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The Political Economy of Agricultural Reform in Japan under Abe’s Administration

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1. Introduction

The Abe administration has positioned agriculture as a key area for structural reform in its growth strategy, the third arrow of Abenomics, with the aim of turning the farm sector into a profitable industry and “engine” of growth. The government has embarked on a process of Kantei-led agricultural reform, establishing a number of policy councils to propose measures to encourage growth in the sector. Until now, agricultural policy has been planned and executed mainly by the Ministry of Agriculture, Forestry and Fisheries (MAFF). The prime minister’s political strategy has been to destroy the “iron triangle” of vested interests linking the MAFF, Liberal Democratic Party (LDP) and agricultural cooperative organization (Nokyo, or JA), which is widely regarded as resistant to change and as a symbol of regulations as “solid as bedrock” (ganban kisei). The prime minister also hopes to stimulate other regulatory reforms and send a message that agricultural reform will foster regional revitalization, a related policy goal.

The following article critically evaluates a range of agricultural reforms currently being proposed and implemented by the Abe administration, including those in areas long regarded as taboo by the LDP, and the potential of these reforms to revive the farm sector. The analysis also examines institutional changes promoting the reform process as well as relevant developments in agricultural politics, identifying factors that are both facilitating and hindering the agricultural reform process.

2. The development of agricultural policy under the Abe administration

Japan’s Revitalization Strategy of June 2014 clearly lays out the policy directions for agriculture that the Abe administration is aiming to achieve under Abenomics. It lists four main items in terms of “developing agricultural, forestry and fishery industries on the offensive”: (1) revision to rice production adjustment (gentan); (2) integrated reform of agricultural committees, agricultural production corporations and agricultural cooperatives; (3) diversifying distribution channels for dairy products; and (4) building domestic and international value chains (sixth industrialization and export promotion) (Kantei 2014).

The first point - revision to the gentan - has been an issue for Japan’s agriculture for many years. It was introduced in 1970 as an emergency measure to deal with a decline in rice consumption, but has since become the foundation of rice policy and is still in place...
It is basically a policy that maintains the price of rice based on a production cartel that restricts the total amount of domestic staple food rice for sale in the market. In order to implement this policy, switching from rice as a staple food to other crops has been encouraged by government allocation of rice production volumes and subsidies (Figure 1 shows recent trends in staple rice demand, production, and distribution stocks).

Figure 1. Recent trends in staple rice demand, production, and distribution stocks (million tons).

Source: Ministry of Agriculture, Forestry and Fisheries (2016a).

Rice policy under the Abe administration is different from the past given its declaration that the central government would stop allocating production volumes from FY 2018. Therefore, in order to continue to restrict production, agricultural organizations such as Nokyo will have to allocate production volumes voluntarily. This means, however, that “the system will still be premised on controlling the total production volume at the grass roots to prevent excess production of rice” (Yoshida 2017). Moreover, the government combined this policy with one restricting the supply of rice as a staple food by granting subsidies for cultivating rice as a feed crop and for flour. In other words, “abolition of acreage reduction will end up being an empty slogan” (Nihon Keizai Shinbun 2016).

The transaction price of rice as a staple food is approximately ¥200 per kg, but that for rice for livestock feed is only about ¥15 yen per kg. Generous subsidies were introduced to fill the gap. The subsidy to encourage crop conversion from rice as a staple food to crops such
as wheat and soybeans etc. was only ¥35,000 per 10a (ares), but the Abe administration decided that they would pay a maximum of ¥105,000 if farmers switched to rice for livestock feed (or for rice flour). The unit price of the subsidy changed depending on the unit crop in order to encourage a shift to rice with a high yield.

As a result of these policies, the production of rice for livestock feed increased from less than 110,000 tonnes in FY 2013 to 440,000 tonnes in 2015. Policies that essentially maintain the gentan by encouraging farmers to grow rice for livestock feed instead of rice as a staple food are putting a double burden on to consumers and taxpayers: consumers pay higher prices for rice as a staple food compared to a situation where subsidies are not in place, and taxpayers subsidize the production of rice for livestock feed. The price of rice, regardless of whether it is for staple food or for livestock feed, should be determined by the market, and the price mechanism should not be distorted by market intervention based on subsidies. Abolition of the gentan, which is one of the primary goals of Abenomics’ agricultural policy, is yet to be realized and policies that go against the original goal of eliminating the gentan are being implemented.

The second agricultural reform is the integrated reform of agricultural committees, agricultural production corporations and agricultural cooperatives. This can be considered the centerpiece of Abenomics’ agricultural policy reform. Agricultural committees are bodies established at the municipal level that administer matters relating to farmland, such as granting permission for sale and leasing based on the Agricultural Land Law, inspecting and submitting opinions on cases of farmland use for purposes other than farming, and surveying and providing guidance regarding unused farmland etc.

Agricultural committees consist of members who are elected from amongst farmers and members who are appointed by municipal leaders. The elected members are the main constituents of the committees, and this has led to the observation that the committees’ inspections relating to the use of farmland for purposes other than farming tend to be lenient. Since farmland owners can expect to earn many times the value of the farmland in capital gain if the land is used for other purposes, many farmers harbour the hope that they may be able to use the farmland for other purposes in the future. As such, it is generally believed that inspections by the agricultural committees’ elected members tend to be lenient because they might encounter an opportunity to use their own farmland for other purposes one day and do not want the inspections to be tough when this happens.

In order to prevent such conflicts of interest, the Abe administration decided to abolish the agricultural committees’ elected members and have municipal leaders appoint all committee members. Furthermore, in response to the change in the committees’ role from “guardians of the Agricultural Land Law” to “guardians of farmland”, it set up new “farmland use
optimization promotion committees” to which the agricultural committees would delegate tasks. The promotion committees will be responsible for knowing the state of farmland use in their respective areas and promoting the optimum use of farmland etc.

The reform to agricultural production corporations consisted of relaxing various conditions on their composition and the conduct of their affairs. The condition regarding board members’ engagement in farm work was relaxed from “more than half of board members who constantly work in the agricultural industry must engage in farm work” to “one or more board members or important members who constantly work in the agricultural industry must engage in farm work”. Furthermore, the condition regarding the corporation members’ right to vote was also relaxed. In the past, people other than farmers could only account for “a quarter or more of total voting rights”, but this was changed to “less than half of total voting rights”. When these revisions were enforced in April 2016, the name of corporations that can possess farmland was changed from “agricultural production corporations” to “corporations qualified to possess farmland”. The National Strategic Special Zones system also implemented by the Abe administration as a deregulatory reform has enabled companies to acquire land under certain conditions for five years and contribute to more than 50% of investments in corporations qualified to possess farmland in Yabu City, Hyogo Prefecture.

JA reform is the most significant agricultural reform achieved by the Abe administration. It involved transforming JA’s peak organization, JA-Zenchu, into an incorporated association, turning its National Audit Body into a third-party corporation and allowing local agricultural cooperatives to choose whether or not to be audited by this new corporation or by other private auditing corporations (George Mulgan 2016a). Furthermore, in order to rationalize the distribution of farm inputs, the Abe administration also initiated reform of JA’s national marketing and purchasing federation (Zen-Noh) to encourage it to undertake the function of supplying farm inputs from the farmers’ rather than the production material makers’ standpoint, in other words, seeking to minimize prices for farmers rather than maximizing Zen-Noh’s commissions by optimizing sales for manufacturers. The government’s Agricultural Competitiveness Strengthening Program finalized in late 2016 positioned Zen-noh as its centerpiece with a view to reducing the price of production materials and increasing agricultural income. It required Zen-noh to expand purchase-based marketing and to take thoroughgoing measures to procure production materials from manufacturers at lower prices and sell them to farmers at lower prices, as well as to promote direct sales to restaurants, food processors etc. in order to reduce distribution costs (Nosei Undo Janaru 2016).

The third agricultural reform – diversifying distribution channels for dairy products – is
also part of JA reform. Almost all (97%) of raw milk produced in Japan is channelled into designated raw milk producers’ organizations (henceforth “designated organizations”) that are set up in the nine regional blocks across the country and in Okinawa. The designated organizations sell the raw milk to dairy processors at different prices depending on the use of the milk, with prices set by negotiation. The price of raw milk for products such as butter and powdered skim milk is lower than that for drinking, so the government pays subsidies to the designated organizations for the former. The designated organizations then pool the raw milk for drinking and raw milk for processing and make payments to dairy farmers based on a unit price that is calculated by dividing the combined total of the sales price and subsidies with the production amount.

The problem with this system is that government only subsidizes dairy producers who ship their product to designated organizations, which are Nokyo federations, effectively making raw milk distribution a Nokyo monopoly. Moreover, producers need to consign all of their milk to the designated organizations. As such, dairy farmers have no way of delivering products to consumers using their own processing or distribution routes with a few exceptions. Only about 3% of raw milk is distributed without going through designated organizations, and the producers of this milk are called “outsiders”. What is more, only a limited number of distributors and dairy processors accept raw milk from “outsiders”, so this is not an option that milk producers can easily choose.

The Abe administration aims to cut into this designated organization system: it is discussing a system whereby producers can receive subsidies without going through designated organizations and consign some of their milk rather than all of their milk to designated organizations while shipping the rest via other organizations. This will enable farmers to go outside the agricultural cooperative route to market their milk.

The fourth agricultural reform - building domestic and international value chains - refers to achieving the sixth industrialization of agriculture and increasing exports. Sixth industrialization refers to the process of increasing the added value of products. Farmers not only engage in agricultural production but also in processing (secondary industry) as well as in marketing (tertiary industry) by selling the products themselves or by opening restaurants. Sixth industrialization = primary (1) × secondary (2) × tertiary (3). Today, in addition to farmers expanding into secondary and tertiary industries, there are many cases where businesses in the secondary and tertiary industries participate in agriculture or collaborate with farmers to build value chains.

As for Japan’s agricultural exports, they have been steadily increasing under the Abe administration. The export value of agricultural, forestry, fishery and food products, which the government aims to increase to ¥1 trillion in 2020, grew from ¥449.7 billion in 2012 to
¥750.3 billion in 2016, a 67% increase in value. However, the fact that the yearly average exchange rate depreciated from ¥80 to 1$US in 2012 to ¥109 to 1$US in 2016 had some impact on the rate of increase. In US$ terms, it meant that the value of these exports rose only by 22% - from US$5.62 billion in 2012 to US$6.88 billion in 2016. Furthermore, the government does not aim to achieve the ¥1 trillion goal by exporting agricultural products alone. The goal includes exports of fishery products, forestry products and processed food products as well. In 2016, the export value of processed food products was ¥235.6 billion, that of fishery products was ¥264.0 billion and that of forestry products was ¥26.8 billion. This means that the export value of agricultural products was only ¥223.9 billion (to make the total of ¥750.3 billion).

As can be seen from the above discussion, the four agricultural policy reforms that the Abe administration has initiated are all yet to be completed, and its stated goal of “agricultural, forestry and fisheries industries on the offensive” is still far from being realized. In particular, the Abe administration continues to stray off course in terms of rice policy by maintaining the gentan and promoting rice production for feed use. It needs to paint a vision for what to do with Japan’s paddy fields in the future as soon as possible. The reform to agricultural groups including JA has showed some progress, but the major issue of political resistance still remains. To what extent the Law to Support Strengthening the Competitiveness of Agriculture, which was formulated in accordance with the Program, will be effective is another key point. In terms of reforms to the designated organization system for raw milk, too, there is strong opposition to abolishing the system since it has been the foundation of JA's joint marketing system. However, if the reform does succeed, it will be the first dairy farming reform in 50 years. As for the final reform - sixth industrialization and promotion of exports – Japanese agriculture cannot truly become stronger until Japan builds an export strategy based on the creation of new added value and the development of markets instead of engaging in superficial measures such as providing government funding and advertising Japanese food overseas.

3. The essence of JA reform and the Abe administration’s aim

Prime Minister Abe called JA a symbol of “regulations as solid as bedrock” and put great effort into reforming it. Nokyo is characterized by the fact that higher-level organizations exist above the local agricultural cooperatives and they are brought together as one group nationally through vertically tiered federations. The group of higher-level organizations at the prefectural and national levels make up the so-called “federated organization”. Table 1 provides a summary of the membership structure and business activities of the agricultural
Farmers across the country are all part of one group connected through the three-tiered federated organization, making Nokyo much more than a group of independent cooperatives formed by farmers and instead a group with great political power. The agricultural cooperatives were originally organizations independently formed on the basis of personal bonds in order to allow individual producers and consumers to deal with the monopolistic powers of large enterprise and to cut distribution costs etc. Therefore, local agricultural cooperatives could, in theory, make their own decisions based on their unique situation and operate businesses that benefited their members as a basic principle. However, in the local cooperatives’ case, each of their businesses have been conducted through the federated organization: the national organizations decide the main business policies and then pass them down the hierarchy through the prefectural federations to the local level.

An important cooperative principle is the freedom to join and leave. The current situation
where the local agricultural cooperatives are virtually forced to join the prefectural federations and the prefectural federations are virtually forced to join the national federations clearly deviates from this principle. Furthermore, because of social pressures, farmers are not actually free to join or leave their local cooperative in the first place. They are essentially forced to follow tradition in local communities and join their local cooperative. In other words, individual members lack an awareness of the voluntary nature of their membership, which is contributing to the preservation of the centralized federated organization.

Another characteristic of the local agricultural cooperatives is the diverse businesses they conduct as multi-purpose cooperatives. Usually cooperatives are organized according to function. In Japan's case, however, the cooperatives not only engage in product marketing and production material supply (economic businesses) but also in banking (credit business), insurance (mutual aid business) and even hospital management (welfare business). That is why people say “all you need is JA from the cradle to the grave”.

The reason that the agricultural cooperatives can engage in diverse businesses is because they are given various privileges compared with financial service providers and insurance providers that are usually banned from conducting other businesses. Furthermore, the Anti-Monopoly Law does not apply to the agricultural cooperatives’ joint purchasing, joint marketing, or joint accounts.

Shortly after the war, there were no financial institutions or insurance companies in rural areas, so it was believed that the agricultural cooperatives had to provide these services alongside their economic businesses. Furthermore, allowing the agricultural cooperatives to engage in joint purchasing and marketing based on joint accounts instead of individual farmers who did not have negotiating power in transactions, thus giving them negotiating power as organizations, was effective. Giving the agricultural cooperatives various privileges for these purposes was, therefore, reasonable.

However, given the developments in transport and communications today, even people living in rural areas can access financial institutions and insurance companies in various ways. Furthermore, farmers and farm management have become diversified and multi-purposed, and how the agricultural cooperatives are used has changed as well.

The JA reforms promoted by the Abe administration have attracted attention as representing a fundamental revision to the way it operates. The revised Agricultural Cooperative Law, which began with discussions by the government’s Regulatory Reform Council (RRC) and was legislated in August 2015 after negotiations between the government and ruling party, and after Diet deliberations etc., included the requirement for the majority of local agricultural cooperative board members to be accredited farmers [nin-tei]
nogyoshō] or the equivalent, and to give the utmost consideration to increasing agricultural income as the agricultural cooperatives’ business management policy etc. However, the centrepiece of the revised Law was the transformation of JA-Zenchu into an incorporated association, externalizing its auditing function and enabling Zen-Noh to turn into a stock company.

The basic goal of the reform was to revitalize local agricultural cooperatives operating at the grassroots. In order to achieve this goal, increasing their freedom and enabling them to establish independent businesses were indispensable. Some agricultural cooperatives use the federated system, while others have developed their own processes. The federated organization should simply be one of the options that the cooperatives can choose to use if it is convenient for them.

Turning JA-Zenchu into an incorporated association was also part of the effort to realize this goal. JA-Zenchu does not need to be given special status based on the Agricultural Cooperative Law as long as it can give local cooperatives the guidance they want. In the same way that some farmers need the agricultural cooperatives while others do not, some local co-ops need JA-Zenchu while others do not. If those that strive to achieve distinctive development based on the characteristics of the local area become increasingly independent, an incorporated association should be sufficient to support the cooperatives that do need advice and information.

Together with providing guidance, another important JA-Zenchu role was auditing. Strict audits are indispensable for maintaining the soundness of each agricultural cooperative’s businesses and organization. However, JA-Zenchu’s audits were not necessarily carried out by certified public accountants. Furthermore, while JA-Zenchu’s National Audit Body might appear to be independent, in terms of organizational set-up, it was part of JA-Zenchu, so in actuality it carried out internal audits. These audits were carried out by staff members who were qualified on the basis of an internal qualification system. Audits by an outside party are necessary for soundly managing the cooperatives in the long term.

The purpose of reforming Zen-Noh, on the other hand, is to turn it into one of the options that local cooperatives can choose as a distribution channel. This means that unless Zen-Noh reduces distribution costs and becomes an organization chosen by local co-ops, the meaning of its existence will be lost. The government’s Regulatory Reform Promotion Council (RRPC) proposed that Zen-Noh essentially withdraw from the farm input supply business and strengthen its marketing business by switching from consignment-based marketing to purchase-based marketing, both within one year, based on the view that it is currently not conducting its businesses from the farmers’ standpoint.
All these organizational shortcomings had been pointed out in the past, so what was the Abe administration’s intention when it decided to embark on JA reform? JA has been a perfect target for reform under Abenomics because it is a symbol of regulations as solid as bedrock. Although everyone has heard of Nokyo, not everyone necessarily knows much about how it actually operates. On the other hand, what is well known is Nokyo’s traditional role as an important support base for the LDP. Prime Minister Abe must have thought that he could appeal to voters by challenging JA despite this political and electoral relationship.

The result of the 2009 general election was another important reason why JA came to the top of the list of reform targets. The LDP gained fewer seats than the DPJ and lost power because of the decline in the number of votes it won in rural areas. At the time, the DPJ was advocating the “individual household income compensation system” and won the election by directly appealing to farmers rather than to Nokyo, which backed the LDP. The parties and their politicians realized that they could win support for policies that appealed directly to farmers without having to go through Nokyo. In short, the interests of Nokyo and the farmers were not one and the same.

The Abe administration took advantage of this fact. They declared that they would double agricultural income and income in rural areas over 10 years and that they would reorganize JA to benefit farmers. In other words, they separated the farmers from Nokyo and resolutely attempted regulatory reform as a way to make the agricultural cooperatives more useful to farmers (that is, their members). Indeed, there are many farmers who welcome the Abe administration’s JA reforms.

Reforming JA is also necessary to transform agriculture into an industry “on the offensive”. This requires small-scale farmers to exit the industry. As long as the area of farmland remains constant, some farmers need to provide farmland to allow highly productive farmers to expand in scale. However, scale expansion is not making progress because many part-time farmers continue farming even if they run deficits. These farmers find the co-ops useful: although the fertilisers and chemicals they sell are relatively expensive, farmers can have the materials delivered to their doorstep and they can sell their products without having to find their own buyers as long as they ship it to the co-ops. Part-time farmers who do not depend on the sales revenue from their farms but instead farm on a non-commercial scale as a hobby or as purpose in life are extremely convenient clients for the co-ops.

“Agriculture on the offensive” cannot, therefore, be realized unless this relationship between Nokyo and part-time farmers is broken. Furthermore, in order to bring about regional revitalization, another of the Abe administration’s primary goals, it is necessary to realize large-scale, efficient agricultural production and efforts that make use of such
production to increase added value such as sixth industrialization. In order to do this, the Abe administration is encouraging the cooperatives to grow out of their dependence on the commission fees that they collect from part-time farmers and instead develop business models that involve taking risks. If large-scale farmers start proactively to use the cooperatives, they will become less dependent on part-time farmers. The objective – albeit indirect – of the Abe administration’s JA reform is to break away from an agricultural structure where small-scale, part-time entities are the main players.

4. Changes in the political environment of agricultural reform

Easing the path for agricultural reform is the inexorable decline in the political power of Japan’s farmers owing primarily to fundamental changes in the demographic structure of the farm workforce, which now has an average age of 67 years. The number of those employed in agriculture fell below the 2.0 million mark for the first time in 2016 to 1.92 million (Ministry of Agriculture, Forestry and Fisheries 2017). Similarly, the number of commercial farm households dropped below 1.3 million for the first time in 2016 while the farm household population fell below 5.0 million for the first time in 2015 (Ministry of Agriculture, Forestry and Fisheries 2017), and hence below 5% of the total number of eligible voters, which totaled just over 106.2 million in 2016. The rapid aging of the farm household population, which is hastening the exit of many farmers from agriculture, is thus reducing the size of the farm vote as well as JA’s farm membership and vote-gathering power in elections.

These trends are inevitably impacting on levels of agricultural representation in the Diet. The number of Diet members who are former executive or staff members of JA has fallen to an all-time low. Toshio Yamada, a former JA-Zenchu executive and LDP member of the Upper House, won just under 450,000 votes in the 2007 Upper House election on the LDP’s proportional representation (PR) list in the national constituency. However, in 2013, his vote tally slipped to around 340,000 votes, a decline of around 25%. Moreover, in 2016, Shinya Fujiki, a JA organizational candidate and agricultural cooperative chairman in Kumamoto, won even fewer votes on the LDP’s PR list with just 236,119 votes.

The size of the LDP’s “agricultural tribe” (norin zoku) of Diet members, the bloc of farm politicians that exerts influence over agricultural policy within the LDP, is also shrinking, and it is widely recognized that their influence is declining in tandem with the falling number of farm votes. The description of JA as a “vote-gathering machine” for the LDP, with the power to determine who wins in rural electorates, no longer necessarily holds, indicating a weakening of the “triangle of electoral cooperation” (senkyo kyoroku
toraianguru) amongst farm voters, JA and the LDP. This trend is being reinforced by the more balanced electoral performance of the LDP across all types of constituencies in recent elections, from the most densely urban to the most rural, particularly under Prime Minister Abe, suggesting that the party’s support base is more evenly spread across the farming and non-farming populations and undermining the party’s traditional policy bias in favor of rural interests.

However, mitigating the loss of farmers’ electoral power to some extent are several interrelated developments. First, given the continuing involvement in electoral support activities of JA political groups at both national and prefectural level, the farm vote is still an organized vote in many electorates, which allows farmers to exert influence over election outcomes disproportionately to their absolute numbers. Secondly, what must be taken into account is not only the farm vote but also the JA vote, which overlap, but which are not exactly the same thing. JAs total official membership consists of 4.5 million regular farmer-members and 5.8 million associate non-regular members (see Table 1), who, together, represent just under 10 per cent of the national voting population. In addition, JA organizational candidates are reliably backed by the 207,000 or so JA staff members and their families. Thirdly, the nature of the electoral system can work in JA and the farmers’ favor. In single-member electoral districts where victory is dependent on a candidate winning a plurality, a few votes can dramatically alter the election outcome. The concern is particularly strong in close battles in the single-seat districts of the Lower House, where “even a small number of agricultural votes may determine the results of the election” (Yamashita 2012). Election candidates standing in the 31 single-member prefectural constituencies in the Upper House (the number rose to 32 in 2016) are swayed by similar considerations. This tends to translate into “negative” voting power for JA and the farmers - being able to ensure that a specific candidate loses - as well as encouraging candidates in these seats to avoid alienating JA and the farmers.

In short, the farmers and JA can still potentially be an effective force in mobilizing an organized vote and in casting a protest vote. For example, just after Abe led the LDP to victory in the Lower House in December 2014, a candidate in the Saga Prefecture gubernatorial election strongly recommended by JA won the election in January 2015 against a candidate endorsed by the LDP with the full backing of the prime minister and Chief Cabinet Secretary Yoshihide Suga, representing the so-called “power of the Kantei” over the issue of JA reform. Abe had been fixed on recommending a candidate with the full backing of his leadership, ignoring opposition from Diet members from Saga and JA executives, in order to “display his indomitable resolve to carry out JA reform by beating the rival candidate who was fully supported by JA” (Nogami 2015, 8). The election divided the
conservative camp, with an LDP-Komeito-backed pro-JA reform candidate defeated by the JA-recommended anti-JA reform candidate, and with the government’s JA reform plan a key issue in the election (Mainichi Shinbun 2015). The loss in Saga followed a similar loss in Shiga Prefecture in July 2014.

The effect of these demonstrations of farmer and JA electoral power was to stiffen the resolve of the norin zoku to stand up to the Kantei on agricultural reform issues. While the falling numbers of farm voters and JA’s declining political power opens the door for LDP administrations to begin reforming both the farm sector and JA itself, it also opens the door for farmers and JA organizations to register a political protest in elections. In some cases, particularly in agricultural electorates, this can still determine who wins in key seats. Another good example of the power of a JA-mobilized protest vote was the LDP’s electoral losses in key rural constituencies, including six seats in the party’s stronghold of rural Tohoku and neighboring Niigata, in the 2016 Upper House poll. For these reasons, Diet members representing rural and regional constituencies still find it difficult to oppose JA out of fear of losing farmers’ votes. In short, as a voting bloc, farmers remain an important electoral constituency. As LDP Secretary-General Toshihiro Nikai declared, “If we [the LDP] fight against farmers, neither the party nor Japan will survive” (Ogawa, 2016).

5. Has Kantei-led agricultural reform become possible?

Matching and partially reflecting these changes in the political environment of agriculture are those in the agricultural policymaking process itself. Two major sets of institutional changes are significant. The first of these is the gradual unraveling of the “agricultural policy triangle” (nosei toraianguru) consisting of MAFF executives, JA executives, particularly from JA-Zenchu, and the LDP’s agricultural and forestry executives’ group (norin kanbuka), a small group of senior norin zoku holding executive positions in the LDP’s agricultural policymaking apparatus (Shimizu 2016).

The agricultural policy triangle, or so-called “three-party talks”, held sway in agricultural policymaking for decades. All decisions on important agricultural policy issues were made in negotiations amongst the three groups of executives (Fujii 2015). However, more recently, particularly under Abe’s second administration, both the connections amongst the three players and their unity of interests in maintaining the regime of agricultural support and protection, have been slowly breaking down. The “three-party talks” no longer function as the supreme decision-making body for agriculture and have essentially collapsed (Fujii 2015). Elements in both the MAFF and the norin kanbu have sided with the Kantei in wanting agricultural policy reform, with key players susceptible to Abe’s policy influence
and accepting that JA no longer necessarily represents the interests of the farmers (George Mulgan 2016b). In other words, JA's view is no longer necessarily accepted as the view at the grassroots (Fujii 2015) or as representing the best policy for the future of Japanese agriculture.

Combining with and reinforcing these changes is a second and related change - the rise of the prime ministerial executive led by Prime Minister Abe and his office (Kantei). This rise reflects the Abe administration’s determination to establish policymaking led by the Kantei and the successive electoral victories of the LDP under Abe’s leadership. This has enabled the Kantei to exert much greater influence over the ruling party, the Diet and the bureaucracy (Nogami 2015). With policymaking dominated by the “Kantei as the single strong entity” (shusho kantei ikkyo), the influence of the LDP’s policy tribes, including the norin zoku, has inevitably declined (Nihon Keizai Shinbun 2015). The JA press has even used the term “Kantei dictatorship” (Kantei dokusai) to describe the power of the Kantei in pushing for reform (JAcom2016a).

As part of this process, the Abe administration has accorded policy councils a much more significant role as a source of policy advice and as instruments of policy reform. Reformers have been appointed to these councils in order to bypass the traditional obstacles to policy change – the bureaucracy and the ruling party – and “to provide logistical support for the Kantei’s intentions” (JAcom2016a). With respect to policy for the farm sector, the “aim has been to have multiple government councils lead the discussion on reforms….As a result, the only option that the LDP’s norin members and MAFF were left with has been to search for a realistic point of compromise” (Fujii 2014, 7). JA has even accused the RRPC of “borrowing the prime minister’s power to attack” it (Nihon Nogyo Shinbun 2016).

Abe has also chosen key reformers to important agricultural policymaking positions within the LDP in order to break up the norin zoku as a cohesive anti-agricultural reform force within the party and to shift the balance of policymaking power further in the Kantei’s favor (George Mulgan 2016b). For example, he selected former MAFF minister, member of the norin kanbukai, and the most powerful norin zoku in the party, Koya Nishikawa, as chairman of the LDP’s Research Committee on Agriculture, Forestry and Food Strategy so that Nishikawa could use his influence in discussions within the party on Zen-Noh reform. Nishikawa’s view is that the norin zoku, MAFF bureaucrats and the leaders of agricultural organizations are responsible for weakening Japanese agriculture. He played a key role in the first round of JA reform in 2013-2015 and was charged with making the preparations for submitting the JA reform bills to the Diet (Aihara et al. 2015). He also played a very special role as a coordinator between the prime minister and the rest of the LDP on agricultural trade matters as chairman of the LDP’s TPP Affairs Committee. His position was closer to
the Kantei's on trade agreements than to the other norin zoku, and he engaged in actually promoting the TPP under the Abe administration. His selection to all these posts reflected the prime minister's strategy to use so-called “tribe Diet members” (zoku giin) aligned with him to bring the others under his control saying, “zoku giin can only be restrained by other zoku giin” (Aihara et al. 2015), or “fight zoku with zoku” (Nishikawa 2017).

Abe’s other tactic has been to appoint LDP politicians with no agricultural interests, no expertise and no connections to the farm sector as chairmen of the LDP’s Agriculture, Forestry and Fisheries Division, the most important agricultural policymaking committee in the party. For example, he has appointed Shinjiro Koizumi, who is not a norin zoku and who has never been involved in agricultural policy before, to act in this position as well as selecting him as chairman of the LDP’s Agriculture, Forestry and Fisheries Big Boned Policy Formulation Project Team charged with examining mid- to long-term measures for agricultural reform. Koizumi’s task has been to act as a “middleman” – reconciling the pro-reform views of the government with the anti-reform stance of the nōrin zoku. His predecessor as division chairman was also an agricultural policy novice – Ken Saito – who used to work for METI and whose appointment was called “irregular” (Uchida 2015, 251). Saito’s view of agriculture was that it would not survive “if we do not attempt to do things that we have never done” (Shiota 2015). He also thought that JA reform was a very necessary step in the environment affecting Japanese agriculture. When the first JA reform bill was being deliberated in the Lower House he said, “We must take a big step towards reform…. The JA needs to turn into a wise and strong organization” (Nihon Nogyo Shinbun 2015). In August 2016, he was appointed as MAFF Deputy Minister.

The Kantei has also made a strategic appointment at the highest level in the MAFF. Chief Cabinet Secretary Suga selected a leading figure amongst the MAFF reform group, Masaaki Okuhara, to the top position of administrative vice-minister and instructed him to support Koizumi (Ogawa 2016). Previously director-general of the Management Improvement Bureau, Okuhara’s view was that “the agricultural cooperatives only think about their own profit and not about the farmers at all” (Iida 2015, 78). He has continually urged JA to carry out reform but concluded that it had no intention of doing so. When the Kantei and RRC first took up the JA reform issue, he became enthusiastic about it once again. For his forthrightness on the need to reform JA, he made many enemies in the LDP, JA and MAFF. For example, Okuhara and former JA-Zenchu Chairman, Akira Banzai, were sworn enemies (Iida 2015). However, Okuhara’s appointment as MAFF administrative vice-minister means that the MAFF is now compelled under his leadership to side with the Kantei on the need to implement agricultural reform.

On the other hand, although the shared policy interests that previously underpinned the
agricultural policy triangle might be unraveling, some of the steps and stages of the traditional agricultural policymaking process remain very much in evidence as do their traditional players. First, government-sponsored reform councils set the reform process in motion by proposing a set of “radical”, “extreme” or “high-ball” reforms. Secondly, these proposals are then referred to the LDP and the relevant agricultural policy committee(s) for deliberation, which results in pushback, or pressure for amendment and adjustment of the government’s proposals. Thirdly, the norin kanbukai spearhead intra-party coordination (chosei) on the policy issues in question by coordinating with the larger group of norin zoku and the even bigger group of agriculture-related Diet members. The kanbukai are also key figures in the coordination process with the government side (MAFF executives and the Kantei) and with JA executives. This remains a critical step in the agricultural policymaking process because it largely determines the outcome, or final policy decision, which is almost always a compromise amongst the conflicting interests of the parties involved. In other words, the “battle” ends in some kind of a draw with concessions made and granted, usually resulting in a “watering down” of the Kantei and reform councils’ plans. For example, in November 2016, this type of coordination took place to resolve opposing interests over Zen-Noh reform with a view to producing a mutually acceptable outcome. The key discussions in the LDP were held in a combined conference of agriculture-related Diet members in the LDP, the key players being Koizumi, Nishikawa and other members of the norin kanbukai, and the focus of discussions was on how and to what extent to amend the RRPC’s original set of proposals.

In the end, the resistance of the norin zoku could not be overcome and a much weaker set of reforms was announced, such as requiring Zen-Noh to focus on reforming itself, including the publication of annual plans for organizational reform, and with the government and ruling party checking regularly on progress. Essentially the reform was left up to Zen-Noh’s voluntary efforts, which will involve reducing the range of production materials it offers and selling farm products directly to the food-service industry without going through wholesalers (Yomiuri Shinbun 2017). This means that the radical proposals of the RRPC were effectively gutted, with the government achieving much less than in the first round JA reforms in 2013-2015 (George Mulgan 2016a). Many media sources were critical of the outcome, claiming that the reform had suffered a setback and that “resistance forces” (teiko seiryoku) had pushed back the reform. They published headlines such as “Fundamental reform to Zen-Noh postponed”, “Koizumi faces wall of norin zoku”, and “Setback to reform” (Yoshida 2016). The RRPC’s original proposal that the number of agricultural cooperatives that conduct credit (deposit and loan) business should be halved in three years was also removed, and amendments were made to the proposed reform to the designated raw milk
producers’ groups system. In other words, the LDP and its constituent elements representing farm interests, particularly the norin zoku, continue to modify, amend and otherwise “water down” reform proposals emanating from the Kantei and its reform councils. Thus, anti-agricultural reform Diet politicians in the LDP still, to some extent, exercise veto power over the government’s policy proposals by acting as advocates for farmers and JA from within the agricultural policymaking process.

Although many say that under the Abe administration the Kantei is dominant and the party is subordinate (kanko to tei), the most recent evidence from the agricultural reform process suggests that the LDP backed up by farmers and the co-ops can still successfully resist many reform proposals to which they are strongly opposed and force compromises from the government. Although the prime minister told the RRPC meeting on November 7, 2016, that he would “responsibly implement” the RRPC’s proposals (JAcom2016b), he did not end up being able to do so.

6. Conclusion: The challenges that lie ahead for the Abe administration —

As can be seen from the above discussion, the agricultural reforms advocated by the Abe administration have been more forward-looking than those of any other administration and seem to reflect a strong determination to realize an agricultural industry that is not dependent on support and protection from the government. However, the Abe government still has a long way to go before it can destroy what Abe calls “regulations as solid as bedrock”. The most solid of these regulations in the area of agriculture is the farmland system.

The Agricultural Land Law, which is at the root of the farmland system, was passed in order to protect the achievements of the farmland reform that took place after WWII and was not necessarily established from the perspective of the efficient use of farmland. Therefore, the efforts to liberalize the system of purchasing and selling of farmland that are being made today, including farmland loans, are being carried out as exceptional measures that are exempt from the application of the Agricultural Land Law. However, general stock companies still do not have the right to acquire farmland.

The Agricultural Land Law therefore needs to be a target of reform. A unified farmland system needs to be established from the perspective of the efficient use of farmland and any entity should be allowed to own and use farmland as long as it uses the farmland efficiently. In other words, farmland should be defined as a management resource or production factor and should be allowed to be freely combined with other resources or factors such as labor and capital to maximize productivity.
Efficient use of farmland will require effective use of the taxation system as well. At the same time as liberalizing farmland ownership, penalties should be imposed if, for example, farmland is not utilized as a consolidated block regardless of the ownership. Large amounts of public funds are invested in farmland through various means including land improvement works, so it is only natural for restrictions regarding farmland rights to be stricter than those regarding general private property rights.

Various short-term policies are important, but what is most important is to paint a future vision for Japan’s agriculture. For example, what will Japan’s agriculture look like in 20 years time? While there are endless possibilities, if there is an ideal vision for agriculture in 20 years, it can tell us what needs to be done today. What lies beyond an “agriculture on the offensive” should ideally be demand for Japanese agricultural products as well as technology and human resources in the global market. However, the rest of the world will ignore Japan unless it first liberalizes its markets, including rice. If the future of Japan’s agriculture lies beyond an “agriculture on the offensive”, then Japan must decide on a direction of structural reform that is consistent with globalization and a path to realizing tariff reductions and abolition now.

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is a growth industry with great ‘room for growth’ – Ken Saito (LDP deputy secretary-general, Agriculture and Forestry Division chairman), Ushio Shiota’s ‘Interviews with key figures’ [10]”, *President Online*, March 2, http://president.jp/articles/-/14703.


1 JA is short for ‘Japan Agriculture’, the shortened English title conferred on itself by Nokyo and short for Japan Agriculture Group (JA Group).

2 Amongst the policies that the Abe administration has been promoting, the TPP has potentially had a particularly significant impact on the agricultural sector. However, it has no chance of coming into
effect in its current form because of U.S. withdrawal from the agreement, and hence TPP-related issues are not discussed in this paper.

3 See also below.

4 See also below.

5 All export figures for agricultural, forestry, fisheries and food products were obtained from Ministry of Agriculture, Forestry and Fisheries (2016b).

6 See also below.

7 The number of eligible voters as of the day of the last Upper House election (10 July 2016) was 106,202,873 (Ministry of Internal Affairs and Communications 2016).

8 In the 2009 election, in particular, many powerful norin zoku lost their seats and did not return to the Diet.

9 The figure for the total number of JA staff members was obtained from Ministry of Agriculture, Forestry and Fisheries (2016c).

10 These were Aomori, Iwate, Yamagata, Miyagi and Fukushima.