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**Report Name:** Major Cropland Support Payment Programs Operated by  
MAFF

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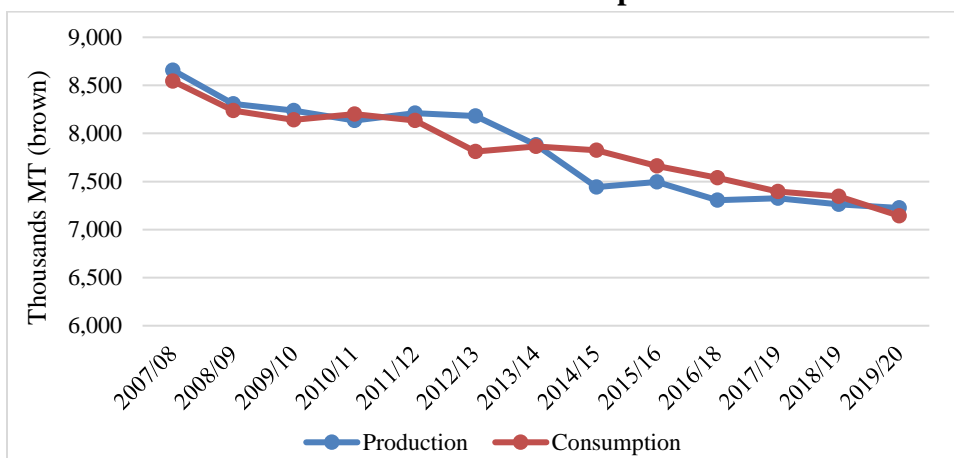
**Report Highlights:**

This report summarizes the major cropland support payment programs operated by the Ministry of Agriculture, Forestry, and Fisheries (MAFF). MAFF's support payment programs have long focused on shifting production within paddy fields from table rice to other crops, including rice for other purposes, to better reflect domestic demand for a diverse range of agricultural products. MAFF continues to provide support to table rice producers through a year-round supply and demand purchasing system that limits price fluctuations and an income stabilization safety net program. In addition, MAFF operates a revenue insurance program and an agricultural mutual relief insurance program for all producers.

## General Overview

This paper summarizes the major cropland support programs operated by the Ministry of Agriculture, Forestry, and Fisheries (MAFF). A primary goal of MAFF's cropland support program is to shift production from table rice to other crops. Rice remains a staple of the Japanese diet, but demand has been steadily decreasing for decades and MAFF expects this trend to continue. The crop diversification payments encourage producers to balance domestic table rice production with demand. MAFF has operated versions of crop diversification support payments since 1971, but most producers continue to farm in paddy fields even when planting crops better suited for non-paddy fields, such as wheat and barley. This allows producers to maintain rice in their crop rotations, but also limits permanent shifts out of table rice production. Recent changes to one program now provide payments to producers who convert a field from paddy to upland, or dryland, production, making a reversal to producing table rice in future years less feasible. MAFF also operates income support stabilization programs and insurance programs for cropland producers.

**Chart 1. Table Rice Production and Consumption**



Source: MAFF

In Japanese Fiscal Year (JFY)<sup>1</sup> 2021, MAFF will provide roughly 334 billion yen (USD\$3.1 billion)<sup>2</sup> to producers who shift production out of table rice and into the production of crops with more domestic demand, that are for export, or to replace imports. MAFF receives funding for support payment programs through both the annual and supplementary budgets. The JFY2020 Third Supplementary Budget contained two new cropland support programs, for more on MAFF's budget see [JA2021-0012](#).

## New Support Payments for JFY2021

### Rice Paddy Renovation for New Market Development

The Rice Paddy Renovation for New Market Development provides area-based payments to producers that shift production from table rice to eligible crops. It also includes a support payment for processors

<sup>1</sup> The Japanese Fiscal Year is from April 1 – March 31.

<sup>2</sup> The exchange rate of 107 Yen/USD is used in this report.

that purchase or update equipment needed to process domestic products in favor of imports or grow exports capabilities.

To qualify and apply for these payments, local agricultural regrowth councils must establish plans and targets for production, shipment, and export of the product.<sup>3</sup> Plans must detail participation from throughout the value chain including, producers, producer groups, shippers, processors, exporters, and municipal governments to demonstrate the products meet eligibility requirements.

- *Area-Based Support Payment: 27 billion yen (\$260 million) for JFY2021*  
Producers receive 40,000 yen (\$374) per 10 are (0.1 hectare) to shift production from table rice to: (1) Rice for New Market Development<sup>4</sup>; (2) Rice for Processing; (3) Profitable Crops for Export, Processing, or Food Service Use<sup>5</sup>; and (4) Wheat, Barley, or Soybeans for Exports or Processing.

To be eligible, producers must implement measures to reduce production costs and enter into sales contracts with distributors and processors, manufactures, or exporters.

- *Purchasing New Machinery: 2 billion yen (\$19 million) for JFY2021*  
Food manufacturers and processors receive up to half the costs of purchasing, renovating, and constructing machinery, equipment, and facilities to expand exports and to reduce reliance on imports. Examples include new production lines to service key export products, such as microwavable cooked rice packages and changes necessary for manufacturers to switch from using imports to using domestic ingredients, such as frozen cut vegetables. Eligible processors and manufacturers must be registered members of MAFF's Global Farmers/Fishermen/Foresters/Food Manufacturers Project ([GFP](#)) or the Rice Overseas Market Expansion Strategy Project.<sup>6</sup>

#### Wheat, Barley, Soybeans Profitability and Productivity Improvement Project

This program supports producer groups that expand production areas and improve productivity for wheat, barley, and soybeans. MAFF earmarked 6.1 billion yen (\$57.8 million) for this project in JFY2021 to provide support payments for three types of improvement projects.

- Up to half the costs, with a 50 million yen (\$467,000) per project limit, to purchase, renovate, and construct machinery, equipment, and facilities to incentivize increased production and storage of wheat, barley, and soybeans.
- Up to 1.5 million yen (\$14,000) to improve and develop digital maps of paddy fields that produce wheat, barley, and soybeans.
- Up to 15,000 yen (\$140) per 10 are for producers that implement new technologies and new varieties to improve productivity for wheat, barley, and soybeans.

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<sup>3</sup> Agricultural Regrowth Councils are comprised of municipal governments, agricultural cooperatives, agricultural committees, community farming groups, and local producers.

<sup>4</sup> Rice for New Market Development includes rice for exports, rice for making *nihonshu* (rice wine), and rice for packaged, microwavable rice products for export.

<sup>5</sup> Profitable Crops are vegetables, flowers, flowering trees, and fruit trees whose per area profitability exceeds table rice.

<sup>6</sup> MAFF introduced Rice Overseas Market Expansion Project in 2017 to enhance links between exporters, rice producers, and target export destinations.

## Direct Payments for Rice Paddy Utilization

MAFF's JFY2021 annual budget allocates 305 billion yen (\$2.93 billion) for the Direct Payments for Rice Paddy Utilization program. These payments supplement the income of producers that shift production from table rice to other specified crops that might comparatively return a reduced revenue for the producer. The program has three types of payments: (1) Direct Payments for Strategic Crops, (2) Direct Payment for Profitable Paddy Farming, and (3) Grants for Production Areas.

In JFY2021, producers may not receive support payments from the Direct Payments for Rice Paddy Utilization and the Rice Paddy Renovation Project for New Market Development for the same plot.

### (1) Direct Payment for Strategic Crops

MAFF provides direct payments to producers that shift production from table rice to "strategic crops," defined as wheat, barley, soybeans, forage (including corn for grain), whole crop silage rice, rice for processing, rice for flour, and feed rice produced in rice paddies. The support payment is based on the planted area of strategic crops produced as a primary crop<sup>7</sup> (Table 2). Payments for rice for feed and rice flour vary between 55,000 yen (\$514) per 10 are and 105,000 yen (\$981) per 10 are depending on yields. Yields in line with regional standards earn 80,000 yen (\$748) per 10 are. In JFY2021, MAFF will provide a support payment of 80,000 yen (\$748)/10 are when a natural disaster reduces expected feed rice yields below regional standards. In recent years, a series of natural disasters decreased rice for feed and flour yields and producers are shifting away from these crops.

**Table 2. Direct Payments for Strategic Crops**

	JFY2020	JFY2021
	per 10 are*	
Wheat, Barley, Forage (including feed grain corn)	35,000 yen (\$327)	
Whole Crop Silage Rice	80,000 yen (\$748)	
Rice for Processing	20,000 yen (\$187)	
Rice for Feed, Rice for Rice Flour	55,000 yen (\$514) – 105,000 yen (\$981) according to the yield	
	80,000 yen (\$748)**	

Source: MAFF

\*10 are equals 0.1 hectare

\*\*Provided when natural disasters lower the regional standard projected yield

### (2) Direct Payments for Profitable Paddy Farming

MAFF provides direct payments to producers who shift production from table rice to "profitable crops," which includes a range of vegetables, flowers, flower trees, and fruit trees. The support payment provides an initial, one-time payment of 105,000 yen (\$981) per 10 are, although this will increase to

<sup>7</sup> Primary crops are the crops that are produced during optimal growing conditions. A farmer can receive this support payment once per year.

175,000 yen (\$1,636) per 10 are from JFY2021 and JFY2023, to convert paddy fields to upland fields. MAFF will also pay producers 20,000 yen (\$187) per 10 are for growing profitable crops in the converted fields for five years to encourage a shift away from paddy production. This payment will also temporarily increase to 30,000 yen (\$280) for JFY2021 when planting vegetables for processing, food service, home meal replacement and other industrial use. Producers that plant feed grain corn are also eligible to receive 10,000 yen (\$93) per 10 are under this program (Table 3).

This support payment is part of a larger effort by MAFF to shift regions from table rice production to specific profitable crop production based on producer consensus. Only croplands designated in a prefectural government’s Profitable Paddy Farming Promotion Plan are eligible for this payment. As of September 2020, 24 prefectural government established their promotion plan and designated 179 cropland areas.

In addition to the larger one-time payment and ongoing planting payments, MAFF also provides support payments for machinery, facilities, technology, and implementation necessary to switch production.

**Table 3. Direct Payments for Profitable Paddy Farming**

	JFY2020	JFY2021
	per 10 are	
Conversion of paddy fields to dry fields (available only for the conversion year)	105,000 yen (\$981)	175,000 yen (\$1,636) for three years between JFY2021 and JFY2023
Growing Profitable Crops in the covered upland fields for five years from the field conversion	20,000 yen (\$187)	
	30,000 yen (\$280) for vegetables supplied for processing, food service, home meal replacement etc	
Feed grain corn	10,000 (\$93)	

Source: MAFF

### (3) Grants for Production Areas

Each year prefectural governments and local agricultural regrowth councils establish a Rice Paddy Full Utilization Vision for paddy fields within their jurisdictions. This plan determines the planting area and production volume for specific crops in the region’s paddy fields and corresponding support payments. The prefectural government submits the plans to MAFF, which in turn provides a grant received by the prefectural government and local agricultures councils.

MAFF provides additional payments to prefectures specifically for the planting of rice for new market development (Table 4). MAFF defines rice for new market development as rice grains intended for supplying new domestic and overseas markets. In JFY2021, MAFF will increase the additional payment to 35,000 yen (\$327) per 10 are for producers that shift production from table rice to rice for new market Development, rice for processing, profitable crops, and feed grain corn. When the prefectural government provides an additional support payment for production conversion, MAFF will match the amount up to 5,000 yen (\$47) in JFY2021.

To encourage further conversion, MAFF provides additional grants to prefectures when the planting area of table rice decreases in each local agricultural regrowth council and there is an increase in the planting

area of Strategic Crops, High Profit Earning Crops, buckwheat, rapeseeds, feed grain corn, and rice for flour, feed, and New Market Development.

**Table 4. Additional Payments in the Grants for Production Areas Program**

	JFY2020	JFY2021
	per 10 are	
Feed Rice and Rice for Rice Flour with sales contracts for at least three years	12,000 yen (\$112)	
Buckwheat and Rapeseeds planted only as primary crops*	20,000 yen (\$187)	
Rice for New Market Development** planted only as primary crops available between JFY2018 and JFY2022	20,000 yen (\$187)	
The planted area of Strategic Crops, buckwheat, rapeseeds, Profitable Crops, and Rice for New Market Development increased while the planted area of table rice decreased from the previous year	15,000 yen (\$140)	
The planted area of Profitable Crops, Rice for New Market Development, Rice for Processing and feed grain corn increased while the planted area of table rice decreased from the previous year	30,000 yen (\$280)	35,000 yen (\$327)
When the support payments for production conversion are provided by the prefectural government, MAFF provides the same amount to producers	-	5,000 yen (\$47) maximum

Source: MAFF

\*Primary crops are the crop that a producer produces during optimal growing conditions, and a producer can only receive this support once per year.

\*\*MAFF defines Rice for New Market Development as rice grains intended for new domestic and overseas markets, such as rice for manufacturing cosmetics and ethanol and for exports.

## **Income Stabilization Program**

MAFF's income stabilization program is based on the Act on Farming Income Stabilization<sup>8</sup> and includes Direct Payments for Upland Field Crops and Payments to Mitigate Income Reduction for Rice and Upland Field Crops. These programs are funded through MAFF's annual budget and totaled in 272.5 billion yen (\$2.5 billion) in the JFY2021.

### Direct Payments for Upland Field Crops

MAFF has 198.6 billion yen (\$1.9 billion) available for the Direct Payment for Upland Field Crops in the JFY2021 budget. Producers are eligible to receive direct payments for growing eligible upland field crops in either upland or paddy fields. The eligible crops are wheat, barley (excluding malting barley), soybeans (excluding black soybeans), sugar beets produced in Hokkaido, starch potatoes produced in Hokkaido, buckwheat, and rapeseeds for crushing. The direct payment covers the difference between

<sup>8</sup> The Act on Farming Income Stabilization

[https://www.maff.go.jp/j/kobetu\\_ninaite/n\\_seido/seido\\_suikei/law/horitu\\_88.html](https://www.maff.go.jp/j/kobetu_ninaite/n_seido/seido_suikei/law/horitu_88.html) (Japanese only)

production costs and sales price. Certified farmers, certified new farmers, and community-based farm cooperatives are eligible for the Direct Payments for Upland Field Crops.<sup>9,10</sup>

$$\begin{aligned} & \text{Average Payment} \\ & = \frac{3 \text{ year Average Production Costs per 10 are}}{5 \text{ out of 7 year Average Yield}} \\ & \quad - 3 \text{ out of 5 year Average Sales Price} \end{aligned}$$

MAFF pays producers participating in the upland field crop payment program an area-based, minimum payment equal to 13,000 yen per 10 are for buckwheat and 20,000 yen per 10 are for all other crops. Producers are also eligible to receive payments based on quality and quantity (Table 6), but once these payments exceed the area-based, minimum payment, the minimum payment is forfeited by the producer in favor of the higher production-based payment.

**Table 6. Direct Payments for Upland Field Crops for 2020 – 2022 Crops**

	Average Payment	1st Grade				2nd Grade				3rd grade
		A rank	B rank	C rank	D rank	A rank	B rank	C rank	D rank	
Hard Wheat: Varieties suitable for making bread and Chinese noodles (yen/60kg)	6,710	8,810	8,310	8,160	8,100	7,650	7,150	7,000	6,940	
Other Wheat (yen/60kg)		6,510	6,010	5,860	5,800	5,350	4,850	4,700	4,640	
Tow-row barley (yen/50 kg)	6,780	6,840	6,420	6,300	6,250	5,980	5,560	5,430	5,380	
Six-row barley (yen/50kg)	5,660	5,970	5,550	5,420	5,370	4,940	4,520	4,400	4,350	
Hulless Barley (yen/60kg)	9,560	9,980	9,480	9,330	9,240	8,410	7,910	7,760	7,680	
Soybeans, regular (yen/60 kg)	9,930	10,830				10,140				9,460
Soybeans for manufacturing specific products* (yen/60kg)		8,780								
Buckwheat (yen/45kg)	13,170	13,800				11,690				
Rapeseeds varieties of <i>Kizakinonatane</i> , <i>Kirakiraginga</i> , <i>Kirariboshi</i> , <i>Nanashikibu</i> (yen/60kg)	8,000	8,020								
Rapeseeds of other varieties (yen/60 kg)		7,280								
Sugar Beets Brix 16.6 (yen/MT)	6,840	6,840								
Sugar Beets Brix exceeding 16.6 (yen/MT)		6,840 yen plus 62 yen per 0.1 brix								
Sugar Beets Brix less than 16.6 (yen/MT)		6,840 yen minus 62 yen per 0.1 brix								
Starch Potatoes with starch content 19.7% (yen/MT)	13,560	13,560								
Starch Potatoes starch content exceeding 19.7% (yen/MT)		13,560 yen plus 64 yen per 0.1% starch content								
Starch Potatoes starch content less than 19.7% (yen/MT)		13,560 yen minus 64 yen per 0.1% starch content								

Source: MAFF

\*Soybeans used to manufacture *tofu*, soy source, soybean powder and other which the original form of soybeans disappears in the final products.

<sup>9</sup> To become a certified farmer the municipal government must certify a five-year agricultural management improvement plan, which must include plans to increase the scale of the operation, incorporate as a farming entity, and increase on-farm income.

<sup>10</sup> Community-based farm cooperatives consist of farming households in certain regions that have developed relations through local communities or other geographical bases. Members conduct joint agricultural production, sales of their produce and machinery use.

### Income Loss Mitigation Program for Rice and Upland Field Crop Producers

This safety net program mitigates income losses for producers of table rice, rice for the government reserves, wheat, barley (excluding malting barley), soybeans (excluding black soybeans), sugar beets produced in Hokkaido, and starch potatoes produced in Hokkaido. The program compensates producers for 90 percent of the difference between standard income and current year income. Payments are not based on individual income, but rather on averages of current year income in relation to standard years for the crop and region. Certified farmers, certified new farmers, and community-based farm cooperatives are eligible to participate in the income loss mitigation program. MAFF funds two-thirds of the program, which in JFY2020 totaled 65.5 billion yen (\$612 million), and producer contributions fund the final third.

MAFF resets the standard income each year by crop and by prefecture using crop specific calculations. For example, for rice, MAFF calculates the standard income by multiplying the average wholesale purchase price of the top three cultivars by sales volume in the prefecture with a five-year Olympic average of the prefectural yield. The current year income for rice is determined by multiplying the wholesale purchase price of the top three cultivars by sales volume in the prefecture with the prefectural yield of the current year. For wheat, barley, and soybeans, MAFF calculates the standard income by multiplying a five-year Olympic average of the weighted average of successful bid prices at pre-plant auctions of the top three cultivars in the prefecture with a five-year Olympic average of the prefectural yield. The same method is used to determine current year income but using only current year data.<sup>11</sup>

### **Insurance Programs**

Participation in both Revenue Insurance and the Agricultural Mutual Relief Insurance programs below are voluntary, but producers may only participate in one of the programs. In addition, producers are not eligible to participate in both the Revenue Insurance Program and the Income Loss Mitigation Program. Producers can participate both in Income Loss Mitigation Program and the Agricultural Mutual Relief Insurance Program.

#### Revenue Insurance Program

In 2019, MAFF introduced the Revenue Insurance Program, which compensates producers for income loss from natural disasters, reductions in sales price, injury or disease disrupting harvest, and fluctuating exchange rates that cause a significant loss on export products. Producers who file taxable income using the double-entry bookkeeping method are eligible to participate in the Revenue Insurance Program. Payments are based on total revenue for an individual producer. Producers are compensated when annual sales income falls below 90 percent of the average sales income of the last five years (known as the standard income), a maximum of up to 90 percent of the difference between the standard income and the sales income for the year can be compensated using a combination of:

- a primary (non-refundable) insurance program covering 80 percent of the difference (the premium is not returned to the payees at the end of the year if a claim is not filed) and;

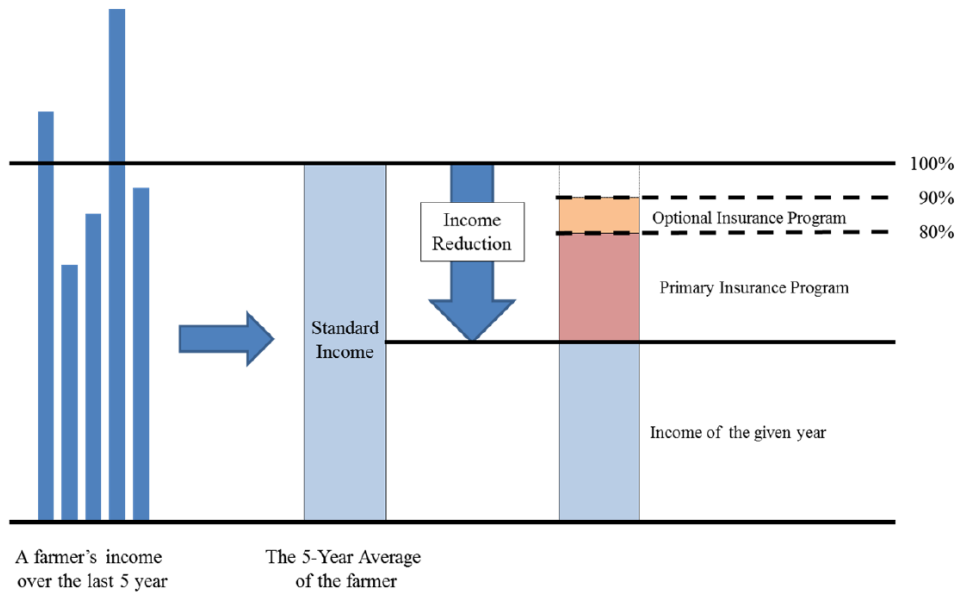
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<sup>11</sup> Domestic wheat and barley are traded on pre-planting sales contract auctions that are held prior to planting. Producer groups include 30 - 40 percent of the planned production volume by cultivar in the auction. The remaining volume is traded based on the successfully bid auction price. Domestic soybeans are traded on pre-planting sales contract auctions for approximately 10 percent of the planned production volume by cultivar. The remaining volume is traded after harvest through the spot market as well as the post-harvest auction.



- an optional insurance program which covers an extra ten percent of the difference (where the premium is carried over when a claim is not filed).

**Chart 2. Example of Compensation Determination for an Individual Farm**



Source: MAFF

In JFY2021, MAFF has 970.1 billion yen (approximately \$9.1 billion) set aside to cover 50 percent of the insurance premium for the primary insurance program (the remaining half will be paid by the insured farmer), and 612.9 billion yen (approximately \$ 5.7 billion) to fund the optional insurance program (three times the insured farmer's contribution, or 75 percent of the fund).

For more information on the Revenue Insurance program see [JA7114](#).

### Agricultural Mutual Relief Insurance System

The Agricultural Mutual Relief (AMR) Insurance System is based on the Agricultural Insurance Act and provides compensation from losses caused by natural disasters, pest and diseases outbreaks, and other events, such as fire. AMR Associations and municipal governments operate the insurance programs in their respective regions. Liabilities of the AMR Associations and the municipal governments are reinsured by their prefectural AMR federation, and further, the federations' liabilities are re-reinsured by the national government. The national government contributes half<sup>12</sup> the premium producers for producers who who join AMR Association or municipal government insurance program. MAFF's JFY20201 allocates 50.1 billion yen to the national government's premium contributions, and 33.4 billion yen (to the AMR Associations and the municipal governments for operation costs for their insurance programs.

There are five AMR Insurance Programs: 1) rice, wheat, and barley, 2) upland crops (potatoes, soybeans, sugar beets, buckwheat, Azuki beans, green beans, sugar cane, green tea, sweet corn, onions, squash,

<sup>12</sup> The national government contributes 55 percent of the premium for soybeans

hop and sericulture), 3) livestock, 4) fruits and their trees, and 5) horticulture facilities. The ratio of compensation ranges from 50 percent to 90 percent depending on the insurance coverage and methods such as production loss by plot, by damaged plot, by all plot of a farm, by regional average, and farm income loss.

### **Year-Round Supply and Demand Expansion Program**

Since JFY2015, MAFF has operated the Year-Round Supply and Demand Expansion Support Program to facilitate the more consistent and diverse table rice sales. In JFY2021 MAFF's annual budget earmarked 5.03 billion yen (\$47 million) to fund 50 percent of this program. Producer groups and rice wholesalers contribute to a fund that covers the other half of operating expenses. The program producer group and wholesaler are eligible to receive payments to cover costs for:

- The storage and collection of table rice set aside for sale one or two years after harvest,
- Product development and sales promotion for table rice diverted for exports,
- Product development and sales promotion for table rice diverted for the food service and home meal replacement sectors, and
- Collection, storage, and transportation for table rice diverted for feed and processing.

### **Attachments:**

No Attachments.