

# A Historical Analysis of Japanese Agriculture: Development and Globalization

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## I. MODERNIZATION OF JAPAN AND THE LAND REFORM

I participated in the IX Conference of International Federation of East Asian Management Association (IFEAMA) held in Moscow, October 2008. I had a chance to make a speech. The theme of my paper was “Japan’s Economic Modernization and the Management Transformation after W.W. II.” At the first passage of my paper I delivered as follows (Reference [1], pp.20~21, simplified).

In August 1945, Japan surrendered to the Allied Powers, and the World War II was over. From that time to April 1952, a sequence of modernization in Japan was promoted by the American military administration, such as political democratization, the dissolution of the big combines, land reform, approval of labor union, division of big companies, enactment of the Anti-Trust Law, and emancipation of women.

During the war, Japanese economy was under the system called ToseiKeizai, or “controlled economy”. Funds, prices, and wages were controlled according to the official plan made by the government. Japanese economy wasn’t yet free. Though the restrictions became gradually looser after the War, the power of government was still strong.

In April 1952, being independent from the US occupation, Japan came back to international economy. Japanese companies promoted rationalization. More and more Japanese products found their way into the world market. In those days, exchange rate for one dollar was fixed 360 yen; rate of yen was low, which was favorable for Japanese exports. First of all, Japanese goods went into the US market. After Japan was independent, Japan-USA Security Treaty was concluded. Under the alliance, economical relationship of the two countries became closer. New technologies were introduced from US. From the latter half of the ’50s to the ’60s and ’70s, Japanese economy progressed and people’s life became higher year after year.

This is my view in 2008 by which I mentioned about the outline of Japanese economy from the end of World War II to the ’70s. In this paper, from the viewpoint of land reform (or agrarian land reform), I’ll analyze the development of Japanese economy.

About the postwar agrarian land reform, let me quote the sentence from following two books. In the first book written by Yutaka Yoshioka, who once worked for Ministry of Agriculture and Forestry. He wrote as follows. (Reference [2], p.26)

When the war had ended and dust cleared, Japan was thoroughly devastated and agriculture lay in ruins. Overlaying this, the U.S.-led occupation imposed agrarian land reforms as part of its effort to democratize Japan. Backed by the military force of the occupation, these agrarian land reforms are said to have been among the most successful anywhere. Under the reforms, 1.93million hectares (or about 80% of all tenant-farmed land-tenant-farmed land accounting for about one-third of all Japanese farmland) were sold at very low prices to the farmers who had worked in it. As a result, the vast majority of Japanese farmers owned the land they worked, and owner-farmers were motivated to intensify their rice-growing efforts.

The next book was written by ShinobuOhe, a sociologist. About agrarian land reform he explained as follows. (Reference [3]. p.189)

Agrarian land reform started in March 1947. The government insisted on buying owner-farmland more than 3 chobu (12 chobu in Hokkaido) and tenant-farmland more than Ichobu(4 chobu in Hokkaido), which were sold to tenant farmers. As the result, in July 1951 the farmland occupied by the owners showed decrease of more than 1.97millionchobuand the average area of cultivated land of their own became less than 5 tan for each family. Land owners, who had controlled the agriculture and farm district, lost their position. But the forestry was out of the reform. So the farmers could not extend their farmland toward the forestry area. However the spread of chemical fertilizer, change from animal power to farm machines and less necessity of wooden fuel made the relationship between agriculture and forestry thinner as the years went on.

This historical reform had no chance to be reconsidered since then. Land owners never got back their land bought by the government. Postwar atmosphere looking like revolution provoked no sympathy for land owners. Aristocrats, who had supported Emperor System till the end of the War, were disbanded and their authority has never been revived. The power of the postwar social reform was so strong that its influence has lasted, and the new social order has been established.

## II. FEATURES OF POSTWAR JAPANESE AGRICULTURE

Among the postwar reforms of Japanese society, the agrarian land reform in 1947 ranks almost the same with dissolution of Zaibatsu, dispersion of great companies, and approval of rights for labor union. It promoted the democratization of Japanese society. Above all, for the farm districts where modernization had been late, the influence was

big. As for its features and results, the following facts were important.

(1) "Farmer owns the farm land" principle: this was specified in Article 3 of the Farm Land Law.

(2) It became possible for farmers to unite for their unions, which was approved by the Law of Agricultural Cooperative Associations enacted in 1947.

(3) Control by government : For example, food control started with the Food Control Law in 1937. After the War it was expanded and enforced. Around the '40s and the '50s the food shortage was so severe that in actuality there was fear of starvation.

(4) As for rice and other staples, the production quantity was allocated and bought by the government. The price was settled. It was called "kouteikakaku". Sellers were arranged by the government or prefecture offices. This system was called "kyoshutsuseido". The price containing cost plus profit was guaranteed, which satisfied farmers to some extent. Generally consumers bought at less than the sellers price. Government paid the difference. The consumers in general bought rice and wheat at specific shop. Quantity purchased was limited; it didn't satisfy consumers enough. Such system was called "haikyuseido".

(5) After the War, agricultural laboratories were set up in each prefecture. As public activity, agricultural technique and operation improvement was researched there. The achievement items were opened to public and better use of it was encouraged.

(6) Farmers Union (cooperative and its allied organization) worked as not only function for producing but pressure group to politics. Government, meeting requirements of farmers and the union, offered advantage for their daily life. The politicians, be conservative or progressive, thought that it should be the political responsibility not to enlarge the social disparity between cities and farm-districts. Some of conservative parties or progressive parties also regarded farmers and their unions as support members of their own political philosophy.

(7) The Ministry of Agriculture and Forestry was established in April 1925. After the War, it remained to carry out the same responsibility. But the Minister was nominated by Prime Minister under the party government. He was ordinarily a politician. He led the undersecretary, who was the highest official in the ministerial organization..

### III. DEVELOPMENT OF INDUSTRY AND AGRICULTURE DURING THE '50S ,THE '60S AND THE '70S

The first wave of prosperity came in to Japan in 1955. It was so-called "Jimmu Keiki".

After that, "Iwato Keiki" followed. It began around October 1958, and lasted till the end of 1961. The national consumption raised, and the automobile industry and electrical household appliances industry were entering into the main sector of Japanese economy.

Around the same time, Japanese agriculture also took a new step. As the recovery of industrial field went on, the working population shifted from agriculture to the industrial sphere. Up to the '50s, agricultural technological development was backward compared with that of manufacturing field. Traditionally the farm work consisted of many kinds of manual labor. The progress of productivity was also slow. But in Japan in the '50s, the increase of agricultural production was urgent. People in general had a very severe time of it because of the lack of food. Mechanization of agriculture had to be coming.

The agricultural machinery began to be used around the middle of the '50s. Before that, the farmers used the big plow driven by the domestic animal to cultivate the farmland. The powered cultivator and the threshing machine were popular in the '60s. The agricultural tractors began to be used in the same period. Hokkaido, Tohoku and Kansai were early in introducing the mechanization of farm works.

The supply of machinery was possible from two routes. One was from abroad; the other was domestic production. In the latter half of the '50s there were some agricultural machine imports from Europe. The importing countries were England, France, and West Germany. But I am not sure if the imported machines were actually used on the farmland by the Japanese farmers. The machines might be used in the laboratories for the sake of learning, investigation. and training. At the beginning of industrialization this kind of experiments could happen in any backward countries.

As for domestic production, several agricultural machinery producers appeared at the end of the '50s. To name some, they were Iseki, Kubota, Satoh-Nohki, Komatsu, Ishikawajima-Shibaura, Yammer, Mitsubishi, so on. Not all of them were specialist-manufacturers. For example, Mitsubishi was a big all-round machinery producer. So they manufactured agricultural machines in the specific factory.

I want to raise another technological innovation. That was the chemical fertilizer. Traditionally Japanese farmers used the natural materials for fertilizer. Old straw and dry leaves were the most familiar materials for fertilizer. But around the '50s and after Japanese domestic chemical companies mass produced chemical fertilizer. The new fertilizer was easy to handle and very effective. So they spread all over Japan very soon. Afterwards many kinds of chemical products were used as the repellent and weed-killer.

In 1955 the Liberal Party and the Japan Democratic Party merged into a new political party; that was the Liberal Democratic Party (LDP). After the Kishi Cabinet was obliged to resign because of the domestic political clash in July 1960, the Ikeda Cabinet appeared on the stage. Prime Minister Ikeda announced "the Double Income Scheme". At first it gave a big surprise among the people. But this kind of growth-mind attitude toward the economy became the foundation of new economic policy of LDP.

Another important policy which the Ikeda Cabinet adopted was the activation of agriculture and rural areas. In 1961 the Government enacted "the Agricultural Basic Law",

which intended to achieve the development of national economy and the improvement of rural life. But this law was abolished in 1999, when the new basic law was enacted under the Obuchi Government.

Lastly I would like to describe the mechanization of Japanese agriculture thereafter. Around the '60s and the '70s, there were already many kinds of machinery using. They were cultivators, tractors, threshers, binders, grass-cutters, rice-transplanters, and so on. The largest one was the combine. It was a combined machine of harvesting and threshing; the farmers operated the machine like an automobile, and worked. The big-type of combines were used in Hokkaido and Hachirougata district, where the large-scale of rice-production was in common.

#### IV. GLOBALIZATION AND AGRICULTURAL IMPORTS AFTER THE '70S

In my view the globalization started around the '70s, when so-called multi-national corporations appeared in the world economy. Japanese manufacturers were very active to export their products to USA in quantities. This caused the trade conflict between the two countries. Meanwhile USA took a note of Japanese agricultural trade. They accused that it was not liberal, nor fair. There broke out another battle. As for this battle Yutaka Yoshioka argued as follows. (Reference [2], pp29~30).

With the persistent trade surpluses that accompanied the rapid expansion of Japan's manufactured exports in the 1970s and beyond, the United States began to push for the greater liberalization of Japan's agricultural imports and this issue became a standing issue between the two countries.

But with each new round of bilateral negotiations by GATT (the General Agreement on Tariffs and Trade) throughout the 1980s and early 1990s the world agricultural imports market enlarged. Grapefruits, oranges, orange juice, peanuts, beef, and processed cheese and others were liberalized. The United States occupied 35.9% of world total agricultural exports to Japan in 1994. This share was no. 1 in value. The second share was 10.2% in value by China, and the third share was 9.3% in value by Australia. The eating habits in Japan changed gradually from the '60s on, and many Japanese were rather fond of eating agricultural products (greens and processed) from abroad.

Lastly I would like to mention the liberalization of rice imports. As far as the rice was concerned, the self-sufficient in rice had been 100%. It was the common sense of all Japanese. But in 1993 and 1994 very important things happened. One was the accession of the Uruguay Round Agreement, including the Agricultural Agreement by Prime Minister Hosokawa's decision. It opened the way for rice imports from foreign countries. The other was an emergency program to import over 2.50 million tons of rice from the United States, Australia, Thailand, and China. This was due to the poor harvest of rice in 1993 Japan. The acceptance of the Uruguay Round Agricultural Agreement and the minimum access requirement on rice, compelled the Japanese government to amend her half-century policy. The government abolished the old Food Control Law, and enacted a new Staple Food Stabilization Law

in 1995. It was a historic change of the agricultural policy in Japan.

Speaking of the effect of the imports of foreign rice, some people found that foreign rice was not so bad in quality as they had thought. People in the food service industry began to use foreign rice for their dishes. The domestic market for foreign rice has been growing gradually thereafter.

#### V. JA GROUP AND ZEN-NOH : THE MANAGEMENT SYSTEM

##### A. Terminology

JA is an organization that conducts business activities based on the participation and collective efforts of its members. It collectively purchases the materials necessary for agricultural production and collectively markets agricultural products under the provisions of the Agriculture Cooperative Associations Law in 1947.

ZEN-NOH is a Japanese abbreviation of "National Federation of Agricultural Cooperative Associations", which is the full name of the organization in English. It was established on March 30th 1972. The organization functions as the center of marketing and supply business of JA group. JA group consists in three leveled sub-organizations, that is, national level, prefectural level, and local level. JA is the whole structure of the entire organizations.

##### B. Overseas Offices

ZEN-NOH Overview (October 2011) says that they have four offices in the world; their locations are Beijing, Shanghai, Dusseldorf, and Australia. The activity is world-wide.

##### C. Affiliates; Overseas and Domestic

The major companies and their business are as follows.

###### \* ZEN-NOH Grain Corporation (United States)

It was established in New Orleans, Louisiana, in 1979 with the aim of securing the stable supply of compound feed ingredients. Along with its subsidiary CGB Enterprises, Inc., it serves the role of distribution and information base for the buying, transporting, storage, and exporting of feed ingredients from the U.S. Grain Belt.

###### \* ZEN-NOH Unico America Corporation (United States)

It contributes to ZEN-NOH's businesses in North America and neighboring areas through such operations as purchasing fertilizer, raw materials products and gathering and researching information on North America agriculture and farm organizations.

###### \* JA Higashi-nihon Cooperative Feed and Mill Co.,Ltd. (Ota-shi, Gunma Prefecture)

It is a large scale feed and mill company that includes 16 prefectures in the Kanto, Koshinetsu, Tokai, and Hokuriku regions in its sales area.

As a member of the JA Group, the company sees its mission as delivering safe and reliable food to consumers.

\* ZEN-NOH Silo corporation (Chiyodaku, Tokyo)

It stores raw materials, such as grain, that have been imported from around the world in its silos and other state-of-the-art facilities under a safe and reliable control system, and then ships the materials to feed manufacturers and food processors. ZEN-NOH Silo Corporation contributes to the rationalization of distribution and reduction of feed costs by creating a fully integrated silo business that covers everything from warehouse input/output and storage to final delivery.

*D. Three Distribution Channels*

\* Rice-Distribution

The approximately 8.24 million tons of rice produced annually in Japan finds its way into the hands of consumers through a variety of paths. About 46 % of it passes through the JA Group. The amount of JA Group rice handled by ZEN-NOH comes to 36% of the total rice production (in 2010).

\* Fruit and Vegetable Distribution (Wholesale Market)

The production of fruits and vegetables has been declining since peaking at ¥3,903 billion in 1991. In 2008, production stood at ¥2,851.5 billion. Fresh fruit and vegetable imports for that year reached ¥250 billion.

JAs accounted for approximately 59% of total produce production, and ZEN-NOH accounted for 34% (fiscal 2008).

\* Livestock Product Distribution

Cattle, hogs, and other livestock are butchered to produce meat. Butchering is mainly done at central slaughterhouses at production sites and wholesale meat markets. The meat is then processed into specific cuts and packaged. Meat reaches the consumer through mass retail outlets and the restaurant business.

Chicken eggs are collected each day and washed (disinfected), sorted by size at grading and packing centers, and then marked in plastic or cardboard cartons. Eggs are shipped directly from production sites to wholesalers, processors, mass retailers, and Co-ops to keep time in the distribution system to a minimum.

VI. CONCLUDING REMARKS: THE DECLINING STAGE AND THE POSSIBILITY OF NEW REFORM

After the War, Japanese agriculture has experienced a lot of changes for the past 60 years, and reached the present stage. The change of business and economy has often been divided into the growth, development, maturity, and decline. It seems that Japanese agriculture has been heading for decline stage, but the authority of business strategy, Michael E. Porter says that it is impossible to understand management situation only by proclaiming it to be in decline stage. He argues as follows. (Reference [ 7 ], p.254-5 ).

Although deceptively familiar as a phase of the product life cycle, declining industries have not received much study. The decline phase of a business is characterized in the life-cycle model as one of shrinking margins, pruning product lines, falling R&D and advertising, and a dwindling number of competitors.....

However, in-depth study of a wide spectrum of declining industries suggests that the nature of competition during decline as well as the strategic alternatives available to firms for coping with decline is a great deal more complex. Industries differ markedly in the way competition responds to decline.

His argument is very helpful for us to consider the future of Japanese agriculture. I guess Japanese agriculture and farmers might need some new reforms.

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