

Voluntary Report – Voluntary - Public Distribution

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Report Name: MAFF 2022 Budget Focuses on Exports and a Green Food System Strategy

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Post: Tokyo

Report Category: Agricultural Situation

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Report Highlights:

The Japanese Diet is poised to allocate a combined total of 3.2 trillion yen (\$27.7 billion) to the Ministry of Agriculture, Forestry and Fisheries (MAFF) from the Government of Japan's 2021 supplementary budget and 2022 annual budget. MAFF's budget will see increased funding for export facilitation, smart agriculture development, and implementation of MAFF's Green Food System Strategy.

General Overview

On December 20, 2021, the Japanese Diet approved a 18.6 trillion yen (\$163 billion¹) Japanese Fiscal Year (JFY²) 2021 supplementary budget bill. The Ministry of Agriculture, Forestry and Fisheries (MAFF) received 879.5 billion yen (\$7.7 billion), down 16.4 percent from the previous year's supplementary budget. On December 24, 2021, the Government of Japan's Cabinet approved the JFY2022 annual budget, totaling 107.6 trillion yen (\$938 billion), up 0.9 percent from JFY2021. Once approved by the Diet, MAFF will receive 2.3 trillion yen (\$20 billion), down 1.2 percent from JFY2021. On February 22, the House of Representatives passed the JFY2022 annual budget bill and sent to the House of Councillors for final approval. Prime Minister Kishida's administration intends to operate a "16-month budget," combining the JFY2021 supplementary budget and JFY2022 annual budget.³

MAFF 16-Month Budget

The House of Councillors is poised to approve a 3.2 trillion-yen (\$27.7 billion) 16-month budget for MAFF, down 5.9 percent from the previous year (Table 1). The decrease is attributable to the discontinuation of some COVID-19 economic relief support programs ([JA2021-0012](#)), a reduction in disaster reconstruction public works outlays, and the transfer of MAFF's digital transformation budget to the newly established Digital Agency. The budget for infrastructural public works, including farmland enlargement and improvement, accounts for approximately 34 percent MAFF's total MAFF budget. The remaining 66 percent is allocated to other general spending categories. The allocation ratios between infrastructure spending and non-infrastructure spending have remained consistent over the last five years.

Table 1. MAFF Budgets for JFY2018 – JFY2022 (Billion Yen)

	JFY2018	JFY2019	JFY2020	JFY2021	JFY2022	2022/2021
Annual Budget	2,302.1	2,431.5	2,411.7	2,305.0	2,277.7	-1.2%
Supplementary Budget	468.0	600.1	1,195.5	1,051.9	879.5	-16.4%
Total	2,770.1	3,031.6	3,607.2	3,356.9	3,157.2	-5.9%
Infrastructural Public Works	908.9	1,145.9	1,098.0	1,154.4	1,069.7	-7.3%
-Agriculture and Rural Areas	458.1	518.4	524.1	518.8	515.4	-0.7%
-Forestry	212.0	264.6	258.9	282.5	263.6	-6.7%
-Fisheries Ports and Coastal Areas	86.1	120.0	103.1	107.6	108.9	1.2%
-Grants to Local Governments	91.7	102.7	105.7	80.7	78.4	-2.9%
-Disaster Reconstruction	61.0	140.2	106.3	164.7	103.6	-37.1%
Other than Infrastructural Public Works	1,861.2	1,885.7	2,509.2	2,202.6	2,087.5	-5.2%

Source: MAFF⁴

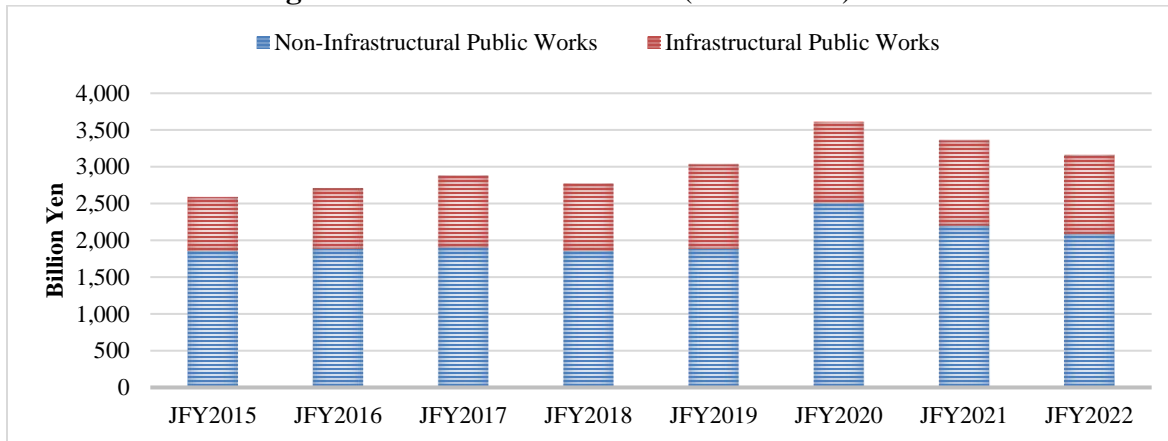
¹ The exchange rate used in this report is 114 yen/USD.

² Japanese Fiscal Year (JFY) runs from April 1 to March 31.

³ From December 2021 to March 2023

⁴ 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 JFY2022 is determined by adding the JFY2021 supplementary budget and JFY2022 annual budget.

Chart 1. MAFF Budgets for JFY2015 – JFY2022 (Billion Yen)



Source: MAFF

Table 2 contains the major, non-infrastructure outlays, which are mostly producer support programs. For example, “regular producer income stabilization support programs,” includes product-specific deficiency payments and product-specific payments related to price or production volumes. The Diet established most of these producer income stabilization support programs and funds them through the annual budget. MAFF also operates several programs that it shares costs with producers and producer groups to fund and operate, including “support for machinery purchases and facility building costs.”

In addition to the regular support payment programs, the Diet often allocates additional funding for short-term support programs in MAFF’s supplementary budget.

Table 2. MAFF Major Budget Allocations in 2021 and 2022 (Billion Yen)

	JFY2021	JFY2022	2022/2021
Regular Producer Income Stabilization Support	855.2	875.7	2.4%
Environmental Conservation and Regional Assistance	83.3	85.0	2.0%
Support for Machinery Purchase and Facility Building Costs	108.8	114.6	5.3%
Development and Implementation Support for Smart Agriculture	7.6	14.0	84.2%
Export Facilitation	42.8	52.6	22.9%
Fostering next generation farmers and facilitation of farm succession	28.3	25.9	-8.5%
Forestry and Wood Industry Green Growth Program	12.2	11.6	-4.9%
Fisheries Income Stabilization Program	74.5	93.0	24.8%
Animal Infectious Diseases Prevention	9.6	11.8	22.9%

Source: MAFF

JFY2021 is JFY2020 supplementary budget and JFY2021 annual budget combined

JFY2022 is JFY2021 supplementary budget and JFY2022 annual budget combined

Table 3. MAFF Producer Support Programs Funded in the Annual Budget (Billion Yen)

	Legislation	Budget		
		JFY2020	JFY2021	JFY2022
Regular Producer Income Stabilization Support for Livestock		229.6	229.6	231.9
Deficiency Payment Scheme for Feeder Calves	Act on Special Measures Concerning Beef Cattle Production Stabilization	66.2	66.2	66.2
Beef Livestock Stabilization Program (Beef <i>Marukin</i>)	Act on Stabilization of Livestock Management	97.7	97.7	97.7
Hog Growers Business Stabilization Measure (Pork <i>Marukin</i>)		16.8	16.8	16.8
Milk for Further Processing Stabilization Program		6.2	6.2	6.2
Egg Farm Management Stabilization Program	None	5.2	5.2	5.2
Milk for Further Processing Supplemental Payment Program	None	37.5	37.5	37.5
Compound Feed Price Stabilization System	None			2.3
Regular Producer Income Stabilization Support for Rice and Upland Field Crops		590.8	574.1	584.1
Direct Payment for Rice Paddy Utilization	None	305.0	305.0	305.0
Year-Round Supply and Demand Expansion Support Program	None	5.0	5.0	5.0
Payments to Mitigate Income Reduction for Rice and Upland Field Crops	Act on Farming Income Stabilization	64.5	65.5	68.3
Direct Payment for Upland Field Crops		216.3	198.6	205.8
Regular Producer Income Stabilization Support for Others		55.8	51.5	59.7
Support for sugar cane and starch sweet potato producers, and sugar refineries	Act concerning Price Adjustment for Sugar and Starch	13.4	13.1	13.4
Vegetables Price Stabilization Fund	Vegetable Production and Shipment Stabilization	15.6	15.6	22.8
Support for planting/replanting fruit trees	Special Measures Act for Fruit Farming	5.7	5.1	5.1
Revenue Insurance	Agricultural Insurance Act	21.1	17.7	18.4
Environment Conservation and Regional Assistance		83.5	83.3	85.0
Support for Sustainable Livestock Farming for Environmental Burden Mitigation	None	6.2	6.0	7.3
Grants for Multiple Functionality Payments	Act on Promotion of Multi-Functionalities in Agriculture	48.7	48.7	48.7
Direct Payment for Environment Conservation Agriculture		2.5	2.5	2.9
Direct Payment for Hilly and Mountainous Areas		26.1	26.1	26.1

Source: MAFF, World Trade Organization

See [JA2021-0102](#) for livestock and Egg Support Program and [JA2021-0031](#) for Cropland Support Payment Programs

Major Budgetary Outlays and Allocation Changes

The Kishida administration continues to prioritize export promotion ([JA2021-0103](#)), smart agriculture, and implementing a green food system ([JA2021-0078](#)) in agriculture, forestry and fisheries. The JFY2022 16-month budget reflects these priority areas. Selected budget outlays are as follows.

1. Increase in Support for Rice Farmers

MAFF will increase funding to producers that convert production from table rice to other crops, as well as storage and sales support for rice farmers. This is in response to accumulating table rice inventories and falling prices resulting from a decrease in demand. The budget for the regular

production conversion support payment program, “Direct Payments for Rice Paddy Utilization” remains unchanged at 305 billion yen (\$2.7 billion) in JFY2022. However, increase in support payments for rice for feed led to the shortage of the JFY2021 annual the “Direct Payment for Rice Paddy Utilization” budget, and the JFY2021 supplementary budget allocate additional 24 billion yen (\$211 million) to replenish the shortage. As a result, JFY2021 budget for “Direct Payment for Rice Paddy Utilization” increased to 329 billion yen (\$2.9 billion).

The budget for “Rice Paddy Renovation for New Market Development,” another production conversion support payment program, will increase by 45 percent from last year, to 42 billion yen (\$368 million). This program aims to shift production from table rice to rice for exports, wheat, barley, soybeans, vegetables and feed grain corn. In response to surging prices for imported feed ingredients, MAFF is adding corn for feed as an eligible commodity for this program in JFY2022.⁵

The budget for “Year-Round Supply and Demand Expansion Support Program” ([JA2021-0031](#)) remains unchanged at five billion yen (\$44 million), but MAFF did earmark an additional 16.5 billion yen (\$144.7 million) in the JFY2021 supplementary budget to provide full storage costs for 2020 crop rice, full costs for the purchase and donation of rice to socially vulnerable people and groups, and half the purchase costs of rice by the food service and home meal replacement sectors.

Table 4. Support for Rice Farmers **(Billion Yen)**

		JFY2021	JFY2022	2022/2021
Production Conversion Support	Direct Payments for Rice Paddy Full Utilization	329.0	305.0	-7.3%
	Rice Paddy Renovation for New Market Development	29.0	42.0	44.8%
	Sub-total	358.0	347.0	-3.1%
Storage and Sales Support	Year-Round Supply and Demand Expansion Support Program	5.0	5.0	0.0%
	Storage and purchase costs support	0.0	16.5	-
	Sub-total	5.0	21.5	330.0%
Total		363.0	368.5	1.5%

Source: MAFF

JFY2021 is JFY2020 supplementary budget and JFY2021 annual budget combined

JFY2022 is JFY2021 supplementary budget and JFY2022 annual budget combined

2. Reorganization of Support for New Entrants

To combat the accelerating decline of Japan’s farming population, MAFF provides fixed cash payments to new farmers for the first two to four years after commencement of farming. To encourage young people to remain in farming, MAFF reorganized the existing support program in JFY2022 to provide machinery purchases and facility building costs for up to five million yen (\$43,860) per person while reducing fixed cash payments. The JFY2022 budget for the program for new entrants is slightly smaller, 23.6 billion yen (\$207 million) than the 24.6 billion yen (\$216 million) in JFY2021.

⁵ Producers who produce grain feed corn will be eligible to receive either 40,000 yen per 0.1 hectare in the “Rice Paddy Renovation for New Market Development” or 35,000 yen per 0.1 hectare (feed crops) in the “Direct Payments for Rice Paddy Utilization.”

3. Green Food System Strategy and Environment Programs

The combined JFY2021 supplementary budget and JFY2022 annual budget allocates a total of 11.7 billion yen (\$103 million) to MAFF to implement the “Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI),” or Green Food System Strategy ([JA2021-0078](#)), which was established in May 2021.⁶ MAFF intends to establish a system certifying farmers and farmer groups who reduce their environmental impact by making healthy soil, reducing use of chemical agricultural compounds and fertilizers, and reducing greenhouse gas (GHG) emissions.

The budget covers the following measures:

- Developments and verification of practical uses for decarbonization technologies and pelletized compost
- Establishment of model areas for sustainable food supply chains and organic farming clusters
- Marketing promotion and sales channel expansion for organic products including use in school lunch programs
- Reinforcing extension service for facilitating transfer from conventional farming to environment friendly agriculture and energy saving smart greenhouses
- Establishment of cyclical energy generation systems such as solar energy greenhouses and wood biomass energy generation using unused resources (rice straw, rice hulls, bamboo, etc)
- Promoting the shift to Integrated Pest Management systems

In addition to the new budget for MeaDRI, MAFF continues to fund the “Direct Payment for Environment Conservation Agriculture,” which provides support payments to producers who reduce their use of chemical fertilizer and chemically synthesized agricultural compounds by 50 percent. The budget for this program increased to 2.9 billion yen (\$25.4 million) in JFY2022 (Table 3).

Spending for another existing program, “Support for Sustainable Livestock Farming for Environmental Burden Mitigation,” which provides support payments to dairy and beef cattle farmers who maintain feed crop production areas and reduce GHG emissions, increased from six billion yen (\$52.6 million) in JFY2021 to 7.3 billion yen (\$64 million) in JFY2022 (Table 3). From JFY2022, MAFF will provide support payments when livestock farmers reduce imported feed purchase and purchase grain feed corn, silage corn, silage sorghum and pasture produced in paddy fields on purchase contract with rice farmers. Livestock farmers are eligible to receive 800 yen (\$7) per ton for purchase of pasture and 2,000 yen (\$18) per ton for purchase of products other than pasture. In addition, livestock farmers are eligible to receive 45,000 yen (\$395) per hectare for their production of organic feed crop. Dairy farmers are eligible to receive 2,000 yen (\$18) per head when feeding fatty acid calcium to reduce methane gas.

4. Smart Agriculture

In the combined JFY2021 supplementary budget and JFY2022 annual budget MAFF increased spending for smart agriculture to 14 billion yen (\$123 million), up from 7.6 billion yen (\$67 million) from the previous year.

⁶ MeaDRI sets 30% reduction of chemical fertilizers made from imported materials and fossil fuels in application and 50% risk-based reduction in application by 2050 as the Key Performance Index.

5. Export Promotion

To support its food and agricultural export target of five trillion yen (\$44 billion) by 2030 ([JA2021-0103](#)), MAFF earmarked a total 52.6 billion yen (\$461.4 million) in the JFY2022 16-month budget to reinforce its export facilitation structure, up 23 percent from the previous year. The budget includes 11.2 billion yen (\$98 million) for marketing and sales promotion, 7.7 billion yen (\$68 million) for fostering export-oriented producers, producer groups, and food businesses and 28 billion yen (\$25 million) for improving export facilities and certification systems.

6. Replenishment for Compound Feed Price Stabilization Fund

Due to surging imported feed ingredient prices, MAFF has activated compensation payments to livestock farmers under the “Compound Feed Price Stabilization System” since the 4th quarter of JFY2019 (January – March 2020). MAFF allocated 2.3 billion yen (\$20 million) to replenish the compound feed price stabilization fund in the JFY2021 supplementary budget.

7. Support for Livestock Producers

In addition to the “regular producer income stabilization support programs,” MAFF continues to allocate funding to the “Livestock Cluster Project,” “*Wagyu* Cattle Increase Program ([JA2021-0102](#)),” and the “Cheese Production Support Program.” The Diet has allocated funding for these programs since JFY2015 as “trade agreement countermeasures” in supplementary budgets.⁷ For the “Livestock Cluster Project,” MAFF prioritizes support payments for livestock clusters which are in hilly and mountainous areas, strive for export expansion, or implement environmental burden mitigation measures. Starting in JFY2022, MAFF added increased feed crop production to its priority list. The budget for “*Wagyu* Cattle Increase Program,” will drop in JFY2022 as MAFF removed dairy cattle from eligibility for support payments due to the recent oversupply of raw milk.

Table 5. Trade Agreement Countermeasures for Livestock Producers (Billion Yen)

	JFY2021	JFY2022	2022/2021
Livestock Cluster Project (support for machinery and facilities for productivity improvement)	48.1	61.7	28.3%
<i>Wagyu</i> Cattle Increase Program (support for increase in breeding female cattle)	13.3	7.8	-41.4%
Cheese Production Support Program (support for machinery and facilities for quality and productivity improvement for raw milk for cheese production)	60.0	60.0	0.0%
Total	121.4	129.5	6.7%

Source: MAFF

JFY2021 is JFY2020 supplementary budget (no allocation in JFY2021 annual budget)

JFY2022 is JFY2021 supplementary budget (no allocation in JFY2022 annual budget)

Attachments:

No Attachments.

⁷ Trade agreement countermeasures are intended to mitigate the impact and capture benefit of trade agreements entered into by Japan and have been funded in supplementary budgets since JFY2015.