Is Japan Ready for Competition in Its Ag Markets?

About 40 percent of Japan’s food supply is domestically produced by an agricultural sector that receives substantial support from the government. Japan’s support—at about $23,000 per full-time farmer and almost $10,000 per hectare of farmland—is among the highest of any country. The Japanese government argues that this support is necessary for the economic, environmental, and cultural well-being of rural areas and for the nation’s food security. Critics argue that such support deters other countries from entering Japan’s agricultural markets, weakening domestic and international competition and raising prices for Japanese consumers.

Imposing tariffs (taxes) on foreign agricultural products is Japan’s major form of support. Removal of these “border barriers” would significantly reduce consumer food prices in Japan. Measured by the difference between domestic and import prices, border barriers provide as much as $42 billion a year of support to agriculture. Not surprisingly, products that are subject to negligible tariffs comprise a large share of imports. More surprising is that a significant portion of imports arrives despite high tariffs.

Production of some commodities is so expensive that imports are profitable even with high tariffs.

Reforms in internal farm policies have marginal impact as long as border barriers are high. Current World Trade Organization negotiations on agricultural trade may impose lower limits on border measures and similar policies. Lower limits mean that Japan’s agriculture would face more import competition, which would press its farm sector to lower costs by quickly restructuring itself. In theory, the government could compensate farmers for lost farm income by providing income support not linked to farming; however, Japan’s high government deficits would make increasing domestic spending difficult. Japan’s consumers, and its economy as a whole, stand to benefit from lower food prices—perhaps more so than consumers in any other country. Nevertheless, Japan’s resistance to strong trade liberalization in agriculture is based on the realization that its current agricultural structure is not compatible with sharply reduced barriers against imports.

John Dyck. 202-694-5221, jdyck@ers.usda.gov


The Economic Well-Being of Farm Households

Even as farming has changed markedly over the past century, so, too, have farm households changed—both in the way they farm and in the extent to which they participate in and identify with nonfarm activities, such as off-farm work and investment opportunities. Conventional wisdom has been slow to recognize this evolution.

Traditional assessments of the economic well-being of the farming population focused on farm income. Earnings from farming, however, are low for most farming households, and farm households have increasingly turned to nonfarm-related sources of income. A more accurate assessment of the well-being of those farming today would incorporate farm households’ income from farm and off-source. Wealth—as reflected by farm and nonfarm assets—and its role in shaping farm household consumption also need to be considered in any assessment of household well-being.

Most farm households participate in nonfarm activities and earn a major portion of their income from off-farm employment. (Actual income levels vary with household characteristics, including age, education, and family size.) Off-farm employment raises and stabilizes farm household income. In fact, when both farm and off-farm activities are considered, the average farm household has higher income, wealth, and consumption levels than the average U.S. household. Nonetheless, about 6 percent of farm households remain disadvantaged, having lower average income and wealth than the average U.S. household.

Ashok Mishra, 202-694-5580, amishra@ers.usda.gov


See also the ERS Briefing Room on Farm Income and Costs: www.ers.usda.gov/Briefing/FarmIncome/