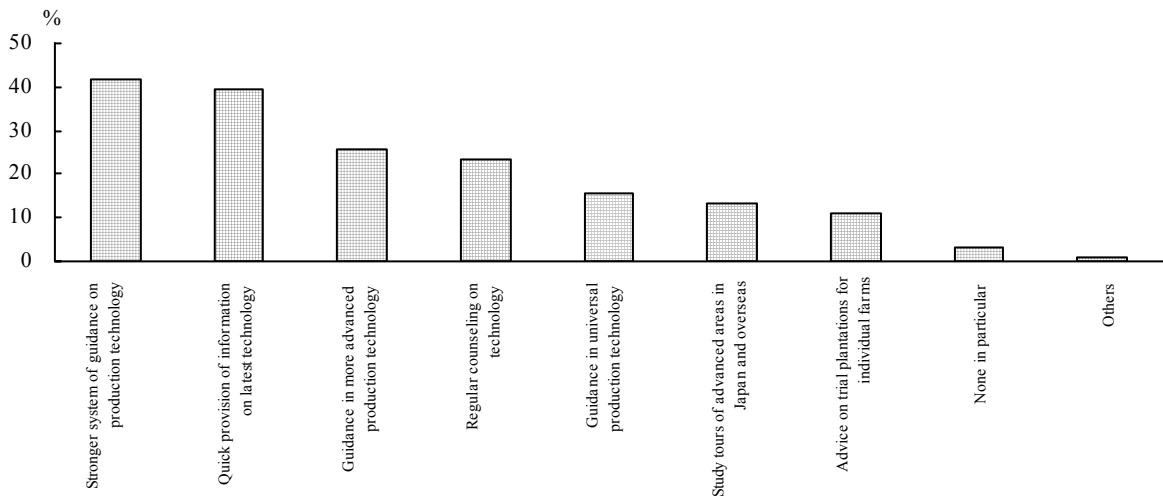
2) In actual sites of agricultural production, it is increasingly important to achieve business innovation triggered by the introduction of advanced agricultural technology, given the harsh business climate. Some producers are making efforts to improve strains using their own creative ideas, and to develop and introduce cultivation and processing technology. In future, we will need to develop new technology directly linked to the needs of production sites, and to speed up its introduction and diffusion in sites of production.

**Fig. 21 Procurement of Japanese Agricultural and Fishery Products in the Food Industry (2003)**



Source: Agriculture, Forestry and Fisheries Finance Corporation

**Fig. 22 Support Measures Sought for Upgrading of Technology in Future (multiple response)**



Source: National Chamber of Agriculture

### **(3) Promoting initiatives aimed at exports of Japanese agricultural products**

1) While Japan's exports of agricultural products only amount to about 170 billion yen (2003), exports of commodities such as apples, yams, and miso (fermented soybean paste) have been showing steady increases recently. In particular, there is growing demand for Japanese agricultural products overseas, based on rising interest in Japan's dietary culture and improved purchasing power accompanying economic growth.

2) The per capita incomes of higher bracket earners in Hong Kong and Singapore are at levels far higher than those in Japan. And while the incomes of higher bracket earners in China are only around half the average national income in Japan, the incomes of higher bracket earners in the cities have increased five-fold over the last 10 years. This helps to underline the major potential of China as an export destination.

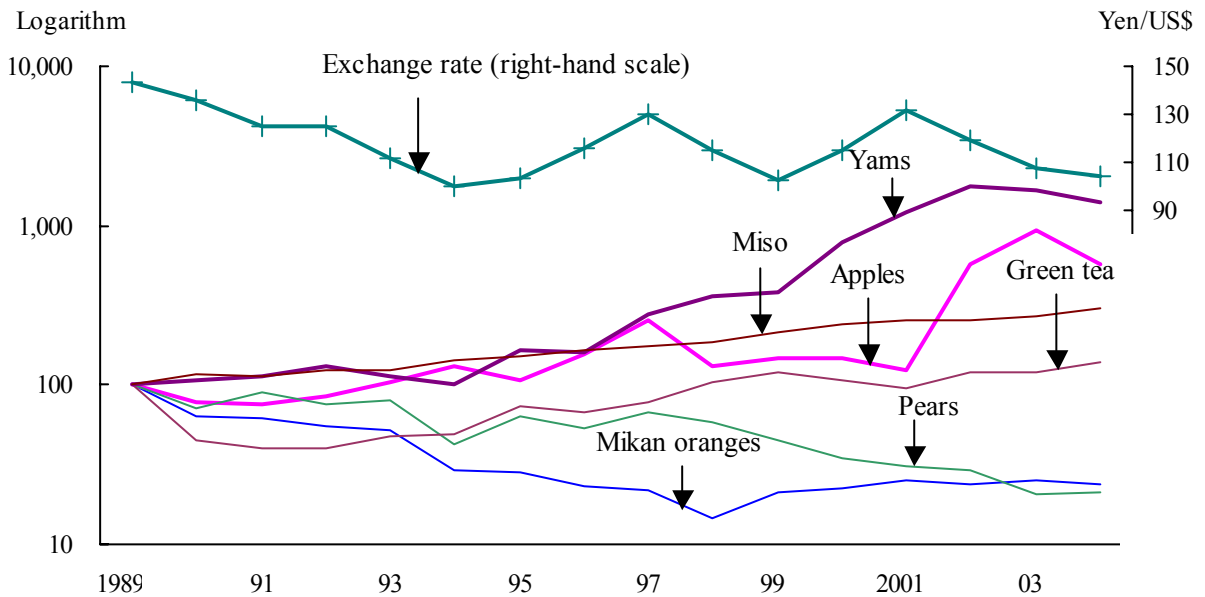
3) Trends in exports of Japanese agricultural products are affected by quality and price levels, foreign exchange movements, and competition from other exporting countries, as well as the quarantine systems, customs tariffs, and commercial practices in the export destination country. Therefore, it is important that we differentiate products by establishing brands, and that the public and private sectors join forces in export-oriented efforts.

4) Producers' organizations and agriculture-related bodies are collaborating in making positive efforts towards exports. Producing areas are also developing various initiatives, such as producing high-class merchandise to meet demand from higher bracket earners and the gift market, and developing sales routes that focus on needs in the export destination country.

5) Exports of Japanese agricultural products have major significance as one pillar of Japan's aggressive agricultural policies.

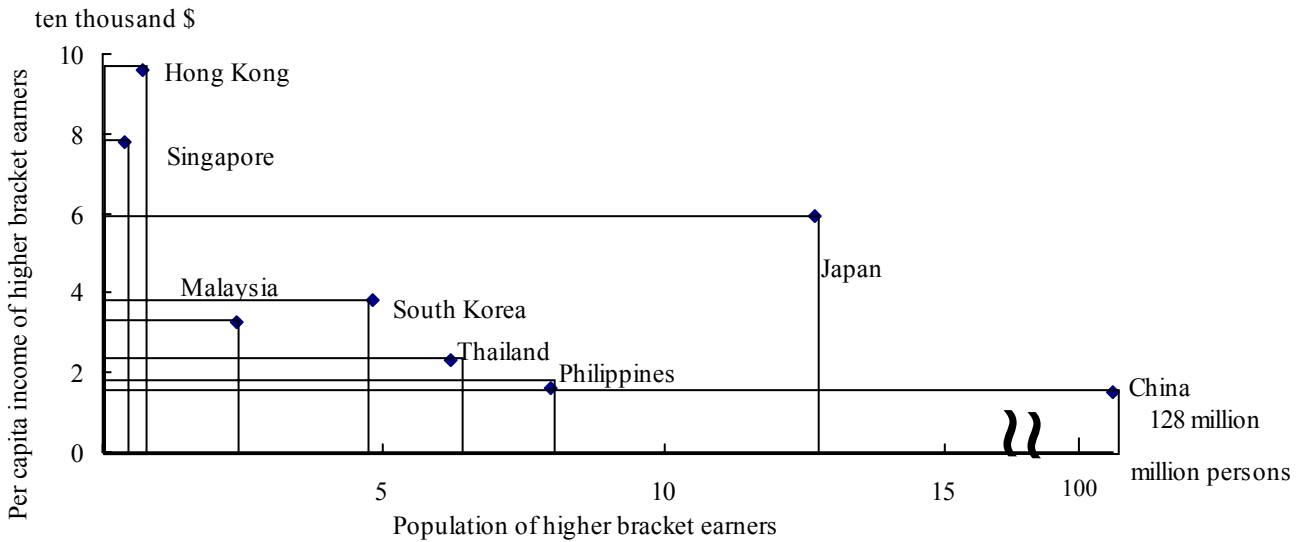
In future, it will be important for the private and public sectors to join forces in carrying out advance market research, developing local systems of sales and distribution, establishing brand images linked to Japan's dietary culture, creating domestic producing areas in Japan, and developing processed foods.

**Fig. 23 Trends in Export Volume of Agricultural Products by Commodity (1989 = 100)**



Source: Ministry of Finance, Bank of Japan

**Fig. 24 Population and Per Capita Income of Higher Bracket Earners in Asian Countries and Regions (2002)**



Source: World Bank

## **Section 4 Promoting Agricultural Production that Focuses on Environmental Conservation**

1) As environmental problems on a global scale become manifest, farmers play an important role in environmental conservation, because they have profound links with local environments through their agricultural production activities.

2) In the past, Japanese agriculture, which focused on paddy field farming, rarely caused environmental problems associated with agricultural production. However, there is now rising concern over the increased burden on the environment due to the development of agricultural production in pursuit of efficiency and the inappropriate use of agricultural chemicals and fertilizers.

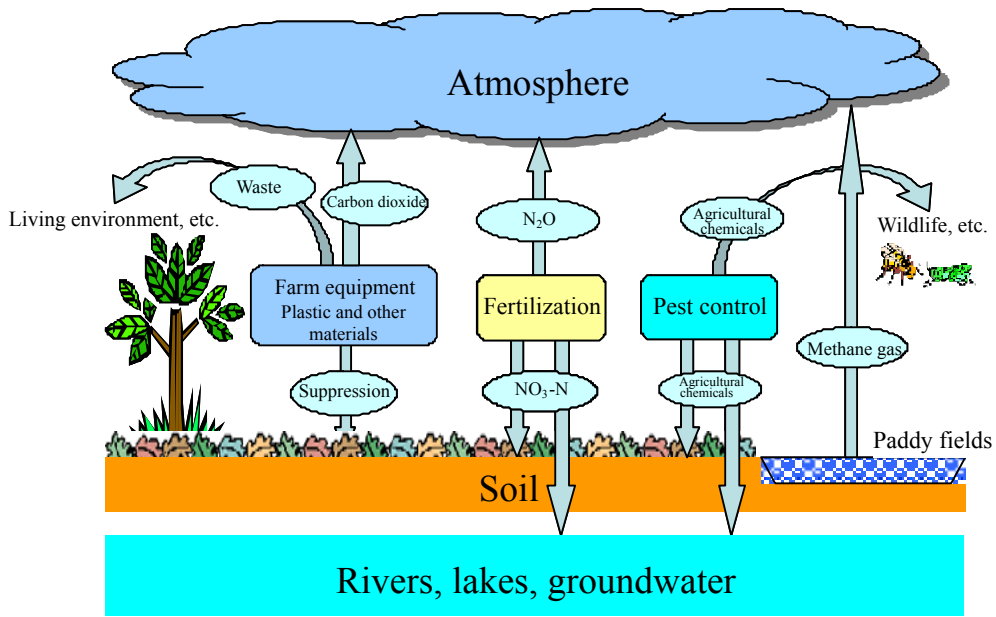
In future, Japanese agriculture will need to maintain and enhance the natural cyclical functions inherent in agriculture, and convert to environmentally friendly agriculture.

3) About 20% of commercial farms practice environmentally friendly agriculture, and prefectural governors are certifying a growing number of farmers as “eco-farmers” who practice eco-friendly agriculture, indicating that environmentally friendly agriculture has spread to a certain extent. However, there is a problem in that few of the farms that practice environmentally friendly agriculture have the inclination to expand their production further.

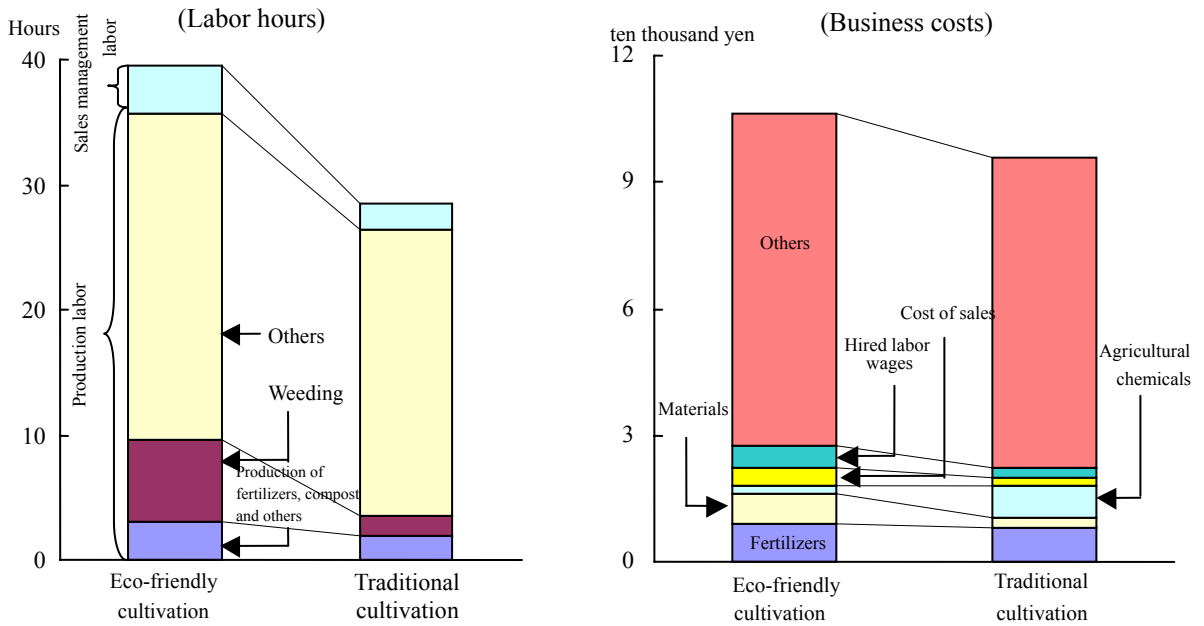
4) Environmentally friendly agriculture is more laborious and costly than conventional agriculture in fertilizing, composting, and weeding. Moreover, this type of agriculture demands higher management costs with the use of substitutes for agricultural chemicals and fertilizers. As a result, there are now moves, particularly among large-scale farms or those that have secured sufficient manpower, to make positive efforts in developing their own sales routes, in the form of direct sales to consumers or contracted production.

5) To convert all Japanese agricultural production to a type that focuses on environmental conservation, it is important that we steadily implement basic efforts aimed at harmony with the environment. For these efforts, the Ministry of Agriculture, Forestry and Fisheries has formulated a “Code for Agricultural Practice in Harmony with the Environment”. Based on the rationale of cross compliance, in which the attainment of certain environmental requirements is set as a condition for subsidy measures to farmers, the Ministry of Agriculture, Forestry and Fisheries is attempting to link various support measures to the practice of this Code. Meanwhile, it will be important to enhance the awareness of stakeholders in regional agriculture towards environmental conservation, and to broaden the scope of efforts aimed at conserving local environments.

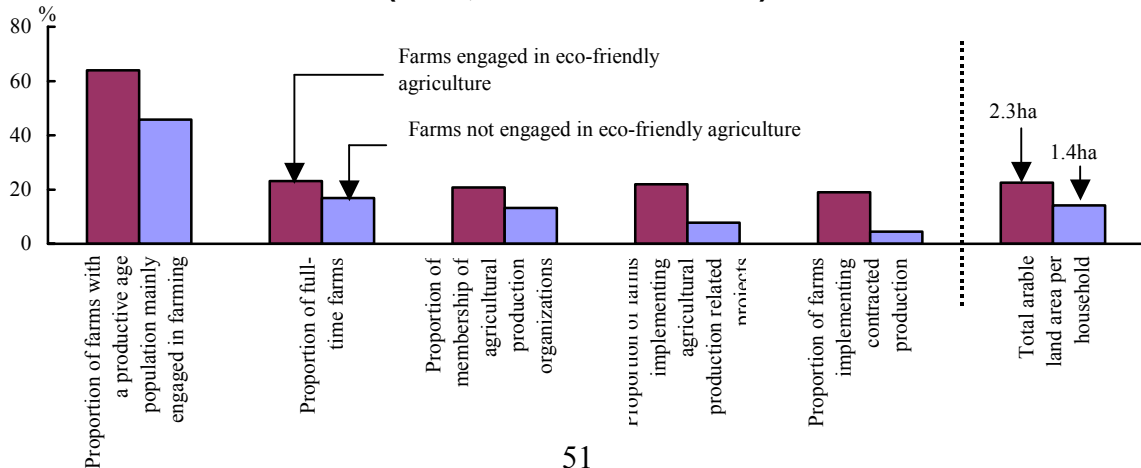
**Fig. 25 Risk of Environmental Load Arising from Agricultural Production Activities**



**Fig. 26 Comparison of Farms Practicing Eco-Friendly Agricultural Production and Traditional Cultivation (2002, per 10a of rice cultivation)**



**Efforts Towards Eco-Friendly Agriculture and Farm Businesses (2000, commercial farms)**



## **Section 5 Promoting Production to Suit Demand**

### **(1) Rice**

#### **a. Steadily promoting reforms of rice policies**

1) Reforms of rice policies are now taking shape, thanks to the formulation of the “Future Vision of Paddy Field Farming for Local Areas” and the enforcement of the amended Food Provisions Law. The matter of highest priority in the “Future Vision of Paddy Field Farming for Local Areas” is “Cultivation of producing areas using crops on diverted land”, followed by “Promoting the production of popular rice brands”.

2) In future, it will be important to check and review the “Future Vision of Paddy Field Farming for Local Areas”, and to promote the development of a system for producing popular rice brands in line with demand. This may be done by achieving a smooth transition to a system for independent adjustments of supply and demand by agricultural organizations.

#### **b. Supply and demand trends**

1) The rice crop condition index for 2004 fell to 98 under the impact of typhoons, while the production volume increased by 12% from the previous year (when crops were damaged by a cool summer) to 8.72 million tons. Bidding prices were at a slightly lower level than in 2002, when they were on a par with average years.

2) Per capita consumption fell to 62kg in FY2003, just over half the peak value of 118kg in FY1962. Consumers are shifting from a brand-based orientation to one based on low-price, cooking convenience, and safety. To ensure healthy diets and improve the food self-sufficiency ratio, it is important that we achieve a greater diffusion of rice-based school meals, and expand consumption to meet the diversification of consumer preferences.

3) In producing areas, there are signs of efforts to divert to crops other than rice, promote exports, produce brand rice and other unique products, and develop rice-flour bread.

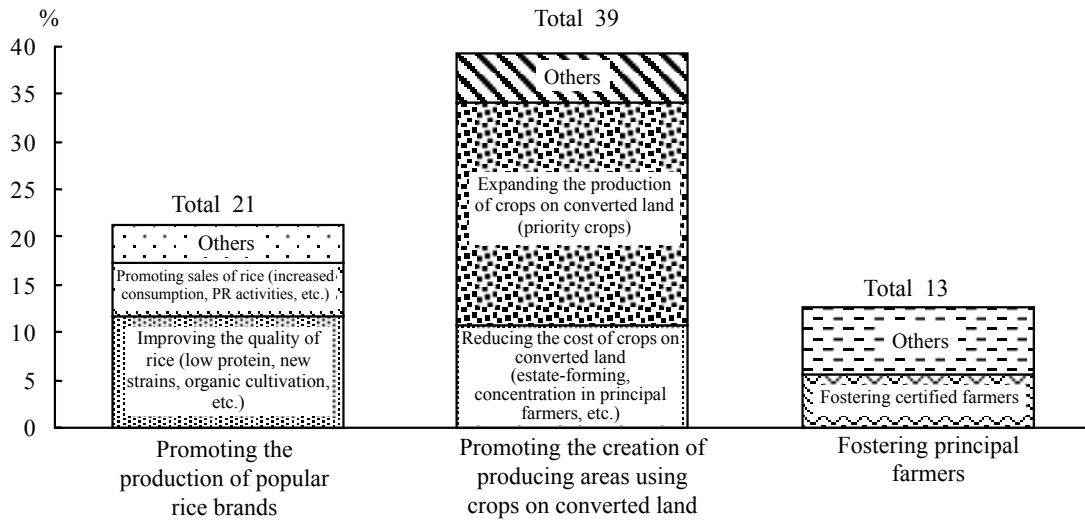
In future, it will be important to respond accurately to consumer needs through the independent judgment and creative ideas of producing areas themselves.

### **(2) Wheat and barley**

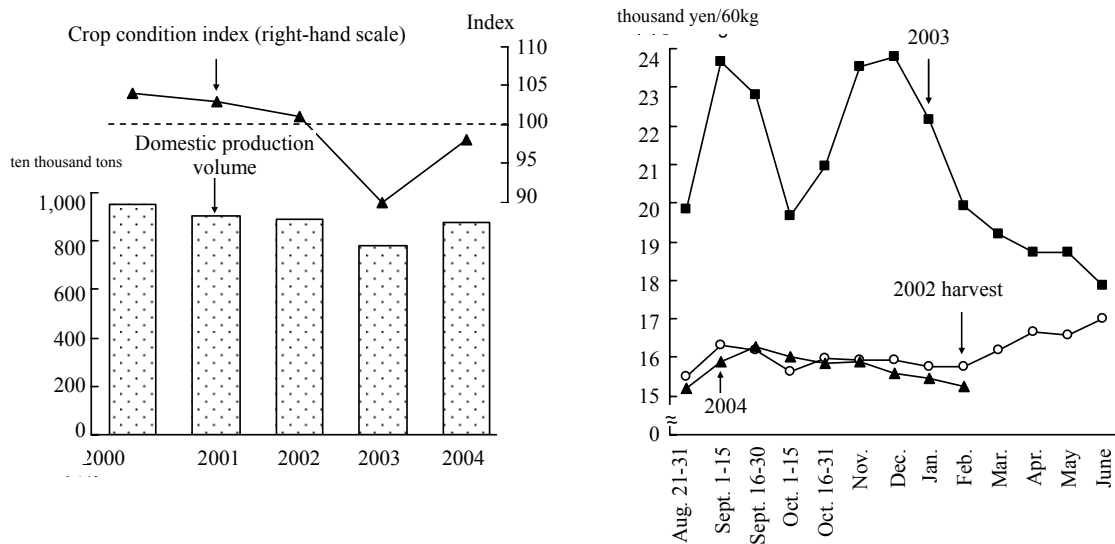
1) In recent years, wheat and barley production volumes have increased dramatically. The quantity of wheat harvested in 2002, in particular, already exceeded the target for production efforts in FY2010.

2) On the other hand, there are problems with delays to the improvement of quality and productivity and the conversion to new strains. In future, we will need to reconstruct wheat and barley policies in their entirety, with a view to promoting the production of high-quality wheat and barley in line with demand.

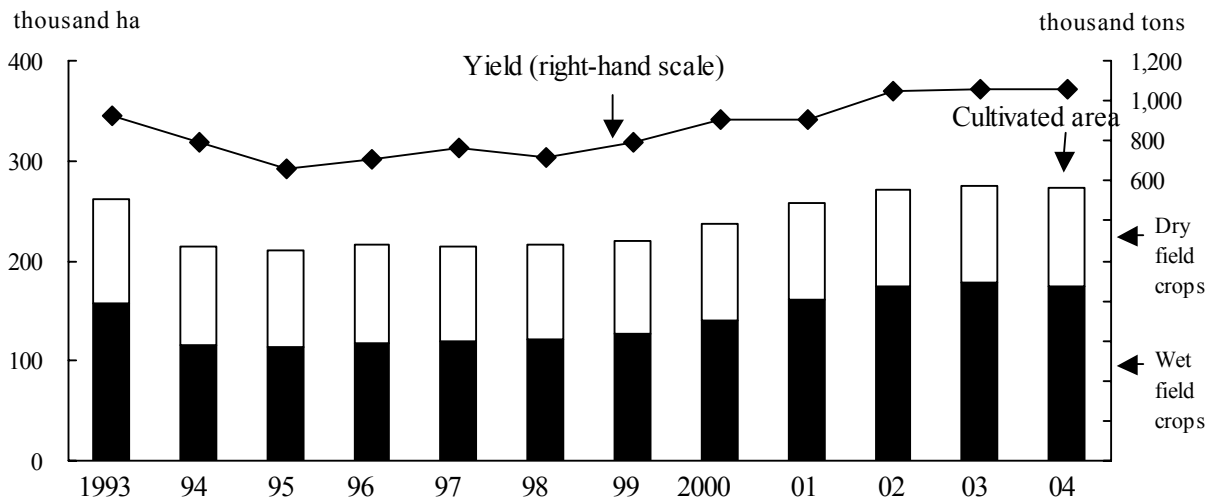
**Fig. 28 Matters to be Promoted with Utmost Priority in the Vision for Regional Paddy Field Agriculture**



**Fig. 29 Trends in Rice Production and Bidding Prices**



**Fig. 30 Wheat and Barley Production Trends**



### **(3) Soybeans**

1) Although soybean production volumes were in an increasing trend, the 2003 and 2004 harvests were badly affected by poor weather. Recently, there are signs of efforts such as contracted cultivation or the manufacture of tofu and miso by agricultural groups using locally produced soybeans. Nevertheless, issues such as improving and stabilizing yields, improving quality and cutting costs remain as pressing as ever.

2) In view of poor domestic harvests in recent years and the rising prices of imported soybeans, it will be important to build stable trading relationships between producers and actual users of Japanese soybeans.

### **(4) Vegetables, fruit**

1) Vegetable production volumes are in a decreasing trend owing to a decline in principal farmers and the aging of producers. On the other hand, import volumes are in an increasing trend, as a result of developments in freezing technology and the tardiness of Japanese producing areas to respond to demand for processing and commercial use. In future, it will be important to foster highly competitive producing areas with a focus on principal farmers, and to respond to demand for processing and commercial use.

2) Fruit production volumes are also in a decreasing trend owing to a decline in principal farmers and the aging of producers. In future, it will be important to reinforce producing area systems with a focus on principal farmers, and to convert to production in line with demand.

3) To increase the consumption of fruit and vegetables in the face of declining consumption (particularly among younger people), it will be important to achieve an appropriate supply of information, enhance labeling of functional attributes and nutritional constituents, and create marketing strategies in response to shifting modes of consumption.

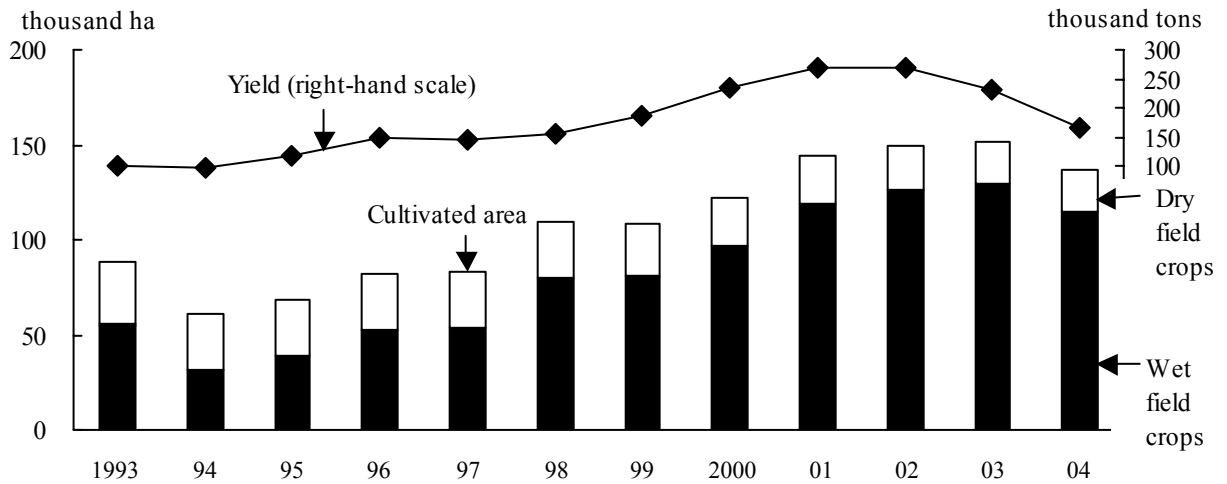
### **(5) Livestock industry**

1) The meat supply and demand structure in Japan has changed greatly following outbreaks of BSE and highly pathogenic avian influenza, with fluctuations in household purchasing ratios of beef, pork, and chicken meat.

2) While there is an ongoing scale expansion in dairy and beef cattle farms, production costs and labor hours have only slightly decreased. In future, it will be important to make use of abandoned arable land and contractors for feed production, and to introduce work saving technology.

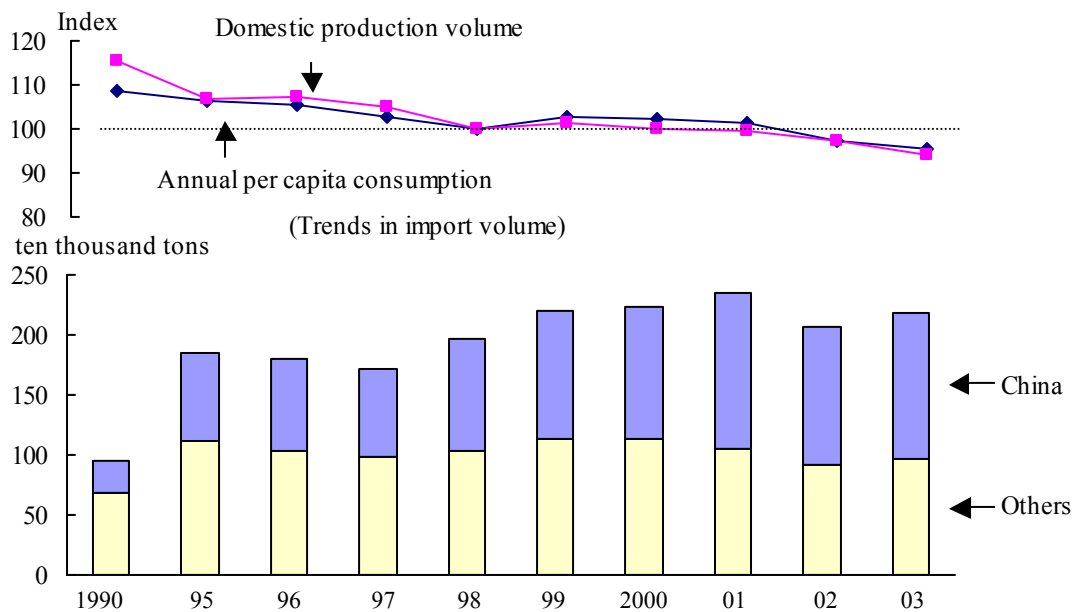
3) Promoting domestic production of feed is important with a view to improving the food self-sufficiency ratio. Meanwhile, forming collaborative links between crop-producing farms and livestock farms, fostering contractors, and boosting the production of rice fermented roughage are pressing issues. We also need to promote the proper management and use of livestock excretory substances through wide-area distribution of composted manure.

**Fig. 31 Soybean Production Trends**

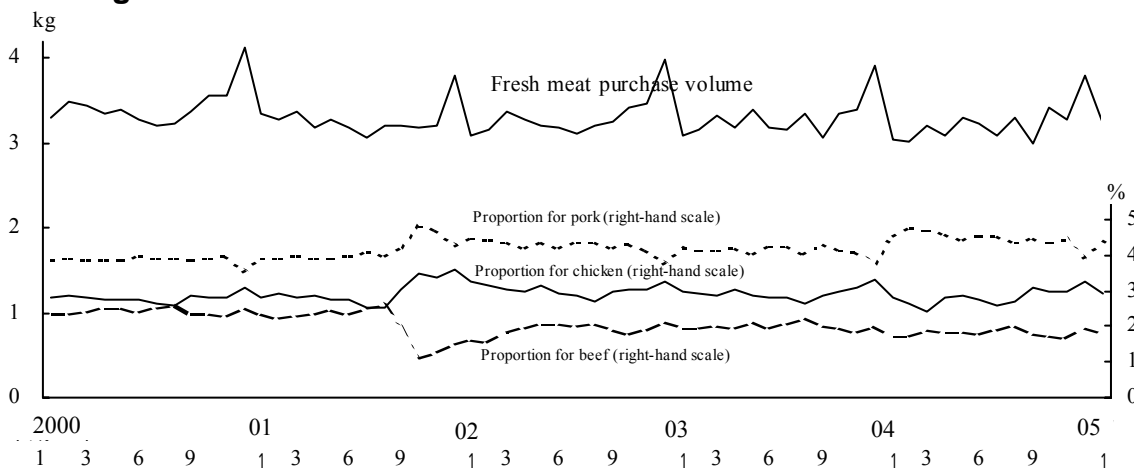


**Fig. 32 Trends in Domestic Production, Consumption and Imports of Vegetables**

(Trends in domestic production and annual per capita consumption (1998 = 100))



**Fig. 33 Trends in Household Purchase Volume of Fresh Meat**



Source: Ministry of Internal Affairs and Communications

# **Chapter III Reviving Rural Areas and Creating Rural Areas with Aesthetic Appeal and Vitality (Policies for Rural Areas)**

## **Section 1 Present Situation of Rural Areas**

### **(1) Trends in population and economy**

1) Prefectural populations have decreased in 29 prefectures compared to 5 years ago. Conversely, the excessive influx of population into the Tokyo metropolitan region continues unabated. In provincial regions, there are concerns over a decline in the vitality and functions of local communities in future, illustrated by a vast increase in municipalities with a small population scale and a high ratio of elderly persons.

2) Although the Japanese economy has been in a recovering trend recently, the situation remains harsh for provincial areas, which have a high dependence on public-sector demand and a high ratio of small and medium enterprises. There is a tendency for widening regional disparity in economic trend indicators that show the economic mood of Japanese companies.

3) While the production value of primary and secondary industries in provincial areas has fallen by 14% over the space of 10 years, that of tertiary industries has increased by 13%, revealing a progressive shift towards services in the industrial structure. However, in the financial balance of services by region, other regional blocks are dependent on the Kanto block, which enjoys a huge surplus.

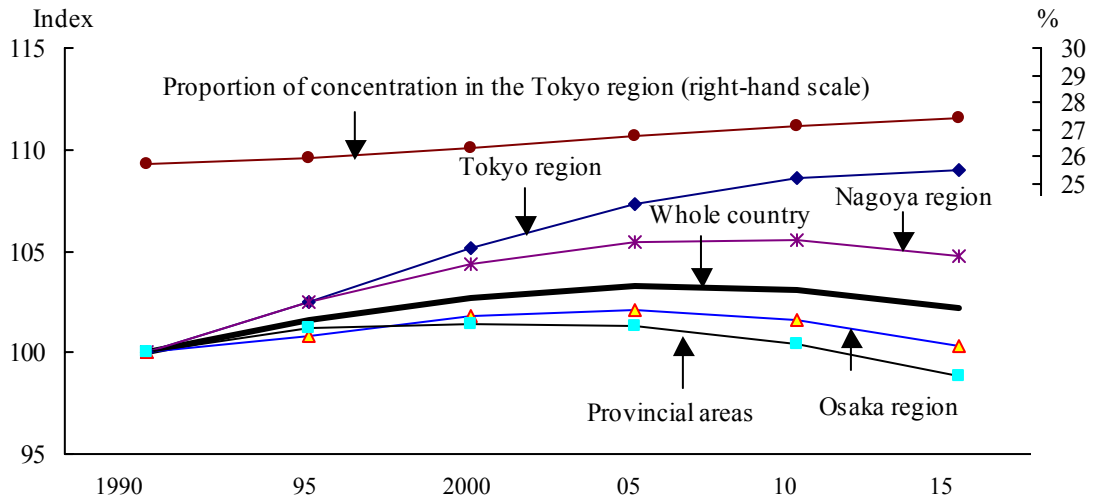
### **(2) The present state of rural society**

1) Farming villages have declined by 5,000 over 10 years (1990-2000) owing to urbanization and the abandonment of farming, while the farm ratio is also falling sharply and multi-habitation is progressing. Meanwhile, the main cause of the decline of arable land in farming villages (1990-2000) is an abandonment of cultivation in mountainous farming regions and a high ratio of conversion to mountain forests.

2) Although the convenience of life in farming villages has improved overall, there is regional disparity, particularly in mountainous farming regions. There is also abiding regional disparity in the development of social infrastructure such as roads, sewage treatment facilities, as well as IT infrastructure.

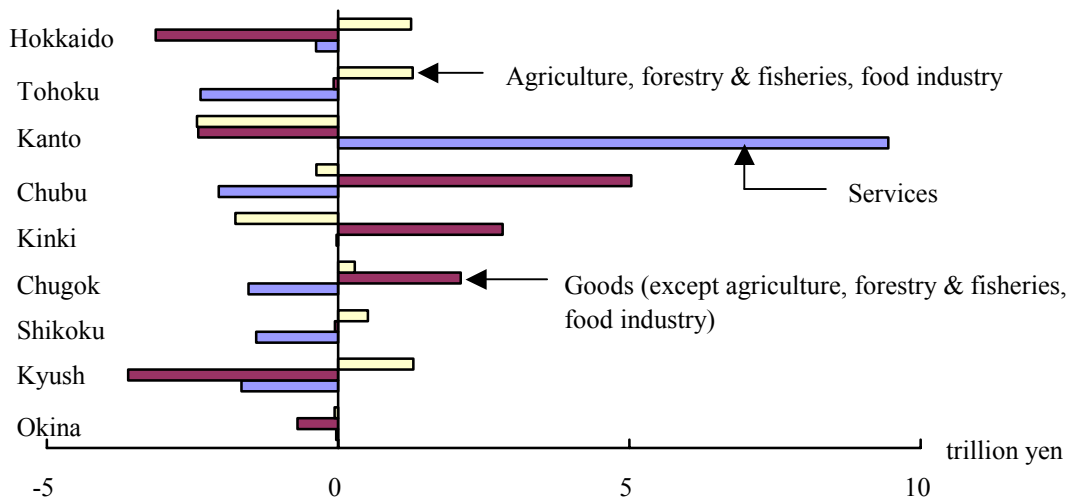
It is important that we promote the development of social infrastructure as a matter of urgency, in order to encourage permanent settlement in rural areas, stimulate rural areas, and create exchanges between urban and rural areas.

**Fig. 34 Population Trends and Future Estimated Population in Three Major Urban Regions and Provincial Areas**



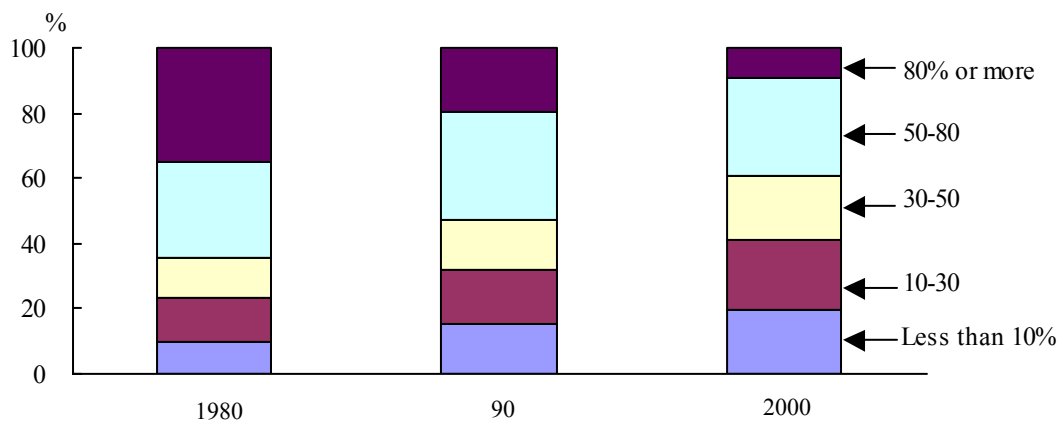
Source: Ministry of Internal Affairs and Communications

**Fig. 35 Interregional Balance in Goods and Services by Region**



Source: Ministry of Economy, Trade and Industry

**Fig. 36 Trends in Composition of Farming Villages by Ratio of Farms**



## **Section 2 Present Situation of Resources Possessed by Rural Areas**

### **(1) The multi-functionality of agriculture**

1) Agriculture performs multiple functions through its activities in supplying and producing food, in the form of conserving land, recharging water resources, conserving natural environments, forming pleasant landscapes, and preserving cultural heritage.

2) The effects of the multi-functionality of agriculture can be enjoyed not only by local residents but also by the nation at large. On the other hand, the fulfillment of these roles could be hindered by the stagnation or regression of agricultural production activity or a decline in village functions.

In future, it will be important to seek the understanding of the people on the purpose and importance of this multi-functionality through specific initiatives at regional level (such as first-hand experience of agriculture by children).

### **(2) Trends in the management and conservation of rural resources in rural areas**

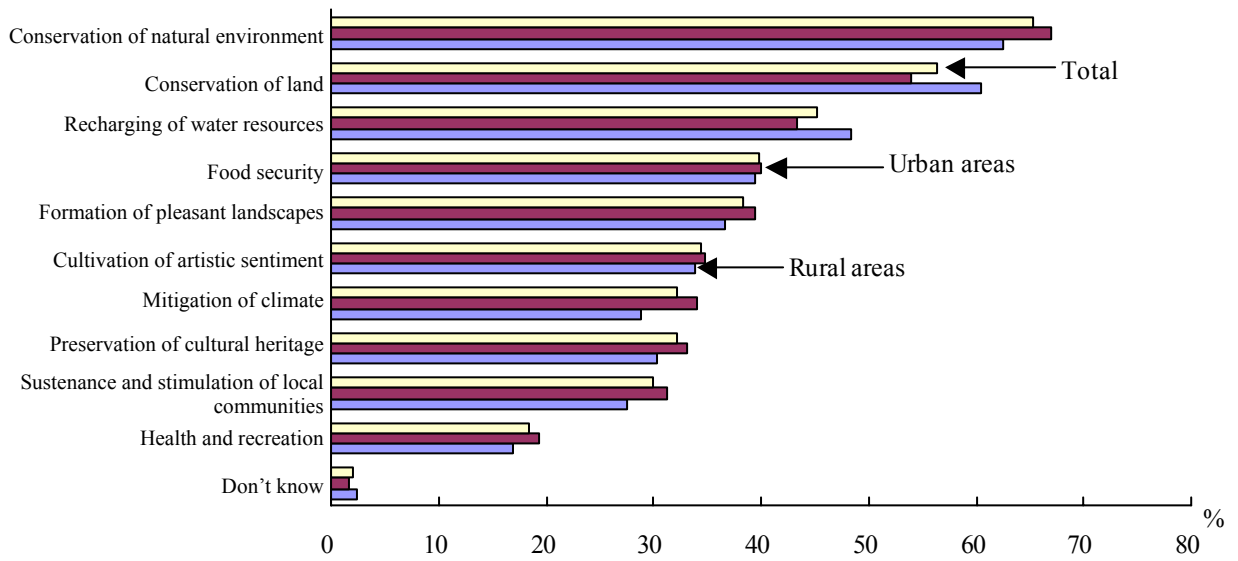
1) Rural areas possess various rural resources, including farmland and irrigation water, diverse flora and fauna, rural landscapes, and traditional culture. While these resources are maintained through agricultural production and local action, once their functions are lost, restoring them requires a huge amount of time and money.

2) The resources of farmland and irrigation water, in particular, are social common capital that is essential to secure a stable food supply and fulfil the multi-functionality of agriculture.

3) With the decline in farm households, multi-habitation, and aging of the farming population, farmers bear increasing burdens in conserving and managing farmland and irrigation water, and the conventional method of independent conservation and management by farmers is becoming more difficult to sustain.

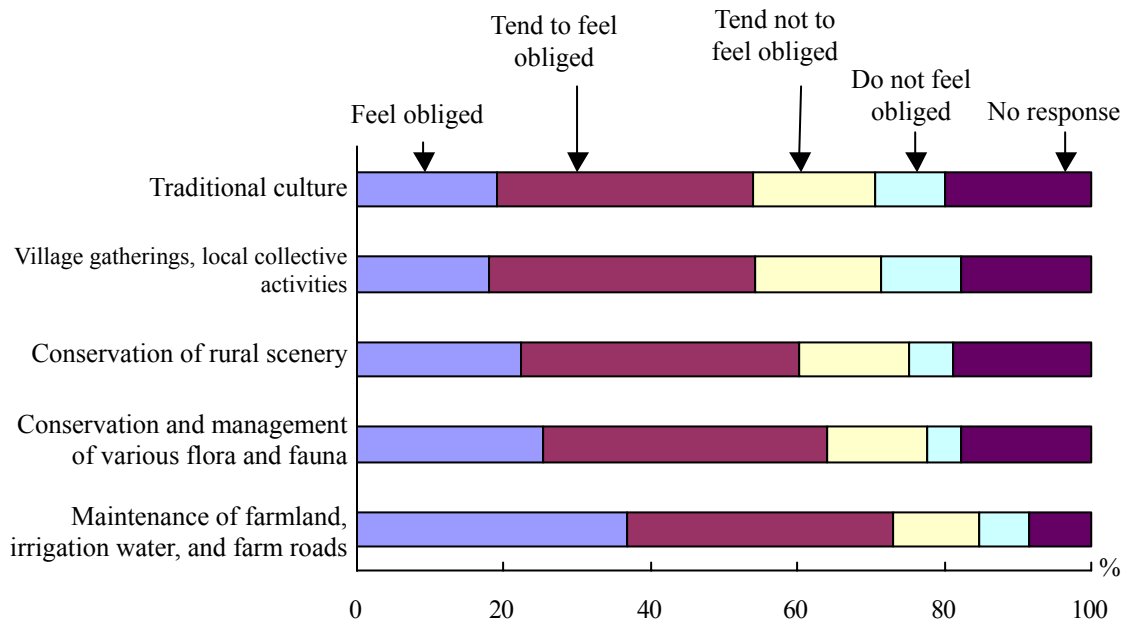
4) The diverse eco-systems and landscapes of rural areas are also becoming difficult to conserve, owing to progressive urbanization and multi-habitation, as well as a deterioration in the management of irrigation water facilities. In future, it will become more important to practice agricultural production activities and to develop the agricultural production infrastructure with consideration for the natural environment.

**Fig. 37 Awareness of Roles of Agriculture Besides Food Production and Supply (multiple response)**



Source: Prime Minister's Office

**Fig. 38 Sense of Obligation to Participate in Activities Designed to Maintain Rural Resources**



5) As the conservation and management of rural resources in rural areas becomes increasingly difficult, farmers are seeking initiatives in collaboration with local inhabitants.

To appropriately conserve and manage resources in future, it will be important to make use of local topographical characteristics and original ideas, and to promote highly effective efforts undertaken jointly by whole regions, including the participation of local residents, urban residents and various other stakeholders as well as local farmers.

6) The system of direct payments in mountainous and other regions is reaping effects in sustaining agricultural production activity, preventing the abandonment of cultivated land, and maintaining or amplifying multi-functionality.

In future, it will be important to develop systems whereby agricultural production activities can be continued (including attempts to improve productivity and foster principal farmers) and to promote stronger ties between villages.

### **(3) Trends in the utilization of biomass**

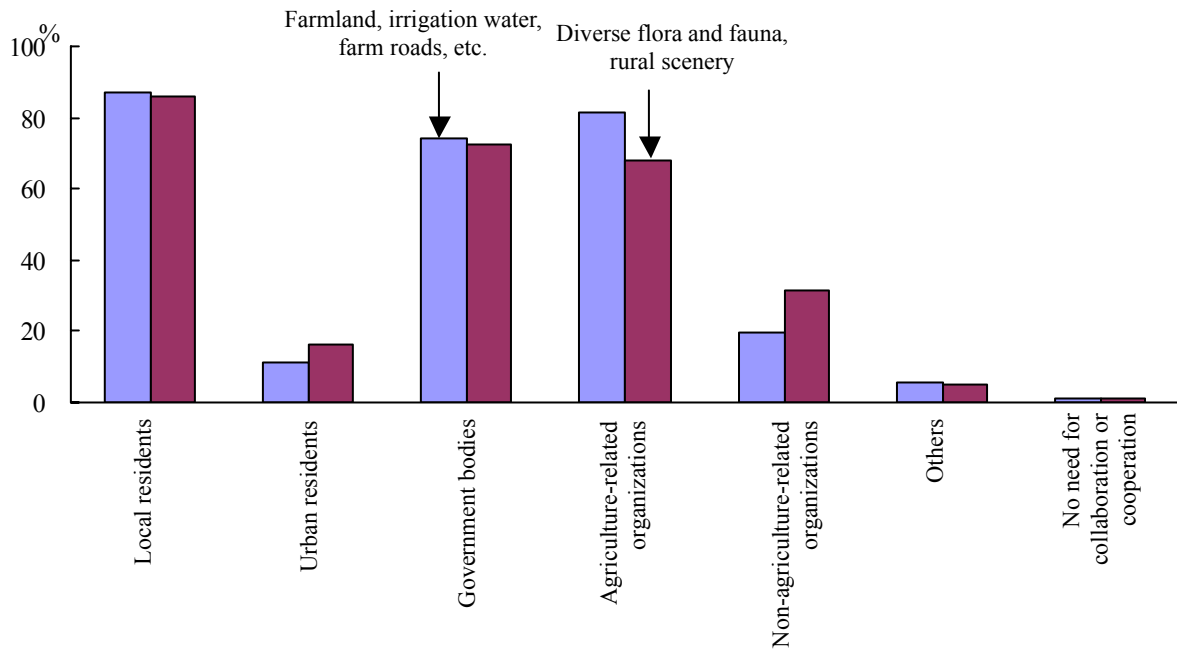
1) The utilization of biomass is expected to help reduce global warming and materialize a recycling-oriented society. However, there is not enough understanding of this issue by consumers or farmers. For example, the recycling rate of food waste is a mere 16%.

2) Based on its “Biomass Nippon Strategy” (December 2002), the government is engaged in various efforts such as the Biomass Town Program, as well as developing and demonstrating biomass plastics and biodiesel.

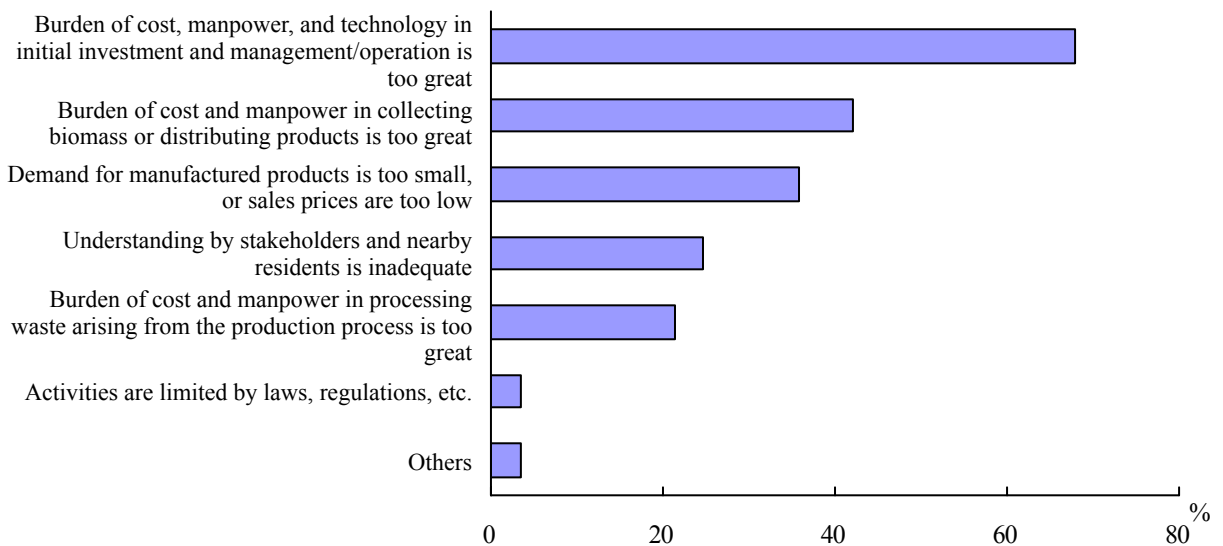
3) Issues in the utilization of biomass are initial investment, operating costs, manpower, and technology.

In future, we will need to promote advanced utilization of biomass, reduced collection and transportation costs, and the creation of systems in tune with the local characteristics of a region.

**Fig. 39 Ideal Collaborators and Cooperators when Managing the Conservation of Resources**



**Fig. 40 Problems in the Utilization of Biomass (multiple response)**



## **Section 3 Creating Rural Areas with Vitality**

### **(1) The need to revive rural areas**

Owing to the decline of rural communities and agricultural production activities, many difficulties have arisen in conserving and managing rural area resources and passing them on to following generations. We need to be aware of the importance of reviving rural areas and take specific action to this end.

### **(2) Towards the creation of rural areas with vitality**

#### **a. Promoting symbiosis and interchange between urban and rural areas by making positive use of rural resources**

1) Efforts for symbiosis and interchange between urban and rural areas, with the aim of creating a society in which “people, goods and information” are constantly circulating in both directions, are of major significance in attempting to stimulate regional areas, and it will be important to promote these positively in future.

2) Urban agriculture fulfils a diversity of roles, including the supply of fresh agricultural products, the provision of open spaces at times of natural disasters, and the provision of opportunities for first-hand experience of local agriculture.

In future, it will be important to promote a vision for urban agriculture with the participation of residents, direct sales of agricultural products, and agricultural experience activities.

#### **b. Stimulating rural economies and promoting links between agriculture and other industries**

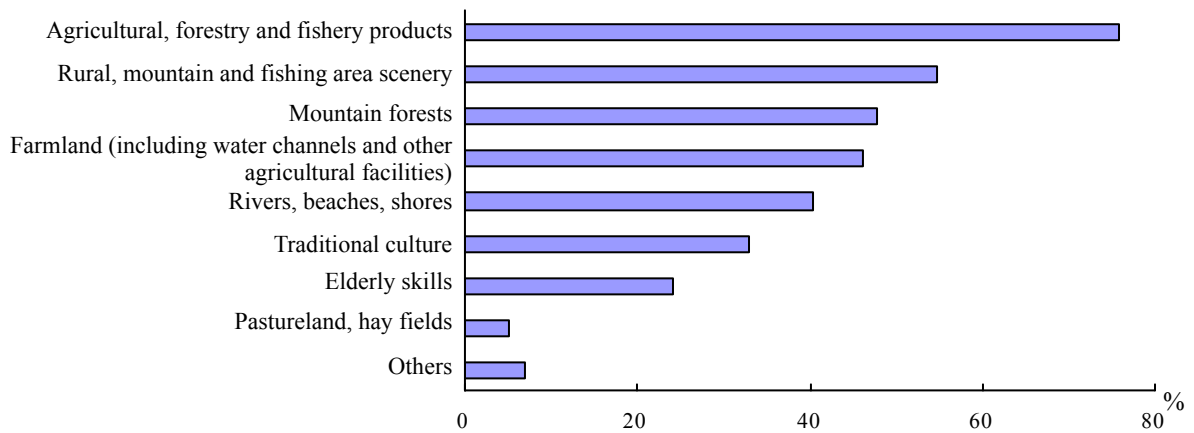
1) The ratio of raw materials procured by the food manufacturing industry from agriculture, forestry and fisheries within the same region is decreasing, and a task for the future will be to strengthen ties within the same region.

In terms of the production diffusion effects of agriculture, forestry and fisheries, the increasing orientation towards services in the industrial structure means that diffusion effects towards tertiary industries are expanding.

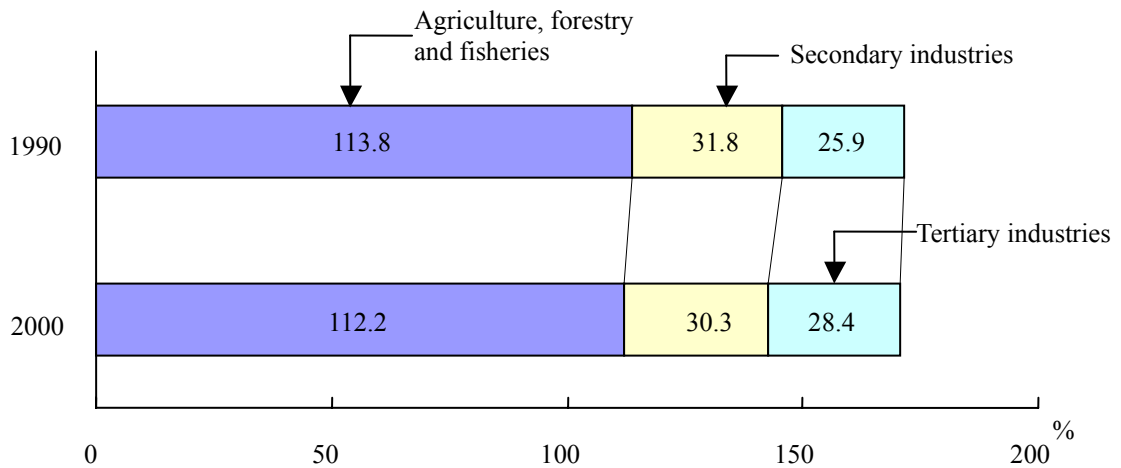
2) While direct sales outlets for agricultural products are becoming progressively diverse (such as combining with processing and eating out or related facilities, or providing meeting places for the elderly), they are also becoming increasingly competitive.

In future, it will be important to draw out the uniqueness of each facility, through efforts such as sales strategies that suit topographical conditions or collaboration between different outlets.

**Fig. 41 Rural Resources Used in Exchanges between Cities and Rural, Mountain and Fishing Areas (multiple response)**

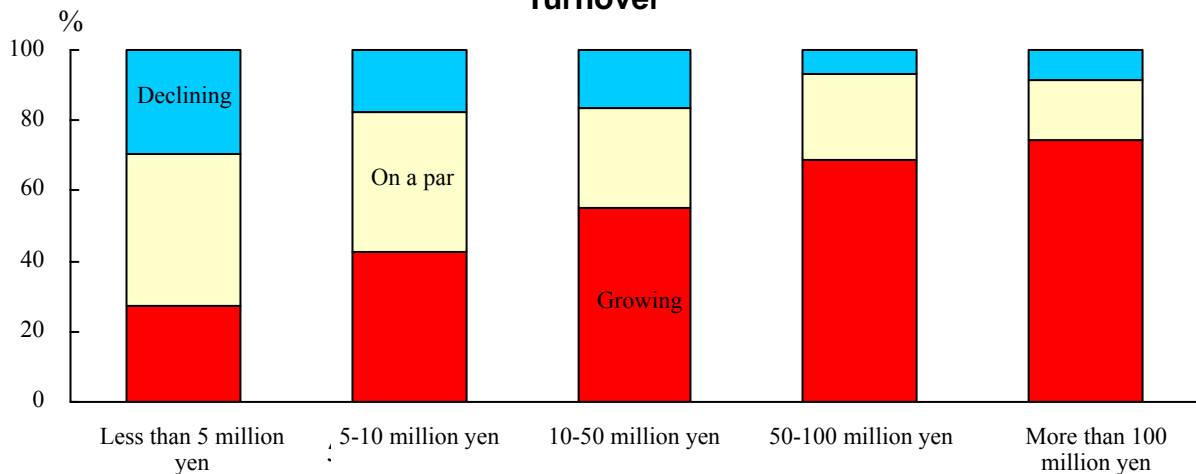


**Fig. 42 Changes in the Production Diffusion Effects of Agriculture, Forestry and Fisheries**



Source: Ministry of Internal Affairs and Communications and 9 other government bodies

**Fig. 43 Changes in Sales by Farms Selling Own Produce, by Current Sales Turnover**



3) While 80% of people wish to have first-hand experience of green tourism, farm guest houses only account for 3% of all tourism and travel accommodation facilities in Japan. This shows that there is still only a dormant demand, and the effects on regional economies have yet to become apparent.

In future, it will be important for rural areas that accept green tourism to devise activity menus, accumulate knowhow, and develop systems of acceptance such that people can easily participate in first-hand experience.

4) Given the harsh state of regional economies, local industries (agriculture, tourism, commerce and industry) are collaborating to make use of unique rural resources in stimulating their local areas, or forming food industry clusters designed to promote food industries in close ties with the local region. However, the rate of participation in cross-sector exchange groups by agriculture, forestry and fishery industries is lower than that by other industries, and collaboration or cooperation in promoting local industry is proving more difficult in smaller scale municipalities.

5) To stimulate economies via regional cross-sector collaboration in future, it will be important to promote ties between various local stakeholders, cultivate human resources, and encourage exchanges beyond municipal or prefectural territories.

### **c. Fostering and linking human resources and organizations that support regional stimulation**

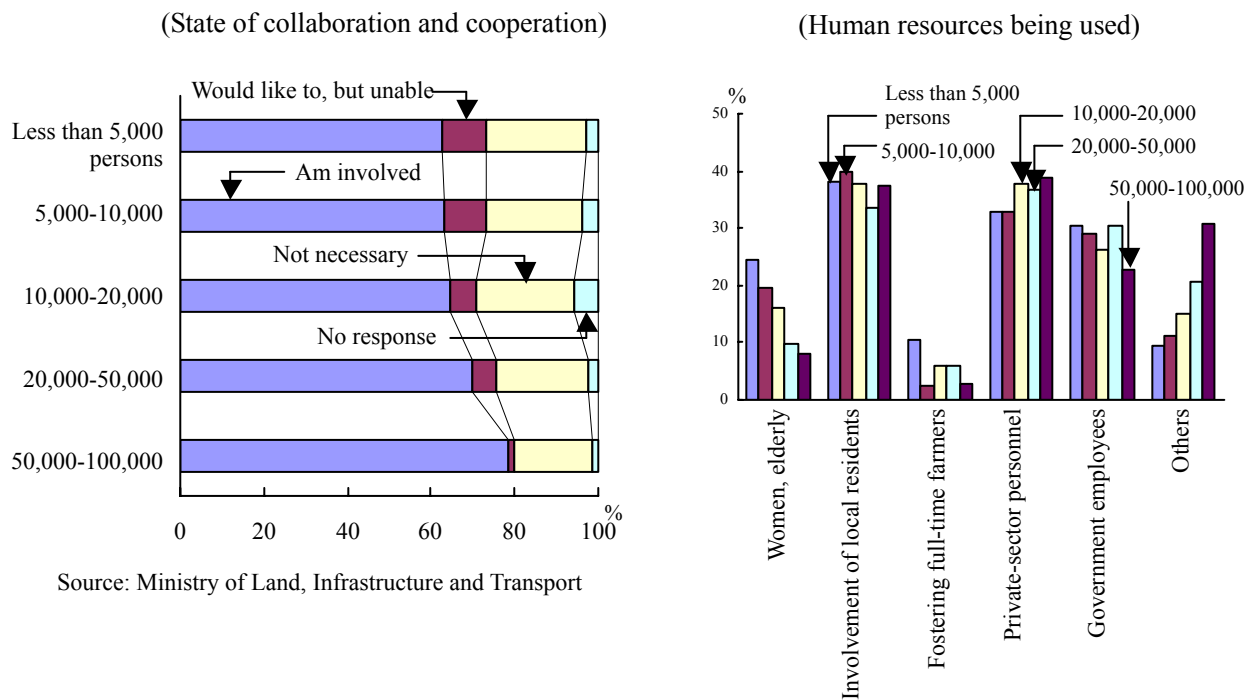
1) Efforts for regional stimulation are being undertaken by a variety of stakeholders besides the administration, including farmers, women, the elderly, local residents, commercial and industrial concerns, and NPOs. In particular, business start-ups by women in the agricultural produce processing sector and local action by elderly residents are playing major roles.

Efforts to positively recruit and accept human resources from inside and outside regional areas, cultivate leaders, and foster human resources through training will be important in future.

2) As municipal mergers, agricultural committees, land improvement districts and agricultural cooperatives become progressively broader in scope, it will be important for local stakeholders to join forces in fostering human resources and promoting the creation of organizations. It will also be important to reinforce efforts linked to clarifying role allocations among agriculture-related bodies, in line with the content of activities inside rural areas.

3) To promote cross-sector efforts related to promoting rural areas, collaboration from relevant ministries and agencies as well as flexible, efficient operation of projects will be important, so that the independence and autonomy of organizations at the municipal stage may become manifest.

**Fig. 44 State of Collaboration and Cooperation in Promoting Local Industries, by Scale of Municipality**



**Fig. 45 Conditions for Establishment of Activities Related to Symbiosis and Interchange Between Urban and Rural Areas**

