

Farmers move on as Japan baulks at trade concessions
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Shoppers browse vegetables at a supermarket in Chiba, east of Tokyo, February 26, 2014. When it comes to trade policy, Prime Minister Shinzo Abe faces a choice between the fears of Japan's aging farm lobby and the hopes of suburban families lined up at a nearly 20-metre long meat counter in a mall showcasing Australian beef.

When Aeon Co set out to open a flagship shopping mall just outside Tokyo, it wanted the scale to dazzle urban shoppers. The three-month-old Makuhari New City mall in Chiba is almost four times larger than the Tokyo Dome, a 55,000-seat stadium in the heart of the capital.

At the supermarket inside the mall, the daily specials include beef shipped direct from Aeon's own feed lot in Tasmania, an arrangement that reduces prices for consumers and skirts Japan's politically strong agricultural co-operative system that many see as an outdated relic of the country's revival after World War Two.

Even as Japan rebuffs international pressure to scrap import tariffs on food items, including beef, some Japanese farmers are stepping outside the heavily protected co-operative system anyhow, worried that the biggest threat is not trade liberalisation but Japan's rapidly aging population and its changing tastes.

"I don't think Japanese agriculture will collapse because of the participation in TPP," said Toru Wakui, a northern Japan rice farmer, referring to the Trans-Pacific Partnership trade talks. "If it happens, it will be from an internal collapse."

This quiet but significant shift suggests Japan's tough TPP stance aimed at protecting the country's farmers is losing some of its foundation as more commercial pressures come to bear in Japan and farmers and their buyers work around an inflexible traditional system.

The average Japanese farmer is 66 years old, the amount of farmland has dropped by a quarter over 30 years and Japan's food self-sufficiency ratio – the share of consumed calories made at home – has dropped to 39%, the lowest among developed economies.

Tastes are also changing and moving away from polished rice, protected by an import tariff of up to 778%. For example, the amount the average Japanese family spends on bread surpassed rice for the first time in 2010, government statistics show.

Meanwhile, the average Japanese farm is just two hectares (five acres) in size – about 1% of the size of the average US farm. The amount of Japanese farmland that has gone uncultivated is now as large as the cities of Tokyo and Osaka combined. Government subsidies account for over half of farm incomes, the third-highest ratio in the OECD behind Norway and Switzerland.

Japan's agriculture ministry estimates joining TPP could cut the value of agricultural production by another \$30 billion (RM98.13 billion), although the economy would get a net boost of around \$30 billion, mostly through lower prices for consumers.

But Japan's agricultural lobby – known as JA Zenchu – has presented more than 11 million signatures from voters opposed to Japan's participation in the TPP, talks that involve 12 countries including the United States and Canada.

The lobby's ads denounce the talks as a threat to food safety, farm incomes, rural medical care and even Japan's ability to keep more than 400 far-flung islands populated and under Tokyo's economic control.

Fears over the sustainability of Japan's network of individual farms dating back to the end of World War Two was part of the reason Aeon set-up its own farming unit in 2009.

The operation now includes 14 farms in Japan and slightly more than 200 hectares. The company aims to have 500 hectares under cultivation by 2015. Japan's top supermarket chain has also set a goal of self-sourcing 40 percent of its vegetables, up from less than 1% now.

It also makes commercial sense, argues the head of Aeon's farming unit.

"When products are sold directly to merchants... farmers and producers can use the responses of consumers and build on that information," Yasuaki Fukunaga said.

Enlarging corporate involvement in agriculture is one of Abe's goals, along with lifting farm income and increasing food exports. In June, the government is set to consider reforms intended to reduce barriers to winning local approvals for transfers of farm land, making it easier for entrants like Aeon.

"Against the backdrop of a decrease in the number of agricultural workers, an increase in their ages, and with the amount of abandoned farmland increasing, whatever happens with TPP negotiations, it is extremely important to revitalise domestic farming," Japan's agricultural minister, Yoshimasa Hayashi, said during questioning in parliament on Monday.

In November, Abe's government surprised many by announcing it would phase out a 40-year-old policy known as "gentan" under which the government paid farmers – mostly individuals with small plots – in exchange for reducing rice output to protect prices.

But while industry watchers point out that many of Abe's goals to make Japanese agriculture more competitive are not new and the ending of the gentan programme coincided with an increase of subsidies for a rice-to-feed programme, some experts say the winds are changing.

"With Japan's big financial deficit, there is certainly thinking that down the road that subsidies could be lowered," said Hiroyuki Kawashima, an associate professor in the global agriculture department at the University of Tokyo, in reference to the rice-for-feed programme.

Against that backdrop, some of Japan's small farmers are looking for a market niche – rather than a government subsidy – as their best hope for the future.

That includes Noboru Tsukahara, who has farms in Ibaraki, northeast of Tokyo, and northern Hokkaido. He believes he is the world's only commercial provider of the purebred "meishan" breed of pork, considered a premium delicacy.

When JA quoted Tsukahara a low price for his pork since it was classified outside of its grading system, he opted out to win distribution contracts on his own with high-end department stores like those run by Isetan Mitsukoshi Holdings and Michelin-rated restaurants.

"It is no longer the era of mass production and mass consumption. With Japan's population falling, it's the reverse, so I feel unique products that are not found everywhere will be what appeal to consumers," he told Reuters.

Kenji Okumatsu in southern Miyazaki prefecture, was able to use a connection to sell his mini-tomatoes at the local airport. They were a hit and food buyers discovered his farm, which now has annual sales of almost \$5 million and 40 employees.

"The era of being a farmer because you are from a farming family has passed," Okumatsu said. "What is needed is not just farmers, but farmers with an entrepreneurial spirit." – Reuters, March 6, 2014.

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