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Current Status of Agriculture and Rural Areas in Japan and Prospect of New Policy Framework: Comparison with the Direct Payment System in Japan and Europe

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Abstract

This paper considers the 'direct payment system Japanese style', which has been in force in Japan since fiscal year 2014 when the entire system was reorganised and fused with other current direct payment systems. Our analysis reveals that Japan's direct payment system focuses on supporting the functioning of rural communities and has been relatively effective at strengthening intra-community ties. However, we conclude that it is difficult to foresee a promising future for the system unless the new policy framework is made more trustworthy and reliable and many additional policies are brought into force.

Keywords: Rural policy, Direct payment system, Rural community, Japan

1. Introduction

This paper examines 'the direct payment system Japanese style,' a key element of Japanese rural policy, from three angles. First, it will characterise Japan's new agricultural and rural policy framework by analysing earlier research and the policy itself. Second, it will evaluate whether the policy is a strong fit with the current status of agriculture and rural areas in Japan. Using statistical data, the paper will compare the situation between before and after the policy went into operation. Finally, it will consider the prospects for rural areas in Japan by comparing with the European policy framework.

2. Background and characteristics of the new policy framework

2.1. Background

From the perspective of agricultural land use, a growing area of abandoned agricultural land is a key problem for Japan. Examination of the relevant data confirms that the main reason for ruined agricultural land in recent years is the abandonment of land that was formerly cultivated[1]. In 2010, the most recent year for which data was available from Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), about 396,000 ha of agricultural land were abandoned nationwide for a rate of abandoned land[2] of 10.6%. Abandoned agricultural land problems first became serious in the 1990s; the area abandoned has increased in each five-year period since then[3].

If price support policies for agricultural products were implemented and prices rose, stimulating farmers' will to produce, it would be easy to maintain farmland. However, WTO regulations preclude adopting such a policy. Therefore, various direct payment policies are being carried out, instead, as explained below.

[1] According to the Statistics on Cultivated Land and Planted area by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

[2] Rate of abandoned land = Area of abandoned land / (Area of abandoned land + Area of cultivated agricultural land) * 100 (%)

[3] According to the definition in the Census of Agriculture, 'abandoned land' refers to previously cultivated land that has not been used for more than a year (fertility management), and for which there are no plans to resume its use within a few years. One important point is that abandoned land reported in the Census of Agriculture is not necessarily stock data.

2.2. The development of three current systems closely linked to the new system

A new policy framework was drafted to respond to these circumstances. The 'direct payment system Japanese style' was brought into force through financial measures in fiscal year (FY) 2014. In addition, a law promoting multifunctional roles for agriculture was enacted to carry out the direct payment systems' measures starting in FY 2015.

The term 'Japanese style' is used to emphasise the difference between this system and the direct payment systems of the European Union (EU) and certain other advanced economies. The main difference between the Japanese and European direct payment systems is that Japan's system considers and prioritises the functioning of rural communities. The main purpose of this policy is to strengthen ties of farmers and residents in rural communities. Two important objectives of the new policy framework are maintaining cultivated land and keeping rural areas in good condition.

To summarise the new system, it mainly consists of three pillars. The first, known as the 'payment for multifunctional roles', expands and revises the current payment for conserving farmland and water. This includes two kinds of payments: the 'payment for maintaining agricultural land' and the 'payment for improvement local resources' (recipients of these may be overlapping). The second pillar continues the current direct payment to farmers in the hilly and mountainous areas, and the third part extends the current direct payment for environmentally friendly agriculture. In this way, the new system reorganised and fused three current systems.

Of these, the direct payment to farmers in the hilly and mountainous area is the oldest policy; it entered into force in FY 2000 under the same name. The current direct payment for environmentally friendly agriculture was originally carried out as the 'support payment for farming activity', one part of the measures to conserve and improve land, water and environment introduced in FY 2007; this process was independently institutionalised starting in FY 2011. These components will now once again be unified into a sole system.

We will now consider two of these direct payment policies in depth, the direct payment to farmers in the hilly and mountainous areas and the payment for conserving farmland and water. These policies strengthen the functioning of rural communities and are considered emblematic of the Japanese-style direct payment system.

2.3. The direct payment to farmers in the hilly and mountainous areas

'The direct payment to farmers in the hilly and mountainous areas' was implemented in FY 2000. Farmers who participate in the system are in principle obliged to conclude an agreement with a rural community group, which is one of the most important aspects of the system. Payment amounts depend on the type of agricultural land and its steepness. For example, farmers with steep paddy fields (1/20 or above) are paid 21,000 Japanese yen per 10 a. Those with less steep paddy fields (less than 1/20 but above 1/100) are paid 8,000 JPY per 10 a. Policymakers have explained that the different payments are based on the difference in the cost of maintaining agricultural land on flatlands as opposed to slopes. A key aim of the system is to support cultivation on steep agricultural land.

This system, however, was not constructed solely to make direct payments to farmers who maintain cultivation on steep farmland. One of the characteristics of the system is that there is no restriction on the beneficiaries. In addition, as mentioned earlier, farmers who are members of the system are obliged to conclude agreements with community groups. Furthermore, the system requires that agreement participants jointly use more than half of the

subsidies. The system is based on two types of subsidies: those for the disadvantaged and those for rural community activation (Yoichi Tashiro, 2002). Therefore, the system can be evaluated in terms of two goals: reducing abandonment of cultivation and strengthening ties within the rural community. The terms 'direct effect' and 'indirect effect' are also used in government records. It can be said that the first goal is in line with WTO regulations and the second is prioritised by Japanese policymakers[4].

2.4. The payment for conserving farmland and water

Another policy framework, 'the payment for conserving farmland and water'[5], was implemented in FY2007. This framework includes not only hilly and mountainous areas but also flatlands. It supports collaborative activities that contribute to the preservation and qualitative agricultural improvement of local resources, including agricultural land, rivers, irrigation channels, and farm drainage. Like the direct payment to farmers in the hilly and mountainous areas, this component also requires an agreement among rural community residents.

Under the basic payments, paddy and upland fields receive 4,400 and 2,800 Japanese yen per 10 a., respectively. The payment amounts are determined based on both the cost to maintain agricultural land and local resources. The policy provides the framework needed to encourage rural communities to implement repair and renewal operations and lengthen the service lives of terminal irrigation canals and farm roads.

3. Effectiveness of and changes resulting from the direct payments

It can be argued that the direct payment to farmers in the hilly and mountainous areas has been highly effective. This is partly indicated by the results of the 2000 and 2005 Censuses of Agriculture, which show the extent of cultivation before and after implementation. It is especially apparent for paddy fields; considering the relationship between the steepness of paddy field land and the rate of decreasing area for paddy fields, the trend between 2000 and 2005, under the new system, is notably different from the long-term trend from 1960 to 2000 (Takuya Hashiguchi, 2008, 2010).

Table 1 considers changes in the conservation of certain local resources by rural communities. A comparison of the situations between 2000 and 2005 reveals a large difference, especially for rice terraces and paddy fields on valley bottoms. In 2005, 49.3% of rural communities conserved rice terraces and 20.3% of them preserved paddy fields on valley bottoms. This is in stark contrast to 2000, when only 5.8% of rural communities conserved rice terraces and paddy fields on valley bottoms. On the other hand, there is no major difference for rivers and water channels. This suggests that the changes for rice terraces and paddy fields on valley bottoms are the result of the direct payments to farmers in hilly and mountainous areas.

[4] It is also argued that this payment system aims to not only support less favoured areas in order to reduce regional disparities but also encourage endogenous development in rural areas (Tokumi Odagiri, 2011).

[5] This policy framework was called the 'measures to conserve and improve land, water and environment' when it began in FY2007. Its name has since been changed, and the framework itself is somewhat changed.

Table 1. Rate at which rural communities preserve local resources in 2000 and 2005

Classification of Agricultural Area	Rice Terraces and Paddy Fields on Valley Bottoms	Rice Terraces	Paddy Fields on Valley Bottoms	Rivers and Water Channels	
	Y2000	Y2005		Y2000	Y2005
Urban Area	-	16.7%	8.1%	-	27.0%
Flat Farming Area	3.9%	48.4	9.0	39.0%	38.7
Hilly Farming Area	5.7	51.5	21.2	37.9	37.9
Mountainous Farming Area	6.7	52.0	29.9	37.0	35.7
Nation-Wide	5.8	49.3	20.3	38.0	35.5

Source: 2000 and 2005 Census of Agriculture by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF).

Table 2 summarises the extent of conservation measures undertaken by rural communities. A comparison between 2005 and 2010 reveals large differences. For example, 10.8% of rural communities conserved agricultural land in flat areas in 2005. However, in 2010, 32.2% of rural communities conserved this type of agricultural land. In 2005, 21.1% of rural communities conserved rivers and irrigation channels; by 2010, this had risen to 43.6% of rural communities. Comparing Tables 1 and 2, the changes appear to be results of the payment for conserving farmland and water.

Table 2. Rate at which rural communities preserve local resources in 2005 and 2010

Classification of Agricultural Area	Agricultural Land		Reservoirs, Lakes and Marshes		Rivers and Channels for Irrigation		Farm Drainage	
	Y2005	Y2010	Y2005	Y2010	Y2005	Y2010	Y2005	Y2010
Urban Area	5.3%	18.5%	35.6%	54.5%	17.4%	37.7%	51.5%	65.5%
Flat Farming Area	10.8	32.2	38.0	59.7	22.2	47.8	58.5	77.3
Hilly Farming Area	26.7	40.9	39.8	60.1	23.2	47.0	61.8	75.1
Mountainous Farming Area	33.0	45.5	26.1	42.8	19.4	38.6	60.5	71.8
Nation-Wide	19.0	34.6	36.6	56.6	21.1	43.6	58.5	73.1

Source: 2005 and 2010 Census of Agriculture by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF).

After the Japanese government approved these policies aimed at stemming the abandonment of agricultural lands and implemented measures to reclaim abandoned agricultural land, the rate of agricultural land abandonment seems to have fallen. It is difficult, however, to eliminate all problems of abandoned agricultural land, as commented on further in the conclusion.

According to data from Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), the average size of a rural community agreement group for the direct payment to farmers in

the hilly and mountainous areas remains small[6]. Moreover, the average annual payment per farmer joining an agreement is only about 76,000 yen (about 500 Euro, at 2014 exchange rates). For this reason, not only the implicated people and organisations but also the participating farmers expect the system to offer subsidies for rural community activation. These rural community group agreements are sometimes compared to Local Action Group (LAG) in the EU's LEADER program, but their scale in Japan is very small.

4. Conclusion

Data from the Census of Agriculture, as reviewed in this paper, show that ties within rural communities have indeed been strengthened as a result of some of the new policies. However, the average age of farmers in rural areas is almost five years older than it was five years ago. This suggests it will be difficult to rejuvenate the farming population. Furthermore, the area of cultivated land is declining, and agricultural land abandonment continues to be a serious problem.

In closing, I would like to suggest that subsidy programmes that have proven their effectiveness should be evaluated further. However, I do not think they hold much promise for the future. Both farmers and residents of rural communities are mainly elderly, and the subsidies provided are inadequate for maintaining households, especially those of young farmers and residents.

There have been high expectations for the possible impacts of Japan's new policy framework, and some of the programmes put in place have revitalised both less favoured and flatland areas. Nevertheless, it is difficult to foresee a promising future unless the new policy framework is made more trustworthy and reliable and many other policies are implemented while taking into consideration the future of their beneficiaries and rural areas.

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[6] Nationwide, about 28,000 agreements by farmers based on rural communities were concluded in FY2013. For each agreement group, the average area is 13 ha, the average number of paticipating farmers is 22, and the average payment amount is 1,680,000 JPY.