The State and Agricultural Cooperatives in Japan*

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1. Introduction

For centuries rice farming has been the most important productive activity and way of life for the majority of Thai people. More than two decades of development, successive governments have repeatedly asserted that they were expanding their resources and efforts enormously to accelerate improvements in living conditions for the majority of the country's population, over 70 percent of whom live in rural areas and engage mainly in agricultural occupation. Rural infrastructures, facilities, and amenities have been built and services provided. In spite of such efforts on rural development, however, it is reported that farmers in more than 50,000 villages of Thailand have debts totaling more than 100,000 billion baht.[1] Also rural poverty is still existent. It is well recognized that rural development is the major means of redistribution of wealth and income as well as increasing the purchasing power of the rural population. However, it is widely believed that without active participation at the grassroots level, rural development cannot achieve these goals. In this respect, agricultural cooperatives, a form of farmers' organization aimed at enhancing the mutual benefits of their members, is deemed to direct the success of rural development. The importance of the cooperative strategy to many developing countries can be described as follows : 1) cooperatives have a universal aspect to many developing countries in its political (stability), social (equity) and economic (productivity) objectives; 2) cooperatives reinforce the argument for general rather than selective development as well as development policies that direct people participation; and 3) cooperatives link production with distribution of equity objective.[2]

If we take Japan as our reference, the success of agricultural cooperatives is certainly the key contribution to her appreciable rural development. The story of the agricultural cooperative associations can be traced historically as far as the end of the nineteenth century. In 1909, the cooperatives were organized into national federations, such as the Central Union of Cooperative Associations. The Japanese government also adopted several measures of fostering agricultural cooperatives, including tax exemptions and subsidies. In comparison, the cooperative movement

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in Thailand was inaugurated by the government. The first cooperative society was established in the Province of Phitsanulok in 1916. Unfortunately, in spite of the government's efforts, the objectives in the field of cooperative movement have never been materialized.

The article is but a modest inquiry into the facts of agricultural cooperative movement as it has proceeded in Japan. The objectives of the study are as follows :

1) to examine the conditions and procedures, in particular the articulation of the state to agricultural cooperatives, which contribute to growth and development of this socio - economic institution, i.e. cooperatives, in Japan;

2) as the Thai government is promoting farmers' organizations as a part of rural development, lessons from Japanese experiences will be fruitful for improving measures and strategies.

In order to attempt a critical study of the articulation of the state and agricultural cooperatives, the major features around which the study will be analyzed include two important aspects : land reform and rice price policy. Since both aspects relate directly to the role of the state, the state in this study, therefore, follows the economic theory of politics or the modern political economy approach. The approach assumes that political leaders devise policy packages designed to maximize their chances of staying in power. The more an interest group expect to gain from a particular distortionary policy, the greater will be the demand on the government to provide that policy. On the other hand, the more effective the opposition forms interest groups which would lose from a policy, the higher is the political cost supplying that policy. Within this political market framework, the task is to examine how factors affect that policy.[3]

The largest lacuna in this study is that it is largely based on information derived from secondary references and does not attempt to come to primary sources. While these limitations at least make the present task more manageable, they do condemn this study to remaining a preliminary one.

2. The Structure of Agricultural Production

2.1 Man and Rice in Japan

Japan consists of four major islands - Hokkaido, Honshu, Shikoku and Kyushu and some hundreds minor ones which lie from north to south. The territory covers an area of about 36,966,000 hectares. The northern part of Japan is located in the sub frigid zone and the southern part in the sub - tropical. Being in the monsoon area, it has a summer season of high temperature and high humidity and a cold and dry winter season. From the beginning of the Meiji era (1868 - 1912) to the Second World War, agriculture was the task to which 5.5 million households, or 13.7 million individuals, devoted almost all their working lives. As of 1870, farmers made up about 80 percent of the labor force, but as the population grew, the proportion of farmers decreased as shown in Table 1 below.

Until the middle of twentieth century, rice is still the most important crop of the country. As has been illustrated in Table 2, paddy fields occupy more than half of the entire arable land. Also, rice accounts for more than half of the value of agricultural production. Consequently, rice culture is the core of Japanese agriculture and holds unchallenged importance.

However, Japanese farmers cultivate extremely small fields by international standards. Japanese farming may look more like " gardening " in the eyes of Europeans. As illustrated in Table 3, the number of farmers who operated farms of 1 hectares or less accounts for about 70 percent during the early years of this century. This special character suggests that Japanese agriculture is highly intensified so that the largest possible yield of products can be obtained as clearly shown in Table 4. The old adage about

Table 1 : Total Working Population and Its Allocation to Each Industrial Category, 1920 - 1950.

(unit : '000)

	1920	*1930*	*1940*	*1950*
Total Population	55,391	63,872	71,400	83,200
Total Working Population	26,966	29,341	32,231	35,626
Primary Industry				
Agriculture	13,727	13,742	13,363	16,102
Forestry, Fishery	715	748	829	1,106
Secondary Industry	5,576	5,993	8,418	7,812
Tertiary				
Industry	6,948	8,858	9,619	10,606

Source : Tobata, 1958, p. 11.

Table 2 : Land Utilization in Agriculture and Agricultural Production, 1900 - 1950 (Five - year average).

year	*cultivated area ('000 ha.)*			*agricultural production (million yen)*		
	rice	*total*	*rice/total (%)*	*rice*	*total*	*rice/total (%)*
1900	2,904	5,193	55.92	1,167	1,884	61.94
1905	2,936	5,307	55.32	1,266	2,033	62.27
1910	3,006	5,574	53.92	1,390	2,233	62.24
1915	3,073	5,784	53.12	1,518	2,483	61.14
1920	3,133	5,983	52.36	1,619	2,571	62.97
1925	3,199	5,927	53.97	1,594	2,515	63.88
1930	3,271	5,975	54.74	1,662	2,613	63.30
1935	3,291	6,108	53.88	1,725	2,786	61.92
1940	3,277	6,110	53.63	1,745	2,845	61.34
1945	3,200	5,861	54.60	1,657	2,561	64.70
1950	3,230	5,855	55.16	1,724	2,871	60.04

Source : Hayami, 1975, pp. 224 - 227. The figures in percentage are mine.

Table 3 : Farm Household by Size of Operated Holding.

(unit : %)

year	*size of holding (ha.)*					
	less than 0.5	*0.5 - 1.0*	*1.0 - 2.0*	*2.0 - 3.0*	*3.0 - 5.0*	*more than 5.0*
1910	37.6	33.0	19.3	5.9	2.9	1.2
1920	35.3	33.3	20.7	6.1	2.8	1.6
1930	34.3	34.3	22.1	5.7	2.3	1.3
1940	33.3	32.8	24.5	5.7	2.2	1.4

Source : Fukutake, 1980, p. 4.

farm life, " Leave in the morning, the stars still shining, return at night, walking on moonlight shadows ", may convey how hard the prewar farmers had to work.

Economically, self - sufficient small scale farming by individual families was one of the fundamental characteristics of agriculture during the Tokugawa period.[4] But in addition to the disadvantage of small plots of land, almost half were rented from landlords at a very high rate. It is estimated that more than one - fourth of all farmland was cultivated by tenants at the beginning of the Meiji period. During the first half of this century tenant land increased to more than two - thirds of the total, as illustrated in Table 5. Therefore, landlord - tenant relationship was one of the most critical element in the prewar structure of Japanese agriculture.

2.2 The Emergence of the Agricultural Cooperatives and Farmer Movement Prior to the Second World War

2.2.1 The Evolution of Agricultural Co - operatives

In spite of the strong relationship between landlord and tenant, the growth in agricultural output and productivity began to accelerate at the beginning of this century. The reason is the existence of indigenous technological potential that could be further tested, developed, and refined at the new experiment stations. This could be done with a strong aspiration among farmers to innovate, especially among those who belonged to the landlord class.[5] Landlords played a vital role in channeling resources from agriculture to non - agriculture. At the same time, they also

Table 4 : Comparison of Agricultural Productivities and Man/Land Ratios between Japan and Selected Asian Countries.

	agricultural output per male farm worker (wheat units per worker)	*agricultural output per hectare (wheat units per ha.)*	*agricultural land area per male (ha. per worker)*
Japan			
1878 - 82	2.5	2.9	0.9
1989 - 02	3.4	3.6	0.9
1933 - 37	7.1	5.5	1.3
1957 - 62	10.7	7.5	1.4
Asian, 1957 - 62			
Ceylon	3.9	2.9	1.3
India	2.1	1.1	1.9
Pakistan	2.4	—	—
Philippines	3.8	1.9	2.0

Source : Fukutake, 1980, p. 8.

Table 5 : Farm Households by Ownership Status.

(unit : %)

year	*owner farmers*	*part - owners/part - tenants*	*tenants*
1910	32.8	39.5	27.8
1920	30.7	40.9	28.4
1930	30.6	42.6	26.8
1940	30.5	42.4	27.1

Source : Fukutake, 1980, p. 6.

played a key role in raising agricultural productivity by acting as village leaders, both in the introduction of new technology and improvements in the infrastructure, such as irrigation. Nonetheless, the landlords took the initiative of organizing agricultural societies called " Agricultural Discussion Society " and " Seed - Exchange Society " as medium of introducing new agricultural technology.[6] The government also tried to encourage and organize such movements at the grassroots. As in 1881, the government then organized the Agricultural Society of Japan, modeled after the Royal Agricultural Society of England.[7] In 1894 the National Agricultural Association was established for promoting agricultural interests that could exercise political influence. Later on, this organization developed into the Imperial Agricultural Association in 1910. By the law the participation of farmers in the association and the payment of membership fees were compulsory. Another important organizational development was agricultural cooperative associations. The idea of protecting farmers against exploitation by middlemen and money - lenders through credit and marketing cooperatives gained momentum during the Matsukata deflation in the 1880s. The period of most rapid growth followed the development of articulate left - wing farmer and tenant movements in the 1920s. Then, they were imbued with something like the " Rochdale Spirit " of anti - commercialism, solidarity, and mutual help.[8]

The Credit Cooperative Association Bill was approved by the Diet in 1900. The law provided for four kinds of cooperative associations--credit, purchasing, marketing, and production. The government adopted several measures of fostering agricultural cooperatives, including tax exemptions and subsidies. Suffice it to say that the cooperatives were organized into national federations, such as the Central Union of Cooperative Associations in 1909 and the Central Bank of Cooperative Associations in 1923. The development of agricultural cooperative associations, by leave and bound, contributed to preserving unimodal distribution in the agrarian structure by increasing the productivity of both credit and marketing services to small farmers and by protecting them against damages from business fluctuation. The role of the cooperatives became more important during the recession in the inter-war period.[9]

2.2.2 Farmer Movement and Rice Riot

However, the organizational nature of these groups mentioned above revealed the high degree of central government control in which permeated every part of the nation even in the local level. The nature of agricultural groups was such that they were always easily manipulated by government authority that could create and use rural groups for its own ends. One exception, however, was the Farmers' Unions which began to spread to various parts of the country around 1920s. These unions were made up of tenant and part - tenant farmers who joined together to pressure landlords into reducing or suspending rents. This is one particular point that made them essentially different from any other organizations in which all farmers participated. But the paternalistic character of relations between tenant and landlord prevented many tenants from joining, so that it was seldom that every tenant farmer in a hamlet belonged to a farmers' union. In some villages where the control of the landlord system was strong, it was worse as to make impossible to organize a tenant farmers' union. In spite of this constraint, at their height, the Farmers' Unions listed more than 5,000 local branches, embracing 300,000 members. In 1935 alone, the unions were involved in almost 7,000 tenancy disputes.[10] Statistics are set forth in Table 6. The Table suggests that there was a fairly widespread movement, despite the fact that unions were not active in all villages in the whole nation. However, as the country molibized

Table 6 : Farmers' Unions and Tenancy Disputes, 1917 - 1944.

year	*no. of tenant unions*	*no. of members*	*no. of disputes*	*no. of tenant participating*
1917	—	—	85	—
1918	—	—	256	—
1919	—	—	326	—
1920	—	—	408	3,465
1921	681	—	1,680	145,898
1922	1,114	—	1,578	125,750
1923	1,530	164,000	1,917	134,503
1924	2,337	232,000	1,532	110,920
1925	3,496	307,000	2,206	134,646
1926	3,926	347,000	2,751	151,061
1927	4,582	365,000	2,053	91,336
1928	4,353	330,000	1,866	75,136
1929	4,156	316,000	2,434	81,998
1930	4,208	301,000	2,478	58,565
1931	4,414	306,000	3,419	81,135
1932	4,650	297,000	3,414	61,499
1933	4,810	303,000	4,000	48,073
1934	4,390	276,000	5,828	121,031
1935	4,011	242,000	6,824	113,164
1936	3,915	229,000	6,804	77,187
1937	3,879	227,000	6,170	63,246
1938	3,643	218,000	4,615	52,817
1939	3,509	210,000	3,578	25,904
1940	1,029	76,000	3,165	38,614
1941	293	24,000	3,308	32,289
1942	—	—	2,756	33,185
1943	—	—	2,424	17,738
1944	—	—	2,160	8,213

Source : Dore, 1980, p. 72; Takigawa, 1972, p. 295.

for war, an increasingly militaristic government ordered the suppression of farmers' unions, forcing them to disband or cease all activities.

It is worth noting that in 1910s, when the rate of growth in Japanese agricultural output and productivities began to decelerate and coincided with an increase in demand due to the boom of World War I, farm prices were forced to rise to an unprecedented high level. The rise in the price of food, which exceeded increases in wage rates, caused serious social unrest and cumulated in the Rice Riot of 1918.

The reaction of the government to the Rice Riot was to organize programs for importing rice from its overseas territories of Korea and Taiwan. In order to create a rice surplus to export to Japan, short - run exploitation policies involved importing sorghum from Manchuria to Korea, so Korean farmers were forced to substitute this lower - quality grain for rice in domestic consumption. A similar squeeze was practiced in Taiwan, which also forced Taiwan farmers to substitute sweet potatoes for rice in their diet. This policy was enforced by a squeeze on real income through taxation and government monopoly sales of such commodities as liquor, tobacco,

and salt as well.

During this period, the government developed various programs to mitigate the agricultural crisis. These included : 1) government spending on construction of physical infrastructure in rural area in order to provide wage - earning opportunities; 2) liquidation of farm debts from usury by releasing credits from the postal savings fund; 3) organization of economic recovery movements for villages that promoted self - sufficiency both in production inputs and consumption goods, thereby reducing the cash expenditures of farm households.[11] Moreover, the government encouraged the organization of agricultural cooperatives to ensure the protection of farmers from exploitation of middlemen and usurers. The government also tried to transform tenants into owner - farmers. Since 1920 low - interest loans were advanced through credit cooperatives to tenant farmers for the purchase of farm land. Furthermore, with the ordinance of Ministry of Agriculture and Forestry, in 1926 a part of the interest payment was subsidized. The Ministry planned to cover 113,000 hectares of farm land under tenancy into owner - cultivated area within twenty - five years. In fact, within twelve years, from 1926 to 1937, about 115,000 hectares of land were converted into the owner - cultivated area. However, this amount represented only about 4 percent of the total farm land under tenancy and did very little to change the agrarian structure of Japan.[12]

In spite of all these efforts, the bondage between landlord - tenant did not change much. Also, the level of income and the living condition of farm people did not improve appreciately. It was during after the Second World War when the Occupation Forces initiated the land reform, was this situation changed dramatically.

3. Land Reform after the Second World War and the Development of Agricultural Cooperatives

3.1 The Impact of Land Reform on Tenure System and Its Implication for Rural Development

After the Second World War, the land reform carried out under the Occupation Forces opened up new possibilities for development in agricultural sector of Japan. The most important aim of the land reform was the democratization of the community through the redistribution of arable land property, and therefore the redistribution of agricultural income.[13] This, of course, included the break down of the economic bondage which had enslaved Japanese farmers through centuries of feudal oppression. Despite the fact that conflicts between landlord - tenant were suppressed during the war years to make way for total mobilization, they resurfaced soon afterwards. Many farmers' unions were organized to counter landlord efforts to thwart the reform. The formation of unions produced considerable unrest as the tension and conflict of a class struggle proved threatening to the principle of hamlet solidarity. However, the Occupation Forces ordered the government to enforce a rapid dissolution of landlord holdings so that social tensions in the villages did not develop and diffuse into large - scale conflict. The Japanese government also understood very well that reform of the landownership system was imperative. This was because, in order to reconstruct the economy, especially the industrial sector, it was a necessity to make provision for food by assuring a controlled, steady supply of low - priced rice. This was possible only by abolishing the burden on tenants of rent for land. With the Agricultural Land Adjustment Law and the Owner - Farmer Establishment Special Measures Law approved by the Diet in 1946, all land owned by absentee landlords and all rented land exceeding one hectare (or 4 hectares in Hokkaido) was compulsorily bought up by the government. Land acquired by the state was then sold at low prices to tenants. The reform also prohibited payment of rents in

kind; all rents were to be paid in cash, subject to controls that prevented exorbitant rates.[14] For the four years from 1947 - 1950, the government purchased 1.7 million hectares of farmland from landlords and transferred 1.9 million hectares, including state - owned land to tenant farmers, which amounted to about 80 percent of the ex - tenanted land area. As a consequence, the ratio of farm land under tenancy declined from 45 percent in 1945 to only 9 percent in 1955.[15] Statistics are illustrated in Table 7. Furthermore, for the remaining land under tenancy, the right of tenants was strengthened and the rent was controlled at a very low level by the Agricultural Land Law of 1952. The share of total agricultural products paid out as rent was thus reduced from 30 percent to only 1 percent.[16] This law also imposed limit on land holding to three hectares (12 hectares in Hokkaido) in order to prevent the revival of landlordism.

In addition to cultivated land, the government had by 1952 purchased 450,000 hectares of pasture land to be resold, and requisitioned 1,330,000 hectares of forest and uncultivated land which could be reclaimed for starchy food production and on which owner - cultivators were to be settled.[17]

The success of the drastic land reform in Japan was, to a large extent, based on the power of the Occupation Forces. Also important were the various measures of controlling the tenure relations that developed during the war and that had weakened the position of landlords. There is no doubt, therefore, that land reform promoted more equal assets and income distributions among farmers as well as increasing productivity, thereby contributing critically to the social stability of the rural sector. Indeed Japan's land reform was successfully brought about peacefully without any revolution and without any bloodshedding. However, it should not be forgotten that there was a long period of preparation.[18] Also the farm - size distribution did not change, and the small - scale family farms remained the basic unit of agricultural production, as illustrated in Table 8 below.

It should be noted also that land reform contributed to an increase in the level of living and consumption. It was reported that over 90 percent of farmers owned durable household goods, such as television sets, washing machines, and refrigerators, a proportion comparable to that of non - farming families. In 1970, car ownership among farm families surpassed that of non - farm families, and in 1975 the rate of ownership was 58 percent for farm families while it was only 42 percent for non - farm families. In the last ten years the rural level of consumption has increased faster than the urban. As between 1965 - 1970 the level of consumption increased

Table 7 : Farm Households by Ownership Status, 1946 - 1975.

(unit : %)

year	*owner farmers*	*part - owner/ part - tenants*	*part - tenants/ part - owners*	*tenants*
1946	32.8	19.8	18.6	28.7
1950	61.9	25.8	6.6	5.1
1955	69.5	21.6	4.7	4.0
1960	75.2	18.0	3.6	2.9
1965	80.1	15.1	2.8	1.8
1970	79.4	16.0	2.8	1.6
1975	84.1	12.2	2.4	1.1

Source : Fukutake, 1980, p. 8.

Table 8 : Distribution of Farm Households by Size of Cultivated Land Area.

(unit : '000)

year	*less than 0.5*	*0.5 - 1.0*	*1.0 - 1.5*	*1.5 - 2.0*	*2.0 - 3.0*	*over 3.0*	*total*
1960	2,275	1,907	1,002	404	201	36	5,823
1970	2,030	1,619	874	407	244	63	5,236
1975	1,995	1,436	727	349	236	76	4,819
1980	1,922	1,304	652	328	240	95	4,542
1985	1,856	1,182	583	300	234	112	4,267
1986	1,748	1,193	600	309	251	122	4,233
1987	1,728	1,181	592	306	248	124	4,178

Source : Central Union of Agricultural Cooperatives, 1988, p. 2.

in rural areas 47 percent while only 27 percent in urban areas. The same tendency continued in 1970 - 1975, with the rate of increment at 32 percent and 14 percent respectively.[19]

A further interesting aspect of the postwar land reform was that agricultural production in Japan recovered rapidly from the 1945 - 1947 bottom. There was also land - infrastructure improvement projects promoted by government investment and credit which covered 1.6 million hectares of paddy fields, as much as 60 percent of the total area, from 1946 to 1957.[20] The postwar agricultural growth was further enhanced by the supply of new industrial inputs, such as chemical pesticides, insecticides, and garden - type tractors and tillers. Such inputs were based on the progress of industrial technology and scientific knowledge accumulated during the war. However, one of the most distinct aspect of postwar agricultural development was the progress in farm mechanization. Before the Second World War, mechanization in Japanese agriculture was limited to irrigation, drainage, and post harvesting operations, such as threshing. The introduction of tractors was attempted only on an experimental scale. The postwar spurt of " mini - tractorization ", a rapid introduction of small scale tractors of less than 10 horse - power, was paralleled by the boom of industrial and economic development since the mid - 1950s that resulted in the rapid absorption of the agricultural labor force by the non - agricultural sector. The number of hand tractors on farm rose tremendously, from almost nonexistence in the 1940s, to about 89,000 in 1955, 517,000 in 1960, and 2,500,000 in 1965.[21] Such rapid progress in tractorization was induced by the relative rise in farm wage rates due to labor migrating to industrial sector. At the same time it was supported by the capacity of the machinery industry to supply the farm machineries and implements suitable for the farming conditions of Japan. Through this process, a crucial change in the pattern of farming was brought about. As clearly illustrated in Table 9 a vast increase in the number of part - time farmers over full - time farmers can be noted.

In contrast with the rapid reduction of agricultural population, the number of farm households decreased only slightly from 5.57 million in 1965 to 4.33 million in 1986, of which only 14.2 percent were entirely dependent on agriculture for their livelihood, while 85.8 percent primarily or secondarily relied on non - agricultural industries. Statistics are set forth in Table 10 below. The ratio of agricultural income to farm household income decreased from 50.2 percent in 1960 to 15.8 percent in 1987.[22]

Table 9 : Number of Part - Time and Full - Time Farm Households, 1965 - 1987.

(unit : '000)

year	*full - time*	*part - time*			*total*
		part - time I	*part - time II*	*total*	
1965	1,219	2,081	2,365	4,446	5,576
1970	832	1,802	2,709	4,510	5,342
1975	616	1,259	3,077	4,337	4,953
1980	623	1,002	3,036	4,038	4,661
1985	626	775	2,975	3,750	4,376
1986	643	660	3,028	3,688	4,331
1987	631	632	3,021	3,653	4,284

Note : Full - time farm household - None of a family is engaged in other occupation than agriculture.

Part - time I - One or more members of a family is engaged in outside job but agricultural income of a family is more than non - agricultural income.

Part - time II - One or more members of a family is engaged in outside job but agricultural income is less than non - agricultural income.

Source : Central Union of Agricultural Cooperatives, 1988, p. 5.

Table 10 : Farm Households and Farming Population, 1965 - 1987.

(unit : '000)

year	*Farm H.H.*	*Agr. pop. (A)*	*Pop. engaged in Farming (B)*	*Total Pop. (C)*	*A/C %*	*B/C %*
1965	5,776	30,083	11,039	98,275	30.6	10.1
1970	5,342	26,280	9,826	103,720	25.3	7.9
1975	4,953	23,195	7,907	111,943	20.7	7.1
1980	4,614	21,366	6,973	117,009	18.3	6.0
1985	4,376	19,839	6,363	121,047	16.4	5.3
1986	4,330	19,775	6,274	120,721	16.4	5.2
1987	4,284	19,481	6,177	121,372	16.1	5.0

Source : Central Union of Agricultural Cooperatives, 1988, p. 5.

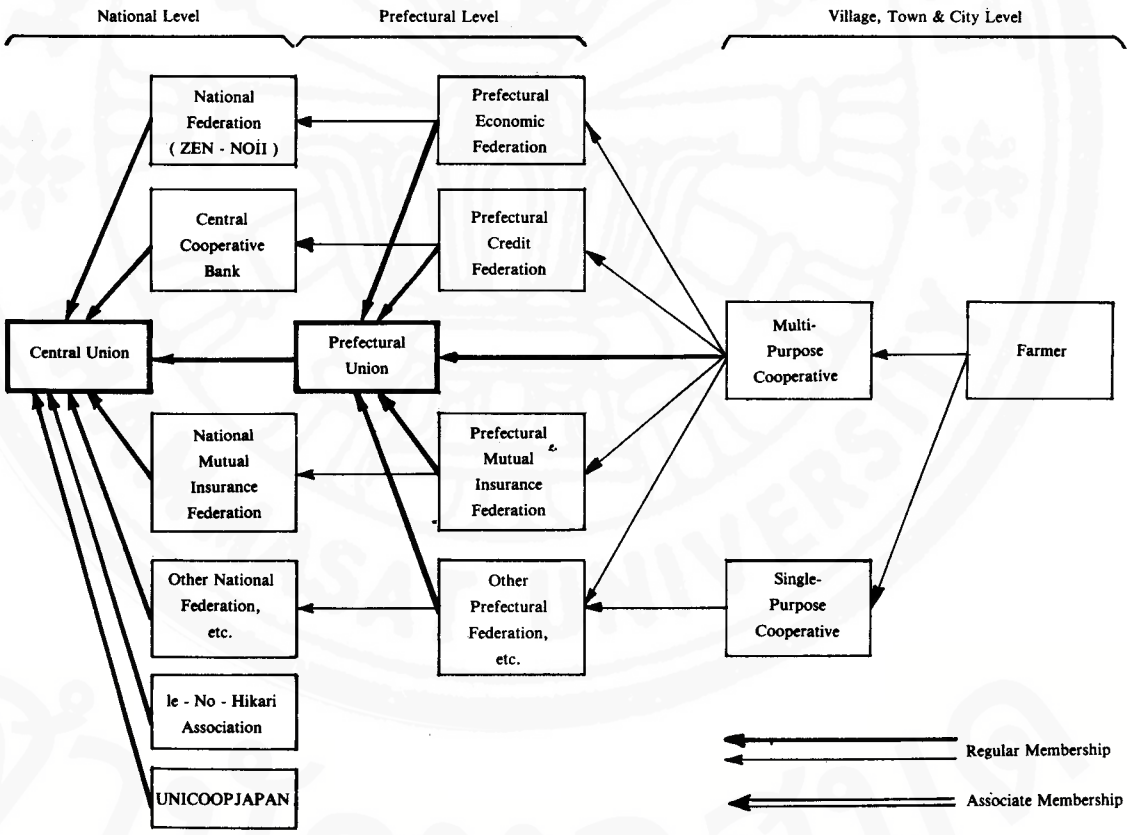
3.2 The Development of the Agricultural Cooperatives and some government measures

Another important aspect of the postwar land reform, which had a major impact on agricultural economy and rural society, was the reorganization of agricultural cooperative associations. During the wartime the Agricultural Associations and the Agricultural Cooperatives, were integrated into a semi - governmental organization called Agricultural Society, designed to share the responsibility of controlling and mobilizing village economies for war purposes.[23] The Agricultural Society, which existed in every village and in which membership was compulsory, were merely organs for government control of the farmer, the channel for the rationing of materials and household goods, and also the channel for enforcing crop deliveries to the government.[24] However, this organization was dissolved by the direction of the Occupation Forces. Therefore, all economic functions of the Agricultural Society, including marketing and credit, were transferred to the new agricultural cooperative associations reestablished by the Agricultural Cooperative Law in 1947.

The agricultural cooperative associations inherited the nation - wide organizations from the Agricultural Society. Their existence has, from the very beginning, been closely tied in with the government's staple - foods - control system.[25] The village associations which were more than 30,000 then organized into prefectural and national federations. The national federations at the top of the pyramid included the National Federation of Agricultural Cooperatives for marketing; the Central Bank of Agriculture and Forestry for credit; the National Federation of Mutual Insurance for life and casualty insurance; and the Central Union of Agricultural Cooperatives for political lobbying. The scheme of the agricultural cooperatives association is shown in Figure 1 below.

It should be noted that within about one year after the enactment of the Agricultural Cooperative Society Law, agricultural cooperatives and their federations were established on the city, town and village, and prefectural and national levels. However, some of them plunged into financial difficulties only a few years after their establishment as a consequence of the economic turmoil and drastic shifts in the government's economic policy during this period. In 1951, the Law of Rehabilitation and Consolidation of the Agricultural, Forestry and Fishery Cooperatives came into effect in order to help them overcome such difficulties. It provided for the rehabilitation of the sound financial status of cooperatives

Figure 1: Structural Outline of Agricultural Cooperative Movement in Japan.



Source : Central Union of Agricultural Cooperatives, 1988, p. 12.

experiencing management difficulties. Also when the National Guidance Federation of Agricultural Cooperatives established after the World War was reorganized into the present Central Union of Agricultural Cooperatives in 1954, agricultural cooperatives which had survived the chaotic age of the postwar economy began their activities in a more integrated manner based on the demands of the members, thus gearing the cooperative activities effectively to the members' farm and livelihood improvement targets. In 1961, the Law of Amalgamation Assistance for Agricultural Cooperatives was enacted under which the merger of cooperatives was promoted.[26]

In Japan, the primary agricultural cooperative societies are organized on the city, town and village levels, with their membership composed of farmers as regular members and non - agricultural inhabitants as associate members. At present, almost all the farm households are enrolled in such cooperative societies. The primary agricultural cooperative societies can be classified into two categories: multi - purpose and single - purpose types. The former are engaged in the activities of marketing various agricultural products, inputs supply, credit, mutual insurance, utilization, processing, etc., based on comprehensive advisory service to members for their better farming and living conditions to meet all the necessities arising from their production and consumer lives. Such multi - phased activities are geared towards the realities of Japanese farmers who are engaged in mixed farming. The multi - purpose cooperatives form the main current in the Japanese agricultural cooperative movement. Single - purpose agricultural cooperatives, on the other hand, are organized to concentrate on the marketing of product from certain specific sectors, such as fruits and vegetables, sericulture and livestock raising. Almost all of their members are currently members of multi - purpose agricultural cooperatives.[27]

Table 11 : Number of Primary Agricultural Cooperatives, 1960 - 1987.

	1960/61	*1970/71*	*1980/81*	*1987/88*
Multi - purpose Agr. Coop.	12,050	6,049	4,528	4,072
Single - purpose Agr. Coop.	34,204	10,541	5,191	4,205
Total	46,254	16,590	9,719	8,277

Source : Central Union of Agricultural Cooperatives, 1988, p. 11.

Table 12 : Number of Multi - Purpose Societies by Regular Member Household, 1975 - 1983.

	March 1975		*March 1981*		*March 1983*	
	number	*%*	*number*	*%*	*number*	*%*
less than 500 members	1,711	34.4	1,499	33.4	1,286	30.6
500 - 999	1,417	28.5	1,306	29.1	1,236	29.5
1,000 - 1,999	1,013	20.4	983	21.9	989	23.6
2,000 - 2,999	385	7.7	368	8.2	359	8.6
3,000 - 4,999	274	5.0	263	5.9	255	6.1
more than 5,000 members	69	1.4	69	1.5	69	1.6
Total	4,765	100.0	4,488	100.0	4,194	100.0

Source : Central Union of Agricultural Cooperative, 1988, p. 11.

On the prefectural level, the primary agricultural cooperative societies have their corresponding federations which are organized according to specific functions. In a whole country, each of the 47 prefectures in Japan has a prefectural union of agricultural cooperatives whose members are primary cooperatives and prefectural federations. They do not engage in any economic business, but function in the areas of guidance, coordination, research and survey, education, information, and auditing on behalf of primary agricultural cooperatives and prefectural federation. In addition, they act to represent the interests and will of the agricultural cooperative movement in each prefecture.[28]

On the national level, each federation on the prefectural level has its own counterpart. The national federations can also be broken into two categories: a) those related to multi - purpose agricultural cooperatives such as the National Federation of Agricultural Cooperative Associations, the National Mutual - Insurance Federation, and so forth, and b) those related to the single - purpose agricultural cooperative movement such as the National Federation of Livestock Cooperatives, the National Federation of Dairy Cooperative, and so forth.

The Central Union of Agricultural Cooperatives is a nation - wide organization, and its members are primary agricultural cooperatives, prefectural federations, prefectural unions of agricultural cooperatives, and various national federation, education, information, auditing, etc., but also represents the interests and will of the agricultural cooperative movement in Japan.[29]

We may note in passing that the development of the cooperative associations was facilitated by pervasive government control on agricultural products and inputs during the early postwar period. The cooperatives almost monopolized the delivery of food products, especially rice, to the Food Agency of the Ministry of Agriculture and Forestry and the distribution of government rations of fertilizers and other inputs. Such an organization gave farmers highly effective countervailing power over large private business as will be discussed in details in the next section.

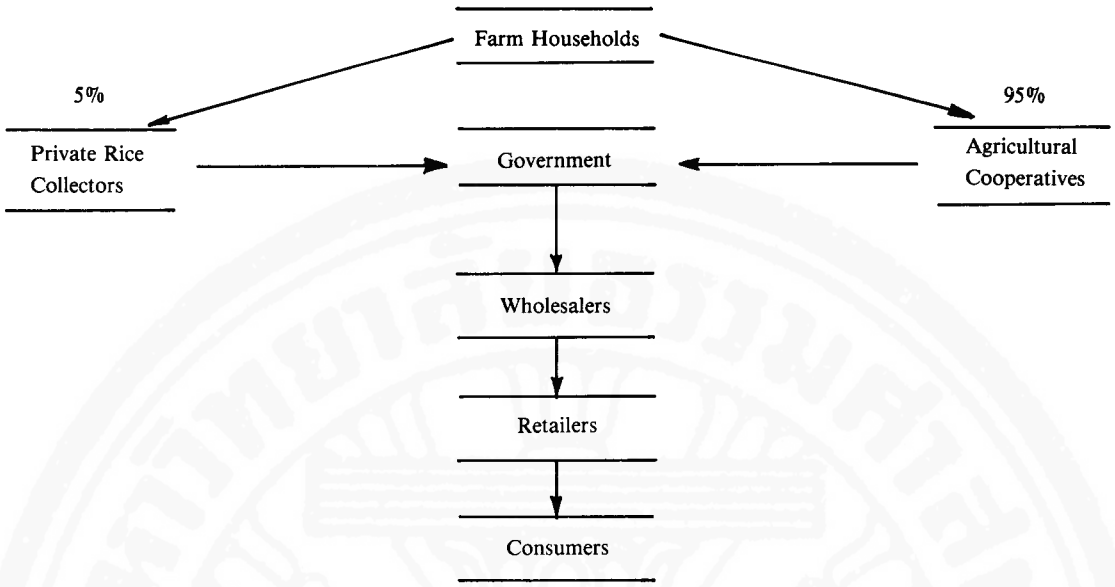
4. The Political Economy of Rice Price in Japan

4.1 Rice Price Policy in Japan

Rice has always been by far the most important farm product and food item in Japan. It accounted for half the gross value of farm production in every decade from 1880 to 1960. Prior to 1940, rice contributed more than two - thirds of the calories intake of the Japanese. About one - third of urban blue collar workers' household expenditure was on rice around the turn of the century, and its share was still one eighth in the 1950s.[30] Because of the critical importance of the rice price in determining both farm income and urban wage rates as well as manufacturing production costs, especially prior to 1940, the farmers then were obligated by law to sell their rice to the government. However, rice is collected not only by the agricultural cooperatives, but also by merchants. The government designates some of the merchants as collectors of rice by whom rice is purchased for the government. This rice is then sold to the designated formal wholesale merchants and then resold to the retailers for distribution to the consumers. Marketing of rice is therefore in principle directly controlled by the government. All the rice produced, except for that consumed by the producers themselves, is purchased and resold by the government at fixed prices. The scheme of rice distribution is illustrated in Figure 2.

In 1970, the number of designated collectors was divided into 5,843 collectors of the agricultural cooperatives and 2,235 collectors of designated merchants. Between these two kinds of formal rice marketing channels, the amount of rice marketed by the cooperative associations is extremely large, occupying 95 percent of the total.[31]

Figure 2 : Rice Marketing Channel and Distribution in Japan.



It is therefore not exaggerated to say that the rice price policy outlined above not only guaranteed the condition of small farmers but also made the agricultural cooperatives (the Nokyo) the most influential farmers' organization. But before we go to the details of the rice price support system which still prevails today, it is worthy to note some underlying forces that generated the system into practice, since it is within this context that the system makes sense.

In Japan, as mentioned earlier, the state intervention of rice price has its origin at the turn of the century. At about that time Japan switched from being a small net exporter of rice to becoming increasingly dependent on rice imports. This led farmers and farm bureaucracies to begin lobbying strongly for rice import controls. Their calls were coincided with strong demand from manufacturing and commercial groups for liberalized trade in rice. This was so because the price of rice was the main determinant of real wages in non - farm sector. In order to avoid dependence on foreign rice the government launched the promotion of rice production programs in Japan and its main colonies; Taiwan and Korea. Substantial government assistance was given to the farm sector. These included reduction in agricultural taxation, particularly land taxation; investments in rural research, extension, irrigation and related infrastructure, and also the protection of rice producers from competition from outside the Japanese Empire. Both tariffs and quantitative import restrictions were used to allow rice prices within the Empire to rise further above international levels.[32]

To prepare herself to enter the war, Japan fixed the official prices of rice under the provisions of the Food Control Law of 1942 to encourage deliveries. Again, the government not only raised price periodically but also provided subsidies and other production incentives, e.g. special rations of scarce commodities to farmers. However, with the proliferation of widespread black markets many farmers received their returns well above official prices. Consequently, from the end of the war to 1948 the average income of farm households exceeded that of other households. This was a position of strength that Japanese

farmers had never gained, subsequently making them reluctant to relinquish it.[33]

Although Japanese rural areas did not sustain as much as the major industrial centres during World War II, farm output was greatly reduced due to shortage of manpower as well as other inputs. This led to widespread food shortage at the end of the war. Lack of foreign exchange for food imports and high international grain prices forced Japan to ration food among her population. The Japanese government, then, had to give high priority to expand food production by various measures. However, as factories reopened and international trade expanded, employment and output in other non - farm industries rose rapidly. Moreover, the Korean War provided a great opportunity for Japan to expand her exports and earn foreign exchange. During this time (1948 - 1960) non - farm workers' incomes increased more rapidly than farm income, as shown in Table 13 below. As such, in 1960 the government introduced a new pricing mechanism for rice, known as the " Production Cost and Income Compensation Formula ". In 1961, the government also enacted the Agricultural Basic Law (The ABL) as a fundamental principle of Japan's agricultural policy. The ABL provided an ideology of support and set the direction for agricultural policy in its broadest sense.[34] The law declared that it was the government's responsibility to raise agricultural productivity and thereby closed the gap in income and welfare among farm and non - farm people. Among the measures identified as necessary for this purpose were encouragements to selectively expand the production of agricultural commodities in response to changing demand structure and to enlarge the scale of the production unit. An important direction of agricultural development policy suggested by the law was to foster family farms selectively into ' viable units ' that can earn income from agricultural production comparable to the level of non - farm household income. Also in order to improve farming efficiency it was considered essential to increase the scale of the farm operation by promoting both the exodus of inefficient farm units and cooperative operations among the remaining farms.[35]

Thus within the course of remarkable economic development following Japan's postwar reconstruction, the direct government control of rice distribution, originally initiated to protect consumers during the war crisis, came culminately to serve the function of supporting agricultural producers whose incomes lagged behind those of urban workers. After the enactment of the Agricultural Basic Law in 1961 onwards, the price at which the government purchased rice from producers increased very rapidly and was consistently higher than the government sale

Table 13 : Average Income of Farm and Non - Farm Workers' Households, 1948 - 1982 .

(unit : '000 yen)

year	*farm households incomes (A)*	*non - farm household workers' income (B)*	*A/B %*
1948	210	122	172
1950	215	167	129
1955	379	350	108
1960	449	491	91
1965	835	821	102
1970	1,592	1,355	117
1975	3,960	2,834	139
1982	6,219	4,716	132

Source : George and Saxon, 1986, p. 92.

price, as shown in Table 14 below. The high support price stimulated domestic production of surplus rice in government storage (see column 3). The government deficit from the rice - control program multiplied and by the end of the 1960s exceeded 300 billion yen, which amounted to about 40 per cent of the central government budget for agriculture, or nearly 5 per cent of the total national budget (see column 4). The rapid increasing rice surplus and the deficit from the rice control program finally became effective brakes on further increases in rice prices in 1968 : the government purchase price was frozen from 1968 to 1970. Meanwhile an acreage control program was launched, through which incentive payments were made for retiring paddy fields from production and diverting them to non - rice crops (see column 5). It is needless to say that the high level of price support from domestic rice producers has been associated with the restriction of rice imports, which in Japan are monopolized by the MAFF - administered Food Agency. Since the mid - 1960s rice imports have been virtually nil, and it is therefore not easy to ascertain the level of protection of domestic rice production from foreign competition.

Table 14 : Major Statistics of Japan's Rice Economy, 1961 - 1985.

	Rice Price		*Government stock of old rice*	*Deficits in rice control*	*Ratio of diverted paddy area*
	govern - ment purchase (1) (Y '000/ton)	*govern - ment sale (2)*	*(3) ('000 ton)*	*(4) (Y bill.)*	*(5) (%)*
1961	74	72	500	50	—
1962	81	81	100	53	—
1963	88	80	17	89	—
1964	100	80	14	123	—
1965	109	93	52	134	—
1966	119	101	205	223	—
1967	130	117	645	242	—
1968	138	126	2,976	268	—
1969	138	125	5,530	348	0.2
1970	138	124	7,202	474	10.6
1971	142	123	5,891	446	17.1
1972	149	131	3,074	445	17.8
1973	172	130	1,477	636	17.7
1974	227	171	615	719	9.9
1975	260	203	1,142	799	8.3
1976	276	224	2,641	815	6.7
1977	287	246	3,675	841	6.7
1978	288	246	5,722	987	13.9
1979	288	257	6,517	1,020	14.8
1980	294	266	6,693	929	18.3
1982	299	283	—	—	—
1983	304	283	—	—	—
1984	311	294	—	—	—
1985	311	305	—	—	—

Source : George and Saxon, 1986, p. 64 ; Ministry of Agriculture, Forestry and Fisheries, 1985, pp. 104 - 105.

4.2 The Farmers, The Nokyo and the Liberal Democratic Party

The changes in political and sociological forces that accompanied postwar Japanese economic development have generated a complex set of pressures that have thrust Japan's agricultural policies from the ground of equity and social justice firmly to the direction of protectionism. These also led to the development of legal, institutional and ideological frameworks designed to preserve protectionist policies. The strong demands for agricultural protection were made possible and effective through two important and interrelated channels, i.e. the enhanced electoral power of farmers and the rise of the Nokyo. Because these are the two of many influences which shaped Japanese farmers' political consciousness, a detailed examination is deemed necessary.

4.2.1 The Farmers and the State

It would suffice to say that in Japanese villages before the war, the landlords were the only members of the farm village who effectively participated in national politics. According to the Keiji Constitution, sovereignty did not reside in the people, and the ordinary farmer was the passive object of authority. Since voting rights were determined by the amount of tax paid, in the rural areas, only landlords and owner farmers could enjoy sovereignty. The tenants below them were not permitted to participate. As such, voting for seats in the House of Peers which was set aside for representatives of the highest taxpayers was limited only to very large landlords. This was the time when village and town administration was under the local government system of 1889 governed by landlords, that naturally made the large landlords a major force in national parliament. Likewise in the national Diet established the following year after the local government system, the landlords and especially those with the biggest estates, at first exercised considerable power. Even when the vote was later extended to all males in 1925, farmers were still unable to vote for the candidate of their own choice because of the imformal control exercised by the hamlet.

In the 1920s, Japanese politics moved into a phase closely resembling that of the classic two - party parliamentary system. Rivalry between the two large conservative parties became increasingly intense. However, these political developments had little effect on the average farmers. They simply voted for the candidates supported by the landlords with whom they had the closest connections. During the war, party politics was integrated into the Imperial Rule Assistance System. Everyone including the landlords were integrated into a national network for the downward transmission of orders. It can be seen, therefore, that even in their capacity as electors, the vast majority of farmers were never able to play an independent role until the postwar period.

It was the postwar land reform which not only removed farmland from control by the landlord, but also eliminated their means of manipulating voting behavior among the populace. The new Constitution, promulgated in 1947, was to guarantee the right of suffrage to all men and women of 20 years or more. The people including the farmers were now declared to be sovereign. The farmers ceased to be mere voting machines manipulated by the landlords, as tenancy relationships no longer gave the landlords the influence which could direct the tenants' votes. Nevertheless their votes were not completely freed from the influences exerted by the social pressures of the hamlet, i.e. the richer " powerful men " and village politicians who dominated hamlet opinion. However, these influences did allow, to a certain extent, realistic judgments of advantage - that a vote for such - and - such candidate who will bring interests to the hamlet or the village. This more realistic approach marked the difference between voting behavior in the prewar and postwar periods. In spite of

these new voting patterns, in their final effect, the farmers still give support to the conservative parties, especially the Liberal Democratic Party (hereafter the LDP). One Can interpret this as farmer conservatism. However, one should examine thoroughly the mechanisms underlying these voting patterns.

Systemic reforms undertaken after the war produced many substantive changes in village government. The system of local government finance was also thoroughly reformed after the war. However, it lagged behind the new institutions of self - government. This was because local government in general still suffered financially and many villages were operating on deficits. Moreover, the postwar expansion of compulsory education required that villages build new middle schools. Besides, there were some local development programs in order to improve welfare of local citizens. Under the budget constraint, local governments had turned to grants or subsidies from the central government. For this reason Mayors and influential members of the Council must maintain close connexions with members of the prefectural assembly and the latter's ultimate patrons, i.e. members of the national Diet. This goes without saying that these Diet members have to be members of the ruling party if they are to have any influence at all. It is through these connexions that towns and villages build their municipal offices and their schools and keep their roads and bridges in good repair. In the same vein, these same benefits brought by Mayors and influential councilors who act as mediators ensure the re - election of these Diet members. This phenomenon explains the symbiotic relationship of the LDP and the farmers. For the farmers, the LDP which always remains in power is a source of support for their cause. The LDP in return considers the farmers as an important electoral force. Rural support thus inevitably goes to the LDP not because the farmers are conservative as it might be understood but because the LDP is an effective holder and manipulator of power.[36] This will be seen clearly on the matter of national policy, in particular, the rice price support system mentioned in the previous section.

Of equal importance, it is a long - standing feature of the postwar Japanese electoral system that voters in rural and semi - rural constituencies are endowed with a voting power disproportionate to their number because of the failure of successive Liberal Democratic Party governments to reapportion seats in the Diet to take account of the population movements accompanying the process of urbanization. At the extreme end of the scale, the ratio of rural votes to urban votes is five to one. The political power of the farm vote also derives from the predominantly conservative alignment of farmers in the over weighted rural constituencies and the resulting heavy dependence of the governing LDP on a rural support base. There are no plans to rectify the over - representation of rural districts in the Japanese upper house (the House of Councilors), where the disproportionate voting power of rural constituents is equally problematical. There are, however, some politically significant variations among the various indexes of change in the farm sector. The rate of decline in the agricultural workforce has been much greater than the rate of decline either in the number of farm households or in farm household population. These differential rates of change reflect the tendency of agricultural landholders to remain engaged in farming to some extent, even if minimal, because of their reluctance to sell their land and leave farming altogether, and also because of the ease with which they can obtain and commute to part - time jobs. Translated into electoral terms, this means that the agricultural electorate as a whole has been contracting much more slower than might have been expected from the speed of the decline in the agricultural workforce figures. For example, in 1974 there were 16.8 million voters living in

farm households, constituting 22.3 percent of the national electorate in that year. By 1983 the number of farm household voters had somewhat declined, but only to 15.6 million (a fall of 1.2 million over ten years), or 18.7 percent of the national electorate. Even without taking into account their disproportionate voting power, almost one - fifth of Japan's voting population still lives in farm households, a relatively high proportion for an advanced industrial economy. Although the absolute number of farm voters is falling overall, the LDP remains disproportionately dependent on its rural voting base and in fact has become more biased towards the countryside over the past four elections. The bias is reflected in the character of the party's Diet membership. On average, more than two - thirds (68 percent) of the LDP lower house membership in the period 1976 - 1983 represented rural, semi - rural and semi - urban seats. In the House of Councilors, this average was as high as 75 percent.[37]

4.2.2 The Agricultural Cooperatives (the Nokyo) : the Active Mediator

It should be added that farmers today are not satisfied with local benefits. Their vision extends beyond local issues, and if they see that a problem affecting the entire nation affects them too, they will react strongly. One good example is the government support system of rice price. In this case, again, the farmers do not act independently, but through the Agricultural Cooperative (hereafter the Nokyo) which acts as their pressure group.

It is rather a fact that everyone in Japan hears regularly about the activities of the Agricultural Cooperatives - the Nokyo. It was the Agricultural Cooperative Union Law of 1947 which established a new breed of farmers' cooperatives called the Nogyo Kyodo Kumiai or Union of Agricultural Cooperatives, or the Nokyo in short. It was believed in the early postwar period that the establishment of the cooperatives and the controlled extension of the Nokyo' functional base by the government would be the source of farmers' prosperity which would lead to the health of the agricultural economy. It was also convenient for the government to channel all - service for the mobilization and to direct the farm sector through one organization. The Nokyo consequently was designed both to perform services for farmers, and to undertake semi - administrative duties for the government in the extension of public policy. Also granted to the Nokyo under the Agricultural Cooperative Union Law is the formal right to represent farmers in policy discussions with the government. The leadership body of the Nokyo is the Central Union, which operates at both prefectural and national levels. The Nokyo Law specifically provides for the Central Union to make proposals to administrative authorities on matter concerning the Agricultural Cooperatives. It was then under this social context that the Nokyo turned into a mammoth agricultural zaibatsu today.[38]

In the early postwar period, the Nokyo's most vital public function was collecting and storing the rice crop. As a wartime measure, the government launched the Food Control Law in 1942 by buying up the entire grain crop and then undertaking consumer sales at controlled prices. After 1945, the system was retained as a means of combating the continuing food shortage. Since the Occupation Forces disbanded the old agricultural association, the Japanese government had to turn to the cooperatives for help in administering the program. This was owing to the fact that only the cooperatives were able to provide a convenient, ready - made network of facilities that covered the whole nation.

It was the Food Control Policy after the war that overwhelmingly helped the Nokyo to become a strong organization. Over 90 percent of all grain crops subjected to controls was handled, i.e. collected and packed, by the Nokyo. In return, the Nokyo received 112 yen per sixty - kilogram

sack from the government's special food control as a service fee. In addition, the money from the government, 1,300,000 million yen paid to the farmers also passed through the Nokyo hands, going from the Central Nokyo Bank to the prefectural trust associations and finally to the local cooperatives. It was claimed that about 35 per cent of 1,300,000 million yen, or 450,000 million yen was put as fixed term deposits in farmers' account. In this way, the Nokyo can put out this money at interest on the call market and make a reasonably good profit. In terms of business, according to Koichi Nishimoto, during 1960's the Nokyo handled sales of agricultural product totaling 1,800,000 million yen each year as well as 800,000 million yen worth of agricultural supplies and consumer goods to farmers and their families. Combined business sales brought in more than 2,500,000 million yen annually. Table 15 below will show the growth of the Nokyo' business during 1960 - 1982.

On the financial situation, the Nokyo had acquired savings deposits of 5,000,000 million yen as well as mutual insurance worth 9,000,000 million yen. In the volume and range of its functions, the Nokyo operates very much like a corporate enterprise network, monopolizing the rural sector of the nation's economy. By the early 1970s the business volume of the Nokyo was comparable with the turnover of giant Japanese trading companies. In its insurance business, the Nokyo now ranks first in Japan, with policies totaling 681 trillion yen in 1982 compared with 189 trillion yen in 1977 from agriculture's importance in the economy. For instance, funds held on deposit by local cooperatives in 1981 amounted to approximately half the total in the national postal saving system, and in 1982 exceeded 30 trillion yen.[39]

Moreover, there are other sideline business operated by thousands of local cooperatives including beauty shops, nursery schools, gas stations, wedding halls, tour companies, supermarkets and funeral parlors. In sum, the Nokyo operations run by 350,000 employees[40] extend into every aspect of farm production and farm way of life, serving the economic financial, production, welfare, social and cultural needs of agricultural population. An expression such as, " From the cradle to the grave ", seems appropriate to describe the extraordinary range of the Nokyo activities.

The impetus for the establishment of the cooperatives by the government has thus legitimated the presence of the Nokyo in the agricultural policy process and provided their institutionalized access to the center of the power. In brevity, the Nokyo's opinion and cooperation are virtually prerequisites for every significant agricultural policy initiative. The Nokyo can also draw on an extensive and independent political power base, namely the farmers. In order to maintain both its status quo and its interests,

Table 15 : Growth in Business Activities of Local Cooperatives, 1960 - 1982 .

(unit : bill. yen)

	1960	*1965*	*1970*	*1975*	*1982*
Marketing of farm products	600	1,242	2,109	4,517	5,814
of which rice	—	734	1,081	2,183	2,060
Supply of goods to members	280	611	1,240	3,033	4,981
Profits	—	167	344	919	1,739

Source : George and Saxon, 1986, p. 95.

the Nokyo is inevitably thrusted into closed relationship with the ruling Liberal Democratic Party - the LDP.[41]

With this background, it is not surprising why the Nokyo has abandoned a stance of political neutrality as cooperative associations in most part of the world do. It was reported that in the early 1970's there were 15 members of the Nokyo in the National Diet Liberal Democratic Party. On the prefectural level, there were as many as 200 Nokyo men in the office, and of course, all of them belonged to the LDP or to some other conservative factions. These rural representatives serve as a pressure group within the party to carry forward the programs of the Nokyo.[42] We can see, for example, the political process through which rice prices have been determined during the past decade or so. These people will therefore be elected again with campaign supported by the Nokyo. It is worth noting that this is one of the distinctive features of interest group strategy in Japan wherein direct representation in the Diet is achieved by persons who already hold executive positions in interest groups.[43]

The annual activity of the Nokyo over rice - price struggle during 1960s - 1970s began by mobilizing farmers and cooperatives officials from all over the country. National cooperative leaders also sit on the Rice Council which is attached to the Food Agency. The government rice price proposal, which is originated in the Food Agency, is recommended to the Ministry of Agriculture for modification and approval and is then negotiated with the Ministry of Finance. However, the Minister of Agriculture must consult the Rice Council before the final price is determined. Therefore, the extensive network of communication and policy coordination between agencies of government and the Nokyo is part of the routine of public policy. The Japanese government as a result has probably never made any major changes in agricultural policy without first consulting the Nokyo.[44] In return, the Nokyo will give support to the LDP. By the same token, the rural support for the LDP is hardly changed. This can be seen in Table 16 below which illustrates the result of general elections in 1976 and 1980. These figures confirm what has been previously mentioned that the rural majority (above 50 percent), though slightly decreasing, give their votes to the conservative parties, particularly, the long - ruling Liberal Democratic Party which ruled the country ever since the postwar period.

5. The Nokyo at the Crossroads : The Present Crisis of the Agricultural Sector and Its Aftermath

The pre - modern national history of the Japanese people, living in a country of limited land area with mountainous terrain amounts to a series of struggles against starvation. It was only since 1955 that food has become abundant enough to allow the Japanese to consume as much as they wanted to, in particular, rice. However, what has kept Japanese farmers solvent has not been the way of ' fate ', but concrete government assistance and, especially, protection. From 1961 to 1969, the index of agricultural production rose from 100 to 130.7, but it declined after that in response to the removal of many forms of protection under pressure from the United States.[45] Moreover, in 1970s productivity in Japanese agriculture has been declining since agriculture has not kept pace with the economic boom. The result was that in 1979 Japan became the third largest importer of food in the world, lagging only just behind the United States and West Germany. Both international pressure and the stagnation of small - scale farming led Japanese agriculture to a declining self - sufficiency in food, as illustrated in Table 17 below.

Table 16 : Distribution of Votes in the 1976, 1980 general elections, by types of area.

	Metropolitan		*Urban*		*Semi - Rural*		*Rural*	
	1976	*1980*	*1976*	*1980*	*1976*	*1980*	*1976*	*1980*
Liberal Democratic	29.0	23.0	47.0	33.4	54.0	42.0	62.0	49.7
Conservative Independent	3.0	1.0	1.0	2.5	3.0	3.1	9.0	1.4
New Liberal Club	7.0	4.0	5.0	1.0	1.0	1.4	1.0	1.1
Japan Socialist	17.0	12.8	24.0	13.3	29.0	14.4	23.0	15.4
Clean Government	23.0	10.5	13.0	7.5	6.0	5.2	2.0	1.8
Democratic Socialist	9.0	5.4	7.0	5.1	5.0	4.9	1.0	2.6
Japan Communist	10.0	10.0	2.0	8.0	2.0	4.7	1.0	4.9
Self - Defense Forces	2.0	0.6	1.0	1.4	0	0.2	0	0.2
Didn't vote/other	—	32.4	—	27.7	—	23.1	—	22.8

Source : Hemmi, 1982, pp. 224 - 225; Steven, 1983, p. 112.

Table 17 : Japan's Self - Sufficiency Ratio of Foods, 1960 - 1986.

(unit : %)

year	*1960*	*1965*	*1970*	*1975*	*1980*	*1985*	*1986*
Rice	102	95	106	110	87	107	108
Wheat	39	28	9	4	10	14	14
Beans	44	25	12	9	7	8	8
Soybeans	28	11	4	4	4	5	5
Vegetables	100	100	99	99	97	95	95
Fruits	100	90	84	84	81	77	95
Eggs	101	100	97	97	98	98	97
Milk & dairy products	89	86	89	82	86	89	86
Meats	91	89	88	77	81	81	78
Sugar	18	30	23	16	29	33	33
Overall Self-sufficiency ratio in agricultural food products	90	81	76	74	70	71	70
Self - sufficiency ratio in grains	82	46	40	33	31	31	31

Source : Central Union of Agricultural Cooperatives, 1988, p. 3.

Table 17 above shows the low self - sufficiency ratio in many branches of production where therefore farmers face the greatest competition from imports, particularly grains. However, it is noticeable that, the ratio of self - sufficiency in rice is almost over 100. Even though a strong yen after 1985 which widened the gap between domestic and foreign prices for agricultural products and further increased Japan's trade surplus have fanned international pressure for Japan to open its market wider, Japan's policy on rice is still unchanged. Japan's rice farmers have the ability to produce more rice than is actually needed for consumption. As illustrated in Table 18 below, the government stocks at the end of 1987 is as high as 1.82 million tons.

Beef, oranges and rice remain as the most pressing issues facing Japanese agriculture today. After years of negotiations, Japan and the United States finally signed an agreement calling for full liberalization of beef and oranges in Japan's market by fiscal year 1992. But rice poses an even more complicated problem and results in one of Japan's greatest single trade headaches both domestically and internationally. This important issue may not be easily solved as long as the ruling Liberal Democratic Party is dependent on the rural vote. Moreover, regardless of the social strata, the general mood of Japanese people concerning this issue is linked with ' nationalism '. It is to be noted that the agricultural policies of either the Japan Socialist Party (JSP) or the Japan Communist Party (JCP) as well as the trade unions are all protectionist toward the farming sector.[46] The result of two opinion polls conducted by the Public Relations Section of the Prime Minister's Secretariat in 1975 and 1979 confirmed this stand. A majority of respondents - 71 percent and 67 percent of total respondents in 1975 and 1978 consecutively - believed that Japan's food should be supplied domestically rather than imported.[47] This sentiment of agricultural protectionism persists because of the sympathy for farmers on the part of Japanese urban dwellers. More than 80 percent of Japanese were farmers at the time of the Meiji Restoration. A good proportion of the urban population has descended from the second and third sons or daughters of farmers who went to the cities.

Needless to say for rice in particular, it appears that Japan's rice policy over the past two decades represents a major violation of the theory of international comparative advantage. Not only has domestic rice production been protected by import restriction since the mid - 1960s, the domestic rice price has also been raised further above the equilibrium of domestic demand and supply. Through government purchase at a support price, the domestic producer price of rice in Japan has become two to four times higher than the international price since the late 1960s. Such price distortion is expected to result in a large income transfer from consumers to producers and a consequent net social welfare loss.[48] However, it is not only the ideological factor mentioned above, but also the fact that rice only

Table 18 : Japanese Rice Supply and Demand.

(unit : 1,000 tons)

	1984	*1985*	*1986*	*1987*
1. Production	11,880	11,660	11,650	10,630
2. Consumption	10,940	10,850	10,800	—
3. Government Stocks as of the end of October	120	310	1,030	1,820

Source : Ministry of Agriculture, Forestry and Fisheries.

accounts for about 2.3 percent of the income of an average Japanese worker,[49] make the current price of rice a less serious problem.

Recently a strong objection from the Nokyo, Japan's most powerful lobby, was expressed by its chairman, Mr. Mitsugu Horiuchi. According to him, " The basis of Japan's agriculture is rice paddies. It is important for the country to secure self - sufficiency in its rice supply ", and " we find it hard to understand why we have to import rice from foreign countries and why we have to be retaliated against if we do not. "[50] Once again, the Nokyo pledged to block the U.S. demands to liberalize the domestic rice market, as stating that, " Rice is the foundation of Japanese agriculture, and liberalization of the rice market would lead to a collapse of the country's rice culture. "[51] This Japanese stand partly led to the collapse of the negotiation on rice issue between Japan and the United States. The General Agreement on Tariffs and Trade (GATT) talks in Montreal, Canada, on December 1988, revealed the failure of the liberalization of farm protection.[52] It is being emphasized that if rice import is liberalized, Japan will have to rely entirely on the United States. Since at present the United States alone has the capacity to produce the japonica variety favored by the Japanese in excess of domestic demand.[53] Of course, this is related to the strong stand on protectionism on the part of Japan. But, whether it is possible to keep the rice market closed forever remains the key question for the Nokyo, Japan's powerful farm lobby. The Nokyo faces growing threats from abroad as mentioned earlier. Also, domestically, the decade - old " food control system " is beginning to collapse. As presently a 40 percent of rice crop is traded on the " free market ". The import ban is not 100 percent proof. Foreign rice is coming into the market in the form of processed products such as crackers and frozen pilafs. The Federation of Economic Organization (Keidanren), the most prestigious group of business group also asked the government to revise its farm - oriented agricultural policy to give more thought to consumers and the food processing industry.[54] Therefore, sooner or later events at home and abroad will eventually force the government to make hard decisions. This fact also shows therefore that the food problem is not merely an economic issue but also a political issue. It is the time to put to the test the long closed relationship between the Nokyo and the LDP. The Nokyo is now at the crossroads.[55]

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