

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Japan

**Post:** Tokyo

### **MAFF Proposes Subsidy to Increase Domestic Production of Soybeans**

**Report Categories:**

Trade Policy Monitoring

Oilseeds and Products

Grain and Feed

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**Report Highlights:**

Japan's Ministry of Agriculture, Fisheries, and Forestry (MAFF) has introduced a new subsidy to increase domestic production of wheat, soybeans and rice.

**Executive Summary:** The Ministry of Agriculture, Fisheries, and Forestry (MAFF) has begun soliciting applications for a new subsidy designed to increase the production of domestic wheat, soybeans and rice. Farmers and processed food manufacturers are eligible to apply for this subsidy. MAFF has designated a budget of 6.8 billion yen to be allocated through March 31, 2011.

## **THE SUBSIDY PLAN**

### **1.) Program to Introduce New Production Technologies that Would Expand Domestic Production of Select Commodities**

a) *New production technologies.* For example, soybeans utilizing 300A technology, which promotes soybean germination in heavy moisture conditions such as the rainy season.

The subsidy will be paid up to 1,500 yen/ 10 are for a demonstration field in 2009 and 2010.

b) *Production of crops suited specifically to Japanese dishes.* For example, cultivating wheat species specific to the production of bread and Chinese noodles.

The calculation for the amount of subsidy is as follows:

- Crop acreage in the first year at 3,000 yen / 10 are.
- Crop acreage in the second year at 1,500 yen / 10 are. Eligible acreage will be increased from the first year for the second year.

Sowing before snowfall (early winter sowing) will allow for the following additional amounts:

- Crop acreage in the first year to 2,100 yen / 10 are .
- Crop acreage in the second year to 1,050 yen / 10 are.

## **2.) Program to Strengthen Relationships Between Producers and Users**

a) Farmers who contract with processed food manufacturers to supply crops in 2009 or 2010 for more than three years are eligible to receive the following amounts:

For multiple year soybean contracts:

- The first year: 3,000yen per 60kg.
- The second year: 1,000yen per 60kg.

\* If begun in 2010, there will be no subsidy for the second year.

b) Market stability of rice for the powder and animal feed industries:

- 500yen per 60kg for the first year volume

\* If the second year volume is smaller than that of the first year, the subsidy will not be paid.

## **3.) Program to Support Products Using Domestically Produced Ingredients**

a) The amount of the subsidy is 50% of total expenses for the programs as stated below. The maximum amount applicable is ten million yen for one organization.

The subsidy covers the following expenses:

- Ingredients and materials for developing products and for making promotional samples.
- Testing and analysis to improve production processes.
- Equipment leased to develop new products.
- Contract development of new products.
- Evaluation of new products.
- Attending exhibitions of local products.
- Developing and registering design and trademarks for the intellectual property rights of products.

## **IMPLEMENTATION PROCEDURE**

- a) The prefectural council must create an implementation plan and gain approval from a director general at the prefectural agricultural policy planning office before starting a program. The plan should detail potential problems and measures for expanding production of wheat, soybean, rice powder and feed rice for three years.
- b) Organizations applying for this activity must submit a project execution plan and gain approval from a prefectural council.
- c) A prefectural council reviews project applications and evaluates the effectiveness of new products designed to expand production. The subsidy will be taken from the fundamental fund.
- d) Organizations applying for the subsidy must submit necessary documents.
- e) Prefectural government report project plans and results to the agricultural policy planning office.
- f) The end of this subsidy March 31, 2011.

## **PROSPECTS FOR INCREASED PRODUCTION**

Wheat: Domestic wheat is used in 70% of Japanese style noodles produced in Japan such as “udon” noodles. However, Australian wheat is superior to Japanese noodles in viscoelasticity and has a white color, which is required in certain types of udon, such as Sanuki udon. This Australian variety was intentionally produced for the Japanese market and presents a challenge for the government of Japan (GOJ) in increasing demand for domestic wheat beyond the current share. Japanese wheat is also not suitable for Chinese style “ramen and yakisoba” noodles for bread making and other uses. Total demand for both items is currently four times that of Japanese noodles. Japanese wheat is used in only 0.6% of bread and 3.1% of other

types of noodles made in Japan.

Soybeans: Crop yields for Japanese soybeans fluctuate very widely, which does not allow consistent production volumes or stable prices. Due to the uncertainties associated with the product, few producers and users have established contracts for cultivation.

Rice (rice powder and feed rice): Rice powder is used in the production of Japanese confectionaries and crackers. This subsidy encourages the development of new end-uses; for example, in rice noodles or bread. As of this time these products are not in wide-use.

## **SUMMARY**

The proposed MAFF subsidies will have a difficult time dealing with all the constraints facing Japanese production. Soybeans are an extremely minor crop in Japan with domestic production ranging between the 3 to 5 percent level for the last thirty years. Other challenges including an aging farming population with a lack of successors and limited arable land. These formidable challenges will continue to damper the prospects for increased agricultural production.