

Voluntary Report – Voluntary - Public Distribution

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Prepared By: Keiko Fujibayashi

Approved By: Zeke Spears

Report Highlights:

The Government of Japan's 2020 third supplementary budget allocates 1.05 trillion yen (\$10 billion) to the Ministry of Agriculture, Forestry and Fisheries (MAFF) to fund trade agreement countermeasures, continuation of COVID-19 economic relief support programs, and disaster preparedness and land reinforcement measures. Highlights from the supplementary budget include new support payments to encourage the conversion of acres away from table rice to other products, the continuation of support payments for the export of perishable products, and the establishment of a livestock products export consortium. MAFF is also expected to receive 2.31 trillion yen (\$22.2 billion) for its 2021 budget, down 4.4 percent from last year.

General Overview

On January 28, the Japanese Diet approved the Japanese Fiscal Year ([JFY](#))¹ [2020 third supplementary budget bill](#) which includes 1.05 trillion yen (\$10.1 billion) for the Ministry of Agriculture, Forestry, and Fisheries (MAFF).² On January 18, the Government of Japan (GOJ) submitted a JFY2021 annual budget bill to the Diet, with 2.31 trillion yen (\$22.2 billion) earmarked for MAFF. The Japanese Diet is expected to adopt the JFY2021 annual budget bill with minimal revision by the end of JFY2020 (March 31, 2021).

The final supplementary budget of the fiscal year, the third supplementary budget for JFY2020, is typically carried over to the next fiscal year for actual spending. Therefore, MAFF's total budget for JFY2021 is determined by adding the JFY2020 third supplementary budget and JFY2021 annual budget.

JFY2020 Third Supplementary Budget

The 1.05 trillion yen (\$10.1 billion) allocated to MAFF is designated for three major areas of spending: COVID-19 economic relief support programs, 353 billion yen (\$3.4 billion); trade agreement countermeasures, 322 billion yen (\$3.1 billion); and disaster preparedness and land reinforcement 366 billion yen (\$3.5 billion).

COVID-19 Economic Relief Support Programs

The 353.3 billion yen (\$3.4 billion) set aside to fund COVID-19 economic relief support largely funds continuations of programs established in MAFF's first and second JFY2020 supplementary budgets ([JA2020-0085](#), [JA2020-0116](#), [JA2020-0192](#)). This brings total COVID-19 economic relief support funding allocated to MAFF to 963.9 billion yen (\$9.27 billion). Major budget allocations in the third supplementary budget include 134.3 billion yen (\$12.9 billion) to support horticultural production, 57.1 billion yen (\$962 million) for MAFF's business continuity program, 51.5 billion yen (\$495 million) for the "GO TO EAT" campaign, and 42.5 billion yen (\$408.7 million) for the fisheries income stabilization fund (Table 1). MAFF's third supplementary budget also allocates another 2 billion yen (\$19.2 million) to support the transportation of perishable products for exports due to the continued reduction of international flights.

¹ Japanese Fiscal Year (JFY) runs from April 1 to March 31.

² The exchange rate used in this report is 104 yen/USD.

Table 1. MAFF COVID-19 Economic Relief Support Programs (Billion Yen)

	JFY2020 Supplementary Budget			
	1st	2nd	3rd	Total
1. "GO TO EAT" campaign	199.8		51.5	251.3
2. Sales Promotion of Domestic Products	140		25	165
3. Support for Livestock and Dairy				0
-Wagyu storage and sales	50			50
-beef calf operators	1	10.8		11.8
-stabilization for demand and supply of cattle/swine hide	2			2
-cattle fattening operations	30.53		17.6	48.13
-diversion of nonfat dry milk	5			5
-farms with workers infected with COVID-19	0.81			0.81
4. Financing	29.3	34.9		64.2
5. Horticulture Production	24.19		134.3	158.49
6. Safety Net Programs				0
-Vegetables Price Stabilization Fund	5.59			5.59
-Fisheries Income Stabilization Fund	10.19		42.5	52.69
7. Export Promotion and Production Improvement				0
-Switching input from imported to domestic	3.5			3.5
-Equipment for domestic products	2.39			2.39
-Equipment for timber processing	1.5			1.5
-Export promotion	5.3			5.3
-Transportation for perishables exports	2		2	4
-Sanitation improvements	1			1
8. Supply Chain Improvement for Domestic Products	14.3			14.3
9. Securing Labor	5.972		2.1	8.072
10. Storage Costs for Logs and Fisheries Products				0
-Logs	1			1
-Fisheries products	3.195		0.5	3.695
11. Business Continuity Program		20	57.1	77.1
12. Forestry Maintenance and Improvement			0.5	0.5
13. Digital transformation for MAFF administrative procedures			8.2	8.2
Total (including administrative costs)	544.8	65.8	353.3	963.9

Source: MAFF

Trade Agreement Countermeasures

Since Trans-Pacific Partnership (TPP) negotiations ended in 2015, the GOJ has used the Comprehensive TPP, etc Related Policy Framework to direct trade agreement countermeasures to mitigate the impact and capture the benefits of trade agreements entered into by Japan. MAFF is allocated funding to implement the countermeasures through the supplementary budget process. The two major buckets of funding for MAFF countermeasures are support payments for export expansion and production capability improvements. Since JFY2015, MAFF has received approximately 320 billion yen (\$3.1 billion) annually for trade agreement countermeasures, with most of the funding dedicated to production capability improvements. The JFY2020 third supplementary budget allocates 322 billion yen (\$3.1 billion) to MAFF for trade agreements countermeasures, down 0.9 percent from last year.

In December 2020, the GOJ revised the Comprehensive TPP etc Related Policy Framework to reflect Japan's entrance into the Japan-United Kingdom Economic Partnership Agreement and the East Asia Regional Comprehensive Economic Partnership Agreement (RCEP).³ As part of the revision, the Comprehensive TPP etc Related Policy Framework incorporated export expansion targets from the GOJ's new Export Expansion Action Strategy for Agriculture, Forestry and Fisheries Products and Food ([JA2020-0201](#)). The Action Strategy established a target to increase exports of agricultural, forestry, fishery, and food products to 5 trillion yen (\$48 billion) by 2030. The revised Framework did not establish new programs to support the Action Strategy export target, but the third supplementary budget increased funding for existing export facilitation programs, such as for the development of export-oriented production areas in MAFF's Global Farmers/Foresters/Fishermen/Food Manufacturers Project (GFP)⁴, establishment of livestock products export consortium, intellectual property rights protection, and the GOJ's efforts to tackle market access obstacles did increase from last year (Table 2).

The revised Comprehensive TPP etc Policy Framework also addresses production capability improvements with support programs and payments that facilitate the digital transformation of supply chains and business stabilization. Production capability improvement countermeasures have historically focused on the livestock and dairy sectors, but this iteration has two new programs for crop production, (1) Rice Paddy Renovation Project for New Market Development and (2) Wheat, Barley, Soybeans Production Increase Project. The GOJ developed these support payments to encourage increased production conversion from table rice (Table 2).

- (1) Rice Paddy Renovation Project for New Market Development: 29 billion yen (\$279 million)
 - 27 billion yen (\$260 million) is earmarked for an area-based support payment to facilitate production shift from table rice to profitable products. MAFF provides 40,000 yen (\$385) per 10 are (0.1 hectare) to farmers when planting rice for (1) New Market Development⁵, (2) rice for

³ The revised Comprehensive TPP etc Related Policy Framework

https://www.cas.go.jp/jp/tpp/tppinfo/2020/pdf/20201208_tpp_taikoukaitei.pdf (Japanese only)

⁴ MAFF launched the Global Farmers/Fishermen/Foresters/Food Manufacturers Project ([GFP](#)) in 2018 to facilitate communication between producers, manufacturers, distributors and exporters. MAFF, JETRO, and other export experts to provide advice to registered GFP members. MAFF prioritizes support payments to GFP members whose export business plans are approved. Currently, 63 members are designated as "GFP global production areas."

⁵ Rice for New Market Development is defined as those rice grains intended for new domestic and overseas markets, such as rice for manufacturing cosmetics and ethanol and for exports. Rice intended for feed, flour, processing and manufacturing microwavable packaged rice are not included.

processing, (3) Profitable Crops⁶ for exports, processing and foodservice use, and 4) wheat, barley and soybeans for exports and for processing. To be eligible, farmers must implement measures to reduce production costs.

- 2 billion yen (\$19 million) is earmarked for support payments to food manufacturers and processors to cover up to half the costs of purchasing, renovating and constructing machinery, equipment, and facilities to expand exports and to reduce reliance on imports by increasing the domestic production. Examples include new production lines for cut vegetables and packaged, microwavable rice for export and new manufacturing lines for frozen vegetables and rice crackers that are necessary for manufacturers to switch from using imports to using domestic ingredients. Food manufacturers and processors eligible for the support payments must be the registered members of MAFF's GFP or the Rice Overseas Market Expansion Strategy Project.⁷

In JFY2021, the rice paddy areas that receive the Rice Paddy Renovation Project for New Market Development support payments will not be eligible for the Direct Payments for Rice Paddy Utilization support payments, a regular production conversion program funded by MAFF's annual budget. The Direct Payments for Rice Paddy Utilization support provides 20,000 yen/10 are for rice for processing, 35,000 yen/10 are for wheat, barley and soybeans, and 20,000 yen/10 are for rice for New Market Development. Farmers must choose between the Rice Paddy Renovation Project for New Market Development or the Direct Payment for Rice Paddy Utilization in JFY2021.

(2) Wheat, Barley, Soybeans Production Increase Project: 6 billion yen (\$57.7 million)

- MAFF will provide support payments to cover up to half the costs to purchase, renovate and construct machinery, equipment and facilities to incentivize increased domestic production of wheat, barley, and soybeans. MAFF's JFY2021 annual budget includes an additional 100 million yen (\$960,000) for this program.

⁶ Profitable Crops are defined as vegetables, flowers, flower trees and fruit trees whose profitability per area is higher than table rice.

⁷ MAFF introduced Rice Overseas Market Expansion Project in 2017 to enhance the link between 1) exporters, 2) rice producers, producers' groups and rice collecting organizations which are called "strategic production areas for exports" and 3) target export destinations.

Table 2. Significant Trade Agreement Countermeasure Funding Outlays

	MAFF Supplementary Budget		Change (%)
	(Billion Yen)		
	JFY2019	JFY2020	2020/2019
Export Expansion Action Strategy for Agriculture, Forestry and Fisheries Products and Food			
Strengthen overseas sales promotion through JETRO and JFOODO	3.3 (\$31.7 million)	3.7 (\$35.6 million)	12.0
Develop export-focused production areas for the designated products in MAFF's GFP	0.8 (\$7.7 million)	1.5 (\$14.4 million)	87.0
Establish Livestock Products Export Consortium	-	2.2 (\$21 million)	-
Accelerate the GOJ's efforts to address market access obstacles	0.9 (\$8.7 million)	1.6 (\$15.4 million)	78.0
Provide support to food manufacturers to upgrade machinery and facilities for HACCP compliance,	10.8	9 (\$86.5 million)	57.0
Provide support to build controlled atmosphere collection and storage facilities and cold chains including wholesale markets	(\$104 million)	8 (\$77 million)	
Improve supply chains for fisheries products including public works at ports	14.0 (\$135 million)	5.6 (\$53.8 million)	-60.0
Strengthen protection of Intellectual Property Rights	-	2.2 (\$21 million)	-
Production Capability Improvement			
Provide support to livestock and dairy farmers to increase the number of cattle	24.3 (\$234 million)	15.6 (\$150 million)	-36.0
Provide support for purchase of machinery, facilities and livestock to improve productivity (Livestock Cluster Project)	40.9 (\$393 million)	39.1 (\$376 million)	-4.0
Provide support to dairy farmers and dairy manufacturers for purchasing machinery and facilities for improving quality and productivity of raw milk and cheese production	15 (\$144 million)	15 (\$144 million)	0
To provide support for purchase of machinery and facilities (Production Areas Infrastructure Power-Up Program)	34.8 (\$335 million)	34.2 (\$329 million)	-1.7
To convert rice paddies to dry fields and improve drainage and irrigation systems for farmland and orchards (public works)	56.6 (\$544 million)	44.8 (\$431 million)	-21
Improve forestry roads and wood processing facilities	36.0 (\$346 million)	36.3 (\$349 million)	0.8
Upgrade fishing vessels, machinery and facilities	27.0 (\$260 million)	28.8 (\$277 million)	6.7
Provide support for production conversion to vegetables and fruits etc (Rice Paddy Renovation Project for New Market Development - New)	-	29.0 (\$279 million)	-
Provide support to cover costs for machinery, equipment and facilities for production increase and stable supply for wheat, barley, soybeans (Wheat, Barley, Soybeans Production Increase Project - New)	-	6.0 (\$57.7 million)	-

Source: MAFF⁸

⁸ Acronyms: Japan External Trade Organization (JETRO), Japan Food Product Overseas Promotion Center (JFOODO), Global Farmers/Foresters/Fishermen/Food Manufacturers Project (GFP), and Hazard Analysis and Critical Control Points (HACCP).

Disaster Preparedness and Land Reinforcement

MAFF's JFY2020 third supplementary budget allocates 365 billion yen (\$3.5 billion) to disaster prevention and mitigation, land reinforcement and disaster recovery measures, up 70 percent from last year. Approximately 115.5 billion yen (\$1.1 billion) is earmarked to renovate agriculture water ways and reservoirs, 79.9 billion yen (\$768 million) is allocated for forestry erosion control and conservation measures, and 23.7 billion yen (\$228 million) is allocated to fund seismic resistance project for fishing ports.

MAFF JFY2021 Annual Budget

The GOJ's JFY2021 annual budget will allocate 2.31 trillion yen (\$22 billion) to MAFF, down 4.4 percent from last year. The decrease is predominantly attributable to the removal of the budget line items for "temporary and extraordinary" disaster prevention and mitigation and national land reinforcement programs which were added to JFY2019 and JFY2020 annual budgets.

In response to increased natural disasters that caused severe damage to the agricultural, forestry, and fishery industries in recent years, budgets for infrastructure projects have risen, growing from 28 percent of MAFF's total budget in JFY2015 to 34 percent in JFY2021. In addition to disaster prevention and mitigation projects, other major infrastructure projects in agriculture and rural areas include farmland rezoning (readjustment) for enlargement and consolidation, orchard land improvements, and waterway renovation and drainage improvement in rice paddies.

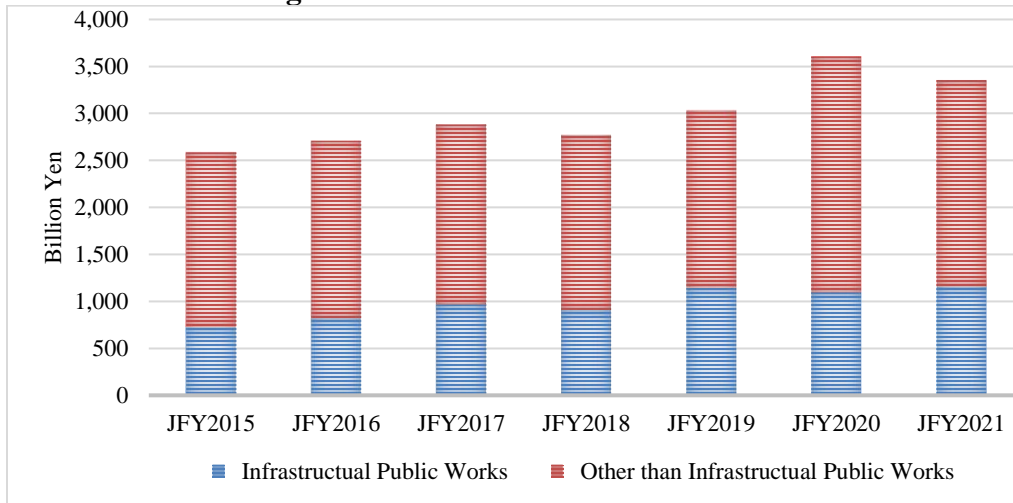
Table 3. MAFF Budgets for JFY2015 – JFY2021 (Billion Yen)

	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019	JFY2020	JFY2021
Annual Budget	2,309.0	2,309.1	2,307.1	2,302.1	2,431.5	2,411.7	2,305.0
Supplementary Budget	278.1	400.8	573.9	468.0	600.1	1,195.5	1,051.9
Total	2,587.1	2,710.0	2,881.0	2,770.1	3,031.6	3,607.2	3,356.9
Infrastructural Public Works	725.9	821.0	969.7	908.9	1,145.9	1,098.0	1,154.4
-Agriculture and Rural Areas	291.0	395.2	466.4	458.1	518.4	524.1	518.8
-Forestry	192.4	202.0	221.0	212.0	264.6	258.9	282.5
-Fisheris Ports and Coastal Areas	80.2	82.0	90.0	86.1	120.0	103.1	107.6
-Grants to Local Governments	111.7	106.7	101.7	91.7	102.7	105.7	80.7
-Disaster Reconstruction	50.6	35.1	90.6	61.0	140.2	106.3	164.7
Other than Infrastructural Public Works	1,861.2	1,889.0	1,911.4	1,861.2	1,885.7	2,509.2	2,202.6

Source: MAFF⁹

⁹ The final supplementary budget of the fiscal year is typically carried over to the next fiscal year for actual spending. For example, MAFF's total budget for JFY2021 is determined by adding the JFY2020 third supplementary budget and JFY2021 annual budget.

Chart 1. MAFF Budgets for JFY2015 – JFY2021



Source: MAFF

Other major spending outlays in MAFF’s annual budget, as shown in Table 4, are (1) safety net programs for producers, (2) business stabilization support programs for producers, (3) support for machinery and facility purchase for producers, (4) digital transformation and smart agriculture, (5) export facilitation, (6) conservation and rural development, and (7) fostering next generation farmers and facilitation of farm succession. There are no significant changes in budget allocations for these programs from the JFY2020 annual budget ([JA2020-0064](#)).

Table 4. Major Budget Allocations in 2020 and 2021 (Billion Yen)

	JFY2019 Supplementary	JFY2020 Annual	JFY2020 Total	JFY2020 Supplementary	JFY2021 Annual	JFY2021 Total	2021/20 Change (%)
Safety Net Programs	36.88	312.48	349.36	42.5	316.83	359.33	2.9
Business Stabilization Support Programs	80.99	582.08	663.07	198.5	567.18	765.68	15.5
Support for Machinery and Facility Purchase	81.7	20.0	101.7	92.5	16.3	108.8	7.0
Digital Transformation and Smart Agriculture		5.2	5.2	14.4	5.3	19.7	278.8
Export Facilitation	32.4	9.5	41.9	39.6	9.9	49.5	18.1
Conservation and Rural Development	28.2	129.2	157.4	3.9	127.6	131.5	-16.5
Fostering next generation farmers and facilitation of farm succession	6.4	22.4	28.8	5.8	22.5	28.3	-1.7

Source: MAFF

Attachments:

No Attachments.