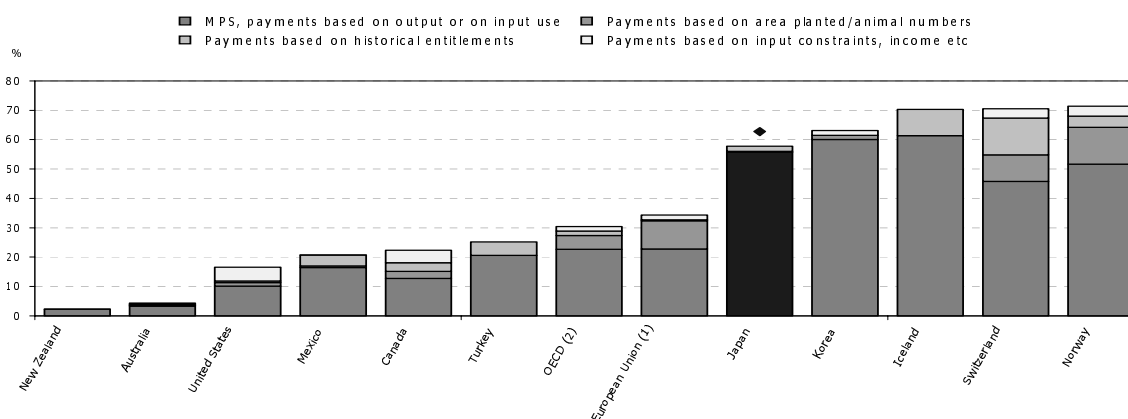


JAPAN

Evaluation of policy developments

- Overall, little progress in market orientation has occurred since 1986-88, with the level of producer support remaining very high. Most support continues to be provided through market price support, largely for rice, with little narrowing of the gap between domestic and world prices.
- A key proposal in the *Basic Plan for Food, Agriculture and Rural Areas* is to move away from support based on individual commodities to a multi-commodity system. This has the potential to shift support from price-based measures to direct payments for crops other than rice.
- Policy reforms underway in the rice sector will reduce the direct influence of policies on prices, but with the high level of border protection, the actual effect on reducing prices will be limited.
- The introduction of a framework for agri-environmental policies, including clearer goals and an emphasis on performance assessment, has potential to improve policy effectiveness, but its economic efficiency may be limited given the high levels of output-linked support.
- Japan has recently agreed two important bilateral trade agreements and others are being negotiated. These should open the market for some agricultural products, contributing to sector adjustment.
- Further efforts are needed to reduce the levels of support, increase market access and implement measures that are less costly, while continuing to pursue targeted environmental, rural and income policies in ways that are less production and trade distorting.

Producer Support Estimate by country, 2002-04
(Percent of gross farm receipts)



Notes:

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

Summary of policy developments

In 2004 discussion about a new *Basic Plan for Food, Agriculture and Rural Areas* got underway. One of the main features of the new Plan will be a shift away from a support system based on individual commodities to a multi-commodity system in which support will be concentrated on the largest and most efficient and stable farms. Rice policy reforms are continuing, including the abolition of the orderly marketing system and changes to the production adjustment system.

- Support to producers, as measured by the %PSE, has declined from 61% in 1986-88 to 58% in 2002-04. However it remains almost twice the OECD average.

- Rice, wheat, other grains and milk are the most heavily supported commodities. Variation in PSE between commodities is very high, with support concentrated on these commodities.

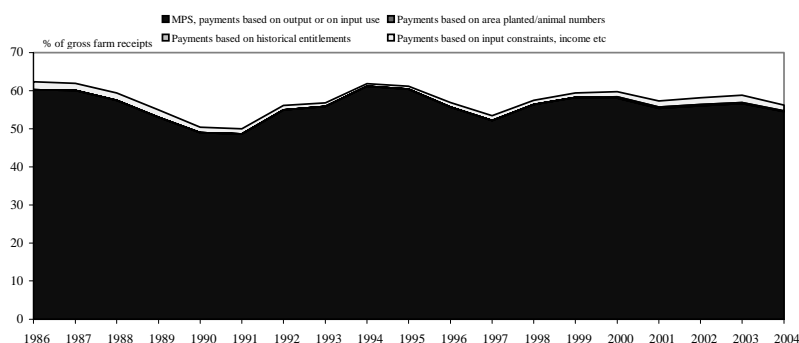
- The combined share of market price support (MPS) and output payments in PSE has remained unchanged at around 90% in 1986-88 and 2002-04. Prices received by farmers in 1986-88 were almost 150% higher than those in the world market. It has changed little since then and was 130% higher in 2002-04.

- The cost imposed on consumers, as measured by the %CSE, fell from 58% in 1986-88 to 51% in 2002-04.

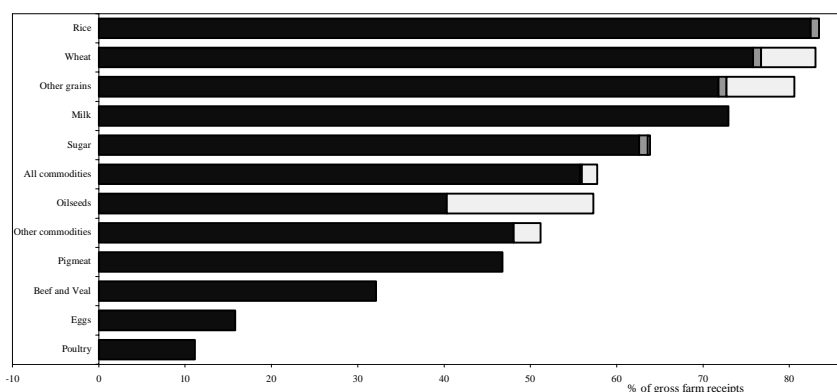
- Support for general services provided to agriculture has increased between 1986-88 and 2002-04, from 15% to 20% of total support.

- Total support to agriculture has declined from 2.3% of GDP in 1986-88 to 1.4% in 2002-04.

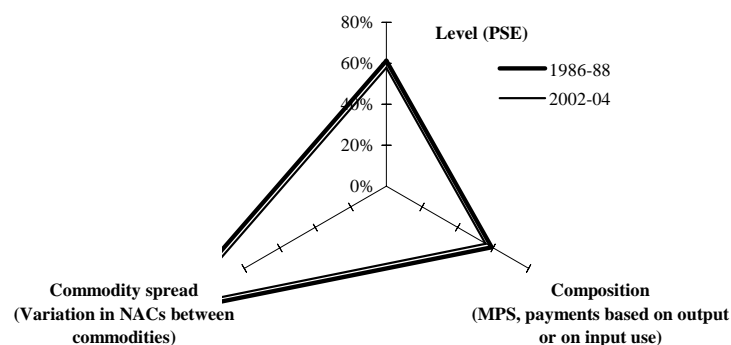
Producer Support Estimate (PSE) Level and composition over time...



...by commodity, 2000-04 average



...and reform progress



Agriculture accounts for 1.3% of GDP and 4.6% of total employment. Rice is the most important commodity in terms of the number of farmers and receives the highest level of support. Japan is the one of the largest net food importing countries, with imports accounting for 60% of consumption. The average farm size is very small, approximately 1.6 hectares.

Table 2.6. Japan: Estimates of support to agriculture

(JPY billion)	1986-88	2002-04	2002	2003	2004p
Total value of production (at farm gate)	10 936	8 912	8 930	8 901	8 904
<i>of which share of MPS commodities (%)</i>	<i>69</i>	<i>66</i>	<i>65</i>	<i>65</i>	<i>69</i>
Total value of consumption (at farm gate)	13 938	13 325	13 118	13 750	13 107
Producer Support Estimate (PSE)	7 155	5 456	5 532	5 553	5 283
Market Price Support (MPS)	6 408	4 915	4 950	5 005	4 789
<i>of which MPS commodities</i>	<i>4 447</i>	<i>3 256</i>	<i>3 220</i>	<i>3 252</i>	<i>3 296</i>
Payments based on output	221	173	185	171	164
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	0	24	33	23	17
Payments based on input use	298	179	195	174	168
Payments based on input constraints	228	164	168	179	145
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	61	58	58	59	56
Producer NPC	2.47	2.27	2.29	2.33	2.20
Producer NAC	2.58	2.37	2.39	2.43	2.28
General Services Support Estimate (GSSE)	1 267	1 386	1 413	1 437	1 309
Research and development	46	87	82	84	95
Agricultural schools	29	21	25	24	15
Inspection services	8	9	8	8	10
Infrastructure	1 008	1 102	1 125	1 150	1 030
Marketing and promotion	22	27	29	29	24
Public stockholding	43	33	34	32	32
Miscellaneous	110	107	109	110	102
GSSE as a share of TSE (%)	15.1	20.2	20.3	20.6	19.8
Consumer Support Estimate (CSE)	-8 026	-6 848	-6 836	-7 215	-6 494
Transfers to producers from consumers	-6 322	-4 914	-4 949	-5 004	-4 789
Other transfers from consumers	-1 700	-1 946	-1 899	-2 222	-1 718
Transfers to consumers from taxpayers	-16	5	6	4	4
Excess feed cost	11	7	6	7	9
Percentage CSE	-58	-51	-52	-52	-50
Consumer NPC	2.36	2.06	2.09	2.11	1.99
Consumer NAC	2.36	2.06	2.09	2.10	1.98
Total Support Estimate (TSE)	8 407	6 847	6 950	6 994	6 596
Transfers from consumers	8 022	6 860	6 848	7 226	6 507
Transfers from taxpayers	2 085	1 933	2 001	1 990	1 807
Budget revenues	-1 700	-1 946	-1 899	-2 222	-1 718
Percentage TSE (expressed as share of GDP)	2.34	1.37	1.39	1.40	1.30
GDP deflator 1986-88 = 100	100	101	103	101	98

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for Japan are: wheat, other grains, rice, sugar, milk, beef and veal, pigmeat, poultry, eggs, apples, cabbage, cucumbers, grapes, mandarins, pears, spinach, strawberries and Welsh onions.

Source: OECD, PSE/CSE database 2005.