

Graduate School of Economics, Kyoto University  
East Asia International Human Resource Development Programme  
**Field Research in Japan (2010 Autumn) Part II**

---

## **Agricultural Market System and Wholesale Sector in Japan**

18 November 2010  
**Shuji Hisano**

### **Introduction**

---

- The aim of the course
  - Through conducting fieldworks to research some aspects of Japanese economy, such as industrial facilities, rural/urban areas, and administrative bodies, students are expected to learn socio-economic issues in Japan from multiple points of view. Both English and Japanese are used in lectures, fieldworks, and discussions.
  - For essays, only English is acceptable.
  - In principle, each fieldwork consists of a set of elements, including preliminary lecture on relevant topics, fieldwork, ex-post discussion, and writing an essay. There will be three or four fieldworks during the semester.

## Introduction

---

- The aim of my part of the course
  - To understand the situation of the Japanese agricultural sector, more or less similar across East Asian region --- agriculture is a declining sector, but still important in various ways, especially for sustainable development
  - To understand the wholesale market system, unique to Japan in terms of involving more layers than in Europe and US, but still followed by East Asian countries
  - To understand how crucial the role of the wholesale market still is, although its function has been challenged and eroded
  - To think over future directions of agricultural market system, in which various forms of farmers/consumers initiatives are also possible --- if and how they are able to effect socio-economic changes in the face of growing bargaining power of mainstream agrifood businesses?

## Introduction

---

- Schedule
  - 11/18 Thursday 16:30~18:00
    - Lecture on wholesale market system in Japan
  - 11/24 Wednesday 6:00~8:30
    - Field trip to the Kyoto Central Wholesale Market
      - 6:00 at JR station "Tambaguchi (丹波口)"
  - 12/2 Thursday 16:30~18:00
    - Lecture on various forms of rural local initiatives
  - 12/5 Sunday 8:00~11:00
    - Field trip to Satonoeki Ohara
      - 7:15 at Demachiyanagi bus station (出町柳駅前)
      - 7:40 at Kokusai-kaikan bus station (国際会館駅前)
  - Report submission
    - Deadline 12/16 (by email: to [hisano@econ.kyoto-u.ac.jp](mailto:hisano@econ.kyoto-u.ac.jp))

## Outline

---

1. An Overview of Japanese Agriculture
2. Agricultural Market System and Policy in Japan
3. Fresh Fruit and Vegetable Sector and the (Changing) Role of Wholesale Market System

## 1. Japanese agriculture

---

- Japanese agriculture rapidly shrinking
  - **Scarcity of arable land in a long term decreasing trend**
    - 4.61m ha in 2009, 14% decrease since 1985, 24% decrease since 1961
  - **Small farm sizes**
    - 1.4ha excluding Hokkaido (20.5ha) in 2009
    - 1.9ha including Hokkaido in 2005 → 2.2ha in 2010
    - Cf. USA 180.2ha in 2005, EU 16.9ha in 2005, Australia 3423.8ha in 2004
  - **Low wages and falling agricultural incomes**
    - Avg. ag wage for male = 62% of national avg. industry wage in 2005
    - Earnings from ag = 23% of total farm household income in 2008
  - **Part-time and aging farmers in a sharp increase trend**
    - Commercial farm households with full-time farmers under 65 = 20%
    - Commercial farmers aged 65 or over = 61% in 2005
  - **Lack of agricultural successors**
    - Commercial farmers with successors fully/mainly in ag = 6.8% in 2005
  - **Increase of abandoned cultivated land areas** – 400,000ha in 2010

## 1. Japanese agriculture

### Downward Trend of Japanese Agricultural Sector

(10000ha, 10000, %)

	1965	1975	1985	1995	2005	2010*	
Arable land	<b>600</b>	<b>557</b>	<b>538</b>	<b>504</b>	<b>469</b>	<b>461</b>	2009/1965
		-7.2	-3.4	-6.3	-6.9	-1.7	-23.2
Abandoned land		<b>13</b>	<b>14</b>	<b>24</b>	<b>39</b>	<b>40</b>	2010/1975
			3.1	80.7	58.2	3.6	205.3
Nr. of farm households	<b>566</b>	<b>495</b>	<b>423</b>	<b>344</b>	<b>285</b>	<b>168</b>	2010/1965
		-12.5	-14.5	-18.7	-17.2	-41.2	-70.4
Nr. of farmers	<b>1151</b>	<b>791</b>	<b>543</b>	<b>414</b>	<b>335</b>	<b>260</b>	2010/1965
		-31.3	-31.4	-23.8	-19.1	-22.4	-77.4
Nr. of core farmers	<b>894</b>	<b>489</b>	<b>346</b>	<b>256</b>	<b>224</b>	<b>191</b>	2009/1965
		-45.3	-29.2	-26.0	-12.5	-14.6	-78.6
65 or over			<b>19.5</b>	<b>39.7</b>	<b>57.4</b>	<b>60.4</b>	

Note: Data of arable land and number of core farmers are available for 2009. Numbers of farmers and core farmers are only for commercial farm households since 1985.

S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

7

## 1. Japanese agriculture

- Deregulation and trade liberalisation
  - Pressures from the U.S. and WTO
  - Pressures from the within (mainstream business sector)
  - Diminishing role of the government sector
- New Basic Law on Agriculture (1999)
  - Strong preference for "certified" core farmers
  - Direct payment system mainly targeted at core farmers (2007)
- Direct Payment System to support farm households extensively
  - Rice farmers from 2010, wheat and soybean farmers from 2011
- ➔ Fall of self-sufficiency ratio (about 40%)
  - Declining agricultural production base
  - Increasing import of cheap products
    - Difference between domestic and foreign prices + Change of diets

S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

8

# 1. Japanese agriculture

図Ⅲ-2：食生活の変化と食料自給率の変化

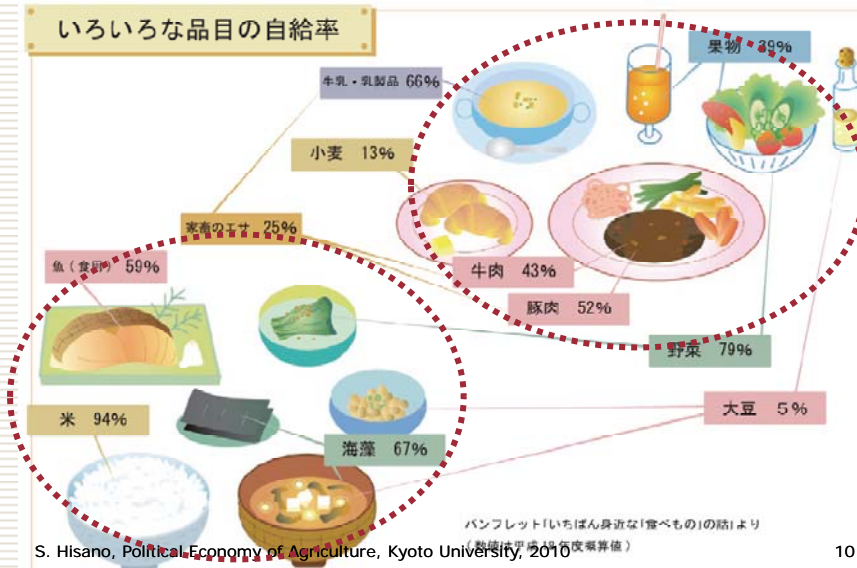


S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

9

# 1. Japanese agriculture

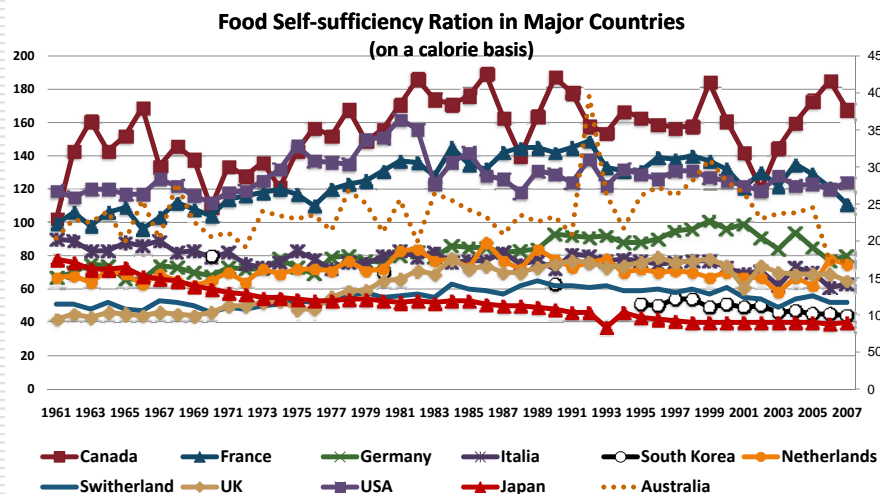
## いろいろな品目の自給率



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

10

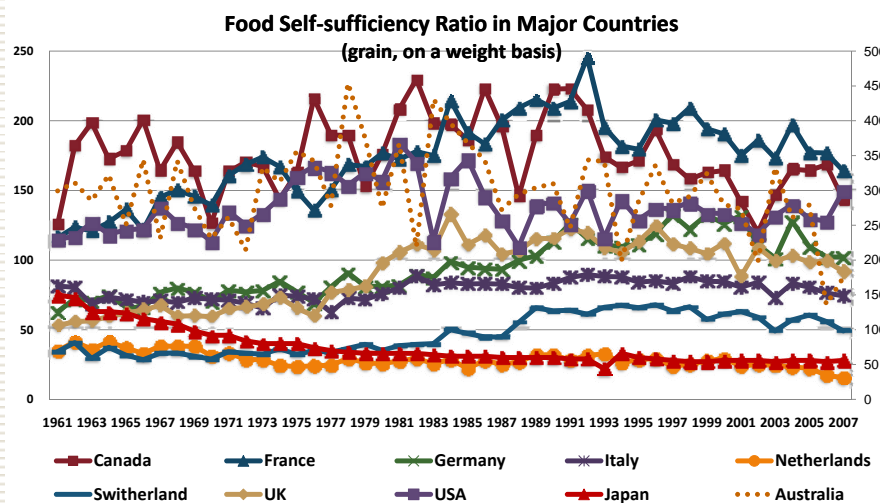
# 1. Japanese agriculture



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

11

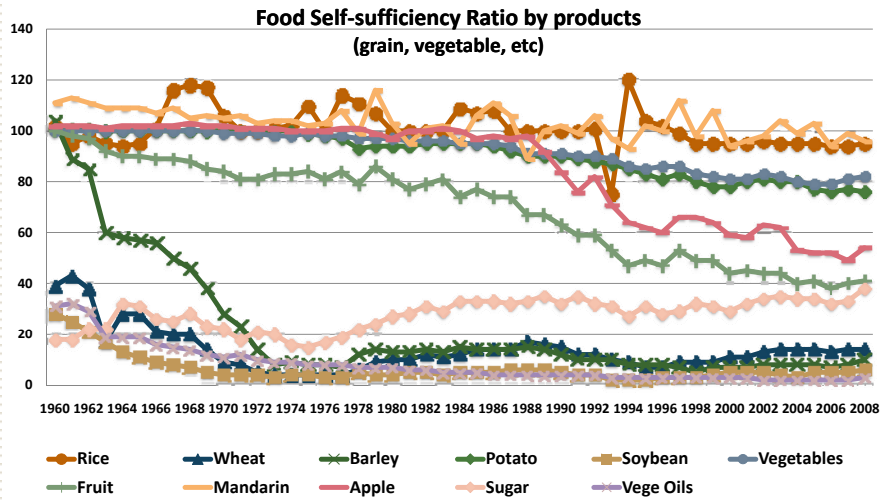
# 1. Japanese agriculture



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

12

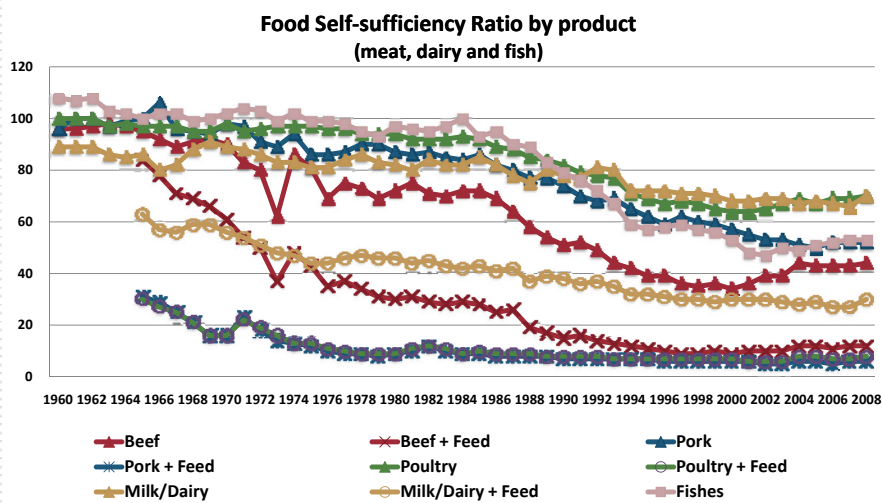
# 1. Japanese agriculture



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

13

# 1. Japanese agriculture



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

14

## 2. Agricultural Market System

---

- Agricultural Market Policy
  - Price support measures
  - Supply-demand adjustment measures
  - Distribution regulation measures
- Distribution Regulations
  - Entry regulation
  - Distribution channel regulation
  - Transaction regulation
  - Unfair trading regulation
  - Trade regulation (tariffs and nontariff restrictions)
  - Quality/labeling regulation
  - Environmental regulation

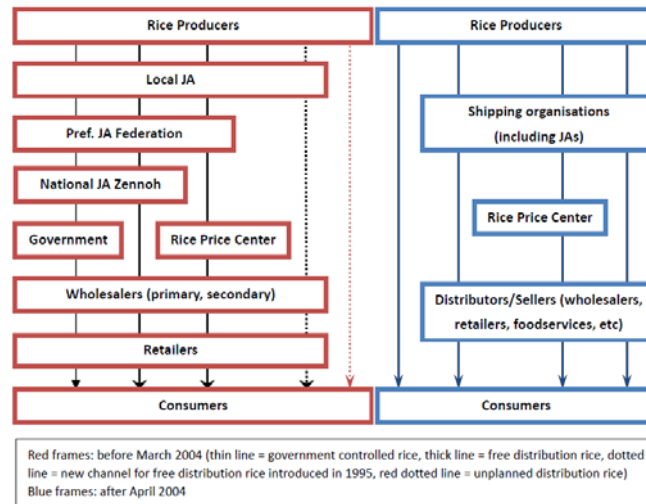
## 2. Agricultural Market System

---

- Various Types of Market System
  - Rice
    - Government control (1942~)→ Partial deregulation (1970~)→ Full deregulation (1995~) → No government control (2004~)
  - Fresh Fruit & Vegetables
    - Crucial role of central wholesale markets established by local governments (1923~)→ gradually deregulated (1970~, 1999~, 2004~) and faced with challenges
  - Fishery products
    - Wholesale markets both in producing and consuming regions
  - Meat products
    - Meat wholesale markets equipped with packing facilities, public and private meat centres, gradually integrated by meat packers
  - Wheat and Soybeans
    - Some public control (incl. ag coops), but influenced by food companies



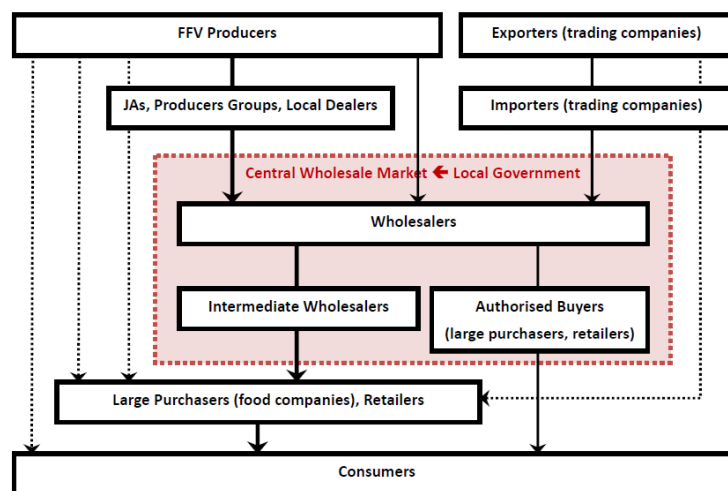
## 2. Agricultural Market System (rice)



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

17

## 2. Agricultural Market System (ffv)



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

18

### 3. FFV Market System

---

#### Actors in FFV Market

##### ■ Upstream

- Producers
- Agricultural Co-ops, Producer Groups, Local Buyers, (+Agribusiness Corporations, Exporting Companies, Food Processing Companies)

##### ■ Midstream

- Primary Wholesalers, Intermediary Wholesalers, JA Zennoh Collection & Delivery Centers, Wholesale Companies, (+Importing Companies), Food Processing Companies, JA Processing Businesses

##### ■ Downstream

- Grocery Stores, Fruit Shops, Supermarkets, Consumers Co-ops, CVS, Distributors, Farmers' Markets/Direct Selling Outlets, Food Services
- Consumers

### 3. FFV Market System

---

#### Functions of the Central Wholesale Market

##### ■ Established by local governments under the Wholesale Market Law

- Perishable foodstuffs such as vegetables, fruit, fish, meat and flowers
- Collection (consigned) from producers 集荷
- Fair pricing through public auction 公正な価格形成
- Sorting/Distribution 分荷
- Sound/quick settlement of accounts 確実迅速な取引の決済
- Reduction in distributing costs 流通経費の削減
- Providing precise and fair information 正確な情報提供
- Hygiene and sanitation inspection 衛生の保持

### 3. FFV Market System

---

- Wholesale Market System
  - Central Wholesale Market = 79 of 50 cities (ffv are handled in 64)
  - Local Wholesale Market = 1,237 (public 155, semi 38, private 1,044)
  - Operators in the Market (only for Central Wholesale Markets)
    - **Wholesalers** (224/ffv handled by 91) sell foodstuffs collected from and/or consigned by producers to intermediate wholesalers and authorized buyers at auctions, then receiving regulated commissions from producers
    - **Intermediate wholesalers** (4,600/ffv 1,763) purchase foodstuffs from wholesalers at auction and sell them to buyers after sorting
    - **Authorized buyers** (39,046/ffv 18,234) are retailers, processors, large purchasers admitted to participate in the auction

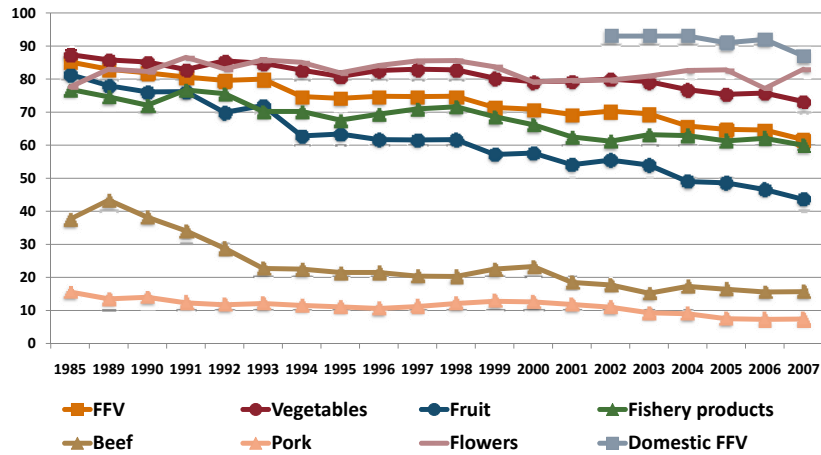
### 3. FFV Market System

---

- Challenges Faced by Wholesale Market
  - Share of commodities handled by the wholesale market is declining
    - 64.6% of FFV in 2006 (75.8% of vegetables, 46.6% of fruit), 62.1% of fishery products, 10.1% of meat products, 85.4% of flowers
  - Auction/Bidding → Negotiation transaction increasing between producing regions and large purchasers
    - Share of auction/bidding for vegetables rapidly decreasing = 78% in 1985 → 67% in 1990 → 35% in 2000 → 17% in 2008
    - Shift from consignment to purchasing from producers = 90:10 in 1985 → 87:13 in 1990 → 79:21 in 2000 → 71:29 in 2008
  - ← **Increase of imported ffv / Growing demand of supermarket chains for stabled purchase price and for a wide assortment**
  - Nationally unified commissions have been deregulated since 2009
    - 8.5% for vegetables, 7% for fruit, 5.5% for fisheries products, 3.5% for meat products, 9.5% for flowers → ???

### 3. FFV Market System

Share of Commodities Handled by Wholesale Markets

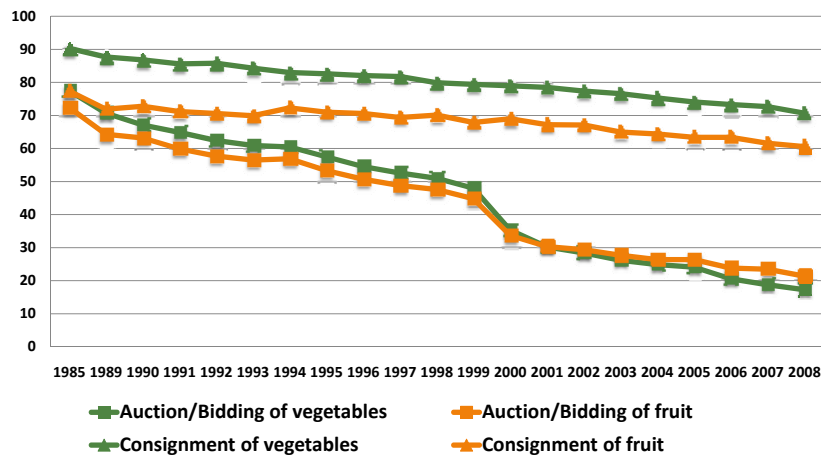


S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

23

### 3. FFV Market System

Share of Auction/bidding and Consignment of FFV



S. Hisano, Political Economy of Agriculture, Kyoto University, 2010

24

### 3. FFV Market System

---

#### Off-Market Transactions

- Transactions initiated by agrifood businesses
  - Traders/Importers, Food processors, Food services...
  - Coordinating contract farming and/or development import
- Direct transactions between producers/JAs and retailers
  - Direct selling of fresh produce at supermarkets or consumer coops
- JA Zennoh's collection, delivery, and processing businesses

At the same time...

- Direct transactions between producers and consumers
  - Open air market, Farm stand, Teikei (CSA), Agritourism, etc.
  - ➔ Next class on 2 December and Field trip to Ohara

### 4. Information

---

#### In order to get to the place in time, you have the following options:

- Subway or Keihan Line + JR Line
  - JR --- Tambaguchi Station 5:57 ← JR Nijo Station 5:55
  - Subway Tozai Line --- Nijo 5:43 ← Karasuma Oike 5:39 ← Sanjo Keihan 5:36
  - Subway Karasuma Line --- Karasuma Oike 5:37 ← Imadegawa 5:33, Kuramaguchi 5:31, Kokusai-kaikan 5:23
  - Keihan Line --- Sanjo 5:26 ← Jingu-Marutamachi 5:23, Demachiyonagi 5:22
- Taxi
  - Would be better to take a taxi together and split the fare
  - 15-20 minutes from Demachiyonagi Station
  - Time appointed for meeting at **Demachiyonagi Station = 5:30**

