

Abe Cabinet Agricultural Reform

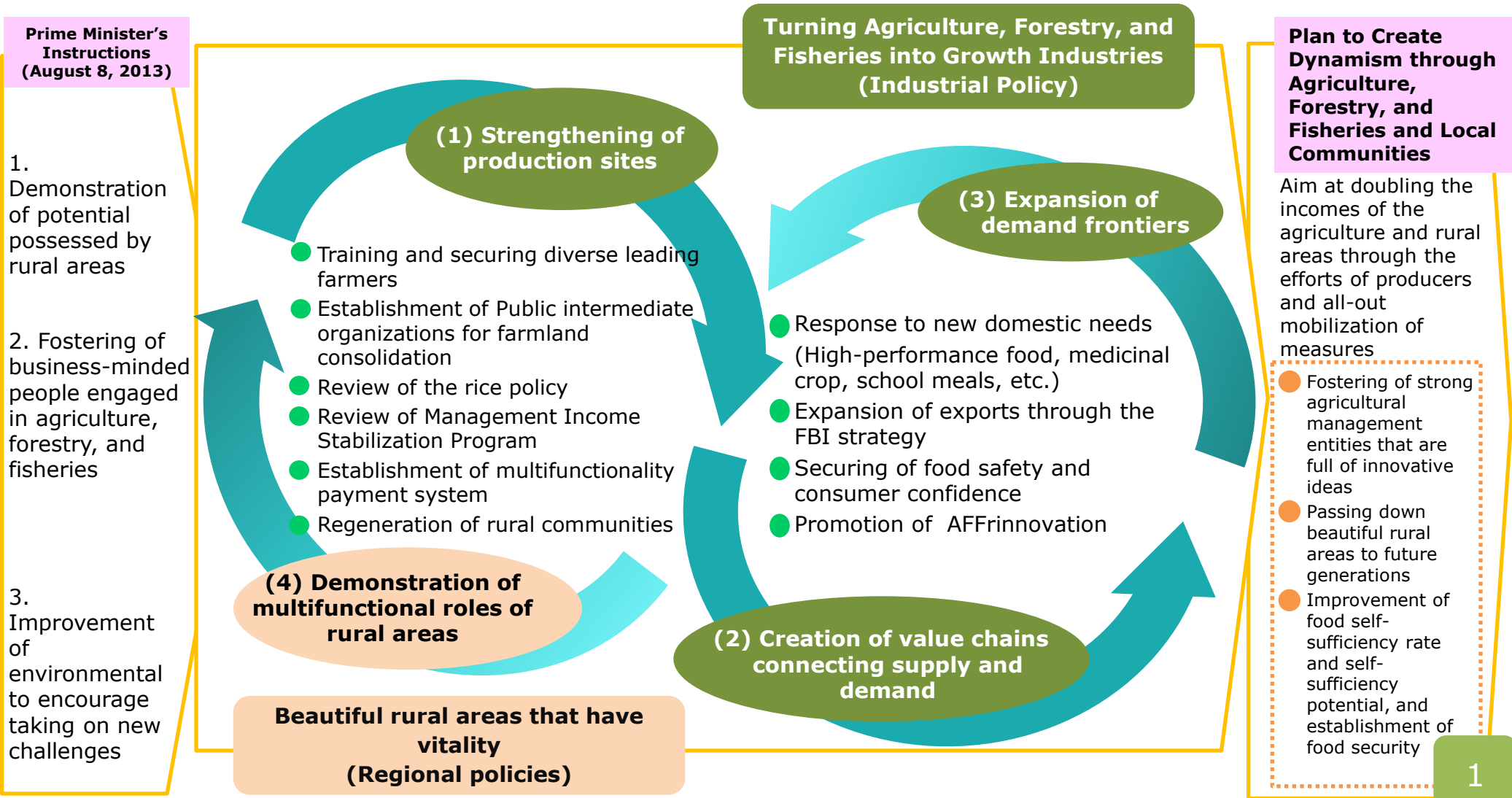
July 2014

Ministry of Agriculture, Forestry, and Fisheries

Direction of Reform of Agricultural Policy for "Aggressive Agriculture, Forestry, and Fisheries"

Development of "Aggressive Agriculture, Forestry, and Fisheries," with industrial policy and regional policy serving as the two wheels of a cart supported by the following pillars: (1) strengthening of production sites, (2) creation of value chains connecting supply and demand, (3) expansion of the demand frontier, and (4) demonstration of the multifunctional roles of rural areas.

Through these efforts, Japan will create "strong Aggressive Agriculture, Forestry, and Fisheries" and "beautiful rural areas that have vitality," and aim at doubling the incomes of the agricultural industry and rural areas as a whole.



I Expanding Demand

Expanding Domestic and International Demand

◆ **Target: Expand exports of AFF and food products to 1 trillion yen in 2020**

1 Responding to new domestic demand

● Collaboration between medical/welfare and food/agriculture fields

◆ In collaboration with relevant ministries, investigating methods to display food functions with a scientific basis

◆ Establish scientific opinions on health benefits of Japanese food

◆ To respond to the latent demand for nursing care foods (texture modified foods), the New Nursing Care Foods opinion was announced in April, 2014, considering Issues on the Future of Nursing Care Foods (July, 2013). Studies have also been implemented on how to provide nursing care foods meeting user needs and approaches to increase awareness of nursing care foods

◆ Promote exchange and sharing of information between producing areas and herbal medicine makers, to develop a stable supply of medicinal plants for ingredients

● Establish a stable supply to **expand and normalize the use of local AFF products in school lunches**

● Under **expanding the demand of vegetables for processing and/or industrial use**, the governmental support for introducing new technologies and/or machineries to ensure stable vegetable production, shall be provided in order to increase those vegetables production

[Increase the shipping volume of vegetables for processing and/or industrial use by 50% in the next 10 years]

2 Global expansion of food culture and industry

● Integrated approach of promoting the use of Japanese food as ingredients of world cuisines (Made "**FROM**" Japan), expanding Japanese food culture and Japanese food industries internationally (Made "**BY**" Japan) and promoting the export of Japanese food (Made "**IN**" Japan)

● Targeting and tackling prioritized issues for improving environment for exporters (e.g. reducing existing barriers to export) based on “the Country-specific and Product-specific Export Strategy of Japanese Agricultural, Forestry, Fishery and Food Products” (released on August, 2013)

● More convenient export quarantines by doing them at wholesale markets or producing areas, to replenish products on-site

Juice with lots of β -cryptoxanthin



Government, companies and schools researched function of β -cryptoxanthin and marketed products based on that research (on sale in March, 2013)



Udon made in rings so seniors can eat it easily



School lunch made with local products

Japanese food culture established in a natural and social environment

- Natural conditions in Japan (surrounded by the seas, volcano activities, “monsoon” climate etc.) have influenced the formation of Japanese characteristic food culture.

Culture of “Umami” (savory flavor)

- Japan is volcanic and steep.
- Due to rapid flows of underground water , there are a large amount of soft water containing few minerals.
- Soft water, in which “Dashi” (which is extracted from dried food such as “katsuobushi” (dried bonito) and “kombu” (a type of sea weed)) is easily soluble, has promoted Japanese food culture to use “Umami” (savory flavor) in a variety of dishes in Japan.



Culture of fermentation

- Humid air generated in the Indian Ocean come from Southeast Asia to Japan ,called “monsoon” climate.
- Culture of fermentation have developed (Miso, Soy sauce, Sake, Mirin, katsuobushi, etc) though endemic microorganisms (molds (aspergillus and oryzae) etc.) nurtured in a warm and wet climate .



Abundant water resource and clear four seasons

- Due to “monsoon” climate, Japan has a large amount of rainfall.
- A variety of cooking methods (boiling, streaming, soaking , etc.) which use a large amount of clean water has been developed.
- There are characteristic four seasons in Japan.
- There are appropriate foods and cooking styles for each season. Japanese people value “Hatsumono” (the first food (crops or fruits etc.) of the season) and celebratory feasts (seasonal festivals, etc.).



Rich regional diversity

- Japanese territory extends from north to south and has a variety of climates.
- There is a variety of vegetables (about 150 kinds are provided in market) and fishes (about 4,200 kinds of fishes live in the seas around Japan and inland waters).
- Distinct cooking and preserving methods are established in each region. Local cuisine cultures using these methods have developed in Japan.
- Historically Japan has absorbed a lot of foreign cultures .



Initiatives to Promote Japanese Food and Food Culture

○Over the next ten years, the global food market is expected to grow from 340 trillion yen to 680 trillion yen. To be a part of this market, it is important to properly promote Japanese food and food culture. Therefore, in cooperation with the Organization to Promote Japanese Restaurants Abroad (JRO) and other organizations, initiatives are underway to promote Japanese food and food culture.

Overseas Culinary Schools

Include courses on Japanese food in overseas culinary schools training future chefs

- E.g.) -December 2013, the Dusit Thani College (largest culinary school in Thailand) added a Japanese course.
-March 2013, Le Cordon Bleu (France) added a Japanese course.



Overseas Japanese Restaurants

In collaboration with multiple Japanese restaurants overseas, teach general consumers about the appeal of Japanese food and food culture.

- E.g.) -In 100 locations in Shanghai such as the Gold Jaguar chain, menu items were provided including handmade somen and dishes using katsuobushi
-In cooperation with restaurants in the Netherlands, menu items using Japanese products were used to demonstrate the quality of Japanese food products



Top Chefs and the Food Industry

Efforts to communicate the appeal of Japanese food to top chefs around the world

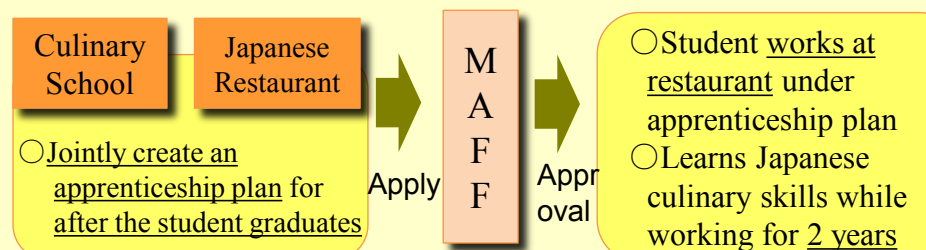
- E.g.) -**Invited** Masters of Wine (an internationally recognized qualification) to Japan, to tell the world about the appeal of sake and sake brewing
-**Held promotional** events for Japanese food and food culture in Paris in collaboration with Alain Ducasse
-Held a Japanese food (kaiseki cuisine) reception at the James Beard Foundation in the USA



Mr. Alain Ducasse

Relaxed Visa Requirements for Foreign Cooks

As of February this year, the visa requirements for foreign cooks to work in Japan while studying Japanese cuisine were relaxed



II Establish a Value Chain Linking Supply and Demand

Establish a Value Chain Linking Supply and Demand (Adding value to AFF products)

◆ **Target: Increase AFFrinnovation market size to 10 trillion yen in 2020**

1 Aid AFFrinnovation by collaboration with businesses

- **Active use of Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan (A-FIVE) (raising investment ratio etc.)** to promote AFFrinnovation ※43 sub-funds selected as of June
- Select important research areas and focus investment, such as for developing functional foods and a high labor-efficiency system with IT/robotics

2 Promote use of renewable energy using local resources

- With the goal of using renewable energy from local resources in harmony with AFF industries to develop rural areas, the **Act on Promotion of Generating Renewable Energy Harmonized with Sound Development of Agriculture, Forestry and Fishery** was passed. It took force on May 1. [Hopefully, in FY 2018, over 100 areas will have initiatives to use renewable energy to develop AFF industries in their region, and over 200 areas will be planning initiatives]
- Biomass industry cities chosen by seven ministries, a new food recycling system, and technical aid and relaxed regulations to support small hydroelectric generation

Horticulture facility
(The Netherlands)



3 Advanced production and logistics system

- With the goal of creating the large greenhouse horticulture clusters, **the next-generation greenhouse horticulture bases** that covered energy supply, production, preparation and shipping, have been started to establish in **9 areas throughout Japan**.
- “Smart agriculture” based on ICT and robotics will realize high quality agricultural production improve labor productivity

4 Develop new breeds and technology

- To create **farm products with strengths such as quality and brand power throughout Japan**, basic policy for promoting each category made in December 2013 [In the next 3 years, over 100 new farm products with these strengths will be made]



Yume-Chikara bread, made by the government, schools and companies



New Yume-Chikara wheat developed perfect for bread, marketed together with food companies



Establishment of Geographical Indication (GI) Protection Scheme

1. Backgrounds

<Current Conditions>

- Variety of products with unique characteristics derived from various local environment
- Some of those products have names that indicate the geographical origin.

Necessity to utilize these product names as common property (intellectual property) of the region.

<Issues>

- ① Insufficient maintenance of product characteristics
- ② Occurrence of freeriding and imitations

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Low credibility for quality and loss for the whole local producers

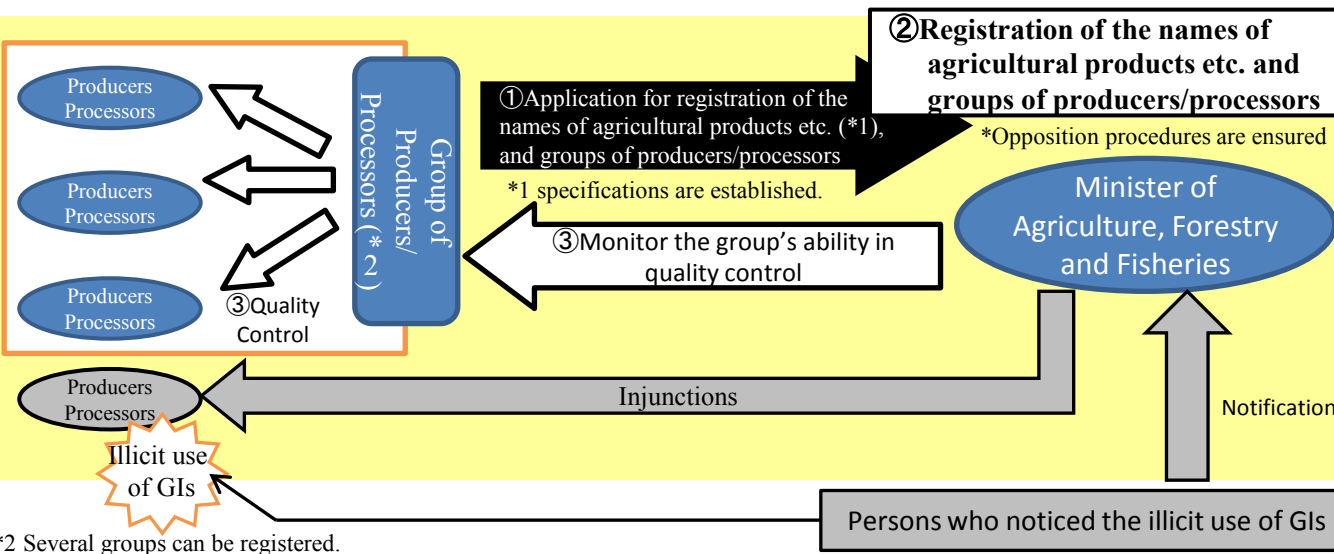
Impairment of brand values and disadvantage for the whole local producers

※ Considering current trend of strengthening economic partnerships, establishment of a scheme to protect local brands as intellectual property could meet the national interest.

2. Outline of the Scheme

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- ① The Government certifies characteristics of agricultural, forestry and fishery products and foodstuffs (agricultural products, etc.) and register their names as GIs.
- ② The Government prevents freeriding and imitations by injunction against illicit use of registered GIs.
- ③ Any producer from the designated region may use a GI (as long as the products meet the specifications).



Expected Impacts by Establishing the Scheme

- ① **To protect interests of producers (through protection of intellectual property)**

Proper appreciation of products value, as well as value improvement as intellectual property

- ② **To Protect interests of consumers**

Meeting needs for high value-added products through keeping confidence on GI products

III Strengthening Producers

Regional government supported institutions

[Current Conditions]

- In the last two decades, abandoned cultivated land has doubled to 0.4 million ha.
- 50% of farmland is cultivated by core farmers.

Target

- In the next decade, achieve a structure where 80% of farmland is cultivated by core farmers (reduce costs through farmland consolidation)

Direction of Policy

1. Regional government supported institutions (legislation, budget, etc.) [Regional government supported institutions bill passed on December 5]



2. Strengthen countermeasures against the abandoned farmland issue

- Target not only current but prospective (owing to proprietor death) abandoned farmland.
- Procedures will be improved and simplified, to prevent farmland abandonment and quickly deal with it when it occurs, starting from the agricultural committee confirming whether the proprietor intends to lease land.
- In the case where the farmland's owner is unknown, the right to use the farmland after an official announcement should be assigned to a institution through the judgment of the prefectural governor.

Agricultural Cooperative Reforms

Goal of Agricultural Cooperative Reforms

- To contribute to agriculture becoming a growth industry, fundamental reforms to the agricultural cooperative system for the first time in 60 years
- Unit cooperatives becoming independent and using creativity to increase farmer income and help make agriculture into a growth industry will be fundamental
- To support unit cooperatives effectively, the nature of Central Unions and the Federation will also be reconsidered

Central Unions (National Central Union, Prefectural Central Unions)

- The central union system was made in 1954 to rebuild agricultural cooperatives that had financial crises (Central Union led cooperatives strongly)
- With the situation changing and the number of agricultural cooperatives decreasing from over 10,000 to around 700, the Central Union will be reconsidered
- The future of the Central Union will be considered with independence of unit cooperatives as a base, and a proposal made at the next regular Diet session

Zen-Noh (National Federation of Agricultural Co-operative Associations)

- To increase farmer income, Zen-Noh has an important role in supporting unit cooperatives in areas such as the sale of agricultural products
- In order to make it possible for Zen-Noh to collaborate with companies in Japan and abroad to help agricultural development, laws must be made to convert it to a business corporation

Unit Cooperatives

- By making over half the board members core farmers and sales professionals, unit cooperatives will become independent and able to operate with creativity
- With a focus on making agriculture a growth industry, the Norinchukin Bank and others will provide support to lessen the burden of financing
- Create laws to allow choice of organization structures to help provide smoother service as regional infrastructure

Reconsidering Subsidies

The Program to Stabilize Farmer's Income will be reconsidered from an industrial policy perspective, the Fixed Price and Variable Price Component of the Direct Payment for Rice Production which were criticized as fiscally irresponsible will be eliminated, and Geta and Narashi measures will be limited only to core farmers.

<Current System>

Income Support Direct Payment Program for Farmers, in 2010

◆ Fixed Price Direct Payment for Rice Production

- Available to all merchandising farmers assuming rice is being sold below cost. (15,000 yen per 10 a)

◆ Variable Price Direct Payment for Rice Production

- Available to all merchandising farmers, when cost of rice falls below average value then subsidies are provided without producer contribution. (100% supplement for the amount below average)

<Reforms>

● Eliminated for rice produced in 2018 onwards.

(As an interim measure to lessen the impact of a sudden change, from 2014 the unit value will decrease significantly, in a limited measure until 2017.)

● Eliminated for rice produced in 2014 onwards.

Implemented in 2007 based on Act to Stabilize Farmer Income

◆ Production Conditions Disparity Correction Measures (Geta)

- Supplement disadvantages in production conditions compared to other countries (below cost). (for wheat, soy, field crops)

◆ Income Decrease Mitigation Measures (Narashi)

- A safety net to mitigate the effect of decreased income, with producer contributions (supplement 90% of decrease from base income).

Ensure core farmer stability as an industrial policy

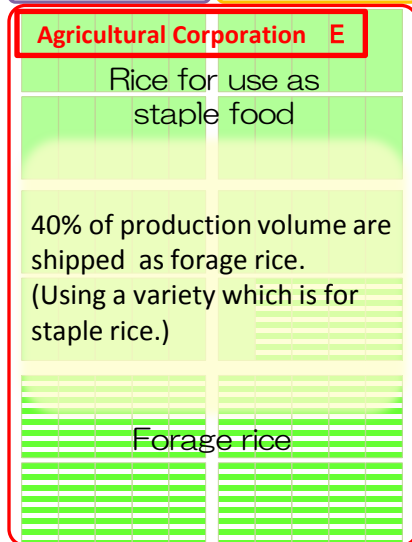
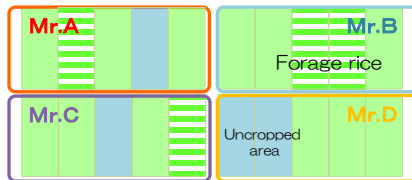
- Implemented only for core farmers (certified farmers, community farms, certified new farmers), however no requirements will be set for scale.

- Over the medium term, study implementation of an income insurance system covering all crop types as a goal.

Boost the Structural Reforms through Paddy Fields Utilization (Promotion of Forage Rice)

〈Present〉

- ◆ Following production adjustment, an agricultural corporation E maintains paddy field by producing rice for use as staple food and forage rice.
- ◆ High-yielding and low-cost production technology are not introduced.
- ◆ A busy period prevents the corporation E from scaling up.



A cropping system is changed by taking advantage of the increase in subsidies.



Flatten the field with using laser system



Direct seeding in paddy by remote controlled helicopter

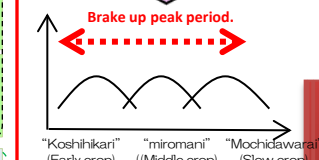
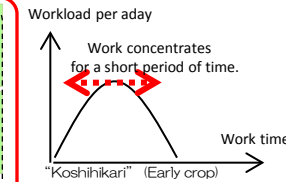
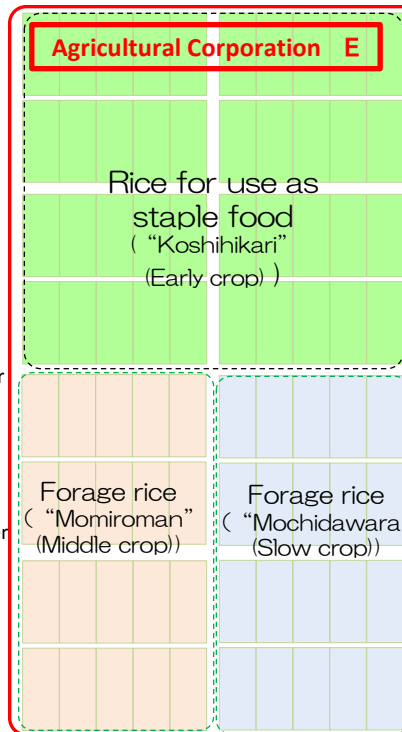


Pest control by remote controlled helicopter

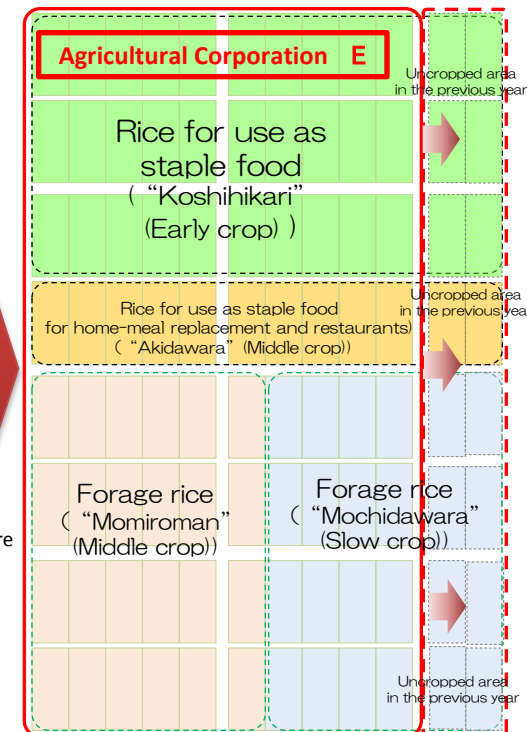


Drying in a paddy field fed to reduce drying costs

- ◆ Through producing forage rice, by responding to a large farmer's request, the agricultural corporation E break up busy period, and borrow farmland around her farm.
- ◆ Reduce production cost significantly (40%) through introducing high-yield variety (more than 800kg/10a) and low-cost production technology.



- ◆ Based on the success in breaking up the peak period by introducing forage rice, the corporation achieved to reduce total production costs through introducing middle crop rice as staple food which is developed for home-meal replacement and restaurants.
- ◆ The agricultural corporation E resolved abandoned farmland issue in the region by using redundant force through improving production efficiency.



- ◆ A big pig farmer sells rice fed pork as a brand with a catch phrase of "white delicious fat". As a result, regional agricultural output increases even more.

Formura feed (containing forage rice)



IV Maintaining and Using Multi-functionality

Multi-functionality



Types of Functions	Valuation Amount
Flood prevention function	¥3,498.8 billion/year
River flow stabilization function	¥1,463.3 billion/year
Ground water recharge function	¥53.7 billion/year
Soil erosion prevention function	¥331.8 billion/year
Landslide prevention function	¥478.2 billion/year
Organic waste disposal function	¥12.3 billion/year
Climate mitigation function	¥8.7 billion/year
Healthcare/recreation and relaxation function	¥2,375.8 billion/year

(Note) The monetary assessment of a portion of the multifunctional roles of agriculture, especially physical functions, that can be monetarily assessed was carried out by taking into account the content of debates by a special committee of the Science Council of Japan.

Source: Science Council of Japan "On Evaluation of Multifunctional Roles of Agriculture and Forests Related to the Global Environment and Human Life (policy recommendations to the government)" (November 2001) and related appendices

Boost structural reform by Japanese-Style Direct Payment System (Multifunctional Payment)

before

Damage due to wildlife

If I expand my production scale, it will be hard to manage water channels and farm roads by myself.

Weeds Collapse of a shoulder
Farm road

Crack of a water road

I will quit farming, rent my farmland to leading farmers and move to the city where my son lives.

If the situation continues in the aging population...

- The burdens for leading farmers to maintain water channels and farm roads will be increased.
- Some people who rent their farmland will leave their communities.

Multifunctional roles of agriculture have been maintained through the voluntary maintenance of irrigation channels and farm roads by local communities.

Community activities have declined because of the aging and falling population.

In urban areas, maintenance expense of roads and channels are covered by local governments.



Cleaning an irrigation channel



Repairing farm road

Establishment of Multifunctional Payment

after

I can expand my production scale. I appreciate that local people manage water channels and farm roads around my farmland.

I will make more money by utilizing the farmland that I borrow from them,

Let's try to collaborate with secondary and tertiary industry.

We rent our farmland to leading farmers but we will maintain our water channels and farm road for our community.

Supporting joint activities to maintain irrigation system and farm road

- Reducing leading farmers' burdens, they are able to consolidate farmland at ease.
- The new payment boosts structural reform of farmland consolidation to leading farmers.

The new payment (decoupling), which are not tied with rice cropping or achievements of production allocation, does not distort market and provide alternative options to farmers.

- Maintain and demonstrate multifunctional roles
- Vitalize local communities through joint activities to support leading farmers, the "Sixth industry" involving non-leading farmers and exchange activities between urban areas and rural areas

"Multifunctional roles" are the roles such as preservation of natural land, recharge of water sources and landscape formation, which are demonstrated when we maintain local farmland as farmland including water channels and farm road.

Processing and marketing agricultural products

