Will TPP Cause the Fall of Japan’s Powerful Agricultural Cooperatives?

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- The government increased the rice price for farmers. This caused the glut of rice. The government introduced the acreage reduction or set-aside program in 1970 by giving farmers subsidies for reducing rice production and planting other crops. Now it keeps the rice price high.

- The government enticed industries to install factories in rural areas so that rural people could work for those factories.

- A lot of inefficient small-scale part-time farmers remain in the rice industry.
Farming income is small for rice farmers

(Thousand yen) (2014)

- Pension
- Income derived from non-farming activities
- Farming income

- rice
- fruits
- vegetables
- beef
- dairy
- bloiler
- pig
Non-farming income and pension is much greater than farming income in the farm sector as a whole.

Farmers’ income in real terms (1955-2003)

Non-farming income
Pension/subsidies, etc.
Farming income
JA (agricultural cooperatives) is the only legal person in Japan which can make any kind of business including sales of farm inputs and products, insurance, and banking.

By pegging the rice price high with tariffs, JA could maintain a lot of small-scale part-time farmers who have been the sources of JA’s political power and have deposited their earned income or pension in JA. JA is the second largest bank in Japan.

JA collected 11 million signatures against TPP. This triggered the embarkation on the Abe administration’s JA reform. But it is a partial reform.
The TPP and Japan’s agriculture

- Tariffs on rice, wheat, sugar, butter and smp are maintained; tariff–quotas of rice, wheat, butter and smp expand; surcharge on wheat within tariff–quota decreases; tariffs on beef and pork decrease, tariffs on whey and cheese are eliminated
- A lot of farmers believe that TPP will damage Japanese agriculture.
The head of the agricultural committee of the ruling party has proposed to reduce the price of farm inputs such as fertilizer which are twice as expensive as in the US due to the JAs’ monopoly power. This may diminish the farmers’ anxieties against the TPP as well as increase both the competitiveness of Japanese farm products and the farmers’ income.

This may also contribute to the collapse of the JAs’ dominant positions in the farm inputs market which the governmental deregulation committee failed to attain two years ago.
Have JAs lost their political clout?

- The Abe administration’s reform of JAs shocked JAs since no previous administrations had ventured to try.
- But JAs’ power cannot be eliminated. In spite of a big victory in the last Upper house election, the ruling LDP lost 5 out of 6 seats in Tohoku region which heavily depends on rice. Why?
- It is one way for eliminating JAs power to make JAs joint stock companies to which anti-monopoly law applies. Many privileges are accompanied by a cooperative, though.
- How about getting rid of high rice price which is another source of JAs power?
## Comparison of agricultural policies

<table>
<thead>
<tr>
<th>Country</th>
<th>Japan</th>
<th>US</th>
<th>EU</th>
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</thead>
<tbody>
<tr>
<td>Decoupled direct payments</td>
<td>No</td>
<td>Yes/No</td>
<td>Yes</td>
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<tr>
<td>Environmental direct payments</td>
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<td>Direct payments for less favorable regions</td>
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<tr>
<td>Production restriction program for price maintenance</td>
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<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tariffs* over 1000%</td>
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<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Tariffs of 500-1000%</td>
<td>2 (rice, peanuts)</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Tariffs 300-500%</td>
<td>2 (butter, pork)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Tariffs of 200-300%</td>
<td>6 (wheat, barley, skim milk powder, starch, beans and raw milk)</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

* Specific tariffs are applied to tariffed products in Japan. Here, these specific tariffs are estimated as their equivalents of ad valorem tariff rates, taking into account international prices.
But TPP is disappointing.
Overview of rice policy

One trillion JPY burden on consumers

Reduced supply from acreage reduction
400 billion JPY fiscal burden
300 billion JPY acreage reduction subsidies
100 billion JPY direct payments for rice with acreage reduction as a condition

High price of rice
600 billion JPY consumer burden

High cost structure of rice
- High rice price encourages small part-time farmers, the scale of full-time farming does not increase
- The yield by area does not increase (40% less than yield in California)

Negative influence on food security assurance
Reduction in paddy field area
The comparison of the revenue of rice between for direct human consumption and for feed use

(Revenues in thousand yen)

- **Direct human consumption (2013)**: 105 thousand yen
- **Direct human consumption (2014)**: 147 thousand yen
- **Feed**: 158 thousand yen
  - Revenue by sale: 147 thousand yen
  - Other subsidy: 15 thousand yen
  - Acreage reduction subsidy: 15 thousand yen
What might happen?

- The increase of rice for feed replaces substantial corn import from U.S. which amounts to 10 million tons. The production of rice for flour replaces wheat import from U.S. which amounts to 3.6 million tons.
- This subsidy is regarded as actionable or causing serious prejudice in the WTO’s SCM Agreement. U.S. could retaliate on Japan by imposing high tariffs on imported industrial products such as automobiles from Japan.