

Voluntary Report – Voluntary - Public Distribution

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Report Name: MAFF Increases Crop Diversification Payments

Country: Japan

Post: Tokyo

Report Category: Agricultural Situation, Grain and Feed

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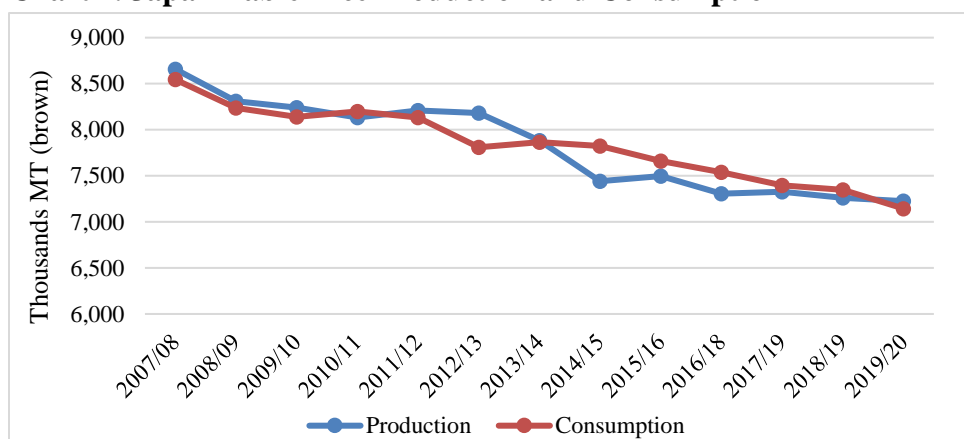
Report Highlights:

The Ministry of Agriculture, Forestry and Fisheries (MAFF) set Japan's 2021 recommended table rice production at 6.93 million metric tons (brown rice basis), a 300,000 ton reduction from 2020 and the first time the MAFF has set this number below 7 million tons. To accelerate the production shift from table rice to other crops MAFF increased support payments for producers that convert acres to vegetables, wheat, soybeans, rice for feed, or rice for export. Local governments across Japan are highlighting potential revenue increases for converting rice paddy production to supported crops.

MAFF 2021 Table Rice Production Recommendation

In February 2021, the Ministry of Agriculture, Forestry and Fisheries (MAFF) set the 2021 recommended table rice production level at 6.93 million tons (brown rice basis)¹, a 300,000 ton decrease from actual production in 2020 and below 7 million tons for the first time ever. Each November and February, MAFF publishes the recommended, or appropriate, table rice production levels for the upcoming year in the Basic Guidelines for Supply-Demand and Price of Rice.² MAFF estimates that marketing year (MY) 2019/20³ table rice consumption decreased 200,000 tons and that 2020/21 stocks will increase an additional 70,000 – 120,000 tons by June 2021.

Chart 1. Japan Table Rice Production and Consumption



Source: MAFF

Table 1. MAFF Supply and Demand Estimates for Table Rice in Japan

	2018/19	2019/20	2020/21	2021/22
Beginning Stocks	1,900	1,890	2,000	2,070 - 2,120
Production	7,336	7,254	7,230	6,930
Total Supply	9,236	9,144	9,230	9,000 - 9,050
Consumption	7,346	7,144	7,110 - 7,160	7,050
-Per Capita Consumption (kg)	58.1	56.6	56.9	56.2
-Population (thousands)	126,433	126,167	125,880	125,389
Ending Stocks	1,890	2,000	2,070 - 2,120	1,950 - 2,000

Source: MAFF (Unit: 1,000 tons, brown rice basis)

¹ Rice quantities are reported on a brown rice basis.

² MAFF updates the Basic Guidelines for Supply-Demand and Prices of Rice in November and February. The guideline's supply and demand estimate and production outlook includes non-glutinous and glutinous domestic table rice. The estimates do not include use-limited rice products, such as rice for processing, rice for feed, and imported rice.

³ The marketing year for rice in the Basic Guidelines for Supply-Demand and Prices of Rice is July-June.

Crop Diversification Support Payments

Table 2. Support Payment Reference Table

Support Payment Program Title	Targeted Action	Primary Eligible Crops
Rice Paddy Renovation for New Market Development	Shift production from table rice to other crops	Rice for exports, rice for processing, vegetables, fruit, wheat, barley, soybeans, etc.
Rice Paddy Utilization	Shift production from table rice to other crops	Rice for feed, rice for flour, rice for processing, rice for whole crop silage, wheat, barley soybeans, forage, etc.
Profitable Paddy Farming Promotion Project	Convert paddy field to upland field and shift production to other crops	Vegetables, fruit, fruit trees, and corn for grain

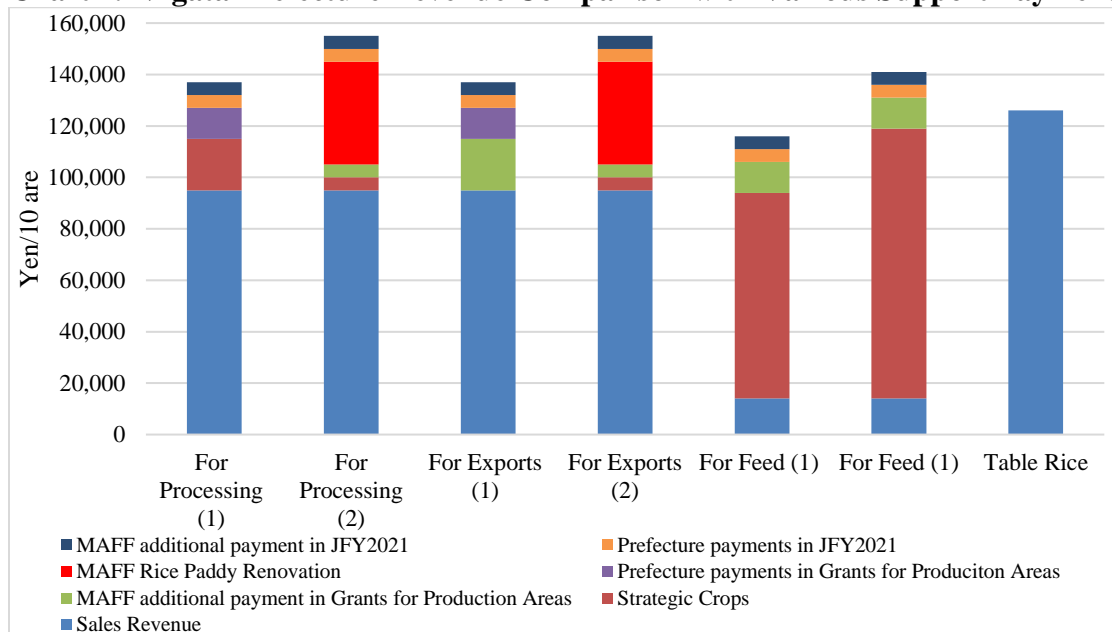
In order to achieve a 300,000 ton reduction in table rice, producers would need to shift approximately 141,000 acres, assuming average yields, out of table rice production. MAFF offers a range of support payments for producers that shift table rice production to other crops and rice for other purposes to achieve production declines. Similar crop diversification programs, often categorized as *tensaku*, have existed since 1971 and MAFF refines the payments on a continual basis. In 2021, producers are eligible to receive crop diversification payments through the “Rice Paddy Renovation for New Market Development” program that pays more than the standard *tensaku* payment, “Rice Paddy Utilization.” This new payment is funded through the Japanese Fiscal Year (JFY) 2021 Supplementary Budget as opposed to the annual budget. For more on “Rice Paddy Renovation for New Market Development” see [JA2021-0031](#) and for more on MAFF’s JFY2021 budget see [JA2021-0012](#).

Historically, the conversion programs have focused on incentivizing the production of crops in paddy fields. In recent years, however, MAFF has increased payments to producers to convert paddy fields into upland fields and provides ongoing payments for the production of upland crops in the converted fields. This is part of MAFF’s “Profitable Paddy Farming Promotion Project” which facilitates the shift of production regions from table rice to specific, profitable crops based on producer consensus, for more see [JA2021-0031](#).

MAFF and local governments have released revenue estimates for producers to illustrate the potential financial benefit of shifting production from table rice to other crops in JFY2021. Producers that receive crop diversification support payments from the new “Rice Paddy Renovation for New Market Development” or the “Rice Paddy Utilization” support payment program may earn higher revenues than if they planted table rice, see Chart 2. However, limited demand for rice for processing and rice for exports will restrict how many producers are able to take advantage of the “Rice Paddy Renovation for New Market Development” program, despite the possibility for higher revenue. Alternatively, the “Rice Paddy Utilization” program provides payments for the production of crops, including rice for feed, that have significantly more demand. To increase rice for feed production, some local governments are increasing payments in the Grants for Production Areas as shown in Table 2.

MAFF's first 2021 planting intention survey, published on March 1, 2021, indicates a production increase for rice for feed, processing, exports, and the government reserves and a decrease in table rice production.

Chart 2. Niigata Prefecture Revenue Comparison with Various Support Payments



Source: Niigata Prefectural Government

- (1) Direct Payments for Rice Paddy Utilization. For Feed, payments vary according to yield, 80,000 yen for the regional standard yield (left) and a maximum yield (right) payment of 105,000 yen.
 (2) Direct Payments for Rice Paddy Renovation for New Market Development

Table 3. Miyagi Prefecture Revenue Comparison with Various Support Payments (Yen/10 are*)

	Table Rice	Rice for Feed		Rice for Processing		Rice for Exports		Potatoes	Wheat		Soybeans	
		Standard Yield	High Yield									
Sales Revenue	108,000	8,000	9,000	79,000	79,000	79,000	79,000	129,000	6,000	6,000	18,000	18,000
Direct Payments for Upland Field Crops	-	-	-	-	-	-	-	-	33,000	33,000	27,000	27,000
Direct Payments for Rice Paddy Utilization	Strategic Crops	-	87,000	105,000	20,000	-	-	-	35,000	-	35,000	-
	Prefecture Grants for Production Area	-	5,000	5,000	12,000	-	12,000	-	50,000	-	-	-
	MAFF additional payment	-	12,000	12,000	-	-	20,000	-	-	-	-	-
Rice Paddy Renovation	-	-	-	-	40,000	-	40,000	40,000	-	40,000	-	40,000
Total Revenue (1)	108,000	112,000	131,000	111,000	119,000	111,000	119,000	219,000	74,000	79,000	80,000	85,000
Production Costs (2)	84,000	84,000	84,000	84,000	84,000	84,000	84,000	105,000	43,000	43,000	47,000	47,000
Net Revenue (1) - (2)	24,000	28,000	47,000	27,000	35,000	27,000	35,000	114,000	31,000	36,000	33,000	38,000

Source: Miyagi Prefecture

* 10 are = .1 hectare

Attachments:

No Attachments.