

Japanese Rice Protectionism

Overview

- Rice is a *heavily* protected commodity in Japan
- Trade data clearly show policy changes
 - History, culture and politics all play a role.
 - Deeply rooted in Japanese culture, but a lot has changed.
- “Japanese rice is seen as an icon of cultural protectionism around the world”
 - Will they finally give in and completely open up trade?
 - If so, what are the implications?

“More Than Just Food”



- Rice production led to the development of key Japanese cultural concepts:
 - *Amae* (Dependency)
 - *Wa* (Harmony)
 - Farming techniques lead to collectivistic society
- *Gohan* is the word for “cooked rice” as well as “meal”

“More Than Just Food”



- Rice has been used as hard currency in Japanese history.
- *Sake*, a popular alcoholic drink, is brewed from rice.
- Rice farmers have a great deal of influence in Japanese politics.
 - This plays a key role in trade policy and subsidy/diversion programs.

Short vs. Long Grain



- Short Grain (“Sticky Rice”)
 - More popular in Japan
 - Used to make sushi and sake
- Long Grain
 - More preferred in USA (Carolina, Basmati, etc.)
- Important determinant of who Japan imports from

Production Techniques in Japan



- Aspects of cultural and economic influences.
 - Average plot size in Japan is 2 hectares.
 - American avg. is 170 hectares.
 - USA yields 2x as much rice per hectare.
 - Economies of scale are key factor.
- Producer costs are 10x USA.
- Consumer prices 3x USA.
- Diversion programs play a key role.

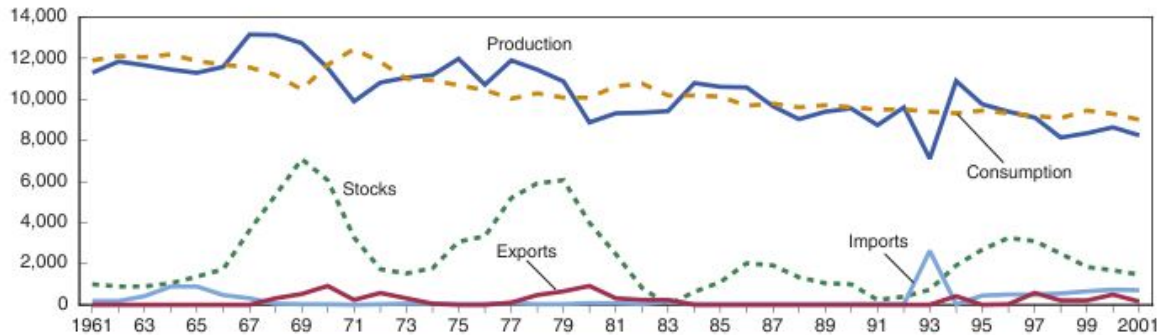
Domestic Policies (Pre 95)

- 1942 – Japanese gov't takes sole control of distribution, production, and sales of rice.
 - Farmers sold output to gov't, they re-sold it to consumers.
- 1963 – Rice demand begins to decline.
 - Increasing incomes and societal change lead people to seek more variety.

Figure 1

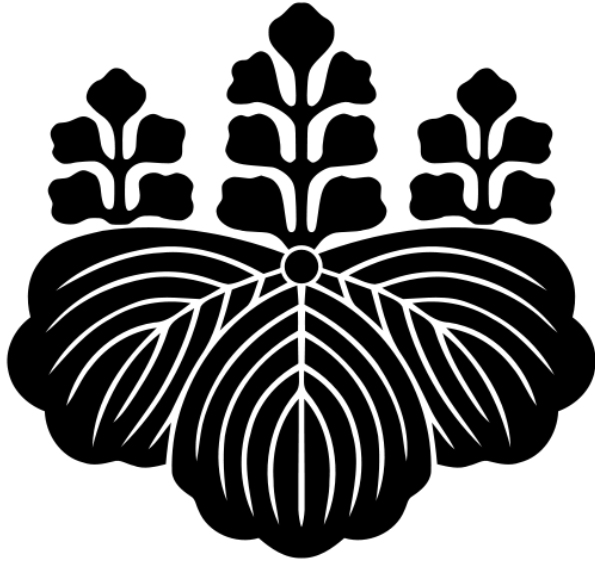
Japan: Rice production, consumption, stocks, and trade

1,000 tons



Source: PS&D, Feb. 2003.

Border Policies (Pre '95)



Seal of Japanese government

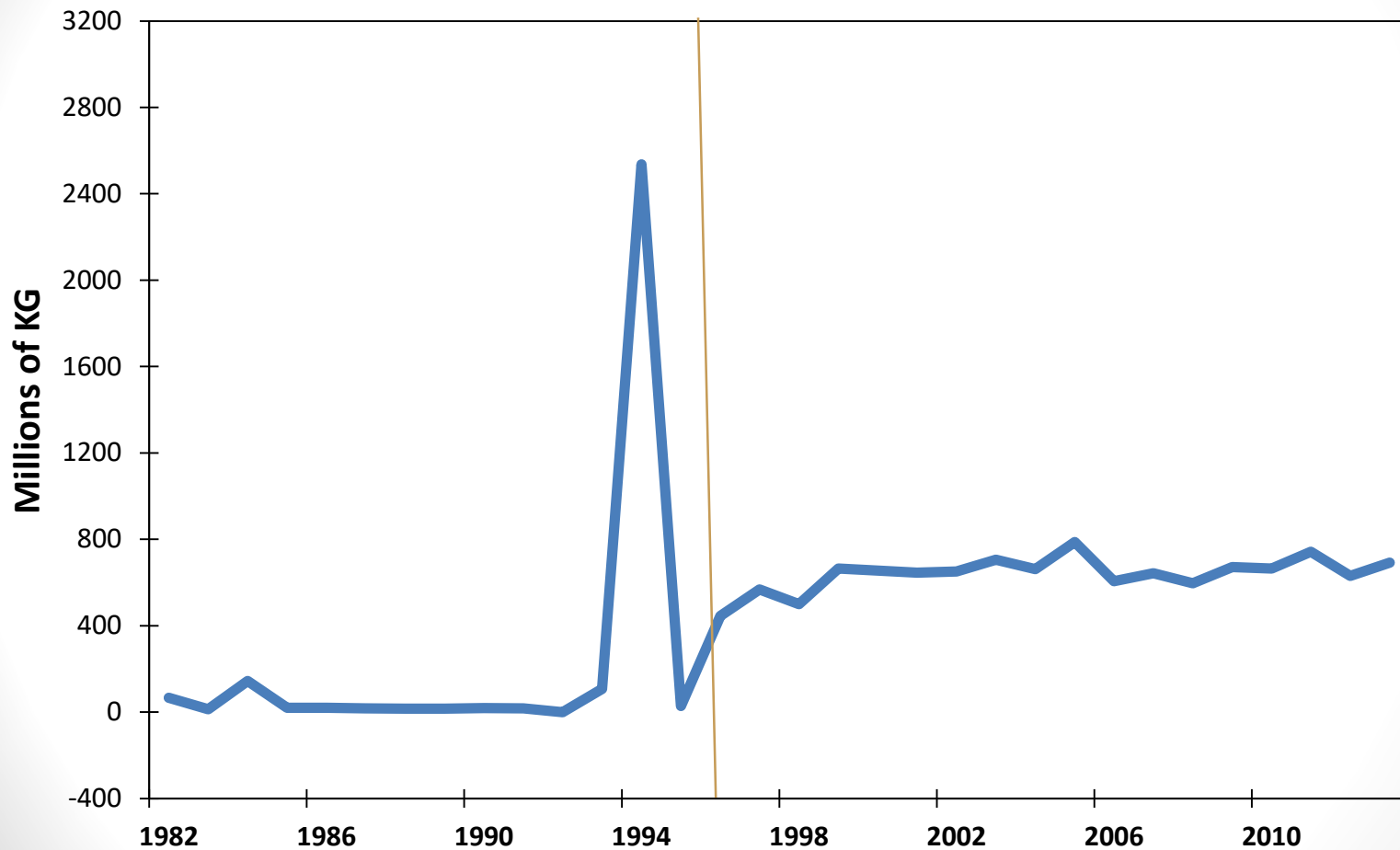
- 1970s – Gov't seeks to raise income of rice farmers.
 - Ceases rice imports, continues with purchase/re-sell program
 - Exceptions in 1984/1993
- Farmers respond with higher production - supply exceeds a still decreasing demand.
 - Gov't implements *Gentan* system.

Gentan System

- Government pays farmers to reduce their rice crops and divert production to other crops.
 - 15,000 yen (~\$148) per 1,000 m² of reduction
 - Production targets are set based on market conditions.
 - Key contributor to small plot sizes in Japan.
- Shinzo Abe says it will be phased out by 2018.
 - Announced Nov. 2013 – first major change since '95



Quantity of Japanese Rice Imports From World

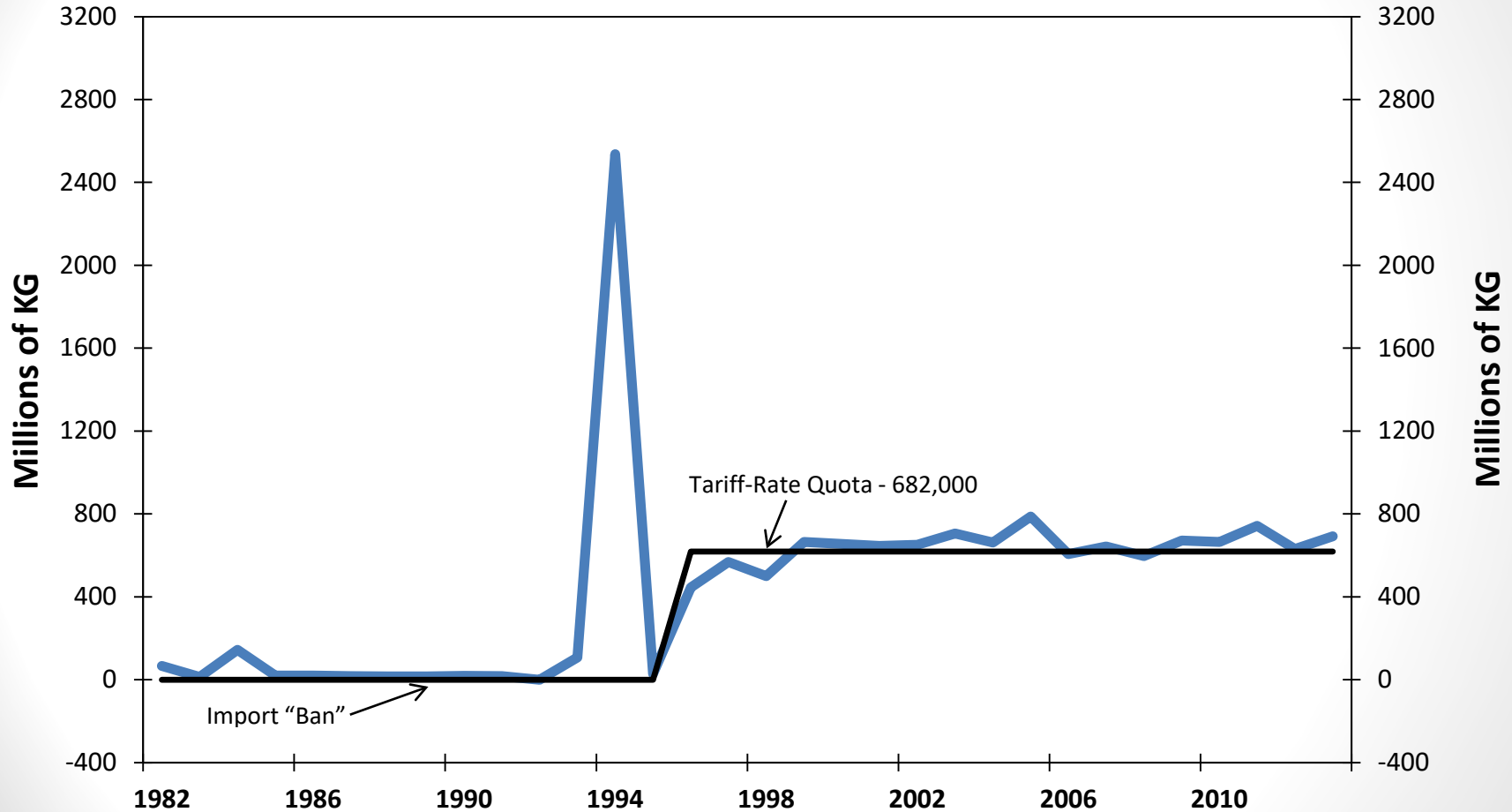


Exceptions to the Rules

- 1984 – 3 years of poor harvest
 - 150,000 tons imported from South Korea
- 1993 – Worst harvest in Japan's post-War history
 - 2.8 million metric tons imported from China and Thailand



Quantity of Japanese Rice Imports From World



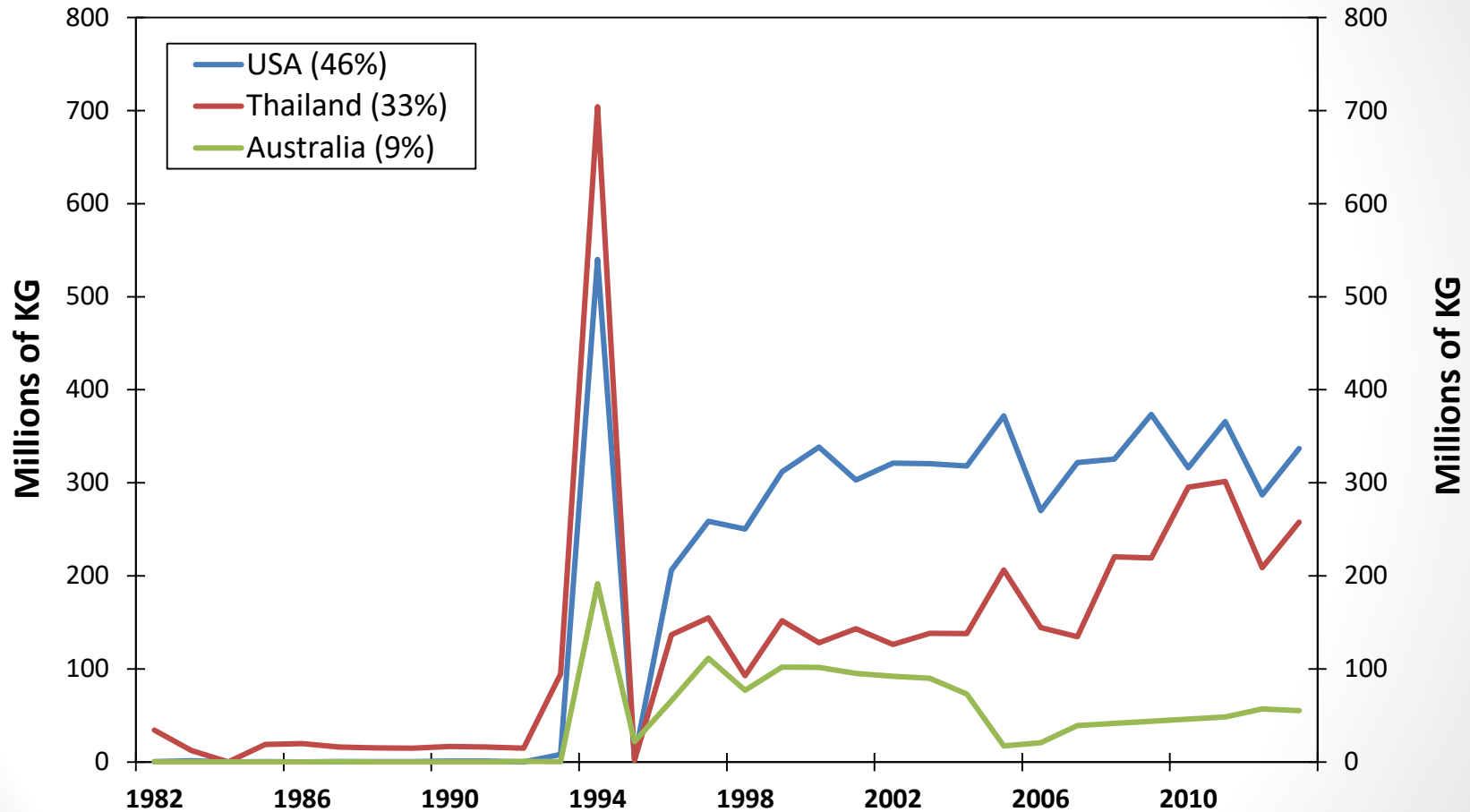
Policy Changes

- 1995 – End of Uruguay Round (GATT → WTO)
 - Japan agrees to import 682,000 tons of rice per year.
 - ~ 780% tariff outside quota (341 yen/kg)
 - Ministry of Agriculture, Forestry and Fisheries (MAFF) has sole right to import within the quota.
- AoA – Agreement on Agriculture
 - New policies make developing nations feel disenfranchised.
 - **Green Box** - Diversion programs billed as “land preservation”

MAFF

Ministry of Agriculture,
Forestry and Fisheries

Quantity of Japanese Rice Imports From World



Import Methods

- OMA (Ordinary Market Access)
 - Standard import procedure
 - Roughly 85% of quota is allocated to OMA rice.
- SBS (Simultaneous Buy-Sell Program)
 - Food processing companies and trading houses jointly bid on imported rice.
 - Markup is effectively the same as a tariff.



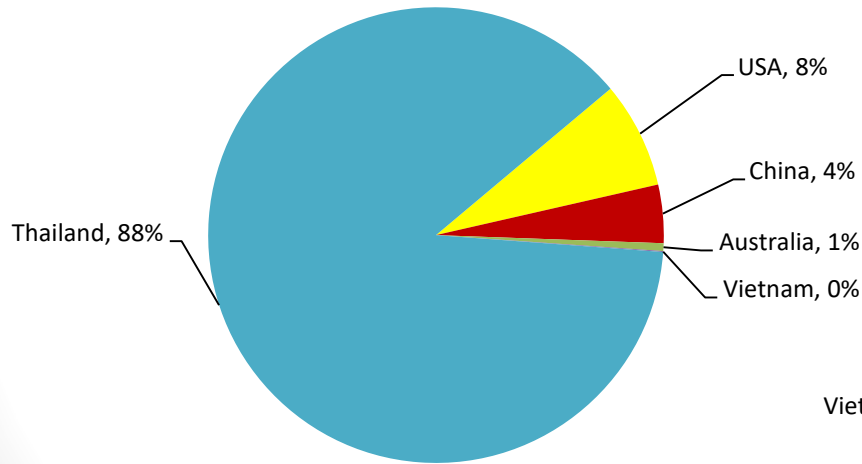
Policy Changes

1998

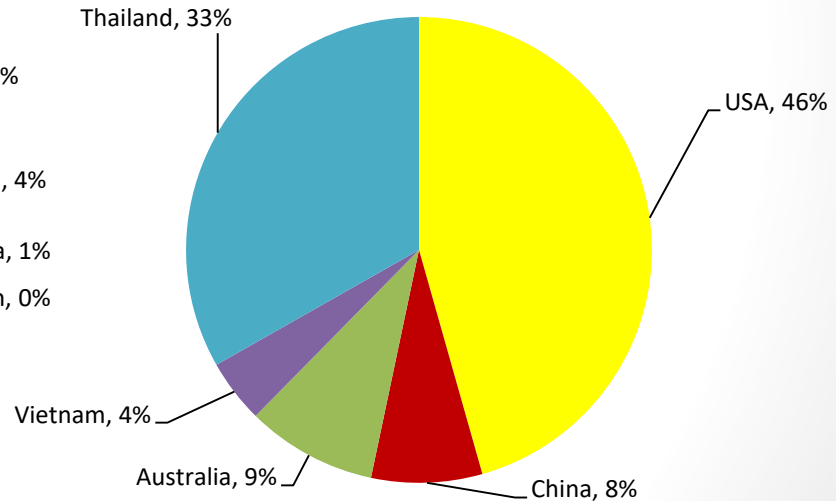
- Government control of rice market is lifted.
- **Rice Farming Income Stabilization Program & Product Adjustment Promotion Program**
 - Must participate in PAPP to benefit from ISP
 - Farmers pay 4000 yen (\$33) per hectare of land in the fund.
 - Farmers are compensated when market price falls below a pre-determined price target.
 - PAPP is another form of a diversion program.

Imports: Then and Now

Japanese Rice Imports (1993)



Japanese Rice Imports (2012)



USA is biggest mover – they also happen to be a major lobbyist for change in 1995

Stockpiling Rice



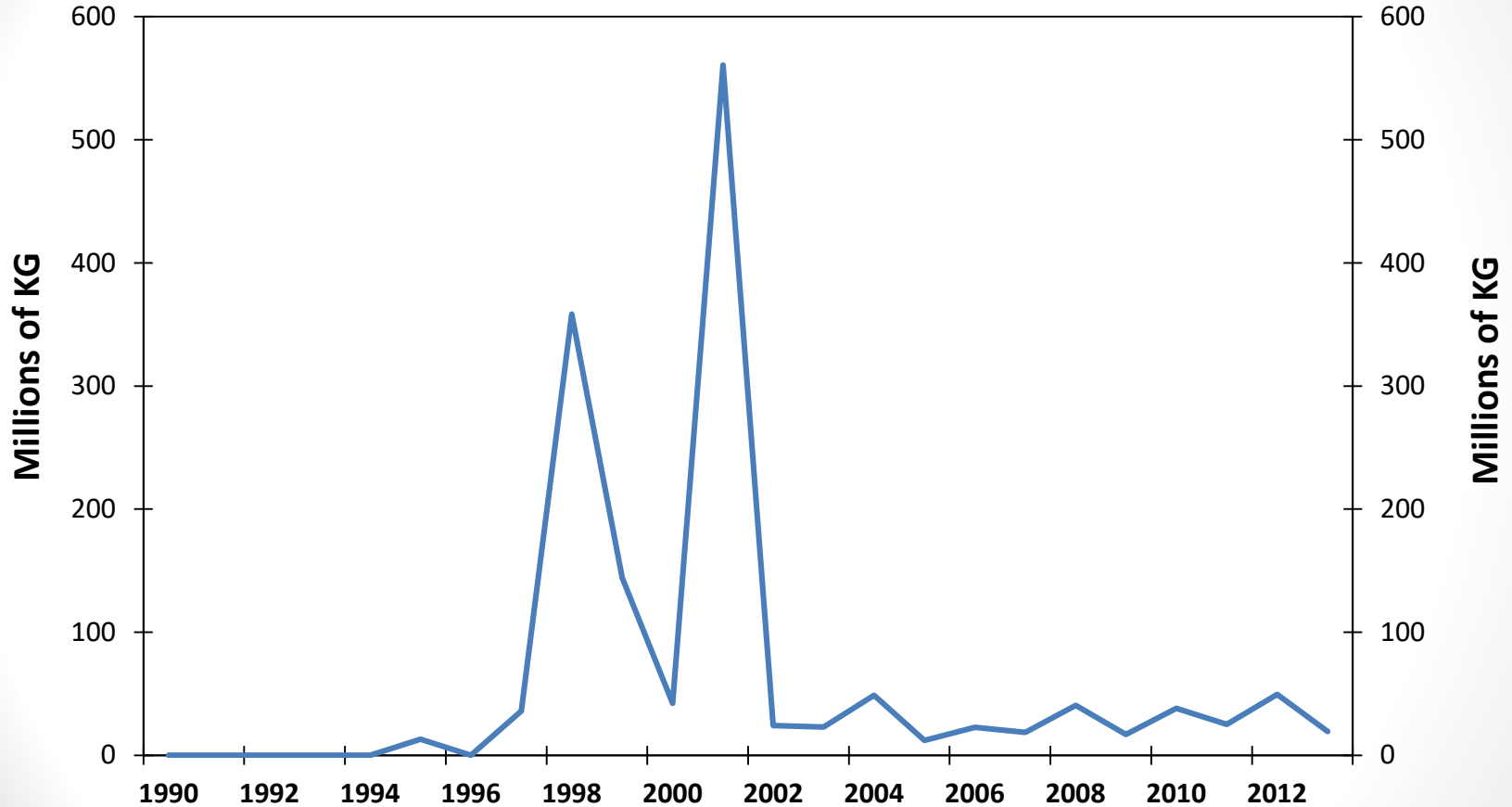
- 2013 – Japan stockpiling an estimated 2.5 million tons
 - 11-year high
 - ~ 4 times its import quota
 - Declining demand due to high prices
 - Self-feeding cycle

Food Aid

- Much of this stockpiled rice is re-exported as food aid.
 - North Korea, Philippines, Africa
 - Stockpile size, prices, and political matters all play a role.



Japanese Rice Exports to World



Trans-Pacific Partnership (TPP)

- The TPP is a proposed trade agreement under negotiation by Pacific Rim nations.
 - First major policy discussion since late 1990s.
- Highly influential farm lobby is primary obstacle to Japan's involvement
 - Tariffs like the 780% levy on rice would be eliminated.
 - MAFF estimates foreign dependency on agriculture would rise from 60% to 90% if TPP is enacted.

Policy Suggestions

- Gradual dismantling of protectionism
 - Rice farmers need time to shift to new professions.
 - Even with time, farmers would likely be decimated.
 - Gov't could compensate losses
 - Look to NAFTA as a precedent
 - Global efficiency would benefit from a shift to lower-cost producers (USA, among others).

Questions?