

Annual Report on Food, Agriculture and Rural Areas  
in Japan

FY2005

Part 1 Trends in Food, Agriculture and Rural Areas  
Summary  
(Provisional Translation)

# CONTENTS

## Topics

- Chapter I Achieving Ideal Diets and Establishing a System for the Stable Supply of Food
  - Section 1 Initiatives for ensuring food safety and gaining consumer confidence
  - Section 2 The present state of dietary habits and initiatives aimed at improving the food self-sufficiency ratio
  - Section 3 Trends in global supply and demand for agricultural products and agricultural trade negotiations
  
- Chapter II Reforms in the Structure of Regional Agriculture and Strategies for Production to Harness the Strengths of Domestic Produce
  - Section 1 Trends in agricultural economy
  - Section 2 Fostering and securing principal farmers and accelerating structural reforms of regional agriculture
  - Section 3 Strategies for production to harness the strengths of domestic produce
  - Section 4 Promoting environmentally friendly agricultural production
  - Section 5 Promoting production to suit demand
  
- Chapter III Conserving and Utilizing Rural Resources in Rural Areas and Creating Rural Areas with Vitality
  - Section 1 Trends in farming villages
  - Section 2 Present state and problems of rural resources in rural areas
  - Section 3 Creating rural areas with vitality

## TOPICS

1. Accelerating initiatives for reform of agricultural administration in line with the Basic Plan for Food, Agriculture and Rural Areas
  - (1) Promoting initiatives for food safety, Food Education, local consumption of local produce, and improved food self-sufficiency
  - (2) Promoting Direct Payment for Land-extensive farming and initiatives to foster and secure principal farmers
  - (3) Promoting rice policy reforms
  - (4) Promoting initiatives for Measures to Conserve and Improve Rural Resources ( L, Water and Environment ) (tentative name)
2. Initiatives on WTO negotiations
3. Promoting the utilization of intellectual property, etc., and the development and diffusion of innovative technology
4. Promoting exports of agricultural products
5. Promoting action on crude oil price inflation and utilization of biomass and other rural resources
6. Trends in food, agriculture and rural areas in the era of falling birth rates, population aging, and population decline – With focus on the “baby boom generation”

## **1. Accelerating initiatives for reform of agricultural administration in line with the Basic Plan for Food, Agriculture and Rural Areas**

### **(Changes in the circumstances surrounding food, agriculture and rural areas)**

Given the present circumstances surrounding food, agriculture and rural areas, there are now a variety of issues that demand serious attention. These include the increased public concern over food safety, the decline in the food self-sufficiency ratio, the aging of the agricultural workforce and delays in structural reforms of land-extensive farming, the diminishing vitality of rural areas, and the difficulty of conserving and managing rural resources. Moreover, strengthening the competitiveness of agriculture in line with WTO agricultural negotiations is now a task of pressing urgency. On the other hand, there are new moves aimed at reforms that make full use of local creativity and ideas in various parts of the country, such as the local consumption of local produce, links between production and consumption, exports of agricultural products, establishment of regional brands, complementarities and interrelationships between urban and rural areas, and so on.

For food, agriculture and rural areas to contribute to improved national lifestyles and the sustainable growth of Japan's socio-economy in line with these changing circumstances, we need to urgently promote reforms of the agricultural administration in general, with a view to materializing the basic principles extolled in the Basic Law on Food, Agriculture and Rural Areas.

### **(Accelerating initiatives for reform of agricultural administration in line with the Basic Plan for Food, Agriculture and Rural Areas)**

To urgently promote reforms of the agricultural administration in general, a new Basic Plan for Food, Agriculture and Rural Areas (hereinafter "the Basic Plan") was formulated in March 2005. The new Basic Plan clarifies the direction and content of basic measures, the processes of achieving these, and other aspects in a projection over the next decade or so. In materializing these reforms of the agricultural administration, efforts to review existing measures and create new measures are currently being promoted in line with the basic perspectives raised in the Basic Plan.

In particular, in FY2005, the first fiscal year of reforms under the Basic Plan, specific initiatives on ensuring food safety, Food Education, local consumption of local produce, improved food self-sufficiency, "Direct Payment for Land-extensive farming" and initiatives to foster and secure principal farmers, "Rice Policy Reform Promotion Measures" and "Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)" are actively being promoted, not only by the central and regional governments but also with the wide participation of farmers, food industry businesses, consumers and others.

### **(Promoting concerted government measures)**

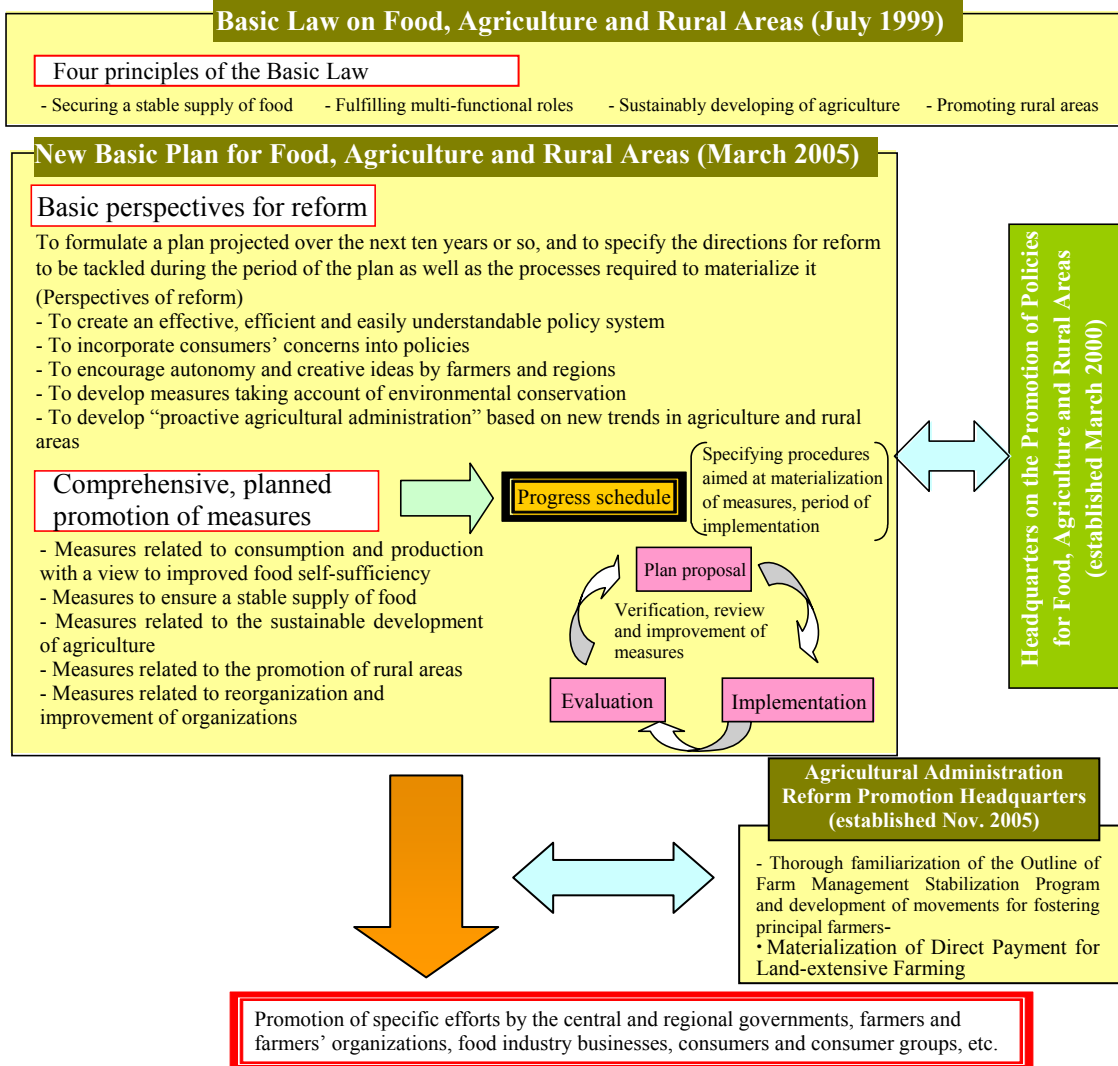
These policies on food, agriculture and rural areas will have an impact on a broad spectrum of the national lifestyle and the Japanese socio-economy, and their promotion depends heavily on close linkage between the relevant government agencies. To this end, "On the Promotion of New Agricultural

Administration for the 21st Century: A Shift to Aggressive Agricultural policies” was decided by the “Headquarters on the Promotion of Policies for Food, Agriculture and Rural Areas” (headed by the Prime Minister) in March 2005 and “New Agricultural Administration for the 21st Century – 2006” in April 2006, and the government is now united in promoting measures that will yield practical effects.

**(Promoting initiatives under the Agricultural Administration Reform Promotion Headquarters with broad participation of stakeholders)**

In November 2005, the Ministry of Agriculture, Forestry and Fisheries established the “Agricultural Administration Reform Promotion Headquarters” (headed by the Minister of Agriculture, Forestry and Fisheries), which is now promoting reforms of agricultural administration with the broad understanding and support of the public. For example, measures based on the Outline of Farm Management Stabilization Program are being put into practice with the participation of consumer groups, food-related organizations, agricultural organizations and experts.

## Accelerating Initiatives for Reform of Agricultural Administration in Line with the Basic Plan for Food, Agriculture and Rural Areas



Source: MAFF



**A meeting at the Agricultural Administration Reform Promotion Headquarters**

## **(1) Promoting initiatives for food safety, Food Education, local consumption of local produce, and improved food self-sufficiency**

### **(Ensuring food safety and a stable supply of food)**

As increased public concerns over food safety require that the food safety administration be further enhanced and strengthened, a framework of risk analysis based on scientific principles has been introduced. Risk management bodies, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health, Labour and Welfare, are promoting food safety administration such as BSE countermeasures along with the Food Safety Commission, a food safety risk assessment body. The MAFF is also addressing the prevention of livestock diseases such as highly pathogenic avian influenza.

### **(Promoting Food Education)**

Based on the Basic Law on Food Education, the Basic Plan for Promoting Food Education was formulated in March 2006 with the aim of enriching people's physical and mental health, as well as humanity, through food related experience in view of changes in environments surrounding dietary habits in recent years. Various actors, including local governments, schools, and companies have promoted Food Education activities. It is necessary to promote Food Education as a national movement in homes, schools, local communities, and various other sectors, and it is important to practice a "Japanese dietary pattern", which sets rice as a staple food, by utilizing the "Dietary Guidelines for Japanese" and the "Japanese Food Guide Spinning Top".

### **(Promoting local consumption of local produce)**

There is increasing interest around the country in initiatives for local consumption of local produce. This helps to create relationships in which consumers and producers are mutually "visible" to each other, in that products produced in a region are consumed within that region. Recently, initiatives have been spreading in various forms, such as the sale of locally produced agricultural products in direct sale outlets and bulk stores, their use in agricultural product processing plants, school meals and the eating-out industry, and so on.

Efforts being promoted to achieve an even greater spread of these initiatives include the formulation of plans to promote local consumption of local produce by municipalities and others (formulated in 618 areas as of the end of March 2006), support for environmental development such as direct sales facilities, and the creation of opportunities for exchanges of information between stakeholders.

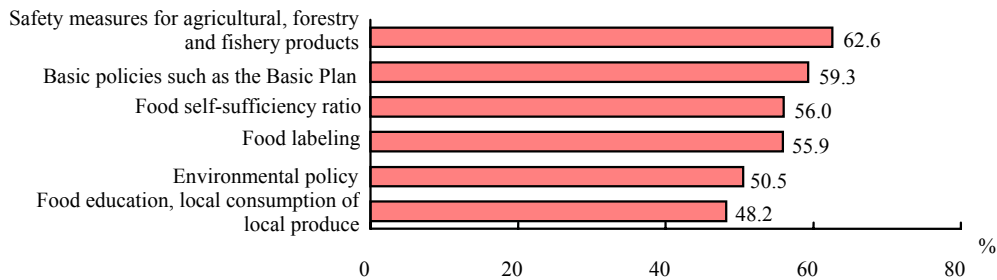
### **(Improving the food self-sufficiency ratio)**

Japan's food self-sufficiency ratio in FY2004 was 40% on a supplied calorie basis, on a par for the 7th successive year, and 70% on a production value basis, the same as in the previous year. The Basic Plan targets 45% on a supplied calorie basis and 76% on a production value basis by FY2015.

Therefore, with a view to improving the self-sufficiency ratio, a "Food Self-Sufficiency Ratio

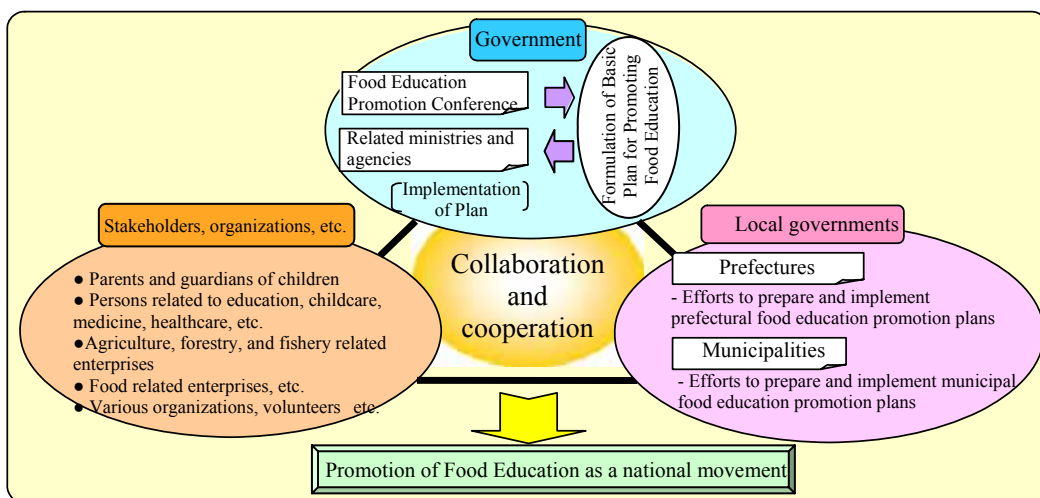
Improvement Council” consisting of representatives of the central and regional governments, farmers and farmers’ organizations, food industry businesses, and consumers and consumer groups was created in April 2005. Currently, issues such as Food Education, local consumption of local produce, and fostering and securing principal farmers are being promoted with appropriate sharing of roles between constituent members, based on action plans formulated by the Council.

## Matters of Concern in Policy Information on Agriculture, Forestry and Fisheries (Multiple Response)



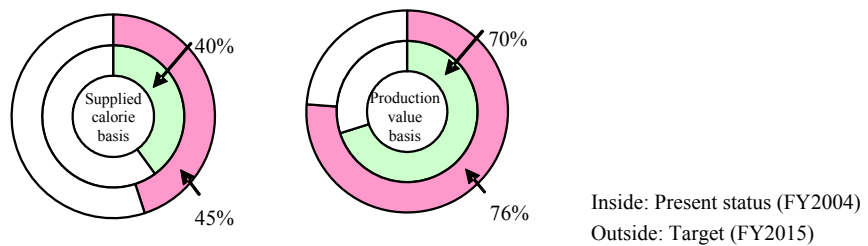
Source: MAFF, “Awareness and inclinations concerning the supply of policy information on agriculture, forestry and fisheries” (published May 2005)  
Note: Questionnaire survey targeting 8,011 persons including information exchange monitors throughout the country (response rate 77.6%).

## System for Promoting Food Education



Source: MAFF

## Targets for Overall Food Self-Sufficiency



Source: MAFF

Note: The production value based target is calculated on the assumption that prices of various commodities in FY2015 will be at the same level as in FY2003.

## Performance of Main Initiatives in Action Plans Aimed at Improving the Food Self-Sufficiency Ratio

Promoting Food Education	● Formulation, dissemination of “Japanese Food Guide Spinning Top”
Promoting local consumption of local produce	● Formulation of plans to promote local consumption of local produce
Expanded consumption of domestic agricultural products	● Convening of opinion exchange meetings in prioritization areas for rice-based school meal promotion
Gaining confidence in domestically produced food	● Publication of “Manual for Introduction of “GAP for Food Safety””
Promoting production to suit demand	● Establishment of a General Support Council for Fostering Principal Farmers at Regional Level
Strengthening linkage between the food industry and agriculture	● Establishment of a Food Industry Cluster Council
Promoting effective use of farmland	● Amendment of the Law for the Improvement of the Basis of Farm Management, formulation of action plans to improve the feed self-sufficiency ratio

Source: MAFF

## **(2) Promoting Direct Payment for Land-extensive farming and initiatives to foster and secure principal farmers**

### **(The necessity and significance of Direct Payment for Land-extensive Farming)**

Despite some positive moves such as an increase in certified farmers, Japanese agriculture is in a state of crisis, with the aging of the agricultural workforce and increasing abandonment of arable land, among other problems. Besides these, another task is to strengthen the competitiveness of agriculture and create policies that do not depend excessively on border measures, while remaining in line with WTO agricultural negotiations, etc.

Until now, Japan has adopted border measures designed to correct disparity in production conditions compared to other countries, as well as price policies that are aimed at all farmers in order to guarantee production quotas for individual commodities. These have been hindered, however, by problems such as a delay in structural reforms and a mismatch between supply and demand.

To respond to such issues, the “Direct Payment for Land-extensive farming” specified in the Basic Plan for Food, Agriculture and Rural Areas were decided within the Outline of Farm Management Stabilization Program in October 2005. The aim of the measures is to facilitate a response to the strengthening of international regulations as well as accelerating structural reforms of agriculture.

This will usher in a radical revision of postwar agricultural administration by shifting from existing measures, which target all farmers and were devised with a focus on the prices of individual commodities, to measures aimed at the overall business of farms with a focus on principal farmers.

### **(Outline of measures)**

These measures consist of two basic types, both focusing on overall farm business. The first involve direct payments for the four commodities of barley, soybeans, sugar beet and starch potatoes, in order to correct disparity in production conditions compared to other countries. The second type are measures designed to mitigate the impact of fluctuating sales revenue on farm business, with a fifth commodity – rice – added to the four mentioned above. The measures are targeted at certified farmers above a certain scale and local units formed by the community that satisfy certain conditions, with a view to concentrating and prioritizing measures in principal farmers. Besides this, separate standards concerning farming scale may be set for hilly and mountainous regions, mixed farming, organizations for promoting production regulation, etc., reflecting the diversity of agriculture in different regions.

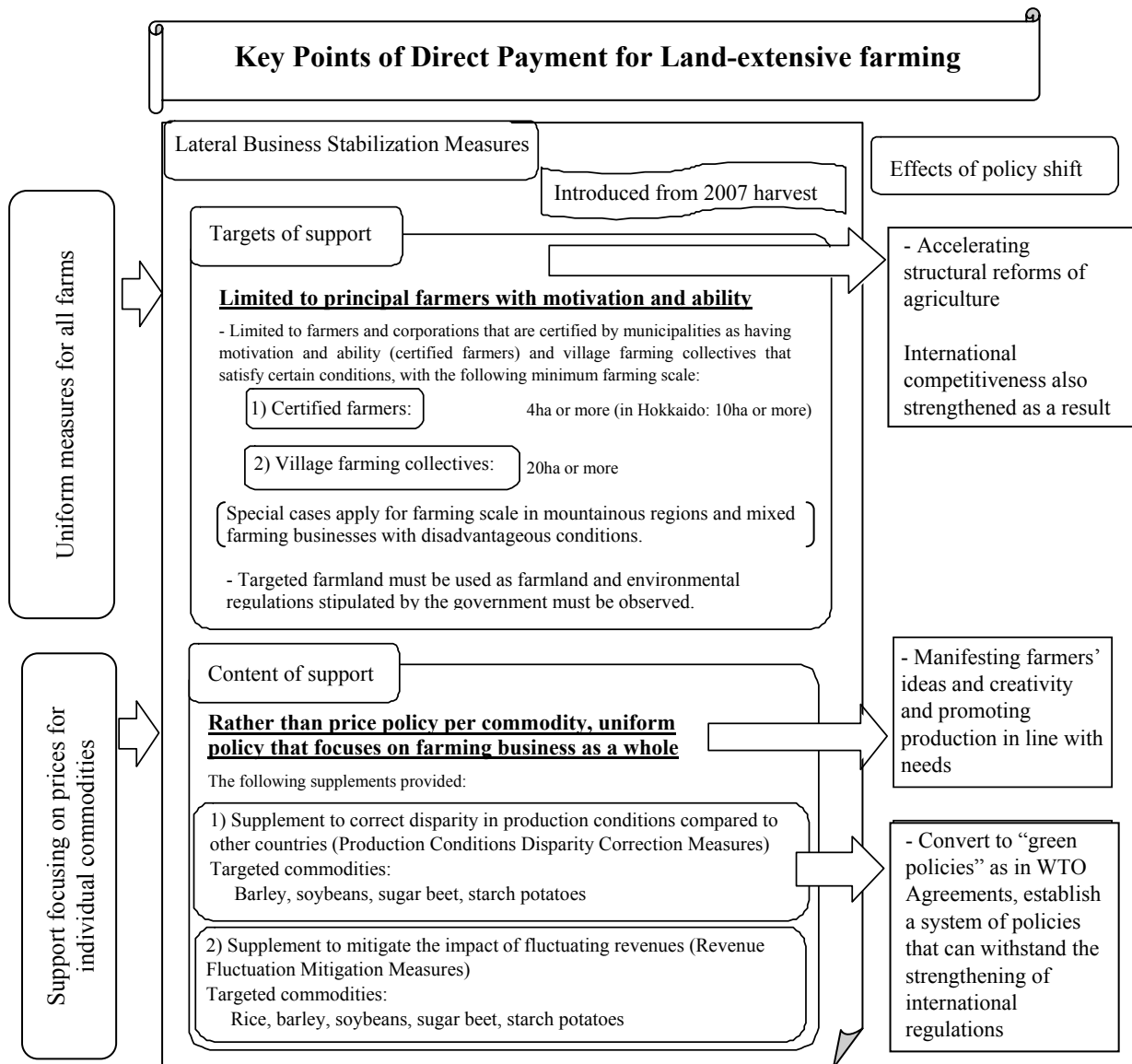
These measures are seen as parallel to the “Measures to Conserve and Improve Rural resources (Land, Water and Environment) (tentative name)”, which set out to conserve and improve the quality of farmland, irrigation water and other resources. They are also to be coordinated with rice supply and demand adjustment measures. As such, it is important that these three series of measures fulfil reciprocal effects in regional areas through mutual interlinkage.

### **(Promotion of initiatives to foster and secure principal farmers)**

With a view to introducing “Direct Payment for Land-extensive farming” from the 2007 harvest, we are

currently striving to familiarize farmers with the content of measures and encourage their participation by holding explanatory meetings in the field, as well as vigorously promoting nationwide movements to foster and secure principal farmers, i.e. certified farmers and village farming collectives, through collaboration among the relevant institutions.

In future, it will be important to promote efforts to foster and secure human resources who will be responsible for preventing confusion in regions accompanying the shift from previous price policies, providing concrete and easy-to-understand information on the importance and effects of measures, forming local consensus and undertaking specific initiatives.



Effects of policy shift

- Accelerating structural reforms of agriculture

International competitiveness also strengthened as a result

- Manifesting farmers' ideas and creativity and promoting production in line with needs

- Convert to "green policies" as in WTO Agreements, establish a system of policies that can withstand the strengthening of international regulations

Source: MAFF



**A village discussion meeting designed to foster and secure principal farmers**

### **(3) Promoting Rice Policy Reforms**

#### **(Initiatives for rice policy reform so far)**

In order to stabilize and develop paddy field farming by promoting rice production to suit demand, based on the principles of consumer- and market-led production under the Principle and Outline of Rice Policy Reforms (December 2002) with its target year of 2012, we are making positive efforts based on a unified approach to reforms of supply and demand adjustment measures, the distribution system, and related measures.

#### **(Promoting efforts based on Rice Policy Reform Promotion Measures)**

In particular, given that “Direct Payment for Land-extensive farming” including rice are to be introduced under the Outline of Farm Management Stabilization Program and that the aim is to shift towards a system of independent supply-demand adjustment by farmers and farmers’ organizations from the 2007 rice harvest, it has been decided to review and reorganize measures aimed at promoting rice policy reforms, with a view to promoting production to suit demand and structural reforms of paddy field farming.

Measures to create producing areas are also to be revised in line with local circumstances, while a review is to be made based on the state of implementation of existing measures, etc., with subsidies conditional upon the application of the upgraded regional paddy field vision (“Future Vision of Paddy Field Farming for Local Areas”) to real situations and the implementation of accurate production in line with demand.

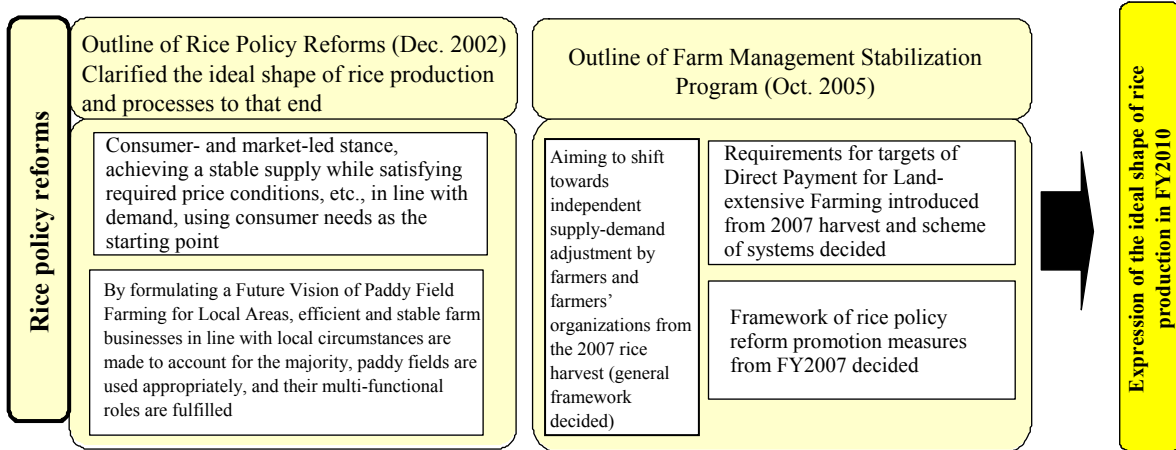
Meanwhile, measures for business stability of principal farmers are to be shifted to “Direct Payment for Land-extensive farming”, while, as a provisional step, the functions of Rice Farming income stabilization programs, which support the production of rice in line with demand, are to be merged with measures to create producing areas.

Furthermore, measures to increase collection and shipment efficiency are to be implemented with effective performance.

It is thought that a new system of adjusting the supply and demand for rice should be one whereby farmers and farmers’ organizations execute production in line with their own marketing strategies, based on market signals and information related to supply and demand provided by the central and prefectural governments, while applying measures to promote rice policy reforms.

In future, as well as promoting steady initiatives for rice policy reform, it will be important to aim for a smooth transition to a new system of supply and demand adjustment.

## Promoting Rice Policy Reforms



Source: MAFF

#### **(4) Promoting initiatives for Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)**

##### **(The necessity and significance of Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name))**

With advancing depopulation, population aging and other problems, the independent conservation and management of resources such as farmland and irrigation water by farmers is becoming increasingly difficult in rural areas. Meanwhile, with increasing public concern over environmental problems, there are also calls for agricultural production activities practiced on the basis of these resources to be shifted to new activities that place more emphasis on environmental conservation.

Therefore, in order to encourage initiatives in the community aimed at conserving and improving the quality of resources such as farmland and irrigation water as well as the environment, “Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)” are to be introduced from FY2007 under the Outline of Farm Management Stabilization Program.

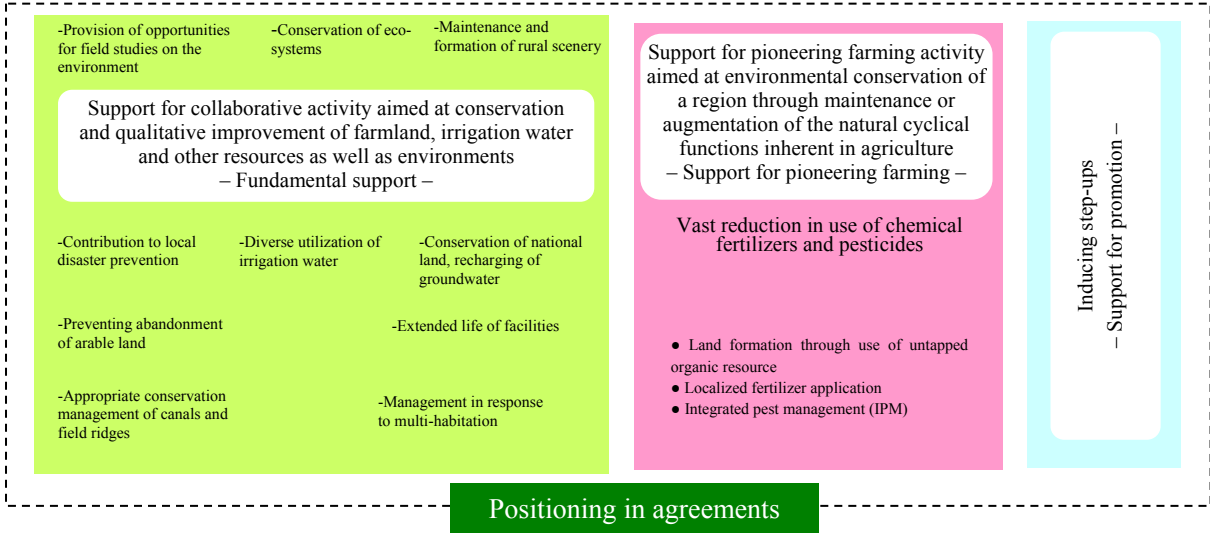
These measures have unprecedented significance and characteristics, in that they are to be introduced as new regional promotion policies, and that they encourage the participation of diverse actors, comprehensive and concerted efforts for collaborative activities by the community and farming activities, among others.

##### **(Outline of the measures)**

These measures will support highly effective collaborative activities undertaken collectively by communities and pioneering farming activities undertaken by farmers’ collectives comprehensively and uniformly, with a view to conserving and improving the quality of resources such as farmland and irrigation water. Of these activities, when activity organizations that include the participation of farmers and of diverse actors such as local residents undertake highly effective initiatives based on activity plans, support is to be given for such collaborative activities in accordance with the farmland area of the region, based on fixed payments. As for farming activities, meanwhile, support is to be given in accordance with the area subject to the initiative, when undertaking pioneering initiatives such as reducing the use of chemical fertilizers and synthetic chemical pesticides by at least 50% in principle, after undertaking efforts aimed at reducing environmental burdens in areas where collaborative activities are practiced. Furthermore, in order to make local activities even more progressive, support is to be given to more advanced initiatives by the community based on agreements.

In future, efforts such as the trial construction of systems for implementing activities, model-type support, establishment of efficient and effective conservation improvement techniques, trial procedures in model areas for initiatives to reduce environmental burdens, and others are to be promoted with a view to introducing measures from FY2007.

**Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)**  
**– Positive conservation and qualitative improvement of farmland, irrigation water and other resources and environments –**



Source: MAFF

## **2. Initiatives on WTO negotiations**

### **(Negotiations up to the 6th WTO Ministerial Meeting)**

The so-called Doha Round was launched at the 4th WTO Ministerial Meeting in November 2001 (Doha) with the aim of conducting new multi-modal trade negotiations designed to expand global trade, etc. The 5th WTO Ministerial Meeting was held in Cancun, Mexico, in September 2003, in the hope of reaching interim agreement on the Doha Round. The Meeting ended inconclusively, however, partly due to a wide difference of views between developed and developing countries. Nevertheless, negotiations were resumed in March 2004, and a framework agreement for negotiations was established in July of the same year.

Subsequently, negotiations were pursued with a view to reaching the first approximation for modalities by the end of July 2005, but it proved difficult to achieve the progress initially anticipated, and not even a draft was presented. In September, negotiations were held under the aegis of the newly elected WTO Secretary-General and Chairman of Agricultural Negotiations. In October, the various countries submitted concrete proposals, and in November the WTO Secretary-General presented the first draft of the Hong Kong Ministerial Declaration.

### **(The 6th WTO Ministerial Meeting)**

At the 6th WTO Ministerial Meeting in December 2005 (Hong Kong), the Ministerial Declaration was adopted with a view to concluding the Doha Round by the end of 2006. Concerning the agricultural sector, areas in which the views of Members concurred were identified, among structural elements that should provide a basis towards establishing modalities. It was also agreed that modalities would be agreed by the end of April 2006, and that each country would submit comprehensive draft schedules by the end of July of the same year.

Concerning development issues, it was agreed that, in principle, duty-free and quota-free market access would be provided for all products originating from all LDCs by 2008 or no later than the start of the implementation period of the DDA.

At the Ministerial Meeting, Japan announced “development initiatives” as its contribution to developing countries, which is composed of providing duty-free and quota-free market access for essentially all products originating from all LDCs and others, and it won high praise.

### **(The deadline for establishment of modalities at the end of April 2006)**

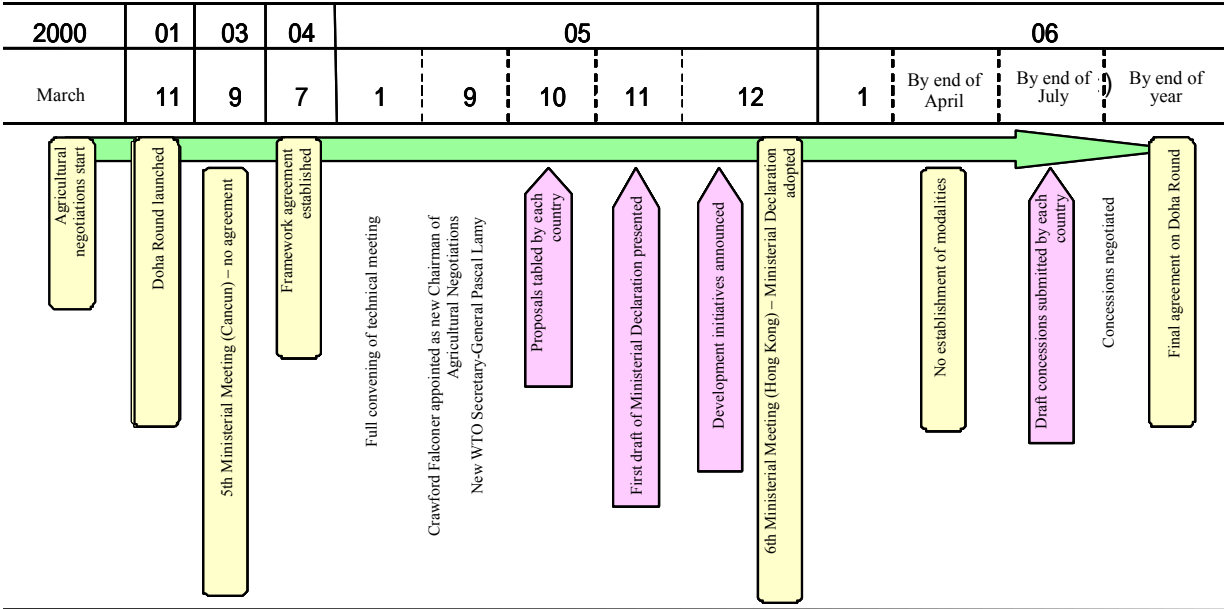
After the adoption of the Hong Kong Ministerial Declaration, a WTO Informal Ministerial Meeting was held in January 2006, when it was confirmed that all the Members would make efforts “in concert” to establish modalities by the end of April. Intensive negotiations were held between January and April. Japan participated constructively in the discussion at G6 (meetings of major trading countries) as well as at the agricultural negotiation meetings. In particular, G10 (of which Japan is a member) presented new proposals on the treatment of sensitive products and on domestic support, as a contribution to negotiations. However, the modalities were not established as there was no convergence of opinion among Members. Major

countries criticized each other, while the US was defensive of domestic support, the EU of market access of agriculture, and G20 (Brazil, India, etc.) of NAMA (Non-agricultural market access). This so-called “triangle” remained unsolved. No new deadline has been set for the establishment of modalities, but it has been agreed to accelerate the negotiation process towards an early establishment of modalities.

**(Future initiatives in WTO agricultural negotiations)**

Japan will continue to participate in negotiations constructively, based on the concept of the “coexistence of various types of agriculture” in order to establish realistic trade rules that are balanced between exporting and importing countries, and so that the outcome of the Doha Round reflects the position of Japan as far as possible.

**WTO Agricultural Negotiations**



Source: MAFF



Press conference after the G10 Ministerial Meeting at the 6th WTO Ministerial Meeting



Scene from talks with leading countries during the WTO agricultural negotiations (Hong Kong)

### **3. Promoting the utilization of intellectual property, etc., and the development and diffusion of innovative technology**

#### **(Protecting and utilizing intellectual property in the sectors of food, agriculture and rural areas)**

Initiatives that focus on developing new varieties, developing the functionality and uses of food, establishing revolutionary farming technology systems, creating regional brands, and protecting and utilizing intellectual property are important with a view to creating new demand, strengthening the competitiveness of agriculture and the food industry, and stimulating regions, while responding to changes caused by the declining birth rate, population aging and population shrinkage.

#### **(Initiatives for cross-sector collaboration and new plant variety protection)**

Various initiatives are being promoted by the government, related institutions and companies in line with the “Intellectual Property Promotion Program 2005” and others based on the Intellectual Property Basic Law (December 2002). These include the commercialization of new technology through cross-sector collaboration, action on rights infringements related to new plant varieties, and regional branding. Meanwhile, the Ministry of Agriculture, Forestry and Fisheries set up an Intellectual Property Strategy Headquarters in February 2006, and aims to promote these measures vigorously.

Concerning cross-sector collaboration on intellectual property, steps are also being taken to promote the activities of the Technology Licensing Organization (TLO), which acts as a bridge linking the innovative technology of universities and experimental research institutions with private corporations. For example, technology for the manufacture of tea with a high content of  $\gamma$ -amino butyric acids (GABA), which have a high blood pressure controlling effect, has been licensed to private companies and is now being developed as new products .

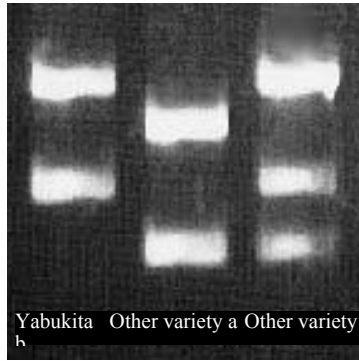
As for the protection of new plant varieties , there have been problems with the import of agricultural products cultivated overseas from Japanese varieties without the authorization of the breeders. To combat this, the Ministry of Agriculture, Forestry and Fisheries is promoting the development of variety identification technology using DNA and the reinforcement of plant breeder’s rights (strengthening of penal provisions, application expanded to processed products, extension of the duration of rights, appointment of Plant Variety Protection Advisers (PVP G-men), and so on).

#### **(Initiatives to develop and diffuse innovative technology)**

To strengthen the competitiveness of Japanese agriculture and food industry, efforts to develop and commercialize leading-edge science and technology (such as IT, robot technology and biotechnology) are being promoted. As an example of such efforts, steps are being taken to demonstrate and establish technology for field servers, which measure the production environment in fields and monitor the growth of agricultural products, and plant factories designed to vastly reduce the costs of construction materials and environmental control equipment. These are expected to be introduced and diffused in sites of production in future.



Tea with a high content of  $\gamma$ -amino butyric acids (GABA)



Tea variety identification by DNA analysis



Field Server robot that measures and monitors fields

**4. Promoting exports of agricultural products**

**(Increased demand for Japanese agricultural products overseas)**

Japanese foods and food ingredients, agricultural products, etc., have been growing increasingly popular overseas in recent years, thanks partly to heightened interest in Japanese foods and the food culture of Japan as a country with the world’s longest life expectancy. In East Asian countries, particularly, the market scale of higher-bracket earners is expanding with continuing economic growth, and high-quality Japanese agricultural products are gaining popularity as high-class goods and gift produce in department stores, supermarkets and other outlets.

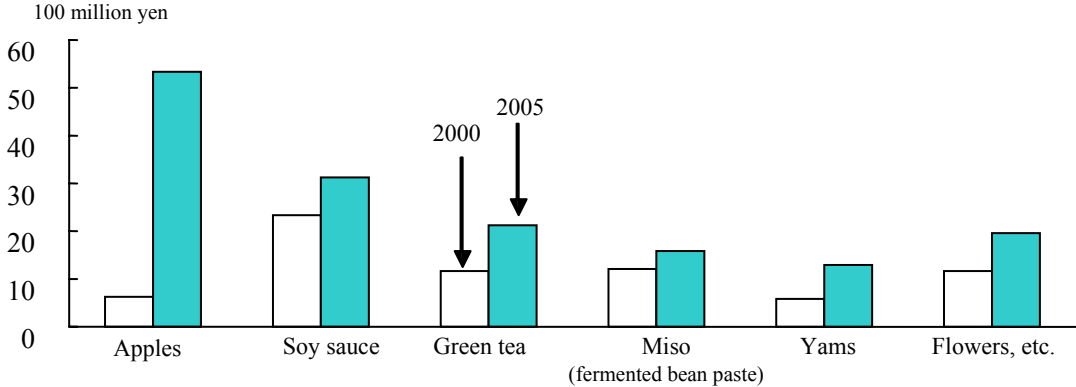
**(Strategic initiatives to promote exports through public-private collaboration)**

There has been growing interest and demand for Japanese agricultural products in recent years, and the export value of commodities such as apples, soy sauce, green tea and yams has been increasing. As such, in March 2005 the Japanese government decided that it would promote efforts geared towards doubling the value of exports by 2009.

To expand exports of Japanese agricultural products in future, we will need to conduct thoroughgoing market research and establish sales routes in advance, develop domestic production areas geared to exports, establish and protect regional brands, and so on. It is also important that we seek, through the government, to correct factors that obstruct exports within export destination countries.

Meanwhile, the “National Council for Promoting Exports of Agricultural, Forestry and Fishery Products.”, representing a wide spectrum of stakeholders including business organizations concerned with exports, prefectures and relevant government agencies, was established in April 2005. Under its aegis, various other strategic initiatives are now being vigorously promoted in collaboration between public and private sectors, such as trade fairs aimed at publicizing and advertising Japanese agricultural products and others overseas, the creation of a logo mark to highlight Japanese brands, and so on.

**Main Japanese Agricultural Products Targeted for Export Expansion**



Source: Ministry of Finance, “Trade Statistics”



Scene at a trade fair (Shanghai, China)



Export promotion logo mark

## **5. Promoting action on crude oil price inflation and the utilization of rural resources such as biomass**

### **(Inflation of crude oil prices and efforts to increase the efficiency of energy use)**

Crude oil prices have become inflated globally, against the background of increasing demand accompanying the economic growth of developing countries and the falling supply capacity of crude oil producing nations. As a result, Japan's imported crude oil price in 2005 was 1.8 times higher than it had been five years earlier. Associated with this, the price of 'A' heavy oil, used for heating in greenhouse horticulture and other purposes in the agricultural sector, has also risen sharply, and an impact is being felt by greenhouse horticulture farms that have a high ratio of heat, light and power costs within their farm business costs. Therefore, it is now important to promote the increased efficiency of energy use and a conversion to oil-substitute energies, such as the installation of multiplex curtains in production plants and the use of solar power or other renewable energies.

### **(Utilization of biomass and other rural resources aimed at the formation of a recycling-oriented society)**

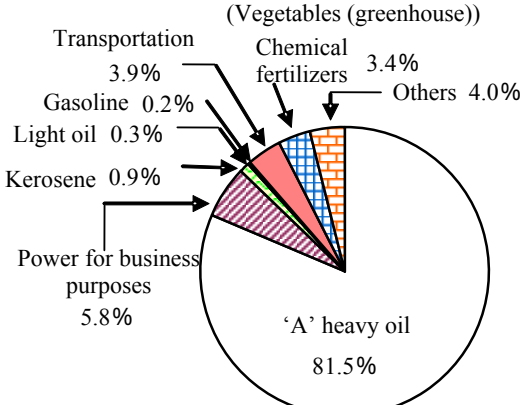
An important issue in future will be to promote a conversion from the existing dependence on fossil fuel resources, and to form a sustainable recycling-oriented society by making use of biomass, windpower and other rural resources that potentially exist on a wide scale, throughout the production activities of agriculture, forestry, etc.

Initiatives aimed at developing and diffusing energy to replace fossil fuel resources are currently being promoted in Japan and other countries. In Japan, such efforts involve a conversion to biodiesel fuel through chemical processing of waste food oil, the use of methane gas fermented from livestock waste, wood pellets from forest thinning operations, wind power generation and the use of heat from snow and ice.

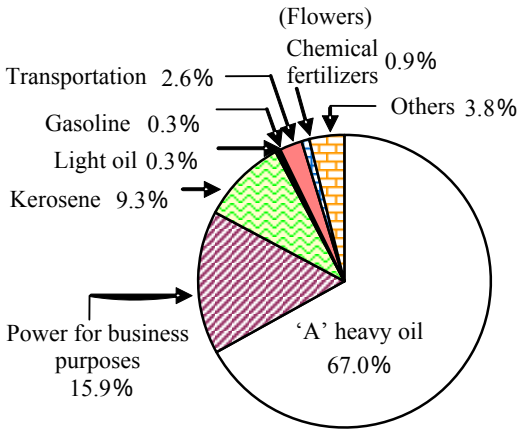
Biomass resources differ in type, volume and format depending on the region.

In future, it will be important to promote the comprehensive utilization of biomass and other rural resources, including the creation of utilization systems that harness regional characteristics.

**Ratios of energy invested in agriculture, by type (2000)**



A school bus running on biodiesel fuel



People cooperating in the collection of waste food oil

Source: Prepared by MAFF based on "Industrial Tables", Ministry of Internal Affairs and Communications and 9 other ministries and agencies, and "General Energy Manual", Ministry of Economy, Trade and Industry

## **6. Trends in food, agriculture and rural areas in the era of falling birth rates, population aging, and population decline – With focus on the “baby boom generation”**

### **(Population shrinkage, the arrival of the fully-fledged low birth-rate aging society, and the “baby boom generation”)**

Japan started to enter a population shrinkage phase in 2005, when the number of deaths exceeded the number of births for the first time, and a fully-fledged society of low birth rates and population aging is now being ushered in. In 2007, moreover, the “baby boom generation”<sup>\*1</sup>, which has carried the core of Japan’s socio-economy until now, reaches the age of pensionable retirement. The impact of this milestone on the socio-economy in general is the subject of some attention, and is also expected to have an impact on food, agriculture and rural areas.

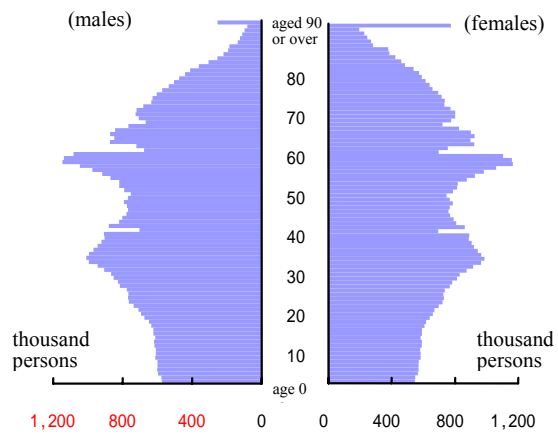
### **(Impact on the sectors of food, agriculture and rural areas, and future tasks)**

**Food sector:** The 55-plus age group is exerting a growing impact on food consumption expenditure in Japan. This age group gives relatively high prominence to food issues, with its emphasis on health and safety, high purchasing prices, and so on. In future, it will be important to make efforts for production, distribution and marketing that are finely tuned to the characteristics and preferences of a wide diversity of consumers, including this age group, and to actively create demand.

**Agriculture sector:** With the progression of population aging, retirements from agriculture among those born before 1935 is accelerating, and it is becoming important to foster and secure principal farmers, as well as promoting participation in agriculture by a diverse variety of motivated actors. The “baby boomers” are motivated to work beyond the age of 60, and have amassed wisdom and experience until now. As such, initiatives that encourage their participation in agriculture are starting to emerge in regional areas. In future, it will be important to develop systems of support in line with diverse employment paths.

**Rural areas sector:** While half of all “baby boomers” live in the three major urban spheres, in recent years an inclination to move back to country home towns has been emerging amongst people in middle and higher age groups. In rural areas, with the progressive decline in birth rates and population aging, regional vitality has been declining. In future, it will be important to form rural areas that are attractive for the public by promoting initiatives for complementarities and interrelationships between urban and rural areas, in which “people, goods and information” are constantly circulating, while utilizing human resources from this generation.

## Estimates of Japan's population structure (2004)



Source: MIAC, "Population Estimates"



Scene of agricultural training aimed at "baby boomers"

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## **Chapter I Achieving Ideal Dietary Pattern and Establishing a System for the Stable Supply of Food**

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### **Section 1 Initiatives for ensuring food safety and gaining consumer confidence**

#### **(1) Initiatives and issues involved in ensuring food safety and a stable supply**

##### a. Increased concerns over food safety

There are increased public concerns over food safety, triggered by incidences of BSE in Japan and other countries, problems of food poisoning, outbreaks of highly pathogenic avian influenza, and fraudulent food labeling, among other issues.

##### b. Initiatives to ensure food safety

In order that consumers may get safe food, it is important that we strive to ensure food safety by taking into account the whole food chain, from production to consumption. We are promoting the introduction of GAP (Good Agricultural Practice) for food safety, which highlights the appropriate use of agricultural materials, etc., implementation of risk communication among stakeholders, and development of the system for crisis management.

##### c. Promoting the prevention of livestock diseases, plant quarantine, etc., for a stable supply of food

It is also important that we apply the principle of risk analysis when devising measures to prevent livestock and other animal diseases as well as pests affecting plants and plant products. We are taking steps to prevent the occurrence of livestock infectious diseases, as well as promoting import and export quarantine of livestock products, plant quarantine, and other measures.

#### **(2) Initiatives on the problems of BSE and highly pathogenic avian influenza**

##### a. Initiatives on the BSE problem

- ① In line with a report by the Food Safety Commission concerning BSE countermeasures in Japan, in August 2005 we revised the age of cattle subject to BSE testing and took measures to strengthen the practicability of feed regulations.
- ② In line with a report by the Food Safety Commission, imports of US beef and other products were resumed in December 2005 after a two-year hiatus, on condition of compliance with the Export Program, among other terms. Import procedures were suspended in January 2006, however, when US-produced beef was found to be contaminated with specified risk materials (SRMs). We are currently asking the USA to elucidate the causes and take measures to prevent recurrences, and we need to act appropriately on the major premise of ensuring food safety and gaining consumer confidence.

##### b. Initiatives on the highly pathogenic avian influenza problem

There was an outbreak of highly pathogenic avian influenza (low virulence strain) in Japan starting in June

2005, and measures were taken to prevent the spread of livestock diseases. With concern for the global spread of highly pathogenic avian influenza (high virulence strain), it is important that we rigorously enforce measures inside Japan and strengthen international collaboration.

### **(3) Initiatives for gaining consumer confidence**

- ① Traceability systems for food other than beef have been introduced into the food products industry, and linkages between these systems and those of shipping destinations have also advanced. It will be important to establish such linkages in future with a view to building traceability systems that unite the whole food chain.

As for food labeling, the labeling of place of origin of fresh food products has been steadily implemented. Processed foods subject to the mandatory labeling of place of origin of principal ingredients have grown in number. Future issues include further deliberation on the improved food labeling system, dissemination of information to business entities and strengthening administrative monitoring and guidance. For the food service industry, guidelines for the labeling of place of origin have been formulated, in accordance with which business entities in the food service industry are voluntarily taking initiatives.③ There has been a spate of illegal rice distribution by agricultural groups, illegal labeling by food product companies, and other such incidents. In future, it will be subjected to establish legal compliance by agricultural groups and food product companies, strengthen efforts aimed at information disclosure, and so on.

- ④ In the process of foods being variously processed, distributed and consumed, the real and perceived distance between consumers, food industry businesses and producers widens, and this is thought to have an impact on various problems concerning food. In future, it will be important to build relationships of trust such that consumers, producers and others all fulfil their social roles and remain “visible” to each other.

## **Section 2 The present state of dietary habits and initiatives aimed at improving the food self-sufficiency ratio**

### **(1) The current circumstances of dietary habits and promotion of Food Education**

#### a. Trends in food consumption

- ① In FY2005 (April-December), actual food consumption expenditure per household member turned to an increase for the first time in 3 years, rising from the previous year in almost all commodities.
- ② Given factors such as the increasing ratio of middle and higher age groups in the Japanese population as a whole, more than half of Japan's total food consumption expenditure is taken up by the 55-plus age group. In future, considering the transition of the baby boom generation into old age, the impact of older age generations on Japanese food consumption trends is expected to intensify still further.
- ③ Food consumption trends are impacted by a variety of factors including age, income bracket, household composition and employment format. In future, in line with the advance of declining birth rates, population aging, and population decrease, it will be important to provide a more finely tuned response to the inclinations, needs, etc., of consumers and to make efforts to actively create demand.

#### b. Current circumstances of dietary habits

Dietary habits are closely linked to health and medical issues, and are important matters of immediate concern for people. Today there are a number of problems with dietary habits among the Japanese, such as a nutritional imbalance (especially an excessive intake of fat), irregular eating habits, an excessive insistence on thinness, a spreading tendency to skip meals, huge wastage of food, and a lack of knowledge to make appropriate judgments on diets.

#### c. Promoting Food Education

- ① For the Japanese public to enrich their physical and mental health as well as humanity throughout their lifetimes, promoting Food Education is an urgent task. To this end, it will be necessary to promote Food Education as a national movement in homes, schools, local communities and various other sectors, in line with the Basic Law on Food Education (June 2005) and the Basic Plan for Promoting Food Education (March 2006).
- ② While 70% of the public express an interest in Food Education, only 50% are involved in it. In regional areas, initiatives on Food Education led by municipalities, schools and various other actors are tending to spread.

It is important that we encourage the practice of a well-balanced “Japanese dietary pattern” including rice, which is appropriate to the Japanese climate, as a staple food, accompanied by fishery products, livestock products, vegetables and various other side dishes.

- ④ To this end, it is important to promote Food Education with the participation of these various actors, including the practice of a “Japanese dietary pattern” based on the application of the “Dietary Guidelines for Japanese” and the “Japanese Food guide Spinning Top”. It is also important to

promote initiatives by supermarkets, convenience stores, catering and other businesses.

## **(2) Promoting local consumption of local produce**

- ① As Japanese dietary habits have undergone major transformations since the era of high-level economic growth, the distance between the point of production and the point of consumption has widened. Given this situation, there is growing interest in creating relationships in which consumers and producers remain “visible” to each other, and initiatives for the local consumption of local produce are in an expanding trend in various parts of the country.
- ② Initiatives for local consumption of local produce, which link agricultural production to consumption in line with consumer needs, have various effects, including the creation of relationships in which consumers and producers are “visible” to each other and can engage in dialog, the expanded consumption of local agricultural products, and the stimulation of regional agriculture.
- ③ Initiatives for local consumption of local produce are developing in diverse forms in the use of local agricultural products by direct sales outlets in producing areas, and in agricultural product processing plants and school meals. While there is a strong inclination towards the expanded use of local agricultural products, securing local agricultural products for direct sales, processing, etc., and developing sales routes are tasks that need to be tackled.
- ④ To promote local consumption of local produce, it is important to gather and present outstanding model cases, create opportunities for information exchange, and foster human resources, among other tasks. It is important that we aim to contribute to improving the food self-sufficiency ratio by linking production and consumption in line with consumer needs through such initiatives.

## **(3) Trends in the food industry**

- ① The food industry is an important industry that accounts for 10% of Japan’s gross domestic product (GDP). Reflecting the increasing simplicity of meals, etc., the ratio of processed products and eating out in the final consumption value of food and drink expenditure (80 trillion yen) has risen to 80%. Moreover, in the ratios of food and drink expenditure attributable to individual industries, that of the food distribution industry has risen, and increased costs of chilled and frozen transportation, as well as frequent and small-lot deliveries, have also had an impact.
- ② In the annual sales value of food products by format of retail trade, the ratio has risen in supermarkets and convenience stores but has fallen in food specialist stores and central stores. The sales value per unit of shop floor space has been in a decreasing or no-growth trend for all trading formats, partly caused by intensified competition due to the diversification of food marketing formats.
- ③ The market scale of the eating-out industry has fallen year-on-year for 8 years in succession. Meanwhile, food product industries that precook foods (such as *bento* lunchboxes, *onigiri* rice balls or *sozai* side dishes) outside the home for taking out and eating in homes, workplaces, etc., has been expanding, but that growth has also slowed in recent years.  
Conversely, the ratio of imported food products destined for processing or eating out has risen in

recent years. The ratio of overseas production by the food products manufacturing industry is also in a rising trend, with progressive globalization of raw material procurement.

- ④ Pricing of domestic agricultural products, which are relatively expensive compared to imported products, is influenced by agricultural business scale, farmland prices and the cost of production equipment.

The pricing of food products is also affected by problems of high-cost structure in the various stages from agricultural production to the distribution of food products.

- ⑤ In future, in order to strengthen the international competitiveness of the food products industry and promote the supply of safe and high-quality domestic food products at prices that are acceptable to consumers, it will be important to make efforts for cost reduction in the entire food system, including the cost of agricultural production equipment, and stronger links between the food products industry and agriculture.
- ⑥ Problems are emerging in irregular eating habits and huge wastage of foods, and how to respond to these problems is also now a problem for the food products industry. Recently, there have been initiatives for food labeling and information on used ingredients, as well as recycled use of waste food products. In future it will be important to promote these initiatives through collaboration between food product-related businesses, consumers and the administration.

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

- ① Japan is the world's largest net importer of agricultural products. In Japanese imports from China, Thailand, and other parts of East Asia, the composition of commodities has changed considerably over the last decade, and the ratio of processed food products, with their relatively high unit price, is rising.
- ② In the structure of Japan's imports of agricultural products, more than 60% are provided by just five countries (USA, China, Australia, Canada and Thailand), illustrating a growing trend for dependence on specific countries. Recently, imports of vegetables are increase, causing China's ratio to rise further.

#### **(5) Efforts to improve the food self-sufficiency ratio**

- ① The long-term decline in the self-sufficiency ratio on a supplied calorie basis has been impacted by considerable changes in dietary habits (exemplified by the increased consumption of livestock products, oils and fats, etc.), as well as the increase in imports of feed cereals, oil seeds and others. Another contributory factor is a vast decline in total cultivated area due to a fall in arable land area and a decrease in the rate of arable land utilization.
- ② The self-sufficiency ratio on a production value basis is descending more gradually than that on a supplied calorie basis. This partly reflects an increase in the domestic production ratio of vegetables, fruit, livestock products and other commodities with relatively high added value.
- ③ The structure of excessive dependence on imports inevitably brings a certain fragility in terms of securing a stable supply of food. To secure a stable supply of food, which is vital for the continued

subsistence of the nation, we need to focus efforts on increasing domestic production. It is important that we set targets for the food self-sufficiency ratio, and, with a view to attaining them, take steps to strengthen the food supply capability by securing farmland, irrigation water, principal farmers and agricultural technology.

- ④ The new Basic Plan sets targets for the self-sufficiency ratio on both a supplied calorie and a production value basis, as well as clarifying matters for focused efforts and the roles of the stakeholders. Under the “Food Self-Sufficiency Ratio Improvement Council” (April 2005), initiatives in aspects of both consumption and production are being promoted, based on action plans and with appropriate role-sharing among members. These include the promotion of Food Education and local consumption of local produce, strengthening of linkages between the food products industry and agriculture, and production by principal farmers in line with demand. In future, it will be important to verify the state of promotion of action plans and to take steps to encourage initiatives.

### **Section 3 Trends in global supply and demand of agricultural products and agricultural trade negotiations**

#### **(1) Trends in global supply and demand of agricultural products and trade in agricultural products**

##### a. Trends in global supply and demand of agricultural products

- ① Global cereal production has been below the level of consumption in recent years, with the exception of the bumper harvest in 2004. The term-end stock rate for cereals in 2005 was low at 19%.
- ② Given that an increase in demand is forecast in line with population growth, global supply and demand for food faces many elements of instability in the medium to long term, such as the exhaustion of water resources and the impact of global warming.

##### b. Trends in agricultural trade by China, India and Brazil

In China, India and Brazil, the trend in the supply and demand of agricultural products and in agricultural trade are changing, reflecting their economic development in recent years. In China, imports of agricultural products have increased substantially, and the ratio of imported oil seeds and vegetable oils from South America has been rising recently.

It will be important for Japan to keep a close watch on the impact of these countries on the global supply and demand for food.

#### **(2) Trends in agricultural trade negotiations**

##### a. WTO agricultural negotiations

The so-called Doha Round was launched at the 4th WTO Ministerial Meeting in November 2001 (Doha). The 5th WTO Ministerial Meeting was held in Cancun, Mexico, in September 2003, in the hope of reaching interim agreement on the Doha Round. The Meeting ended inconclusively, however, partly due to a wide difference of views between developed and developing countries. Nevertheless, negotiations were resumed in March 2004, and a framework agreement for negotiations was established in July of the same year.

Since then, negotiations were pursued with a view to reaching the first approximation for modalities by the end of July 2005, but it proved difficult to achieve the progress initially anticipated, and not even a draft was presented. In September, negotiations were held under the aegis of the newly elected WTO Secretary-General and Chairman of Agricultural Negotiations. In October, the various countries submitted concrete proposals, and in November the WTO Secretary-General presented the first draft of the Hong Kong Ministerial Declaration.

In advance of the 6th WTO Ministerial Meeting in December 2005 (Hong Kong), Japan announced “development initiative”, which is composed of providing duty-free and quota-free market access for essentially all products originating from all LDCs as well as financial assistance, technical cooperation and others.

- ④ At the 6th WTO Ministerial Meeting, the Hong Kong Ministerial Declaration was adopted with a view to concluding the Doha Round before the end of 2006. Concerning the agricultural sector, areas in which the views of each country concurred were identified, among structural elements that should provide a basis towards establishing modalities. It was also agreed that modalities would be agreed by the end of April 2006 and that each country would submit a comprehensive draft of concessions by the end of July of the same year.
- ⑤ Concerning development problems in developing countries, it was agreed that duty-free and quota-free market access for essentially all products originating from all LDCs should be provided.
- ⑥ Although talks continued in G6 and agricultural negotiation meetings with a view to agreeing modalities by the end of April, no concurrence of the various countries' opinions has been achieved. For the future, no new deadline has been set for the establishment of modalities, but the negotiation process towards an early establishment is to be accelerated.
- ⑦ Japan will continue to approach negotiations positively in future, with a view to establishing trade rules with a good balance between exporting and importing countries and ensuring that Japanese claims are reflected in the outcome of the Doha Round as far as possible, based on the principle of the "coexistence of diverse agriculture".

b. Trends in EPA/FTA negotiations

- ① With EPA/FTA initiatives increasing all over the world, Japan, while adopting the basic stance of maintaining and strengthening systems of multilateral trade centered on WTO, is positively striving to conclude EPA/FTA agreements as supplementary to this.
- ② So far, Japan has succeeded in bringing agreements with Singapore and Mexico into effect, concluding an agreement with Malaysia, and agreeing basic frameworks with Thailand, the Philippines, etc. Negotiations are currently underway with the governments of Indonesia and ASEAN as a whole, among others.
- ③ When approaching EPA/FTA negotiations, we are making positive efforts and reaping success in ensuring that the coexistence and co-prosperity of the agriculture, forestry, fisheries and food products industries, in both Japan and the other party to the negotiations, are pursued in line with the "Green-Asia-EPA Promotion Strategy".

In future, based on the rationale of "protecting whenever necessary, compromising whenever possible and challenging wherever appropriate", we will continue to adopt a strategic, positive stance, while at the same time broadly and flexibly studying measures for strengthening economic ties in accordance with the partner country.

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## **Chapter II Reforms in the Structure of Regional Agriculture and Strategies for Production to Harness the Strengths of Domestic Produce**

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### **Section 1 Trends in agricultural economy**

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

- ① Although agricultural production in 2004 suffered major damage caused by typhoons and other calamities, an increase in the production of rice, etc., took the agricultural production index (overall) up by 1.7% from the previous year. The total agricultural output (estimate) was 8.8 trillion yen, a decrease of 0.8% from the previous year.
- ② Unprecedented heavy snows since December 2005 caused damage to agriculture-related facilities, among others. Meanwhile, partly due to the lowest temperatures across the nation in 20 years, the prices of lettuces, cabbages and other vegetables rose from the latter part of December to January. Furthermore, inflated crude oil prices caused the price of 'A' heavy oil to rise sharply, creating financial problems for greenhouse horticulture farms. In future, it will be important to promote greater efficiency of energy use, among other efforts.
- ③ The gross farm income of main-business farms is fluctuating greatly every year. To achieve the sustainable growth of agriculture, the stability of main-business farms and other agricultural businesses will be important.

#### **(2) Trends in the agricultural labor force**

##### **a. Trends in households engaged in farming**

The population mainly engaged in farming consisted of 3,338,000 persons in 2005, a decline of 14.2% since 2000. Among farm household members, those mainly engaged in self-employed agriculture from the age of 55 have increased. Seen in the long term, the paucity of farm household members aged less than 50 will have an impact, and there are fears for a labor force shortage.

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

New young farmers (new school graduates and workers aged up to 39 who switch to farming from other professions) totaled about 12,000 persons in 2003, accounting for 14.8% of all new farmers. In regional areas, there are signs of efforts to develop systems in support of new farming and support for farming by the baby boom generation. In future, it will be important to secure a broad range of motivated and capable human resources.

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

Female farmers accounted for 46% of key agricultural workers in 2004, and the number of certified female farmers is also increasing. In future, it will be important to strengthen initiatives to further encourage female participation in farm business planning and rural society.

## **Section 2 Fostering and securing principal farmers and accelerating structural reforms of regional agriculture**

### **(1) Trends and issues concerning principal farmers, etc.**

- ① There were 201,000 certified farmers in March 2006, an increase of 34% from 2001. The management of commercial farms that include certified farmers frequently involves efforts such as management agreements between families, direct sales of agricultural products, etc., or entrustment of farm work. In future, it will be important to improve the application of the system and accelerate steps to foster and secure certified farmers, with a view to introducing Direct Payment for Land-extensive farming.
- ② There were 10,000 local units formed by the community in 2005, of which about half practice land use adjustment and joint use of agricultural machinery, while 74% practice centralized accounting of income and costs, such as for agricultural machinery use.
- ③ When organizing and incorporating local units formed by the community, there are problems in a lack of leaders and the non-participation of the elderly. In future, it will be important to foster core human resources, publicize the specific merits of local units formed by the community and present procedures for organization and incorporation of local units formed by the community in accordance with the actual circumstances of regional areas. In regional areas, efforts to organize and incorporate village farming collectives that manifest creativity and ideas are progressing.
- ④ There were 19,000 farms that had incorporated their agricultural business in 2005, a decrease of 8.8% compared to 2000. Since there are various advantages in incorporating agricultural business, it is important that we foster and secure these.

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

- ① The arable land area was 4.69 million ha in 2005, and is in a long-term decreasing trend. Meanwhile, the area of abandoned cultivated land in 2005 was 380,000 ha, an increase of 12% from 2000, mainly among noncommercial farmer households and non-farm households having cultivated land. In future, it will be important to promote abandoned cultivated land measures in line with actual circumstances in regional areas.
- ② The larger the business scale, the more farmers tend to attempt expansions of business scale. In recent years, however, the growth rate in the concentration of farmland use has been in a slowing trend. In future, it will be important to encourage the concentration of farmland use in principal farmers in a form in which the farmland cultivated by them is parceled together, to secure superior farmland, and to encourage the effective use of farmland through the participation of diverse actors.

### **(3) Acceleration of the structural reform of regional agriculture**

#### **a. Trends in the management of principal farms**

In certified farms and other large-scale farm businesses, steps are being taken to diversify and improve efficiency, with the intention of materializing higher farming incomes. The obverse of this is that they are

highly dependent on farming income, making them susceptible to the impact of agricultural product prices and fluctuations in agricultural production.

b. Trends in agricultural structure

- ① Although the number of farms with a business scale of 5ha or more has increased, 30% of the national paddy field area is still occupied by farms of less than 1ha. This reveals that the concentration of farmland in principal farmers is delayed in paddy field agriculture.
- ② There is a disparity in agricultural business scale and the cost of agricultural production, etc., compared to those in western countries. Japan's agricultural labor force has a high ratio of higher age groups, and there are concerns over its increasing fragility.

In future, based partly on the characteristics of principal farms and the disparity in production conditions compared to other countries, etc., a pressing task will be create an agricultural structure in which a considerable portion of agricultural production is shouldered by efficient and stable agricultural businesses.

c. Promoting initiatives for Direct Payment for Land-extensive farming

- ① The method used in existing price policies, targeting all farmers to secure production volumes for individual commodities, has tended to cause obstacles such as a delay in structural reform and a mismatch between demand and supply, and steps need to be taken to review and transform these.
- ② To this end, a concrete framework of Direct Payment for Land-extensive farming was decided in October 2005. The measures narrow the focus of their targets to principal farmers and will transform policies to a focus on the overall farm business. Since these measures will bring major changes to postwar agricultural administration, they have major significance in terms of the reorganization of regional agriculture based on the agreement of regional areas, as well as the capacity to respond to the strengthening of international rules in WTO.
- ③ The targets of these measures are certified farmers and local units formed by the community that meet certain conditions, such as farming paddy fields or upland crops above a certain business scale. However, separate standards concerning this business scale may be set, in view of the diversity of agricultural formats reflecting geographical conditions in regional areas.
- ④ The measures consist of two basic types. The first are direct payments (for 4 commodities including barley and soybeans) in order to correct disparity in production conditions compared to other countries. The second type are measures (for 5 commodities including rice, barley and soybeans) designed to mitigate the impact of fluctuating sales revenue on farm business.
- ⑤ In future, with a view to introducing the measures from the 2007 harvest, it will be important to familiarize farmers with the content and effects of measures by holding explanatory meetings, informal village meetings, etc., as well as further promoting nationwide efforts to foster and secure principal farmers who meet the conditions for targeted farmers.

d. Fostering and securing principal farmers and accelerating the structural reform of regional agriculture

- ① In March 2005, a National General Support Council for Fostering Principal Farmers was established with members drawn from agriculture-related organizations, an Action Plan stipulating numerical targets was decided, and a national movement to foster and secure principal farmers (for example, by holding training meetings for leaders in regional areas) is now underway. In future, we will need to further strengthen efforts through links between relevant bodies, etc.
- ② Initiatives to foster and secure principal farmers may be more effectively promoted through collaboration between municipalities, agricultural committees, agricultural cooperatives and other agriculture-related bodies. Meanwhile, with ongoing mergers between municipalities and agriculture-related bodies, farmers are concerned for the links between agriculture-related bodies and farmers, attempts to foster and secure human resources connected with the promotion of agriculture in the field, and so on.
- ③ In regional areas, there are moves towards initiatives that aim to reorganize and stimulate regional agriculture by reviewing links between agriculture-related bodies and systems of support. In future, it will be important to promote the centralization of avenues for support in fostering principal farmers, the use of persons with experience of agricultural administration in regional areas, and sharing of information among agriculture-related bodies.

#### **(4) Tasks for agricultural cooperatives and initiatives for reform**

- ① Agricultural cooperatives are cooperative organizations based on the principle of mutual self-help among farmers, and are engaged in financial, credit and mutual aid projects aimed at improving farming activities and farmers' lives.
- ② Problems such as a deterioration of project finances, dissatisfaction on the part of cooperative members, and cases of fraudulent labeling by the National Federation of Agricultural Cooperative Associations are emerging in the financial projects of agricultural cooperatives. Under such harsh circumstances, radical reforms need to be instigated at the earliest possible juncture.
- ③ Based on an Operational Improvement Order by the Ministry of Agriculture, Forestry and Fisheries (October 2005), the National Federation of Agricultural Cooperative Associations submitted operational improvement plans designed to revive its projects, organization and business in December 2005.

In future, when practicing reforms, it is essential to promote initiatives that can be understood and supported by the Japanese public in general.

### Section 3 Strategies for production to harness the strengths of domestic produce

#### (1) Strategies for agricultural production to harness the strengths of domestic produce

##### a. The situation surrounding agricultural production

Japan is now in a major period of transition, and with respect to agricultural production, too, it is important to value the various needs and preferences of the public more than ever. Some 70% of consumers say they would prefer to buy domestic agricultural products whenever possible. Consumers place value on domestic agricultural products, compared to imported products, in aspects such as their seasonality, freshness and the proximity between producing areas and consumers, among other points.

In future, it will be important to develop strategies for production that harness the strengths of domestic produce, while taking account of the various evaluations, issues and other matters affecting domestic agricultural products.

##### b. Initiatives to ensure food safety and to gain consumer confidence

- ① In sites of production, there are progressive initiatives for appropriate management and rigorous use of agricultural material, the introduction and diffusion of Good Agricultural Practice for food product safety, and the establishment and provision of information on production records and growth management.
- ② Initiatives for *ensuring* food safety and gaining consumer confidence not only improve the safety of domestically produced food but are also likely to trigger changes in the consciousnesses of producers and producing areas, brand creation and differentiation, so it is important to promote such initiatives positively.

##### c. Initiatives to create regional brands

- ① There is strong interest, in the food products industry, in initiatives for regional brands that enhance the recognition and reliability of agricultural products among consumers. These are also important in terms of achieving links between agriculture and the food products industry. Initiatives are being pursued in various regions, while stable production and the creation of brand management methods are among the tasks to be tackled.
- ② As imports of agricultural products have expanded in recent years, there have been problems with new Japanese plant *varieties* being taken abroad without *the authorization of the breeders* and the harvested products then being imported from overseas. We are therefore promoting initiatives to protect *breeders*. In regional areas, meanwhile, there are moves to tackle agricultural production with emphasis on the utilization of intellectual property rights.

In future, it will be important to approach the protection and use of intellectual property both positively and strategically.

##### d. Initiatives to innovate, develop and diffuse new technology

- ① The development of innovative technology and its diffusion to the field is important in order to

strengthen the competitiveness of agriculture and the food products industry, create and expand new demand, and so on.

- ② The Ministry of Agriculture, Forestry and Fisheries is currently engaged in attempts to cultivate *varieties* that are rich in nutrition and functional components, research biotechnology using rice genome information, and so on. Besides these, we are also promoting the introduction of low-cost innovative technology, among others. In future, it will be important for industries, research institutions and the administration to continue to collaborate in developing and diffusing technology that is directly linked to sites of production and consumer needs.
- e. Initiatives aimed at harnessing ideas and creativity to improve farming income and give higher added value to agricultural products
- ① Of the final consumption value of 80 trillion yen within food and drink expenditure, domestic agricultural and fishery products account for only 12 trillion yen, revealing a declining trend in the added value ratio of agriculture.
  - ② Given such harsh circumstances, it will be important to reduce expenses and improve investment efficiency, give higher added value to agricultural crops, promote ventures by producers into the food product manufacturing, processing and distribution sectors, and links between agriculture and food products industry, among others, in order to improve farming incomes.

## **(2) Promoting initiatives for exports of agricultural products**

- ① Japan's exports of agricultural products have been in an increasing trend in recent years, on the back of a global boom in Japanese foods and an expansion in the market scale of high-level earners accompanying economic growth in East Asia.
- ② To expand exports, Japan will correct the shortage of information concerning overseas markets, consumer needs and distribution routes in export counterparts, establish overseas sales routes, create domestic sources aimed at exports, and correct factors that obstruct exports.
- ③ Expanding exports of agricultural products will have a number of good effects, as a pillar of Japan's "aggressive approach to agricultural policy".

The "National Council for Promoting Exports of Agricultural, Forestry and Fishery Products." was established in April 2005, and is vigorously promoting initiatives aimed at encouraging exports through collaboration between public and private sectors.

The government is providing comprehensive support in creating an environment that assists private sector initiatives for exports, such as holding exhibitions and trade fairs of agricultural products, or lobbying for abolition of tariffs and lifting bans on commodities that may not be exported for quarantine reasons.

- ④ In future, it will be important to strengthen systems of cooperation with the administration and relevant industrial sectors, such as initiatives by creating sources aimed at export expansion, based on private sector efforts, ideas and creativity.

#### **Section 4 Promoting agricultural production that focuses on environmental conservation**

① While the growth of sustainable agriculture could be achieved by practicing appropriate production activities in a form that harnesses the natural cyclical functions inherent in agriculture, concern over the environmental impact arising from excessive application of fertilizers and pesticides, etc., has been in an increasing trend in recent years.

In future, it will be important to maintain and enhance the natural cyclical functions inherent in agriculture and to convert to environmentally friendly agriculture.

② As concerns the relationship between agriculture and the environment, while 60% of consumers recognize the role of agriculture in environmental conservation, 40% are aware that the spraying of chemical fertilizers and pesticides has a negative impact on the environment.

③ About half of all commercial farms are engaged in initiatives for environmentally friendly agriculture, and such initiatives have spread to small and medium-scale farm businesses as well as large-scale farms in recent years. Meanwhile, the number of certified eco-farmers is also steadily rising, and moves to expand these initiatives are now emerging.

④ With a view to expanding environmentally friendly agriculture, there are various problems to overcome, including a decline in yields and quality and the relatively high cost of equipment, in addition to the business and labor costs incurred. On the other hand, since there is a strong demand for environmentally-friendly agricultural products, another issue is to create producing areas that are geared towards securing stable volumes.

⑤ In future, it will be important to accelerate initiatives based on the “Code for Agricultural Practice in Harmony with the Environment” (Agricultural Environment Code) formulated in March 2005 and the “Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)” to be introduced from FY2007, and to take steps to expand environmentally friendly agriculture in Japan.

## **Section 5 Promoting production to suit demand**

### **(1) Rice**

① In order to stabilize and develop paddy field farming by promoting rice production in line with demand, based on the principles of consumer- and market-led production under the Principle and Outline of Rice Policy Reforms (December 2002), we are making efforts based on a unified approach to reforms of supply and demand adjustment measures, the distribution system, and related measures.

In regional areas, we are promoting initiatives with ideas and creativity based on the Future Vision of Paddy Field Farming for Local Areas, with a view to producing popular rice brands, promoting special produce of regional areas, fostering principal farmers, and so on.

② In particular, “Rice Policy Reform Promotion Measures” are to be reviewed and reorganized in conjunction with the introduction of “Direct Payment for Land-extensive farming” under the Outline of Farm Management Stabilization Program, based on the fact that the aim is to shift towards a system of independent supply-demand adjustment by farmers and farmers’ organizations from the 2007 harvest.

③ We are currently promoting initiatives such as a further expansion of staff engaged in preparing production adjustment plans and the allocation of production target quotas to reflect demand.

In future, it will be important to further promote the production of popular rice brands, achieve a smooth transition to a new system of supply and demand adjustment, implement “Rice Policy Reform Promotion Measures” on schedule from FY2007, and so on.

④ Against the background of changing consumer lifestyles, etc., the ratio of eating out and taking out (i.e. food products that are prepared or processed outside the home for taking out and eating as they are in homes, workplaces, etc.) within the consumption of rice has been increasing. Expanding the consumption of rice is also important both with a view to achieving a well-balanced “Japanese dietary pattern” and improving the food self-sufficiency ratio.

In future, it will be important to process foods that suit the needs of eating out and taking out, produce foods for commercial uses, further establish rice-based school meals, and develop and diffuse rice-processed products.

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

① Production volumes of wheat and barley have increased sharply in recent years, the 2005 harvest of wheat exceeding the target for production efforts under the Basic Plan. However, problems have emerged in delays to the improvement of quality and productivity.

In future, efforts will be needed to promote the cultivation and diffusion of new strains in line with actual users’ needs, concentrate wheat and barley cropping in principal farmers and production organizations, etc.

② It will be important to steadily promote a review of all measures and systems related to wheat and barley policies, including the abolition of the system of wheat and barley crop farming stable funds

and indefinite purchases by the government in line with the introduction of “Direct Payment for Land-extensive farming” from the 2007 harvest, reviews of private-sector distribution systems, etc.

### **(3) Soybeans**

- ① Production volumes of soybeans have also increased greatly in recent years, but decreased in the 2003 and 2004 harvests following a series of meteorological disasters. The 2005 harvest was not greatly affected by the weather, however, and production recovered. In order to respond to issues such as stable production and cost cutting, we are promoting efforts to formulate strengthening plans for producing areas, developing new cultivation systems, developing new strains, etc.
- ② As concerns soybeans policies, the system of soybean grants is to be scrapped in line with the introduction of “Direct Payment for Land-extensive farming”, and the creation of a new distribution is being studied, among other issues.

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

- ① Vegetables are in a declining trend in both cultivated area and production volumes. Conversely, the volume of imports is increasing sharply owing to the tardiness of Japanese producing areas to respond to demand for processing and commercial use. It will be important to prioritize production and distribution measures in producing areas where steps to foster and secure principal farmers have been clarified, and to diffuse quality and standards appropriate for processing and commercial use, among other efforts.
- ② Concerning the system of vegetable price stabilization, we are conducting studies aimed, among others, at implementing support from FY 2007 to producing areas that aim to establish production supply systems focusing on principal farmers.
- ③ The production base for fruit farming is becoming increasingly fragile, owing to factors such as a shortage of successors, the aging of farmers and delays in scale expansion. In future, it is important that we attempt to build systems of production and supply in line with demand, through the formulation of structural reform plans for fruit producing areas by producing areas themselves.
- ④ As concerns fruit farm business stabilization measures, we are planning to shift to support measures designed to strengthen the business infrastructure of principal farmers, and are conducting studies with a view to implementation from FY2007.

### **(5) Livestock production**

- ① The total demand for meat and meat products remains more or less on a par, showing some fluctuations associated with livestock types after the incidence of BSE and avian influenza in Japan and abroad. On the other hand, household purchases of meat and meat products are in a declining trend, and have not yet recovered to the levels which had been attained before the occurrence of these diseases.
- ② Improving the feed self-sufficiency ratio is important for improving the food self-sufficiency ratio, effective use of the national land, and so on. To this end, systematic promotion of a self-sufficient

feed supply and Eco-Feed production (the conversion of food remnants to feed) is being pursued through mutual collaboration between stakeholders.

- ③ Inappropriate handling of livestock manure is decreasing as facilities for manure processing have been implemented at animal farms nationwide. Expanding demand and developing a wide-area distribution system for compost still remain to be considered. Development and application of manure processing technologies will be of major significance with a view to forming a recycling-oriented society.

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## **Chapter III Conserving and Utilizing Rural Resources in Rural Areas and Creating Rural Areas with Vitality**

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### **Section 1 Trends in rural communities**

#### **(1) Changes in rural communities**

- ① Rural communities have borne a variety of roles, besides the aspect of agricultural production, such as the preservation of traditional culture and mutual assistance among residents of regional areas. However, they have been greatly transformed due to the decline in farming households and the advance of multi-habitation associated with urbanization, among other factors.
- ② Owing to the abandonment of farming and increasing dispersal of farmers, there is a high ratio of small-scale villages with 9 or fewer farm households in which the functions of village activities have been lost.

In rural regions, population aging is advancing rapidly, and particularly in the rural parts of provincial spheres, the ratio of the elderly population (aged 65 and over) rose to 24.7% in 2005.

#### **(2) The present state of activities in rural communities**

- ① The annual frequency of village meetings, one of the community activities of farming villages, is tending to decrease in villages with a smaller scale of farm households. In this way, differences in the state of community activities can be seen to depend on the scale of farm households in different villages.
- ② Production adjustment activities in farming villages (field rotation, block rotation, etc.) tend to be in a declining trend in villages that have a lower frequency of village meetings. In farming villages in which farmland has decreased, this is mainly due to the abandonment of cultivated land, with increasing frequency in villages with a smaller scale of farm households.
- ③ Owing to depopulation, population aging, the increase of abandoned cultivated land, and other factors, damage to agricultural crops by wild birds and animals is becoming serious, particularly in hilly and mountainous regions. A system for prevention, combining the installation of protective fences with pasturing and other land uses, etc., needs to be established.

## **Section 2 Present state and problems of rural resources in rural areas**

### **(1) The present state of diverse resources possessed by rural areas and the multi-functionality of agriculture**

- ① Rural areas possess various rural resources, including farmland and irrigation water, diverse flora and fauna, and rural landscapes. In particular, farmland and irrigation water are social common capital that is essential to secure a stable food supply and fulfil the multi-functionality of agriculture.
- ② While the effects of the multi-functionality of agriculture can be enjoyed by the nation as a whole, there are concerns over situations that hinder the fulfillment of the multi-functionality of agriculture through a decline in agricultural production activities and village functions. In future, it will be important to seek public understanding on the purpose and importance of this multi-functionality through specific initiatives at regional level.

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

- ① The ratio of maintenance and management of farm roads as well as agricultural irrigation and drainage canals undertaken only by farmers within a village tends to be lower in villages with a smaller scale of farm households. At the same time, the ratio of maintenance and management not undertaken by villages is in a rising trend. Meanwhile, the larger the scale of total households in the village, the more the ratio of maintenance and management undertaken through labor provided by all households in the village tends to fall.
- ② While the content of collective work differs from region to region, in paddy fields, for example, this mainly consists of dredging agricultural irrigation and drainage canals, cutting grass and removing litter, etc.
- ③ The smaller the scale of farm households in the village, the more the implementation ratio of collective work tends to fall, while the working hours per session tend to increase.
- ④ Some 60% of farming villages undertake landscape preservation and creation activities, and this ratio is in a rising trend. Meanwhile, there are also moves towards various initiatives for the protection of natural flora and fauna in regional areas, reflecting a heightened awareness of environmental conservation, among other factors.
- ⑤ An increased sense of burden can be seen among farmers concerning collective work in the maintenance and management of farmland and irrigation water. Principal farmers expect the participation of diverse actors, including local residents, in accordance with the content of the work. In line with this situation, 90% of ordinary citizens feel a need for some kind of measures.
- ⑥ Owing to changes in village structure, it has become necessary to create frameworks for diverse actors to be involved in maintenance and conservation that is difficult for principal farmers to tackle alone, and to create measures that encourage initiatives for the reduction of environmental load by farmers, with wide-region spread.
- ⑦ In the Outline of Farm Management Stabilization Program, we have decided to introduce “Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)” that

will support highly effective collaborative activities undertaken collectively by communities and pioneering farming activities undertaken by farmers' collectives comprehensively and uniformly, with a view to conserving and improving the quality of resources such as farmland and irrigation water. It will be necessary to publicize the content of measures and promote the development of a system of promotion with a view to introduction from FY2007.

### **(3) Promoting the utilization of biomass**

- ① The utilization of biomass, windpower and other rural resources is an important issue in forming a sustainable recycling-oriented society and constructing a socio-economy that is not excessively dependent on fossil fuel resources.
- ② To achieve the comprehensive utilization of biomass, we are promoting initiatives for composting food waste, the Biomass Town Program and biomass plastics. We are also promoting efforts aimed at the utilization and demonstration of bioethanol and biodiesel fuels as substitute energies to replace fossil fuel resources.
- ③ To promote the utilization of biomass and other rural resources, issues to be resolved include the creation of utilization systems that suit regional characteristics and the development of initiative schemes. Meanwhile, since most biomass is produced as a result of agricultural production activities, promoting agriculture will in turn contribute to preventing global warming, etc.
- ④ Based on the evaluation of issues concerning the utilization of biomass and measures adopted until now, etc., a new "Biomass Nippon Strategy" was decided by the Cabinet in March 2006. Under the new Strategy, we are to encourage the use of biofuels for transport, accelerate the Biomass Town Program, collaborate with other countries through support with human resources, and so on. For this, it will be important to promote concerted efforts that involve the government, local authorities, universities, environmental NPOs and others in future.

### Section 3 Creating rural areas with vitality

#### **(1) Stimulating rural economies by harnessing rural resources**

##### a. Harnessing rural resources and stimulating regional areas with ideas and creativity

- ① Initiatives by food industry clusters, featuring collaboration between agriculture, the food products industry and related sectors, are underway in various parts of the country. In order to develop new products with the participation of related industries and unrelated sectors and to cultivate regional brands in future, it will be important to encourage information exchange between the relevant parties. The roles of persons who provide a bridge between agriculture and other industries are thus increasing in importance.
- ② Municipal authorities realize the importance of fostering and securing human resources to serve as leaders in order to stimulate regional areas. Various groups and organizations, including municipalities and the third sector, are involved in regional area stimulation activities, and residents' awareness of involvement is also in a rising trend.
- ③ Economic wave effects could be expected in regional areas if those areas themselves apply their own independence and creativity to harness resources, such as the nature, landscapes and agricultural products of rural areas, which could potentially lead to the stimulation of regional economies.
- ④ Organizations centered on women and elderly persons engaged in activities for regional stimulation have been created in 60% and 70% of all villages, respectively, and are fulfilling key roles. In future, it will be important to win the understanding and cooperation of regional areas and to develop various environments with a view to encouraging the participation of women in rural society and business start-up activities.

For elderly persons, meanwhile, farmers in regional areas are expected to fulfil roles in a wide variety of sectors, including the management of regional areas, preservation of traditional culture, and economic activities.

##### b. Development of social and domestic infrastructure to support regional stimulation

Developing social and domestic infrastructure, such as wastewater processing facilities as well as IT infrastructure, is also important in terms of promoting initiatives for complementarities and interrelationships that stimulate exchanges of people, goods and information between urban and rural areas.

#### **(2) Further promoting complementarities and interrelationships between urban and rural areas**

##### a. Changes in Japan's population dynamics and rural regions

- ① In future, population shrinkage and declining ratios of productive age populations are set to continue in provincial spheres. In recent years, conversely, there have been increasing signs of urban dwellers returning to their home prefectures and the "U-turn" phenomenon among middle and higher age groups.
- ② 40% of urban residents aged 20 or over show a preference for living in their provincial hometowns. There is also a growing interest, among urban residents, in a residential lifestyle that involves

frequent movement between urban and rural areas.

- ③ In future, as well as developing an environment in which people in regional areas can live in comfort, we also need to develop attractive rural environments that meet the expectations and needs of the nation.

b. Roles fulfilled by urban agriculture

- ① Agriculture in urban areas accounts for 30% of the whole nation's agricultural output value, harnessing its characteristic proximity to consumption areas to fulfil a major role in the supply of fresh agricultural products. Among a diversity of other roles is the provision of opportunities for first-hand experience of agriculture.
- ② In regional areas, moves are seen for efforts to develop direct sales outlets and citizens' market gardens for local consumption of local produce, foster farm-help volunteers, and conserve farmland with a view to fulfilling disaster prevention functions.

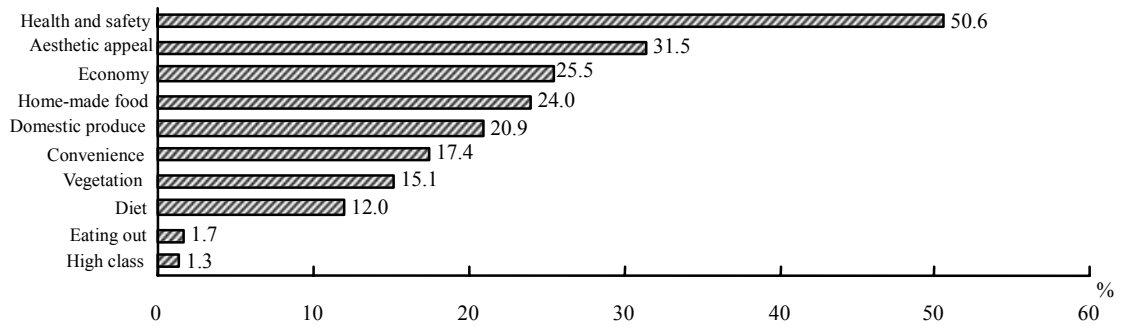
c. Forming rural regions that are attractive to the people through initiatives for complementarities and interrelationships

- ① For regional areas to retrieve their vitality and properly fulfil their roles as Japan enters a period of transition in its socio-economic structure, it will be important to materialize a society of complementarities and interrelationships in which people, goods and information are constantly circulating between urban and rural areas.
- ② To promote exchange activities between urban and rural areas, it will be important to develop attractive programs for first-hand experience, as well as securing instructors and other human resources.

In order to encourage green tourism, meanwhile, it will be important to transmit information through various media, provide attractive programs, achieve wide-area collaboration, and so on.

- ③ Given the increased concern over health among the general public, moves towards initiatives that focus on various functions related to health and welfare in agriculture and rural areas are emerging in regional areas, such as the provision of health menus that make use of special local produce.
- ④ In future, it will be important to encourage the development of activity environments through training and networking of human resources and information, so that local residents, urban residents moving or returning to the country, NPOs and other diverse actors can participate in initiatives for complementarities and interrelationships, irrespective of whether they live in regional areas or not.

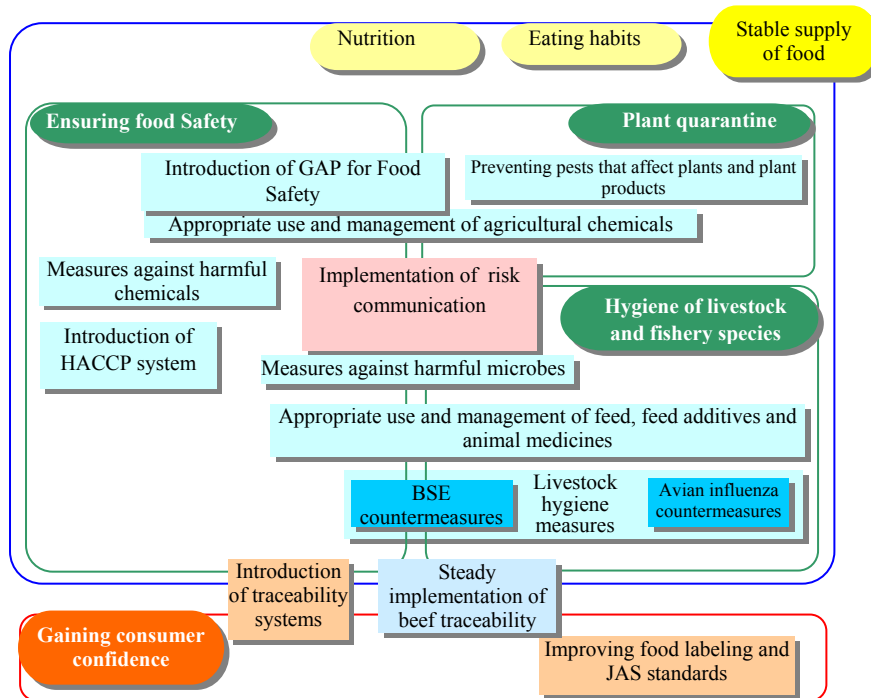
**Fig. 1 Consumer Requirements of Food**



Source: Agriculture, Forestry and Fisheries Finance Corporation of Japan (AFC), “Survey on Healthy Foods” (published March 2006)

- Notes: 1) Survey targeted women aged 20 and over in all parts of Japan (total respondents 2,094).  
 2) Percentages show the proportion of respondents who gave first or second priority.

**Fig. 2 MAFF Measures in “Ensuring Food Safety and Gaining Consumer Confidence”**



Risk communication involving food industry businesses, producers, consumers, etc.

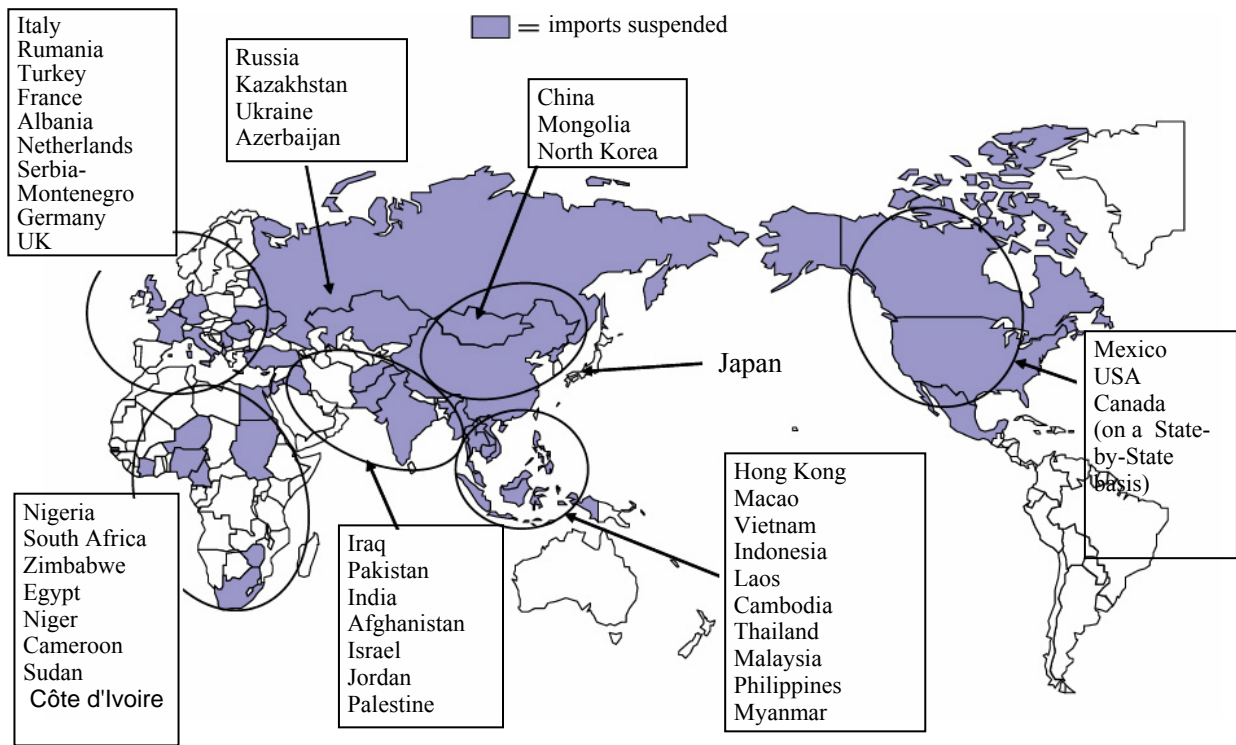
Source: MAFF

**Table 1: Chronology of domestic countermeasures and measures related to US beef, etc., since the outbreak of BSE**

Year / Month		Domestic countermeasures	Measures related to US beef, etc.
2001	9	<ul style="list-style-type: none"> <li>• First incidence of BSE in Japan confirmed</li> </ul>	
2002	6	<ul style="list-style-type: none"> <li>• Special Measures Law Concerning BSE enacted</li> </ul>	
2003	7	<ul style="list-style-type: none"> <li>• New food safety administration launched</li> </ul>	
	12		<ul style="list-style-type: none"> <li>• BSE confirmed in the US, imports immediately suspended</li> </ul>
2004	8 9	<ul style="list-style-type: none"> <li>• Exchange of opinions on the present status of BSE countermeasures (until Sept. 2004)</li> <li>• The Food Safety Commission publishes “Interim Report” on verification results of domestic measures</li> <li>• Exchange of views on directions for domestic countermeasures</li> </ul>	
	10	<ul style="list-style-type: none"> <li>• Review of domestic countermeasures referred to the Food Safety Commission</li> </ul>	<ul style="list-style-type: none"> <li>• At a Director-General level consultation, Japan and US governments share opinions on mutual resumption of trade based on scientific findings, on the premise of domestic approval procedures.</li> </ul>
2005	5	<ul style="list-style-type: none"> <li>• The Food Safety Commission reports that “revising the age for BSE testing involves negligible or extremely low risk”</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange of views on risk management measures related to US beef, etc.</li> <li>• Inquiry on the equivalence of risk in Japanese beef vis-à-vis US beef, etc., referred to the Food Safety Commission</li> </ul>
	8	<ul style="list-style-type: none"> <li>• Age for BSE testing revised</li> <li>• Reinforcement of efforts to secure efficacy of feed regulations</li> </ul>	
	12		<ul style="list-style-type: none"> <li>• Report by the Food Safety Commission</li> <li>• Imports of US beef, etc., resumed</li> <li>• Explanation meeting on the response to US beef, etc.</li> </ul>
2006	1		<ul style="list-style-type: none"> <li>• Import procedures suspended following the discovery of specified risk materials (spinal cord) in imported US beef</li> </ul>
	2		<ul style="list-style-type: none"> <li>• US submits “Survey Results and Report on Measures Concerning a Certification Program for Beef Exports to Japan”</li> </ul>
	3		<ul style="list-style-type: none"> <li>• Japan-US Expert Meeting held</li> </ul>
	4		<ul style="list-style-type: none"> <li>• Exchange of opinions on US Report and reply to inquiry from Japan, etc.</li> </ul>

Source: MAFF

**Fig. 3 Import Suspension of Poultry Meat, etc., due to Outbreaks of Highly Pathogenic Avian Influenza**



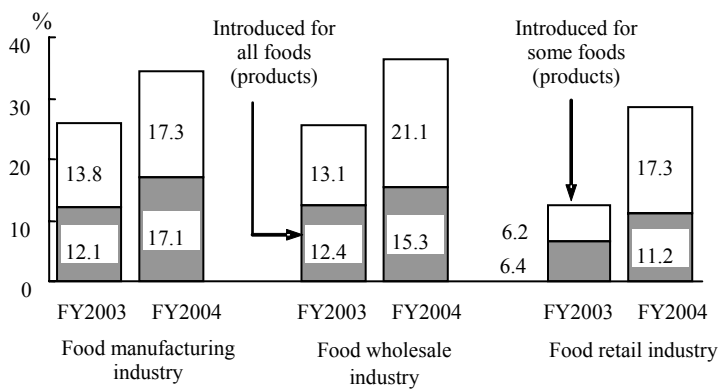
Source: MAFF

Notes: 1) As of April 30, 2006.

2) Imports from Mexico, USA Canada, and the UK have been suspended on a State-by-State basis, as only low-virulence strains have occurred.

3) Imports from the Netherlands are suspended due to the use of vaccine.

**Fig. 4 Ratios of Introduction of Traceability Systems in the Food Industry**

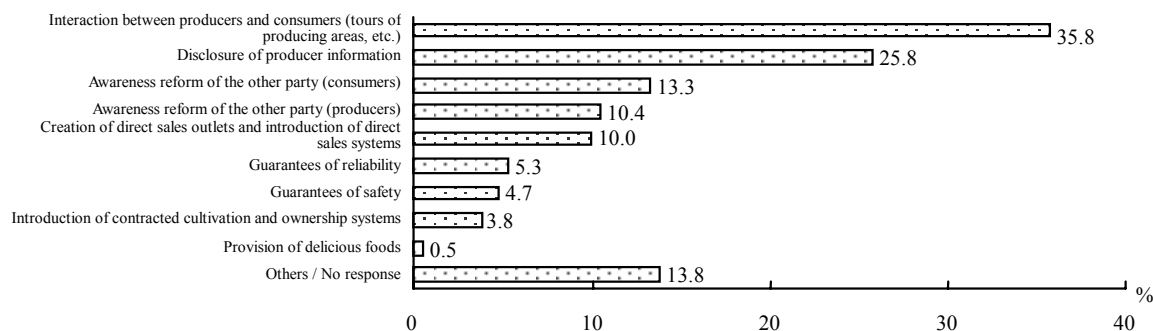


Source: MAFF, "Food Industry Trend Survey"



Labeling of place of origin in the food service industry

**Fig. 5 Initiatives Required to Create a “Visible” Relationship Between Consumers and Producers  
(Multiple Response)**



Source: MAFF, “2nd Fixed Survey of Food Consumption Monitors” (published August 2004)

Note: Questionnaire survey targeting 1,021 food consumption monitors living in principal cities throughout the country (response rate 98.0%)

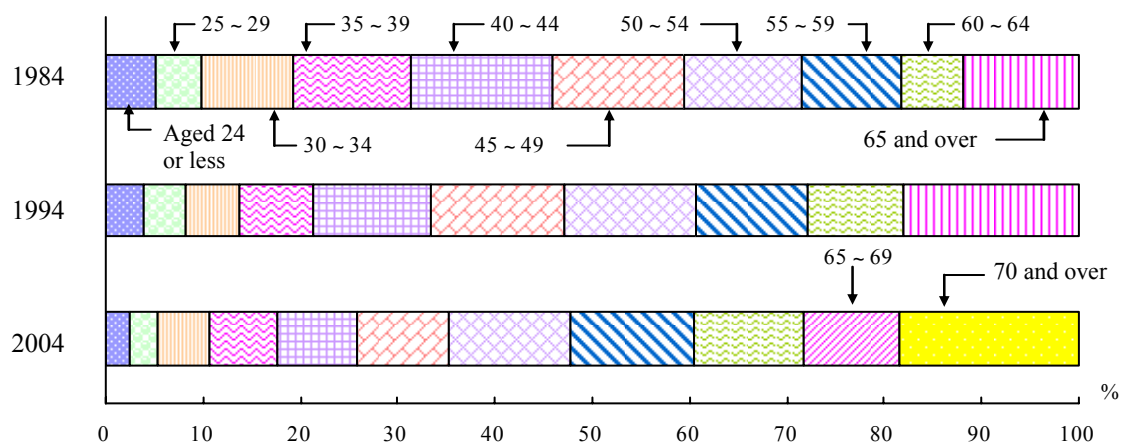
**Table 2 Trends in Actual Consumption Expenditure on Food (Whole Country, Year-on-Year)**

(unit: %)

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005 (Apr.-Dec.)
Consumption expenditure	1.1	-1.5	1.1	-0.3	0.1	0.9
Food	-0.5	-0.6	0.5	-1.4	-1.6	1.4
Rice	-1.0	-1.1	-3.5	-4.8	-3.0	1.5
Bread	-2.7	-1.3	3.2	3.7	-0.3	-2.2
Fish & shellfish	-1.8	-0.4	-2.3	-2.5	-3.8	0.9
Meat	-1.5	-7.7	2.9	-2.7	-2.1	0.8
Milk & eggs	-2.9	-1.5	3.5	-2.8	-3.6	0.2
Vegetables & seaweed	-0.7	-0.1	-1.1	-2.1	-3.5	3.7
Oils & fats, seasonings	0.8	-0.6	3.3	1.9	0.7	0.2
Precooked foods	1.6	3.3	0.5	1.5	-0.9	2.9
Fruit	3.0	4.0	-1.5	-7.0	-3.9	2.0
Eating out	-0.1	-2.0	0.9	-2.9	-0.7	1.1

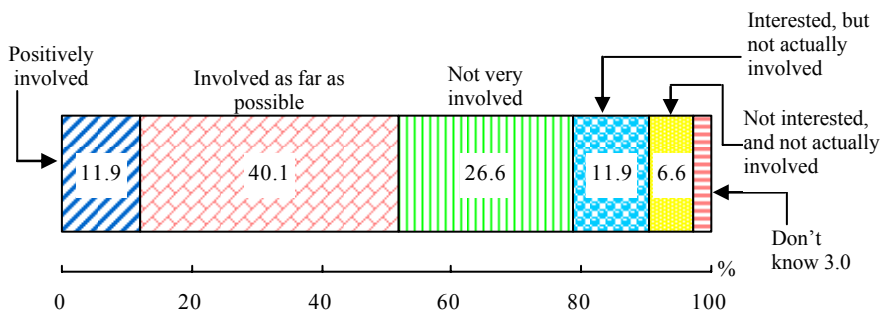
Source: Compiled by MAFF from “Household Expenditure Surveys” and “Consumer Price Index” (Ministry of Internal Affairs and Communications)

**Fig. 6 Composition of Japan’s Food Consumption Expenditure by Age Group of Main Householder**



Source: Compiled by MAFF from “Household Expenditure Surveys” (Ministry of Internal Affairs and Communications) and “National Subsistence Basic Surveys” (Ministry of Health, Labour and Welfare)

**Fig. 7 Action and Activity Related to Food Education**

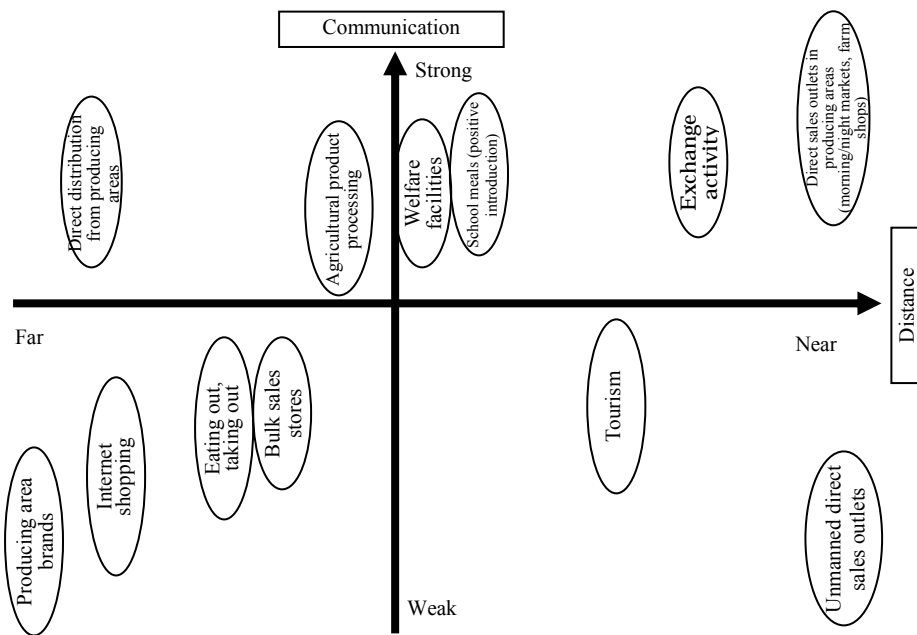


Scene at the “King of Cuisine” Contest for Children (Kitakyushu City, Fukuoka Prefecture)

Source: Cabinet Office, “Special Opinion Poll on Food Education” (published Sept. 2005)

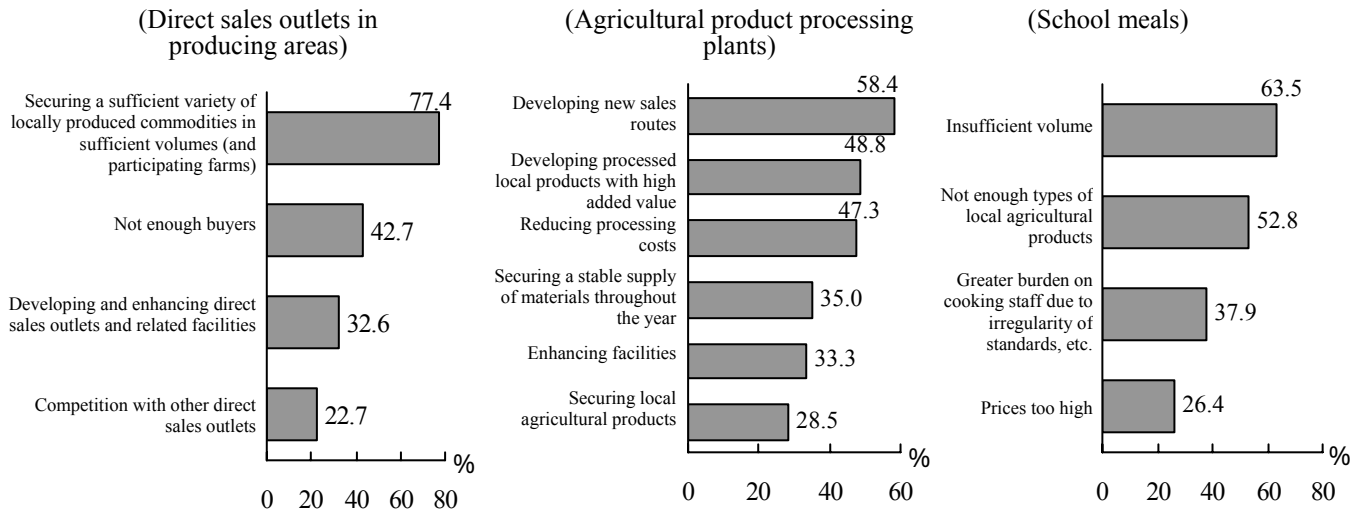
Note: Questionnaire survey targeting 3,000 persons aged 20 and over in all parts of Japan (valid response rate 54.2%).

**Fig. 8 Categories in Local Consumption of Local Produce (Image)**

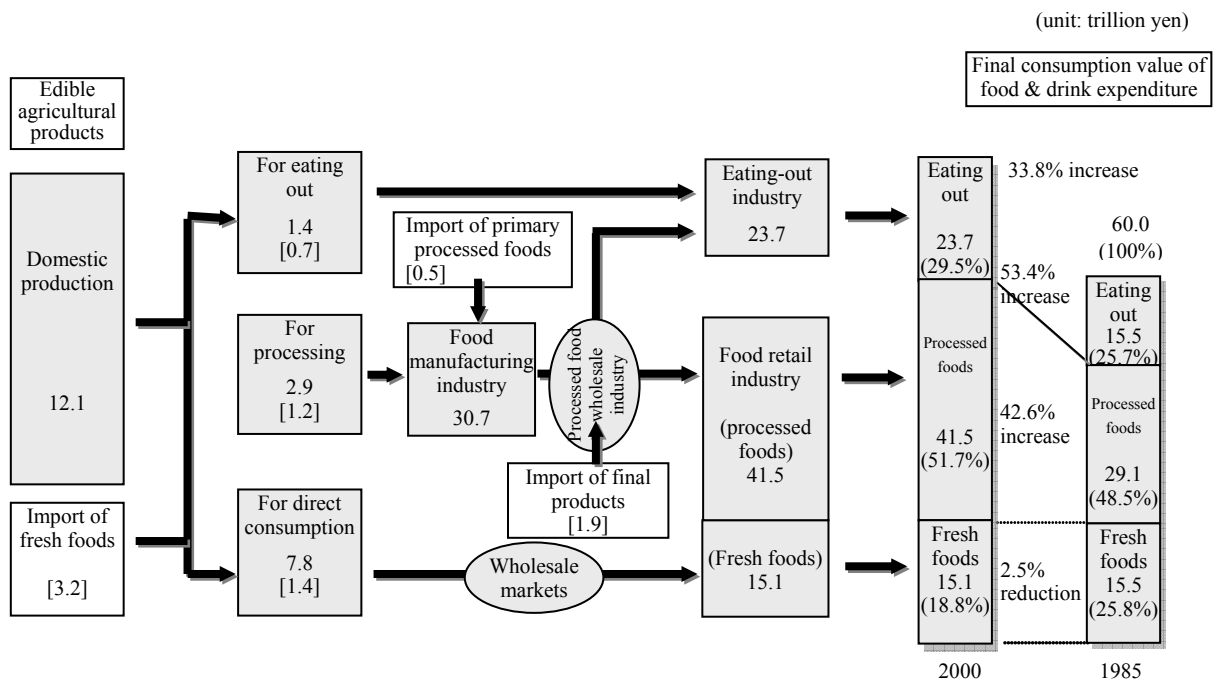


Elementary and junior high school pupils engaged in sales of local vegetables and local consumption of local produce (Miki-cho, Kagawa Prefecture)

**Fig. 9 Problems in the Sale (Use) of Local Agricultural Produce**

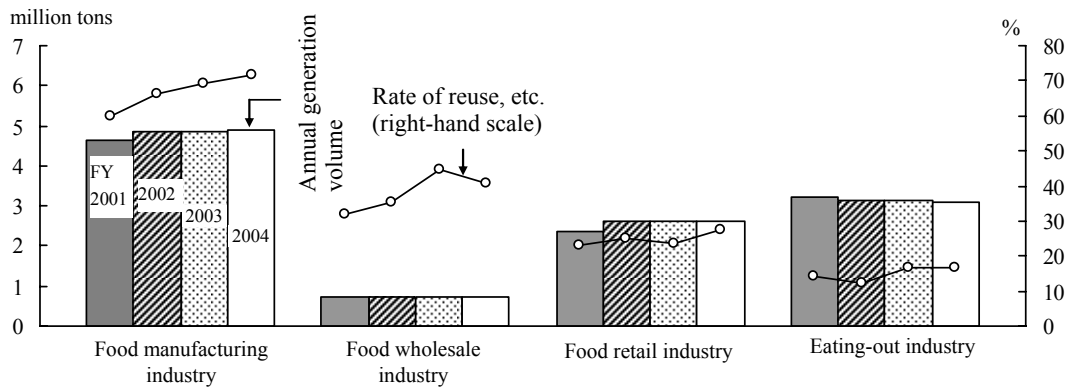


**Fig. 10 Flow of Food & Drink Expenditure in Terms of Final Consumption**

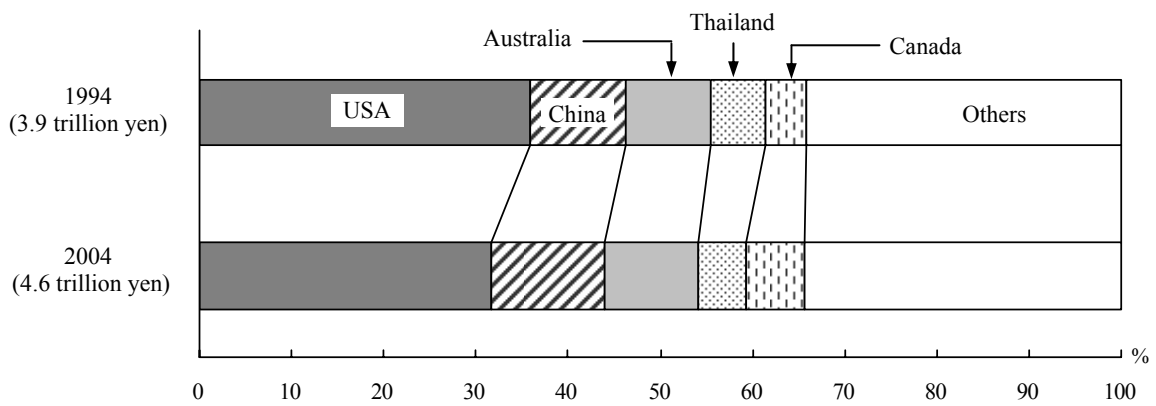


Source: Estimated by MAFF from "Industrial Tables", Ministry of Internal Affairs and Communications and 9 other ministries and agencies

**Fig. 11 Trends in Annual Generation of Food Waste, etc., and Rates of Reuse, etc., in the Food**

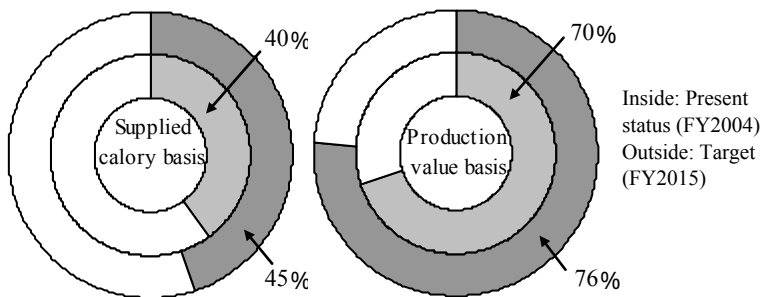


**Fig. 12 Ratios of Japan's Agricultural Import Value by Import Source Country**



Source: Ministry of Finance, "Trade Statistics"

**Fig. 13 Targets for Overall Food Self-Sufficiency**



Kindergarten children cultivating vegetables for school meals (Hashima City, Gifu Prefecture)

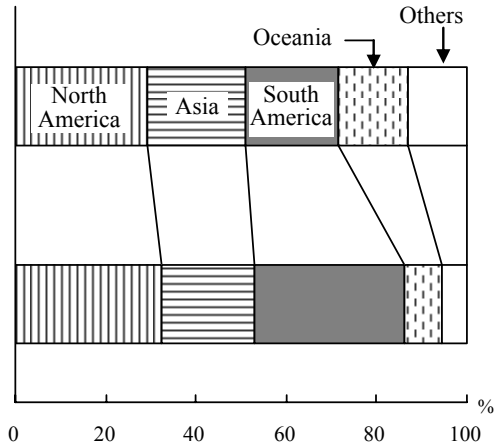
**Table 3 Performance of Main Initiatives in Action Plans Aimed at Improving the Food Self-Sufficiency Ratio (FY2005)**

Priority Initiative Content	Performance of Initiative
○ Promoting Food Education	<ul style="list-style-type: none"> <li>● “Japanese Food Guide Spinning Top” decided (June 2005), Recognition Survey conducted (Jan. 2006) (recognition 26%, target 20%)</li> <li>● Application manual for “Meal Balance Guides” for eating out, etc., prepared and published (Dec. 2005)</li> </ul>
○ Promoting local consumption of local produce	<ul style="list-style-type: none"> <li>● Plans to Promote Local Consumption of Local Produce formulated, summarizing measures to be taken by the government (May 2005)</li> <li>● Formulation of Regional Plans to Promote Local Consumption of Local Produce promoted (from June 2005) (formulated in 618 districts as of March 31, 2006, target 600 districts)</li> </ul>
○ Expanding consumption of domestically produced food	<ul style="list-style-type: none"> <li>● Opinion exchange meetings convened in prioritization areas for rice-based school meal promotion (Aug. 2005)</li> <li>● Principles for expansion of vegetable consumption formulated (July 2005), “1st All Japan Vegetable Fair” (publicity event for eating out, etc.) held (Feb. 2006)</li> </ul>
○ Gaining consumer confidence in domestically produced food	<ul style="list-style-type: none"> <li>● ‘Manual for introduction’ of “GAP for Food Safety” published (April 2005)</li> <li>● Guidelines for producing area labeling in the eating-out industry formulated and disseminated (from July 2005)</li> <li>● Prefectural GAP Promotion Teams set up (in 32 prefectures as of March 31, 2006)</li> </ul>
○ Promoting production in line with demand by principal farmers with excellent business sense	<ul style="list-style-type: none"> <li>● Outline of Farm Management Stabilization Program decided (Oct. 2005)</li> <li>● General Support Councils for Fostering Principal Farmers at Prefectural and Regional Level created, Action Program formulated (number of certified farmers: approx. 200,000 as of March 31, 2006, target approx. 210,000)</li> </ul>
○ Strengthening links between the food industry and agriculture	<ul style="list-style-type: none"> <li>● Report on future action and directionality compiled by the Food &amp; Agriculture Linkage Strengthening Study Group, with a view to linking food and agriculture, reforming food distribution, etc. (Jan. 2006)</li> <li>● Food Industry Cluster Councils created (25 nationwide as of March 31, 2006, target 45 in 5 years)</li> </ul>
○ Promoting effective use of farmland	<ul style="list-style-type: none"> <li>● Law for the Improvement of the Basis of Farm Management amended (enforced Sept. 2005)</li> <li>● Action plans to improve the feed self-sufficiency ratio formulated (May 2005)</li> <li>● Priority districts for increased feed production increased by the National Action Conference on Increased Feed Production (Feb. 2006) (137 districts, target 120 districts)</li> </ul>

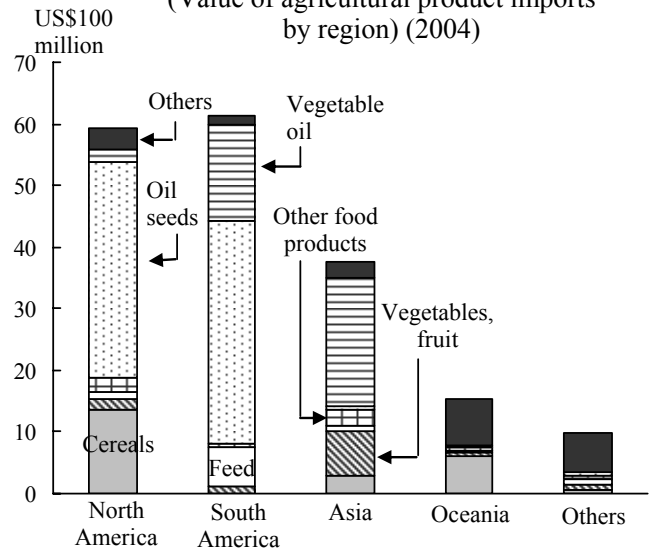
Source: MAFF (as of March 31, 2006)

**Fig. 14 Changes in Ratios of China's Agricultural Product Imports by Region, and Import Values**

(Changes in ratios of agricultural product imports by region)



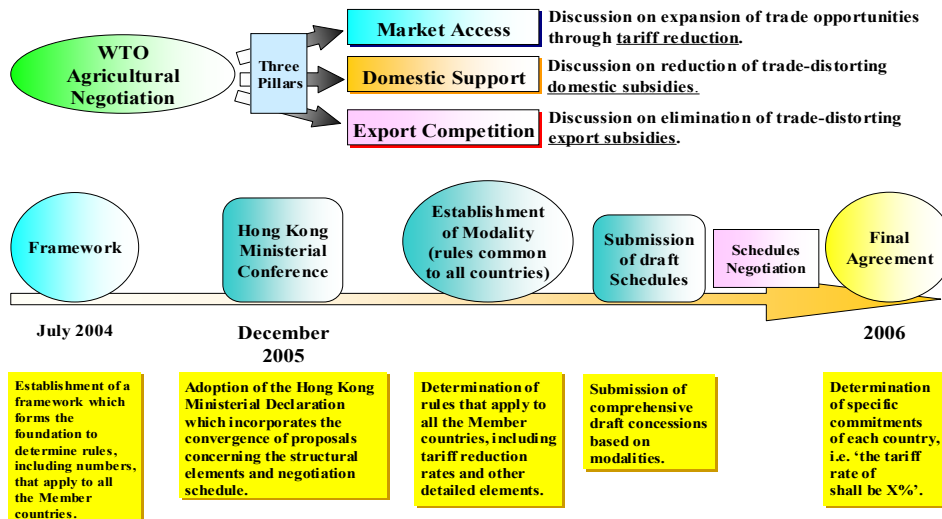
(Value of agricultural product imports by region) (2004)



Source: United Nations, "UN Comtrade"

Note: Commodities classified in line with "Standard International Trade Classification", Version 3

**Fig. 15 WTO Agricultural Negotiations**



Source: MAFF

**Fig. 16 Outline of the WTO Hong Kong Ministerial Declaration**

**Agriculture**

**Domestic Support**

- Three bands for reductions in Final Bound total AMS and in the overall cut in trade-distorting domestic support, with higher linear cuts in higher bands (EU in the top band, the US and Japan in the second band, all other Members in the bottom band). Developed country Members in the lower bands with high relative levels of Final Bound Total AMS will make an additional effort in AMS reduction.
- The overall reduction in trade-distorting domestic support will still need to be made even if the sum of the reductions in Final Bound Total AMS, de minimis and Blue Box payments would otherwise be less than that overall reduction.
- Developing country Members with no AMS commitments will be exempt from reductions in de minimis and the overall cut in trade-distorting domestic support.
- Green Box criteria will be reviewed to ensure that programmes of developing country Members that cause not more than minimal trade-distortion are effectively covered.

**Export Competition**

- Parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013. This will be achieved in a progressive and parallel manner, to be specified in the modalities, so that a substantial part is realized by the end of the first half of the implementation period.
- The disciplines on export credits, export credit guarantees or insurance programmes, exporting state trading enterprise and food aid will be completed by 30 April 2006 as part of the modalities. The date above for the elimination of all forms of export subsidies, together with the agreed progressivity and parallelism, will be confirmed only upon the completion of the modalities.

**Market Access**

- Four bands for structuring tariff cuts, recognizing the need to agree on the relevant thresholds.
- Recognize the need to agree on treatment of sensitive products, taking into account all the elements involved.
- Developing country Members will have the flexibility to self-designate an appropriate number of tariff lines as Special Products. Developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers.

**Negotiation Schedule**

Establish modalities no later than 30 April 2006 and submit comprehensive draft Schedules based on these modalities no later than 31 July 2006.

**Cotton**

- All forms of export subsidies for cotton will be eliminated by developed countries in 2006.
- Developed countries will give duty and quota free access for cotton exports from least-developed countries from the commencement of the implementation period.
- Trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable.

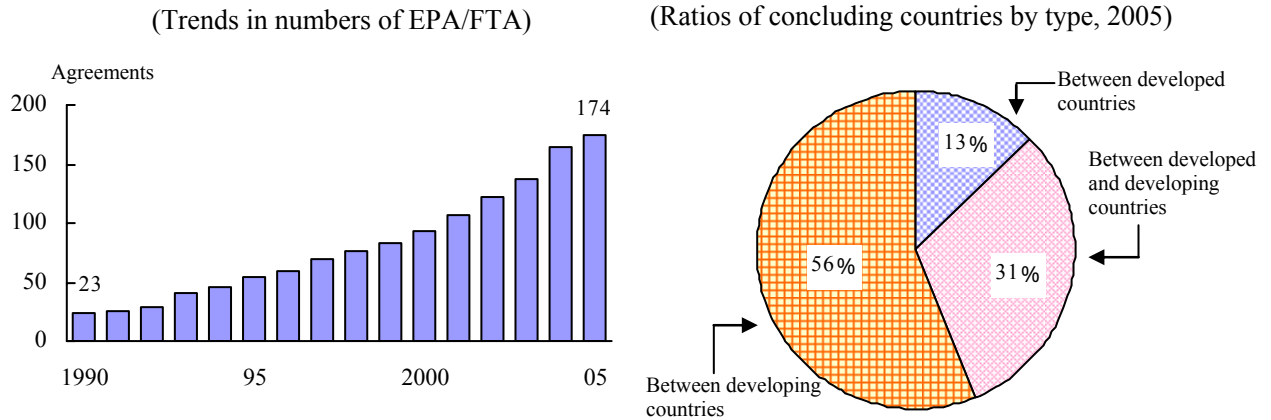
**LDCs (including Annex F)**

It was agreed that developed-country Members shall, and developing-country Members declaring themselves in a position to do so should:

- Provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008.
- Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 percent of products originating from LDCs.
- Provide effective market access, including simplified and transparent rules of origin so as to facilitate exports from LDCs.

Source: MAFF

**Fig. 17 Trends in Numbers of EPA/FTA and Ratios of Concluding Countries by Type**



Source: Survey by WTO Secretariat

Notes: 1) Figures are based on the date of effectuation for trade agreements between regions.

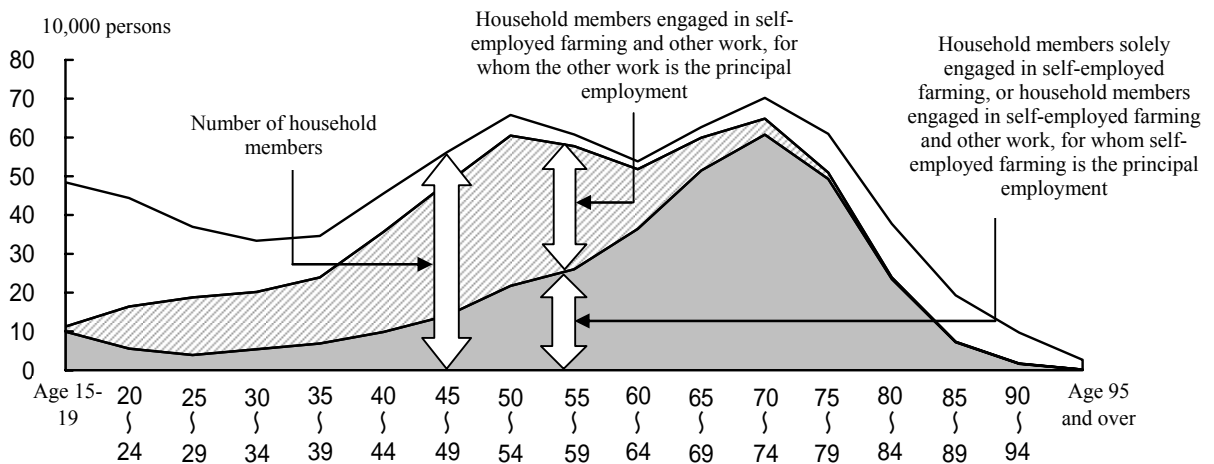
2) Developed countries are Canada, USA, EU, EFTA (European Free Trade Association), Japan, Australia and New Zealand.

3) Developing countries include countries in economic transition.

**Table 4 Trends in the Agricultural Production Index and Agricultural Product Price Index**

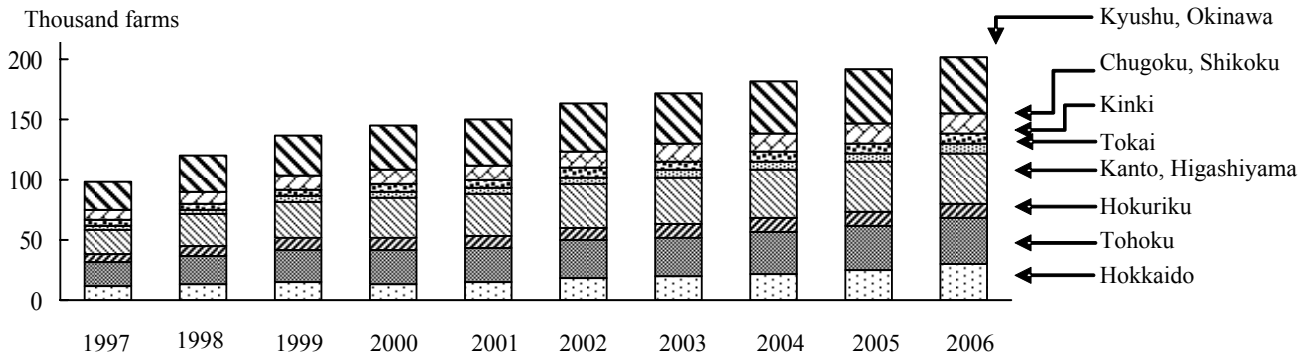
	Index (2000 = 100)						Year-on-year change (%)					
	2000	2001	2002	2003	2004	2005 (estimate)	2000	2001	2002	2003	2004	2005 (estimate)
Agricultural production index (overall)	100.0	98.3	97.2	92.4	94.0	...	0.3	-1.7	-1.1	-4.9	1.7	...
Crop farming overall	100.0	98.7	96.9	90.5	92.6	...	0.5	-1.3	-1.8	-6.6	2.3	...
Livestock farming overall	100.0	97.4	98.1	97.5	97.9	...	-0.2	-2.6	0.7	-0.6	0.4	...
Agricultural product price index	100.0	99.8	97.0	104.2	105.7	99.7	-5.9	-0.2	-2.8	7.4	1.4	-5.7
Agricultural production equipment price index	100.0	100.4	99.5	100.2	101.6	102.7	-0.2	0.4	-0.9	0.7	1.4	1.1
Agricultural terms-of-trade index	100.0	99.4	97.5	104.0	104.0	97.1	-5.7	-0.6	-1.9	6.7	0.0	-6.6

**Fig. 18 Number of Farm Household Members by Age Group (2005, total male + female)**

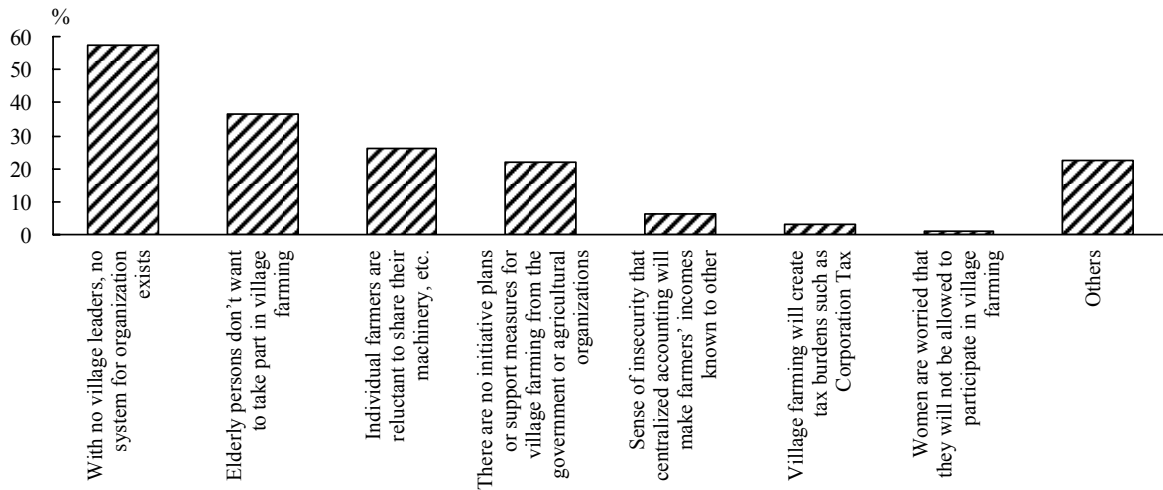


Source: MAFF, "Agriculture & Forestry Census"

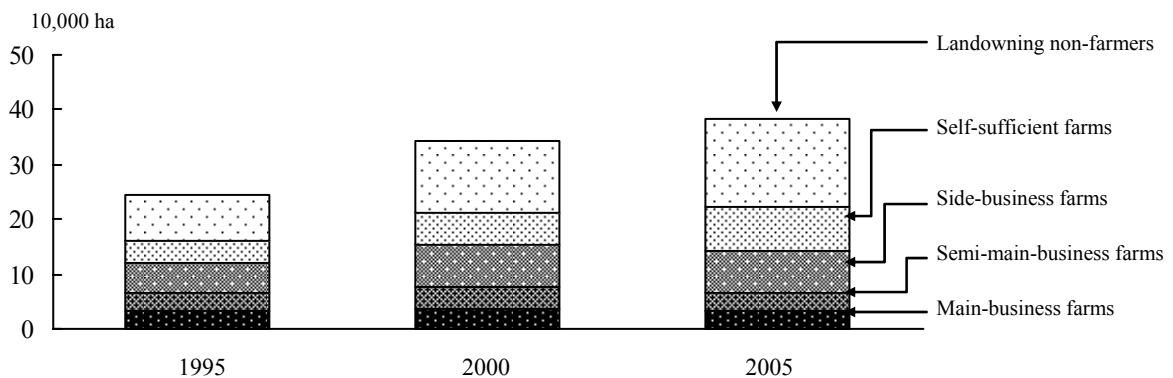
**Fig. 19 Trends in Numbers of Certified Farmers by Region**



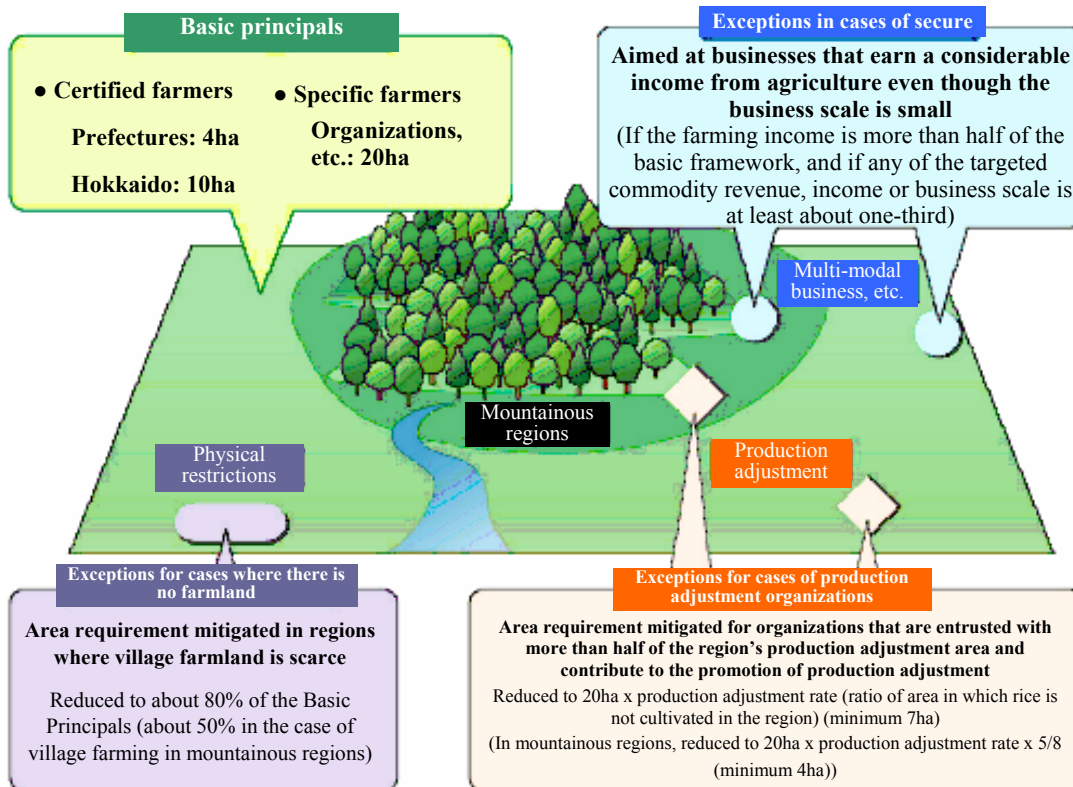
**Fig. 20 Problems with Organization and Incorporation of Village Farming (Multiple Response)**



**Fig. 21 Trends in Area of Abandoned Arable Land by Farming Format (Whole Country)**

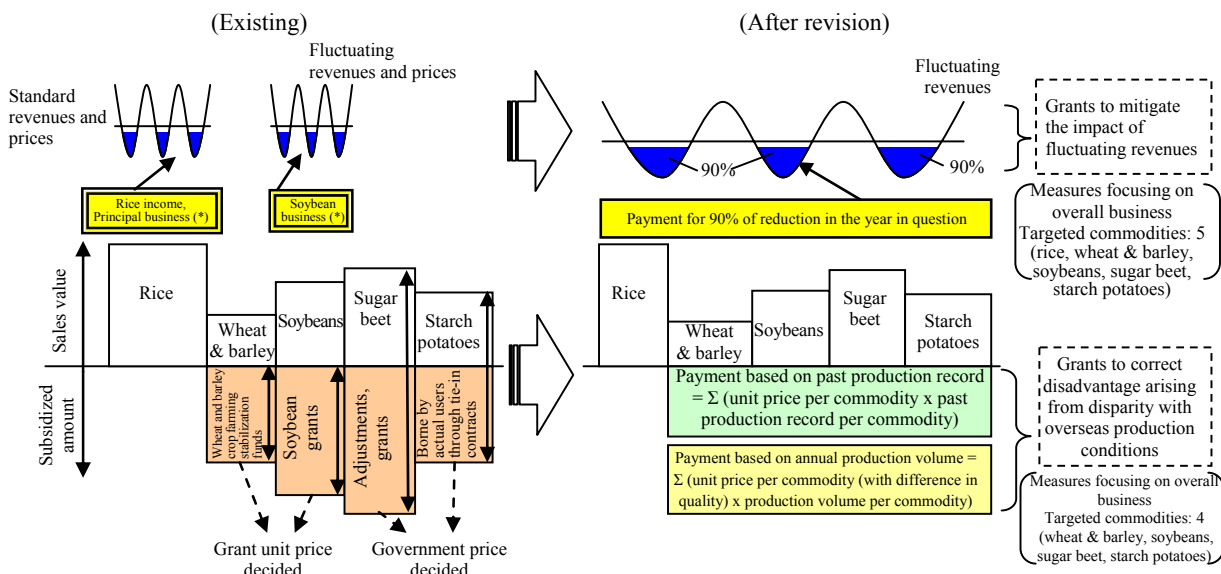


**Fig. 22 Farming Scale Requirements for Direct Payment for Land-extensive Farming**



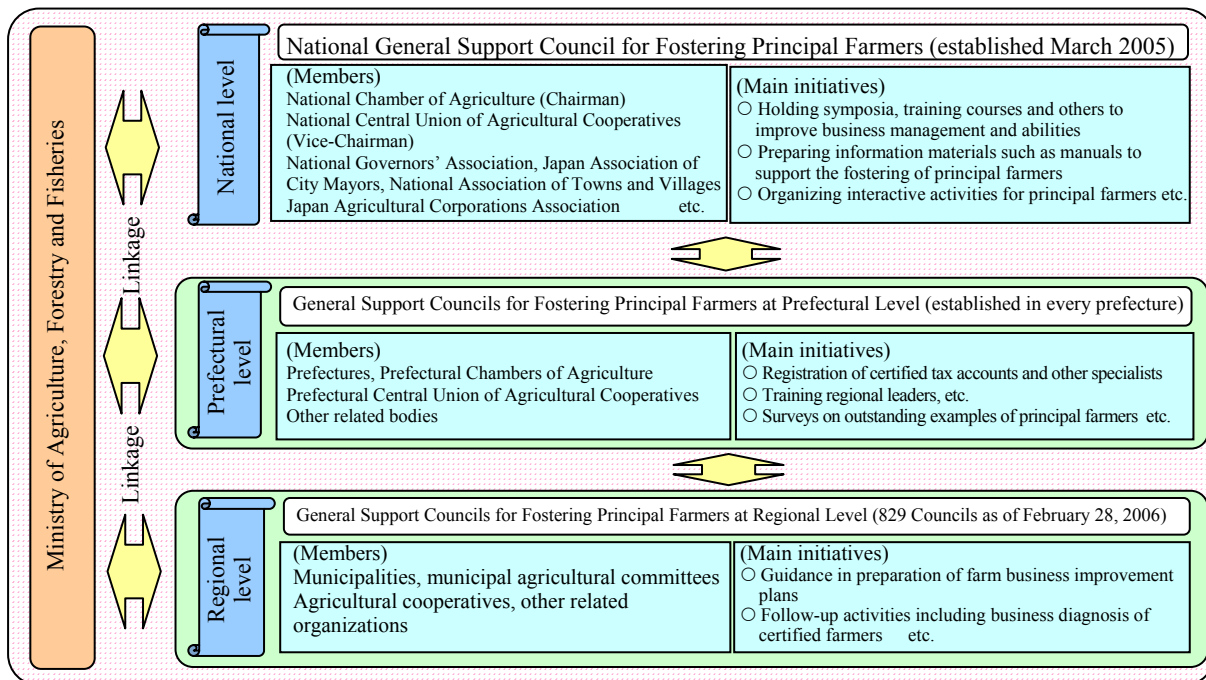
- Special criteria are set by the government for exceptions to business scale, based on requests from prefectural governors.
- Once set, the special criteria are fixed for 3 years in principle.

**Fig. 23 Image of Transition to Direct Payment for Land-extensive Farming**

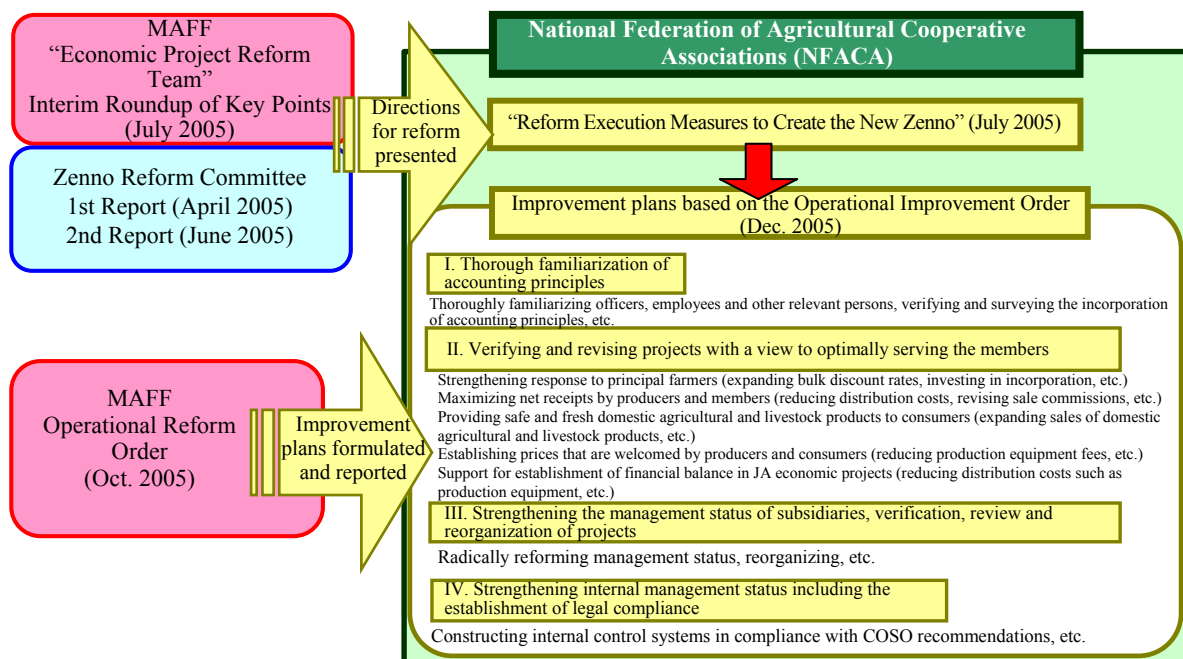


Note: (\*) Rice income = measures to secure an income basis for rice cultivation, Principal business = measures for business stability of principal farmers, Soybean business = soybean cultivation business stability measures

**Fig. 24 System of Initiatives for National Movements to Foster and Secure Principal Farmers**

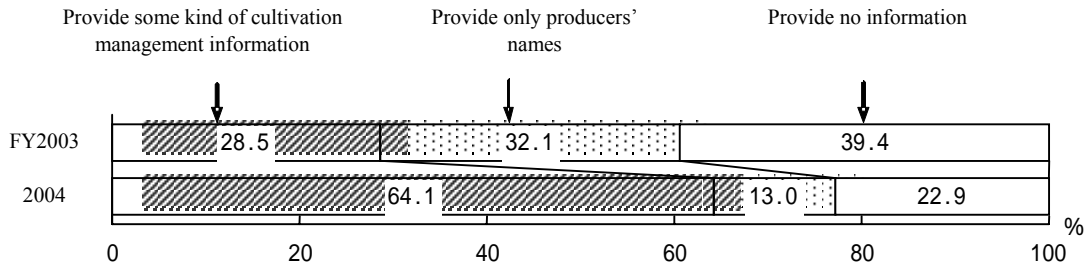


**Fig. 25 Initiatives for Reform of NFACA Economic Projects**



Source: MAFF

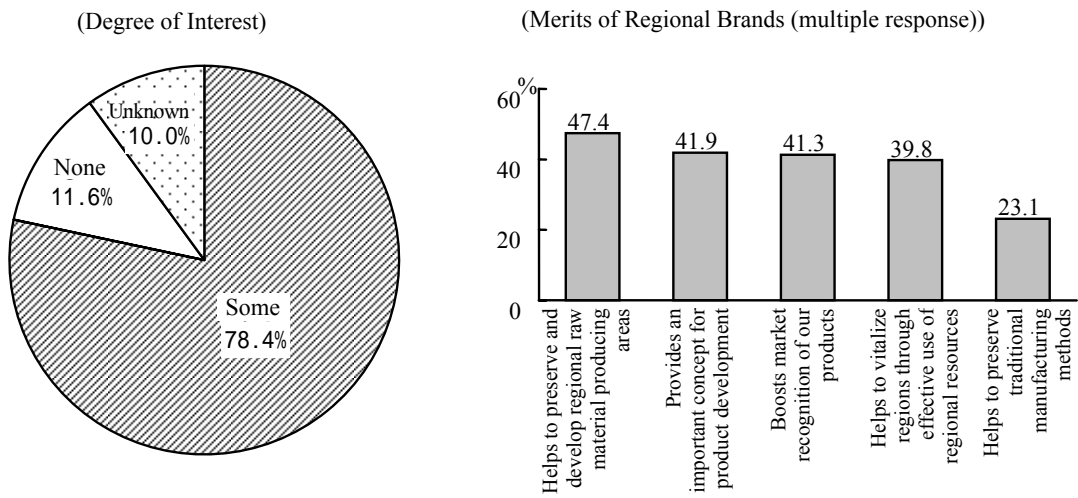
**Fig. 26 Provision of Cultivation Management Information to Shippers by Agricultural Cooperatives**



Source: MAFF, "Food Industry Trends Survey"

Note: Survey targeted 140 general agricultural cooperatives (response rate 98.6% in FY2003, 94.3% in FY2004)

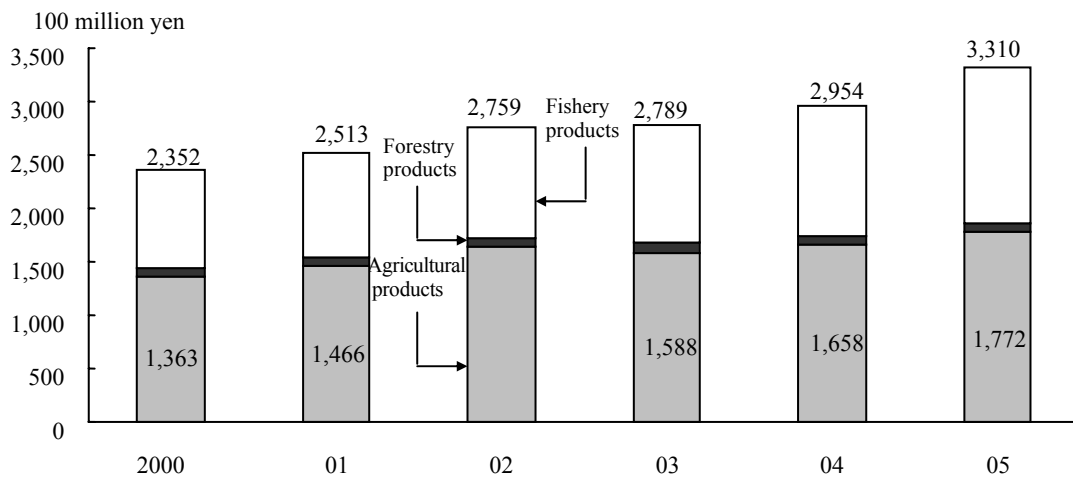
**Fig. 27 Interest by Food Companies in Regional Brands and their Merits**



Source: Japan Food Industry Center (JFIC), "FY2004 Regional Food Brand Establishment Project Trend Survey Questionnaire" (published March 2005)

Note: Survey targeted 420 members of national food industry councils (response rate 78.3%)

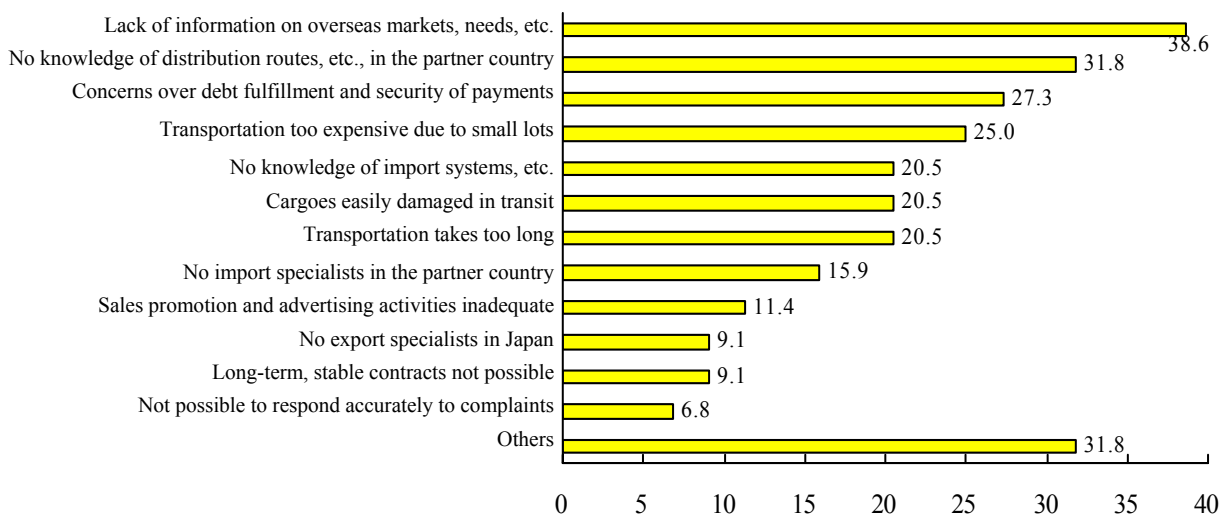
**Fig. 28 Trends in Export Value of Japanese Agricultural, Forestry and Fishery Products**



Source: Ministry of Finance, "Trade Statistics"

- Notes: 1) Amount for agricultural products does not include tobacco and alcoholic drinks, amount for fishery products does not include pearls.  
 2) Figures at the top of each bar indicate the total export value of agricultural, forestry and fishery products.

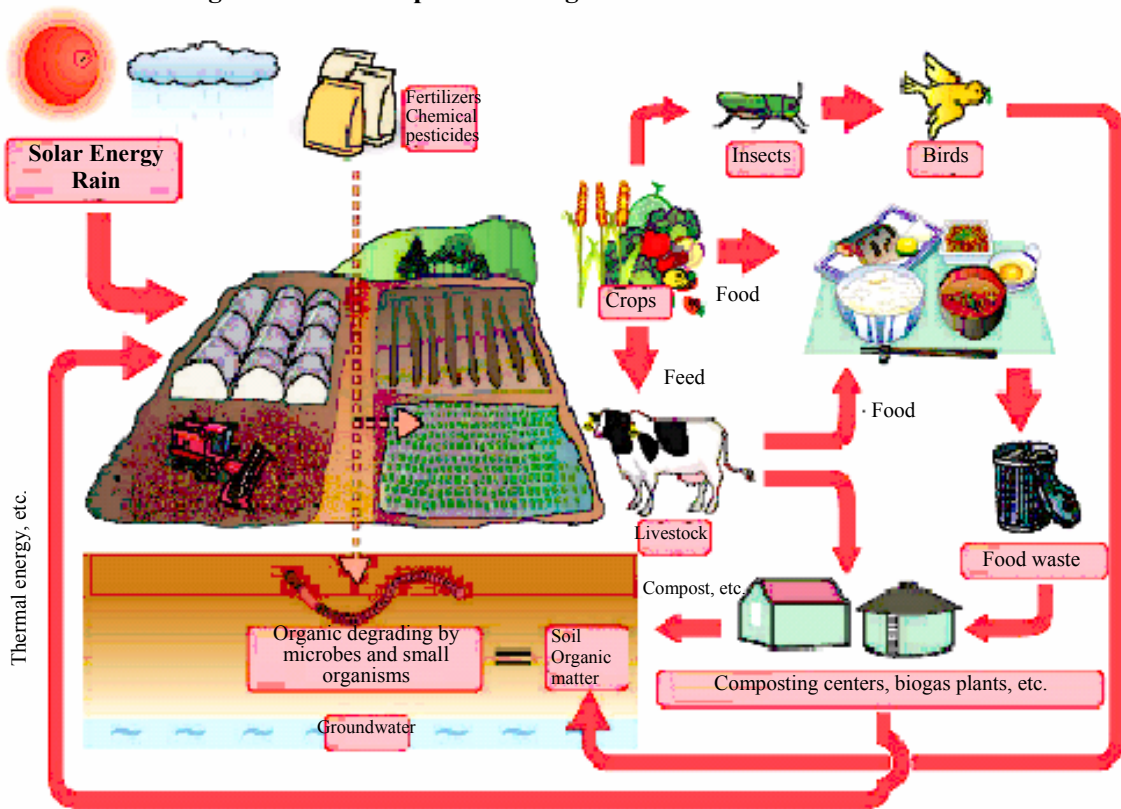
**Fig. 29 Problems in Promoting Exports of Agricultural Products, Foods, etc.**



Source: Kanto Regional Agricultural Administration Office (published Oct. 2005)

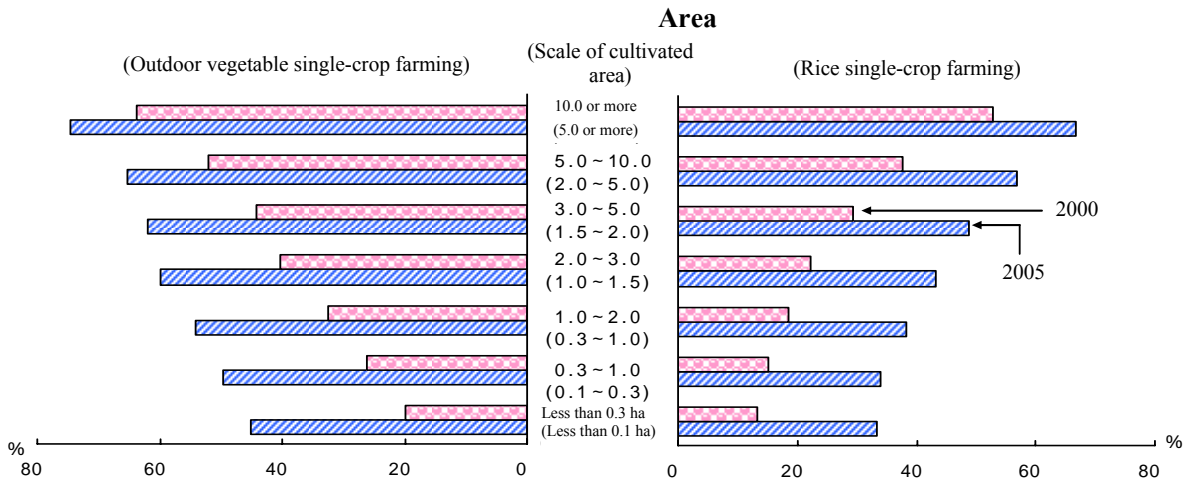
Note: Survey targeted 155 municipalities and agricultural cooperatives within the jurisdiction of the Kanto Regional Agricultural Administration Office that had interest in exports (response rate 100.0%)

**Fig. 30 Relationship Between Agriculture and the Environment**



Source: MAFF

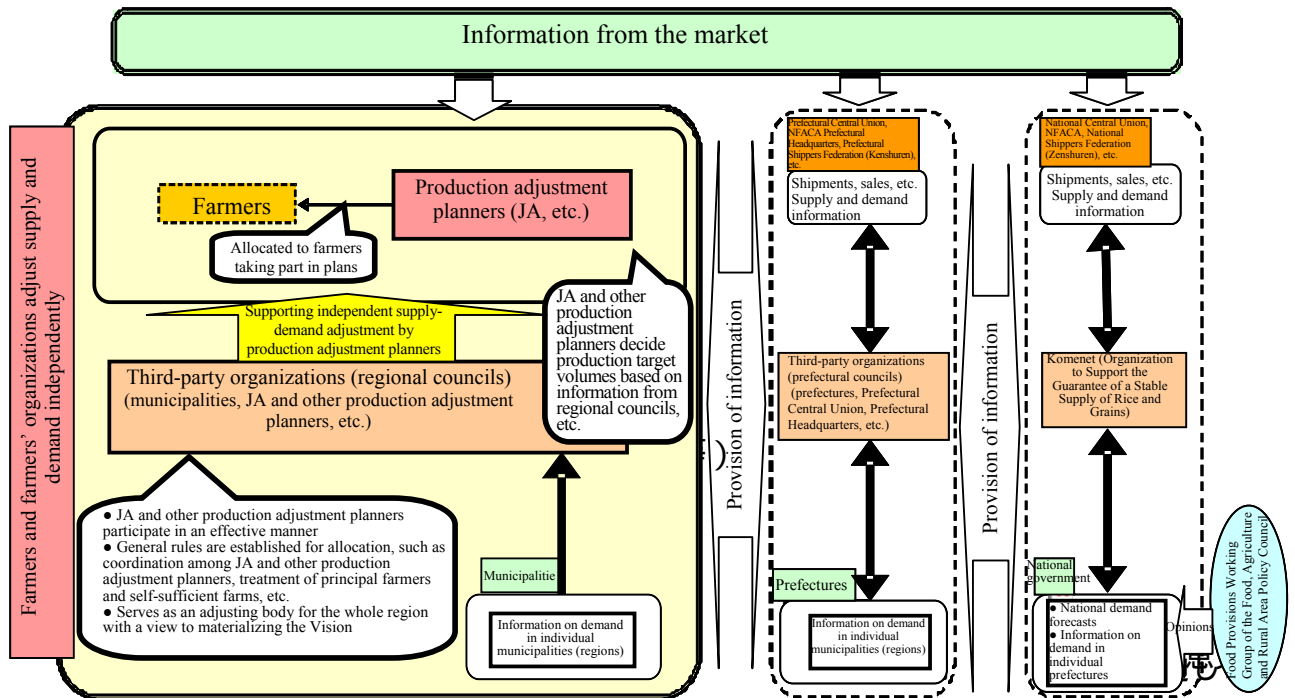
**Fig. 31 Ratio of Farms Engaged in Environmentally-Friendly Agriculture by Scale of Cultivated Area**



Source: MAFF, "Agriculture & Forestry Census" (recombined aggregates)

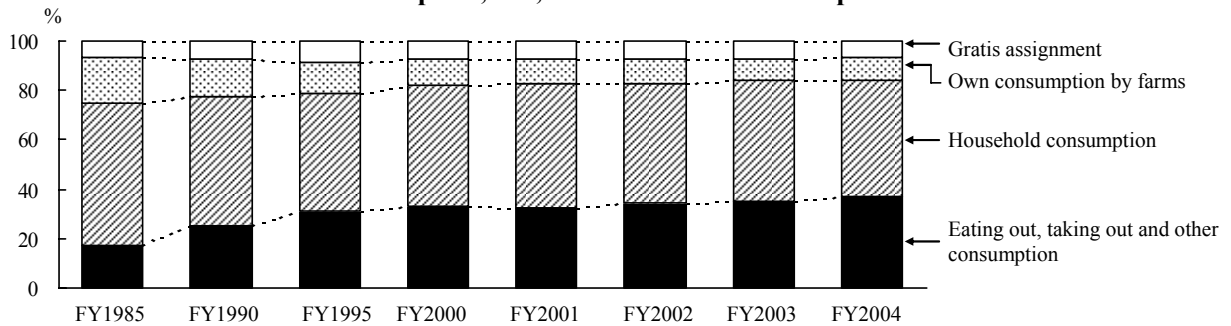
- Notes: 1) For the purposes of this graph, "environmentally-friendly agriculture" involves efforts to reduce chemical fertilizers or pesticides or both, but does not include efforts merely aimed at land improvement.  
 2) The upper figure in "Scale of cultivated area" indicates rice cultivation, figures in parentheses indicate outdoor vegetable cultivation.

**Fig. 32 Outline of New System for Adjustment of Supply and Demand**



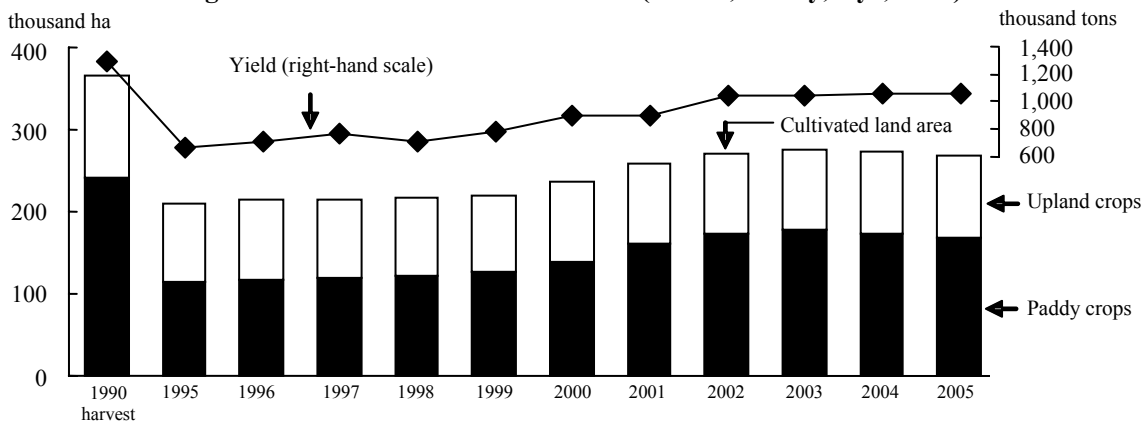
Source: MAFF

**Fig. 33 Trends in Ratios of Household Consumption, Eating Out, Taking Out and Other Consumption, etc., within the Rice Consumption Volume**

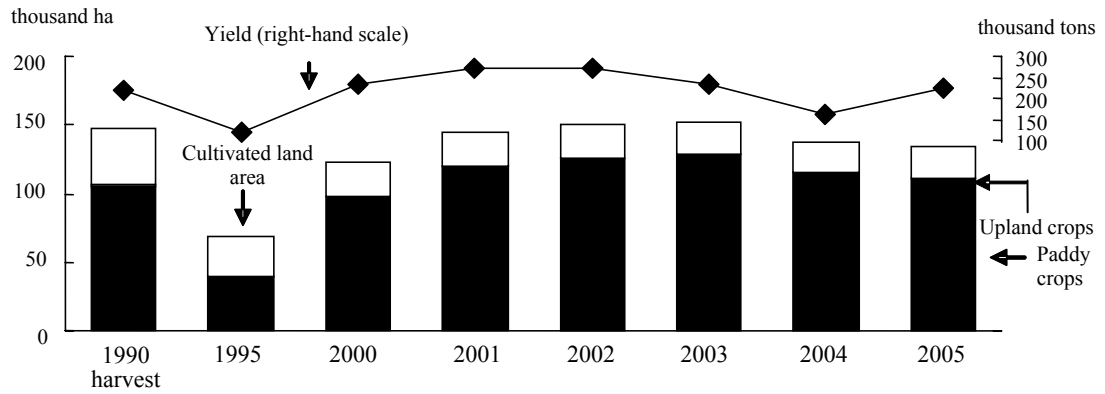


Sources: Estimated by MAFF based on MIAC, "Household Expenditure Surveys" and MAFF, "Food Supply & Demand Tables" and "Surveys of Producers' Rice & Grain Balance, etc."

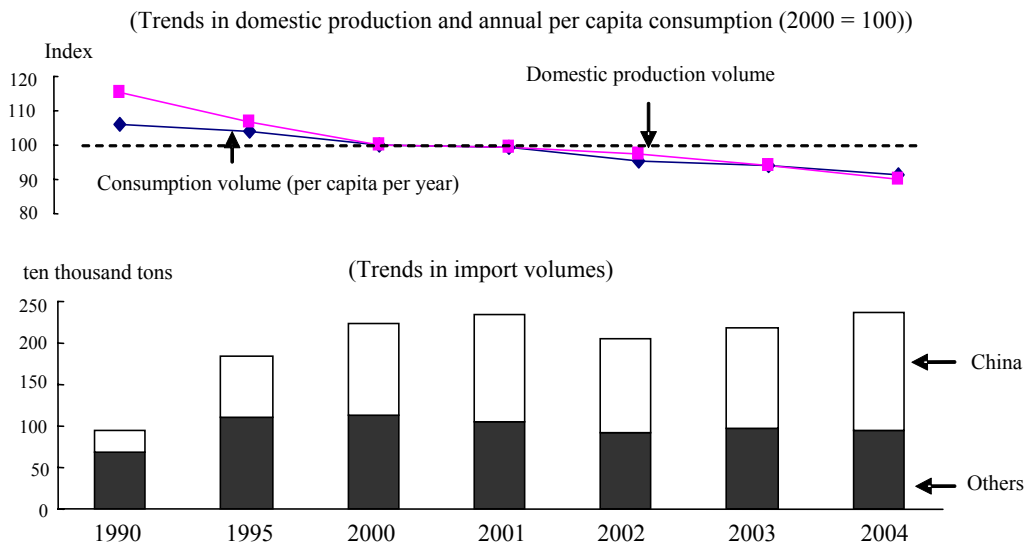
**Fig. 34 Production Trends for Grains (Wheat, Barley, Rye, Oats)**



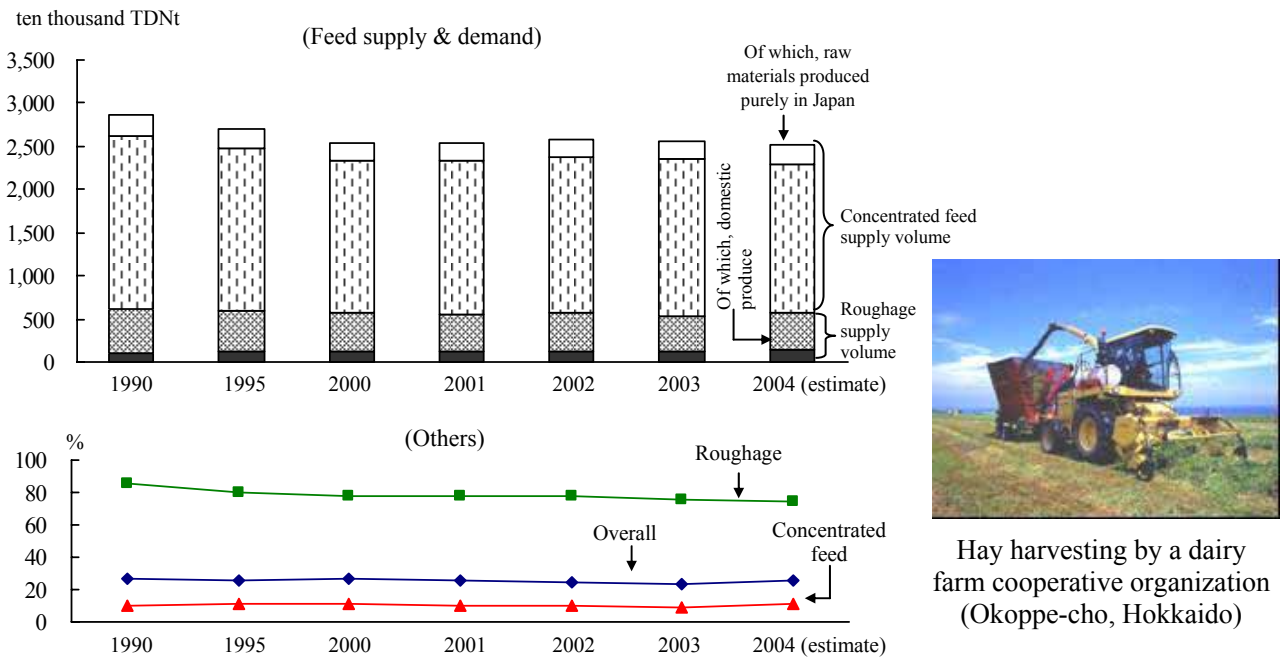
**Fig. 35 Soybean Production Trends**



**Fig. 36 Trends in Domestic Production, Consumption and Imports of Vegetables**



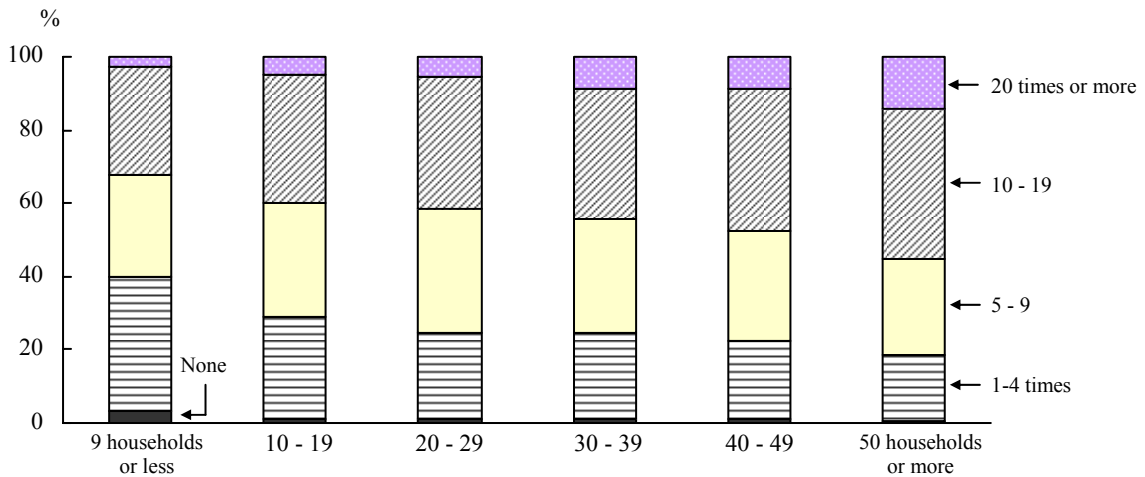
**Fig. 37 Trends in Feed Supply & Demand and Feed Self-Sufficiency**



Source: MAFF

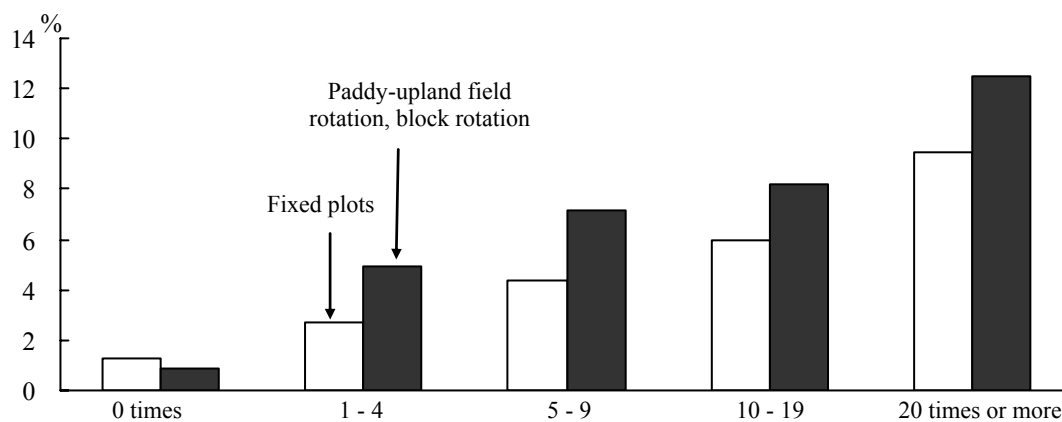
Note: "Of which, raw materials produced purely in Japan" refers to concentrated feed made from domestically-produced materials (wheat, barley and others produced for feed in Japan), and does not include by-products (such as soybean meal) arising from imported food materials.

**Fig. 38 Frequency of Meetings in Farming Villages (2005, by Number of Farm Households)**



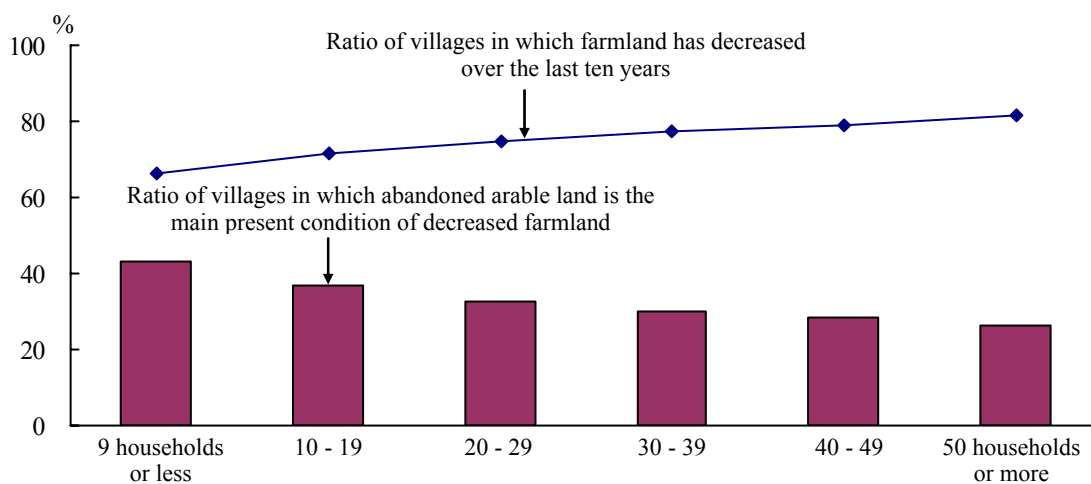
Source: MAFF (recombined aggregates)

**Fig. 39 Ratio of Initiatives for Production Adjustment Activities in Farming Villages (2000, by Annual Frequency of Meetings)**



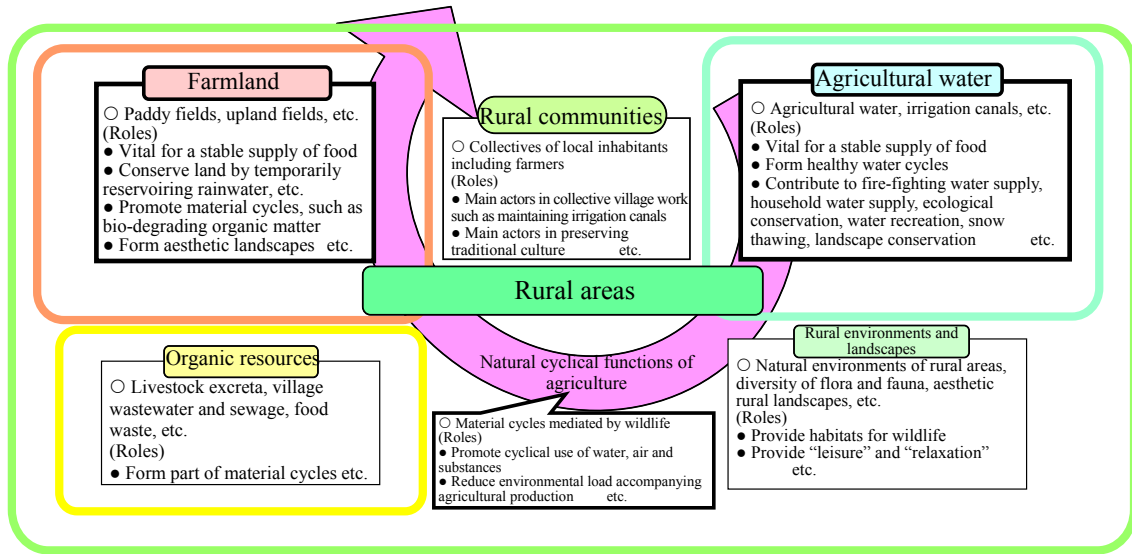
Source: MAFF, "Agriculture and Forestry Census" (recombined aggregates)

**Fig. 40 State of Farmland Decline in Farming Villages (2000, by Number of Farm Households)**



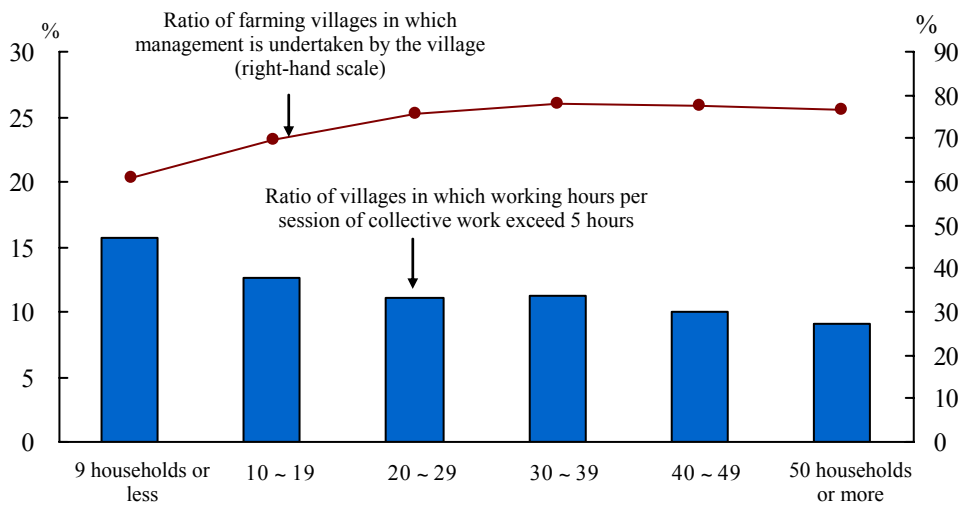
Source: MAFF, "Agriculture and Forestry Census" (recombined aggregates)

**Fig. 41 Outline of Rural Resources**



Source: MAFF

**Fig. 42 State of Activities to Maintain and Protect Irrigation and Drainage Canals (2000, by Number of Farm Households)**



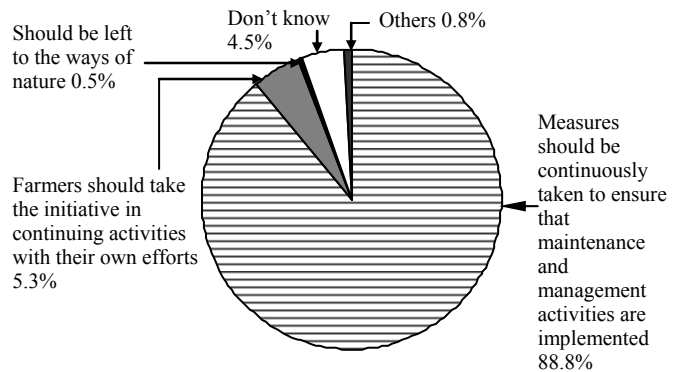
Source: MAFF (recombined aggregates)

**Fig. 43 Public Awareness of Maintenance and Management Activities**



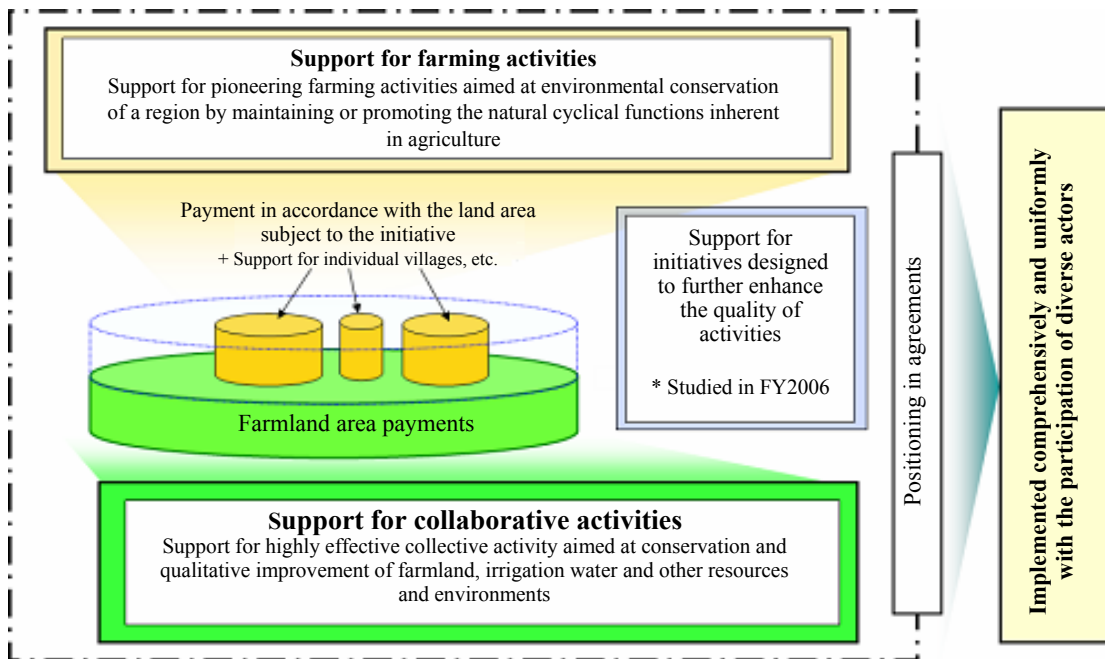
Scene of collective work in a village

(Future directions for maintenance and management activities)



Source: MAFF, "National Awareness Survey" (published Jan. 2006)  
 Note: Survey targeted 3,500 persons aged 20 and over in all parts of Japan (response rate 92.2%)

**Fig. 44 Outline of Measures to Conserve and Improve Rural Resources (Land, Water and Environment) (tentative name)**

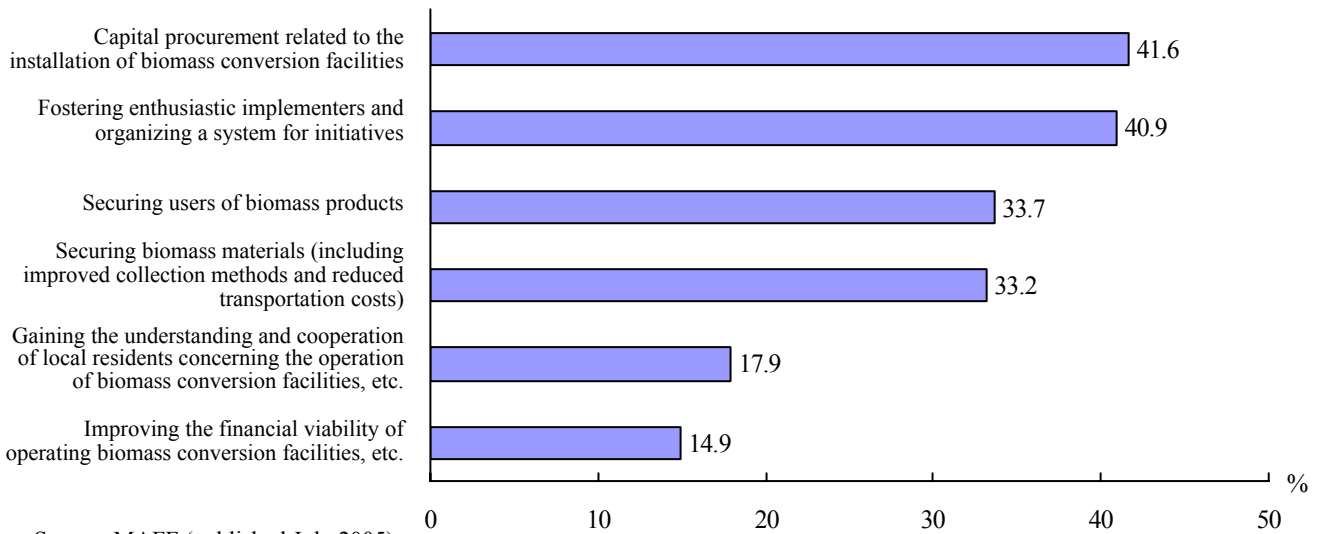


Source: MAFF



A bio-ethanol mixed gasoline demonstration test vehicle being filled with fuel (Ie Village, Okinawa Prefecture)

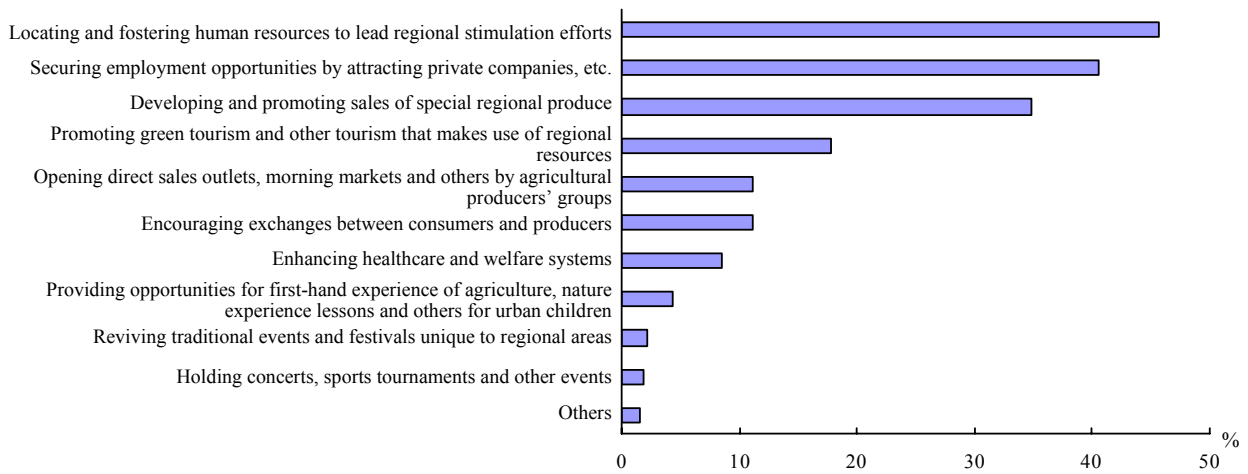
**Fig. 45 Main Issues in Initiatives for the Utilization of Biomass (Multiple Response)**



Source: MAFF (published July 2005)

Note: Questionnaire survey targeting 2,103 representatives of municipalities, agricultural cooperatives, forestry cooperatives, private companies and others engaged in the utilization of biomass (response rate 72.1%)

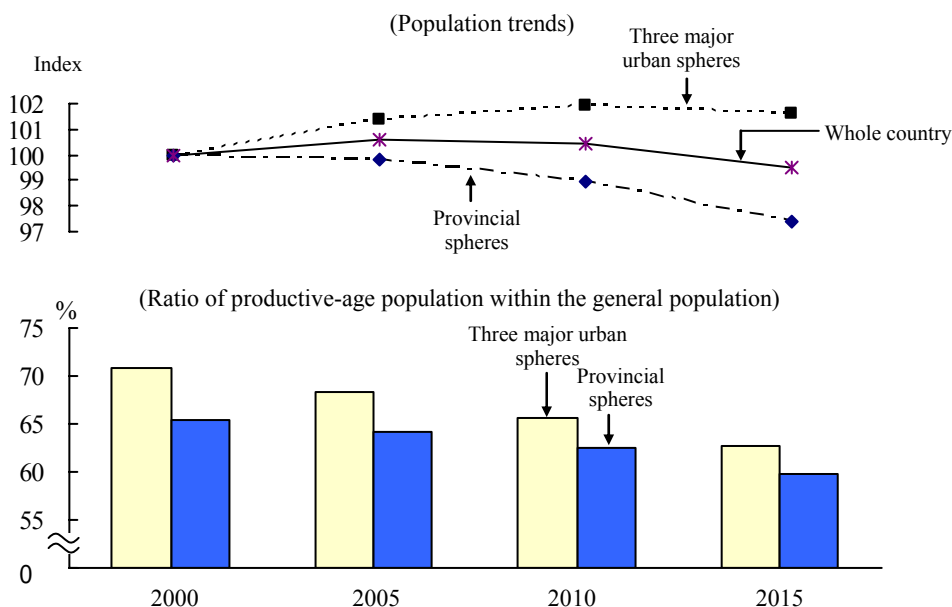
**Fig. 46 Measures Contributing to Regional Stimulation (Multiple Response)**



Source: MAFF, "Survey on Food and Agriculture, the Fulfillment of Multi-Functional Roles, etc." (published March 2003)

Note: Survey targeted agricultural administrators in 3,369 municipalities across the country (response rate 50.8%)

**Fig. 47 Future Population Projections in the Three Major Urban Spheres and Provincial Spheres**

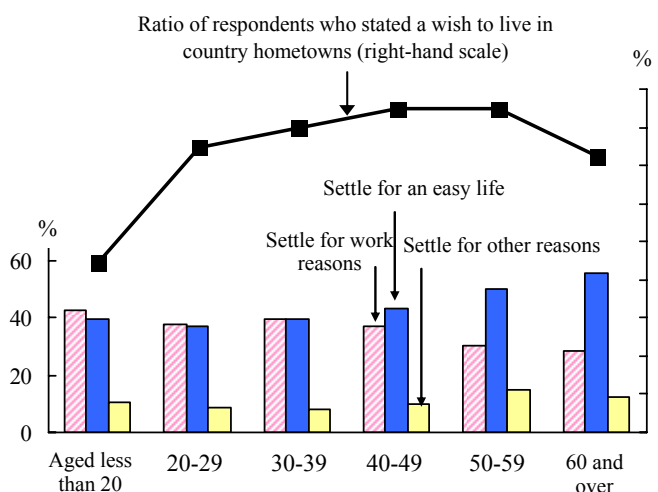


Source: National Institute of Population and Social Security Research, “Population Projections by Prefecture (Estimated March 2002)”

Notes: 1) Population trends are expressed using an index based on 2000 as 100.

2) The three major urban spheres are the Tokyo sphere (Saitama Prefecture, Chiba Prefecture, Tokyo, Kanagawa Prefecture), the Nagoya sphere (Gifu Prefecture, Aichi Prefecture, Mie Prefecture) and the Osaka sphere (Kyoto Prefecture, Osaka Prefecture, Hyogo Prefecture, Nara Prefecture). Provincial spheres are all prefectures besides the above.

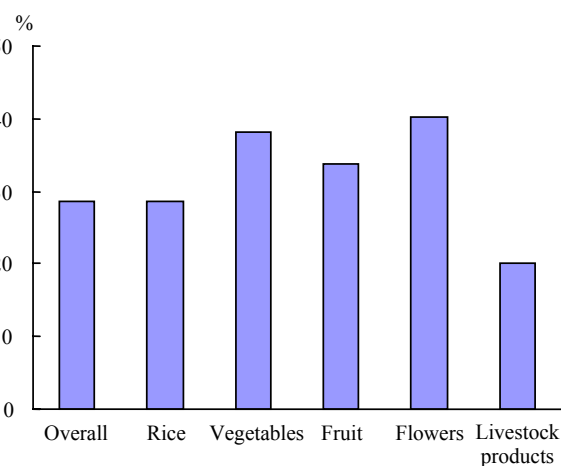
**Fig. 48 Inclination to Live in Country Hometowns**



Source: Center for Promoting and Supporting the Movement for Returning One Million Citizens to Country Hometowns (published Jan. 2005)

Note: Survey targeted 15,150 persons living in the three major urban spheres (response rate 45.4%)

**Fig. 49 Ratio of Agricultural Output in Urban Regions Compared to the Whole Country (2004)**



Source: MAFF, “Production Agriculture Income Statistics” (recombined aggregates)