

## **Agricultural Policy Reform Comes True**

### **— Toward aggressive agriculture and agricultural policy coping with globalization**

1. The current agricultural land legislation provides that agricultural land shall be owned by cultivators, which is, however, no longer responsive to realities. There are pressing needs to establish a new comprehensive agricultural land legislation that integrates the relationship among the Agricultural Land Law and related legislations into a single legal system from the viewpoint of efficient use of agricultural land as a management resource.
2. Agricultural policy shall target at the principal farmers who are the core of structural reform and establishing viable agricultural management, regardless of the management form of family farm, corporation, or community farming. They shall be the leaders in truly aggressive agriculture and agricultural structural reform.
3. Globalization in agriculture should be viewed as a good opportunity for structural reform in Japanese agriculture, and coping with this trend the government should develop aggressive agriculture and agricultural policy reform to make Japanese agriculture viable in international cooperation.

#### **1. Urgent need of preparation for new agricultural land legislation**

Structural reform in Japanese agriculture, especially land-use agriculture centering on rice farming, is certainly long overdue. The situation is quite serious with derelict agricultural land (385,000 ha at the 2005 census) expanding not only in mountainous areas but also in flatland areas. Progress in agricultural land consolidation has been slow and scale expansion of farm operations is not improving efficiency because farmers have to operate in scattered fields. Agricultural land use is an important issue for determining the future of agriculture in Japan. At the same time, it is a national issue to consider how to utilize agricultural land in terms of the national plan for the land use.

Agricultural land is becoming increasingly mobilized mainly through leasing, but under the Agricultural Land Law, agricultural land ownership and utilization must coincide. There are pressing needs for efficient agriculture to change such a principle and establish new agricultural land legislation that is simple, and easy to understand and apply (in short, comprehensive legislation that reviews the relationship between the Agricultural Land Law, Law for the Promotion of Improved Farm Management, and laws relating to the establishment of agricultural promotion areas). Agricultural land should be treated absolutely as a management resource for agricultural production.

It is necessary to establish a system for the use of agricultural land more effectively through legally separating the property rights and the tenancy rights of agricultural land, establishing long-term stable tenancy rights, open disclosure of agricultural land information, protection of users, and establishing third-party organizations that enable the intermediate holding of tenancy rights. With such institutional reforms, the mismatch in supply of and demand for agricultural land shall be removed while entries into agriculture from other industries and different fields are promoted.

A serious problem that prevents efficient use of agricultural land is that the land owners have strong expectations on their farm land to be converted for non-agricultural uses in the future, which would bring huge windfall benefits for them. This kind of expectations shall be removed by strict administration and legislation measures for zoning. At the same time, the government should also introduce a new agricultural land taxation system in which the differential treatment on fixed asset and inheritance taxes on agricultural land shall be conditional on the scale of agricultural land use.

We propose the following measures regarding new agricultural land legislation to achieve the above reforms.

- (1) The government should consider agricultural land from a national perspective, disclose information on agricultural land, and increase transparency to make effective use of regional characteristics.
- (2) It shall be clearly recognized that agricultural land is an important management resource so that agricultural land policy shall be developed with the emphasis on this aspect.

- (3) The government should establish a system for long-term stable use of agricultural land in which both of the property rights and the tenancy rights of agricultural land are well treated and coexist in harmonizing.
- (4) The mismatch in supply of and demand for agricultural land shall be removed and the entries into agriculture from other industries and different fields shall be promoted with appropriate policy measures.
- (5) Expectations of agricultural land for conversion to non-agricultural uses shall be eliminated and, at the same time, agricultural land tax treatments shall be conditional on the scale of agricultural land use.

## **2. True structural reform is indeed a true leader policy**

Principal farmer who are supposed to be targeted in agricultural policy are the leaders in structural reform enabling themselves to be viable in agricultural management, regardless of the management form of family farm, corporation or community farming. They are also supposed to form a core in aggressive agriculture and agricultural policy reform. The requirement for principle farmers to be eligible for the farm income stabilization scheme is that they should be “designated farmers” running farm operation with a size of at least 10 ha in Hokkaido or 4 ha in the other prefectures, or community farming of at least 20 ha with some other additional requirements.

It is important to check whether the principle farmers, who satisfy this requisite at the begging, subsequently satisfy the requirements for the farm income stabilization scheme. In addition, the schedule of the next step along with the program to achieve the structural reform should be clarified so that principal farmers who satisfy the requisite will prepare for further expansion of their scale of operation.

Community farming can also become principle farmers to be eligible for the farm income stabilization scheme. Community farming is also supposed to play a role in structural reform. It should be verified that community farming not only satisfies the requisites in form, but also has a substance of management body. In promoting community farming, some conflicts are reported that individual large farmers, who are renting farmlands for operation, are facing difficulty to keep the land for rent under the

risk of the so called “forcible withdrawal” because the land owners have pressures to join community farming and shift their land use from individual leasing to community farming. Government administration should take care of this situation by investigation and guidance for arranging the better use of agricultural land in the area.

Targeting policy induces expansion of farm management to the scale requisite, but there is no inducement for farm units who already satisfy the requisites. To achieve true structural reform, it is necessary to steer all principal farmers in the direction of scale expansion and efficient management. For this purpose the government should provide much favorable support for them limited in a short term or period, implement the necessary reform of the current system, and foster “true leaders that do not rely on protection”.

There is a strong requirement to develop a total support system including consultation that is responsive to today’s increasingly diversified and advanced agricultural management. In the midst of structural reform in agriculture, the government should verify who this is for and why it is being implemented, and resolutely undertake restructuring including the slimming down of government administration, and existing organizations and bodies. The use of the expertise, human resources and funds of the private sector is effective in the area of total support. Support for setting up this system is crucial. Moreover, there is a need for the government to undertake a far-reaching review of policy routes and policy tools.

We propose the following regarding leader policies to realize the above reforms.

- (1) The government should carry out subsequent checks on principal farmers for the requisites to be satisfied to determine whether structural reform is in progress, and clarify the next step.
- (2) The government should check the actual state of community farming in both aspects of structural reform and management with a view of them as leaders.
- (3) The government should provide favorable and intensive policy supports (regardless of commodities to produce) in the short term, and implement necessary management stabilization measures after achieving the true structural reform.

- (4) The government should develop a total support system for agricultural managements using private sector's vitality, and restructure agriculture organizations.
- (5) The government should undertake a far-reaching review of policy routes and policy tools, and develop management policy in line with actual conditions.

### **3. Developing aggressive agriculture and agricultural policy reform coping with globalization**

Japanese agriculture and agricultural policy shall be reoriented coping with globalization in world agriculture. The government must construct agricultural policy in a world perspective and promote domestic agricultural reform premising the future reduction of border protection through WTO negotiations and the like. On the other hand, the government should look on the globalization as a good opportunity for structural reform in Japanese agriculture and implement "aggressive agriculture and agricultural policy in the world market."

In promoting FTA the government should construct strategies with understanding of mutual benefits with partner countries. Moreover, considering the current situation in which an increasing number of Japanese farms rely on foreign trainees, the government should examine the development to accept overseas farm workers.

The government should develop a framework for cooperating in and resolving agricultural issues such as rural development common to the Asian region and protection of intellectual property rights, and such matters as fostering and promotion of the food industry with the aim of becoming a model for agricultural reform in the monsoonal Asia region. To this end, Japan should take the leadership and set up opportunities for workshops and joint research regarding structural issues and agricultural policy.

We propose the following regarding the globalization of agriculture.

- (1) The government should construct strategic foreign agricultural policy, and examine the acceptance of overseas farm workers.

- (2) The government should set up opportunities for examining agricultural issues common to Asia, and the fostering and promotion of the food industry under Japanese leadership.