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## Australian Summary of Japan's Farm Policy

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*Japanese Agricultural Policies A Time of Change*  
Australian Bureau of Agricultural and Resource  
Economics Policy Monograph No 3, 1988, 359 pages,  
\$44.95

*Reviewed by Lois Caplan and Larry Deaton*

This work, the third in a series of policy monographs published by the Australian Bureau of Agricultural and Resource Economics (ABARE), is an accessible and valuable resource for understanding Japanese agricultural policies. It updates and is more comprehensive than a 1981 monograph by the precursor of ABARE, the Australian Bureau of Agricultural Economics (BAE). The 1988 volume puts Japanese agricultural policy into perspective by providing a good summary chapter on the development of postwar farm policies and a concluding chapter suggesting areas for further reform. The book also features separate chapters on the grains, dairy, beef, sweeteners, fruit, forestry, and fishing industries. The last two subjects were not covered in the 1981 study.

The commodity chapters are uniformly excellent. The grains chapter is as good an introduction to Japanese rice policies as we know of. Generally, these chapters not only discuss the effects of policies of a given commodity on the supply, demand, and trade of the commodity but also relate them to agricultural policies affecting other commodities. The commodity chapters also do an excellent job of providing the historical origins of these policies. For example, well known is the fact that hunger during and after World War II affected many Japanese households, having a major influence on postwar Japanese policy, particularly with regard to rice. However, it probably is not so well known, except perhaps in Japan, that major riots swept Japan much earlier, when rice prices were raised in 1918. It is probably natural for a reader to wonder why civil disturbances of 71 years ago are important to the current Japanese policy environment. The answer that ABARE gives is that the events led to the Rice Act of 1921, providing for the "permanent government control of rice and other staple foods."

ABARE goes on to weave together the story of how this law, together with more recent laws, such as the Agricultural Basic Law of 1961, have combined to

solidify the structure of rice farming into its present form. Admittedly, some policy changes have occurred more recently. The ABARE book does a good job of describing the four major diversion programs, the first of which was initiated in 1971.

The other commodity chapters are equally good. The problem with these chapters is not to be found in what is there, but instead in what is left out. We were surprised that there were no chapters on poultry or oilseeds. Since Australia is not likely to be a major exporter of poultry or oilseeds to Japan, it is perhaps understandable that the book spends relatively little time on these commodities. But such an explanation does not justify the omission.

Growth in per capita poultry consumption rose from 0.8 kg/person in 1960 to 9.2 kg/person in 1985, and is likely to continue to rise. This change has had major effects on Japanese diets, significantly influencing production, consumption, and imports of other commodities, like beef.

Similarly, a discussion of oilseeds would have been useful. While formal import barriers are not apparent in the case of oilseeds imports, the domination of Japanese cooperatives in feed imports has meant that price reductions, as a result of the fall in the value of the US dollar, were not passed on to Japanese livestock producers. Imports of soybean products did not accordingly increase to the extent that they would have if trade were truly free. Such omissions are not serious, but they do weaken the comprehensive nature of the work.

The chapters that do not deal with specific commodities are even better than those that do. Chapter 5, which discusses "the characteristics of Japan's agriculture," is an excellent introduction to the peculiarities of Japanese agricultural structure and the vagaries of the political environment that affect the making of Japanese agricultural policies.

Chapter 5 makes it clear that to understand the current structure of Japanese agriculture, one must understand the importance of part-time farming. Between 1960 and 1985, the percentage of farm households that derived more income from farming than from other sources declined from over 50 percent to 21 percent. Over the past three decades, the availability of off-farm income has been increasingly

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important to the extent that by 1986 only 15 percent of income of farm households was coming from farm sources. ABARE provides a good examination of how part-time farming has changed in recent decades, but it also goes beyond that. The book impressively goes beyond a rehash of farm structure statistics to examine part-time farming by means of a simple but illuminating labor-leisure choice model (with accompanying elasticities) in a box on page 70.

Chapter 5 also sheds light on the Japanese political process. Many writers have noted the influence of the rural voters and the debt that the ruling Liberal Democratic Party (LDP) owes to these voters. This is nothing new and the explanation here is quite straightforward. What is different, or at least less well known, is the explanation (see pp. 93-97) of the importance of the principle of noninterference by other groups in the vital interests of one group as the prime factor in allowing rural special interest groups to continue their domination of agricultural and rural policies.

The value of the information provided in chapter 5 is perhaps best understood in how it reveals the likelihood of major reforms of agricultural policies. The case for further reform is put forth in the last chapter, an especially timely and interesting piece because of the current political uncertainty in Japan. In Japanese elections of this past July, the LDP, which had been in power since 1955, lost its majority in the upper house of the Diet, or Parliament, while the Japanese Socialist Party made large gains. The LDP managed to retain its leadership in the more powerful lower house after elections were held in February. The LDP was careful not to further alienate farmers, traditional supporters of the LDP, who were partly responsible for the party's serious defeat last summer. Farmers were unhappy over the Government's lowering the rice support price in 1987 and 1988, and the impending opening of the beef and citrus markets in 1991.

As is already evident, the LDP's weakness will slow agricultural reform efforts. Just prior to the upper

house elections in July, the Government, under pressure from the LDP, decided to keep the 1989 rice support price unchanged from the previous year. While the new Kaifu Government's goals for Japanese agriculture include improving productivity and ensuring a stable supply of food at reasonable prices, it has also reaffirmed its policy of maintaining self-sufficiency for rice. Many people view change in Japan's tightly controlled rice sector as key to agricultural reform in Japan.

As ABARE emphasizes, during the second half of the 1980's, the Japanese Government made several important agricultural policy changes, including lowering support prices for key commodities, such as grains, soybeans, and livestock. The Government also announced several major farm trade liberalization measures, including the removal of quotas on beef and fresh oranges. ABARE analysts view these events as starting the process of agricultural policy reform in Japan. They are also modestly optimistic that further change will occur because of both internal forces, such as the aging population of Japanese farmers, and external forces such as U.S. pressure to open Japan's agricultural market further. The authors did not foresee, however, the political troubles of the LDP and the probable stalemate in farm reform actions. There may not exist the necessary "political will" to continue the process of agricultural reform in Japan any time soon.

One final note. It would be easy enough to restrict a review of the book to its content. As excellent as the content is, to do so would be a mistake for the style of the work is also worthy of mention. Few publications published by a government agency of any country are as attractive as this one. How the book integrates color, text, and graphics makes it authoritative and visually impressive.