

Voluntary Report – Voluntary - Public Distribution

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Report Name: Japan's Cabinet Approves JFY2019 Supplementary Budget

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Report Highlights:

The Japanese Cabinet approved the 2019 supplementary budget for 3.2 trillion yen (US\$27.6 billion) in December 2019. The Ministry of Agriculture, Forestry, and Fisheries (MAFF) will receive 585 billion yen (US\$5.4 billion), of which 325 billion yen (US\$2.97 billion) is allocated for trade agreements countermeasures, up 1.9 percent from last year. The countermeasures are focused on support to increase the number of cattle raised in Japan and for export promotion.

MAFF JFY 2019 Supplementary Budget Increases

The Japan Fiscal Year (JFY) 2019¹ supplementary budget of 3.2 trillion yen (US\$27.6 billion) was approved by the Japanese Cabinet on December 13, 2019 and will be submitted for approval by the Diet in January 2020. The Ministry of Agriculture, Forestry, and Fisheries (MAFF) will receive 584.9 billion yen (US\$5.35 billion) of the supplementary budget in JFY2019, of which 325 billion yen (US\$2.97 billion) is allocated for countermeasures for trade agreements including the U.S. – Japan Trade Agreement (USJTA). Trade agreement countermeasures are formulated based on the “Comprehensive TPP-related Policy Framework,” initially developed in response to Japan’s entry into the Trans-Pacific Partnership Agreement (TPP).

Comprehensive TPP-related Policy Framework

On December 5, following the signing of USJTA, the Government of Japan (GOJ) revised the Comprehensive TPP-related Policy Framework to include additional trade countermeasure support payments for domestic industry. These revisions will be funded through the JFY2019 supplementary budget. The GOJ established the Comprehensive TPP Policy Framework (hereinafter referred to as the “Policy Framework”) in November 2015 to promote overseas market development, strengthen competitiveness of Japanese industries, and to set support measures for primary industries. The GOJ then revised the Policy Framework in November 2017, incorporating countermeasures for Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) and the Japan-EU Economic Partnership Agreement (EPA).

The newly revised Policy Framework established a program for beef cattle and dairy farmers to meet the growing demand for Japanese livestock products at home and abroad. This program is designed to encourage the growth of herds to meet the demand created by USJTA and the expected resumption of beef exports to China in 2020. The revised Policy Framework also includes measures to address new farmers, family farm succession, smart agriculture, soil management, and to strengthen the cooperation between Japan Agricultural Cooperatives and the Export Promotion Consortium to help small and medium-sized farmers benefit from export opportunities.

MAFF JFY2019 Supplementary Budget for Trade Agreement Countermeasures

Japan’s supplementary budget has funded the Policy Framework trade agreement countermeasures since JFY2015. Overall, MAFF’s JFY2019 supplementary budget decreased 2.5 percent to 584.9 billion yen (US\$5.35 billion), but trade agreement countermeasure funding increased 1.9 percent from last year to 325 billion yen (US\$2.97 billion). The remaining funding is allocated for measures corresponding to the Agriculture, Forestry, Fisheries and Regions Vitality Creation Plan², emergency

¹ April 1, 2019 – March 31, 2020

² Under the leadership of Prime Minister Abe, the Agriculture, Forestry, Fisheries and Regions Vitality Creation Plan was established in December 2013 to promote structural reforms in the primary industries with the ultimate goal of doubling incomes of the primary industries. This Plan is regarded as a grand design for future administration of the primary industries and sets numerical targets and measures to achieve the targets. Since 2013, the Plan was revised

disaster prevention and mitigation measures, and reconstruction measures of typhoon damages in summer 2019.

The centerpiece of the JFY2019 supplementary budget is the “Production Area Infrastructure Power-Up Program” and the “Livestock Cluster Program” for which 34.8 billion yen (US\$318 million) and 40.9 billion yen (US\$374 million) are earmarked respectively. Both programs provide financial support for the purchase of machinery and facilities construction to improve productivity and profitability. To utilize compost made from cattle manure, the Production Area Infrastructure Power-Up Program adds support payments to facilitate compost use to improve soil and to facilitate succession of family farms. In order to extend support for small and medium-sized farmers, the Livestock Cluster Program relaxes a requirement for eligible recipients to expand farming size from the current “the average size of the region” to “approximately national average excluding Hokkaido.” The supplementary budget also provides additional funding increases for the livestock sector, export promotion, support for small-medium sized family farms and new entrants in all generations, farmland improvement, and smart agriculture.

New Cattle Increase Program

MAFF’s JFY2019 supplementary budget allocates 24.3 billion yen (US\$222 million) to establish a new livestock support program aiming to increase the number of cattle raised in Japan. The program consists of four sub-programs and provides support payments for 1) increasing the number of cattle (10.898 billion yen/US\$100 million) 2) improving cattle barns for family farm successors (6.159 billion yen/US\$56.3 million) 3) purchasing machinery and building facilities for manure treatment and making compost (2.239 billion yen/US\$20.5 million), and 4) restructuring live cattle markets and meat processing facilities (5 billion yen/US\$45.7 million).

- 1) Farms which keep less than 50 cattle and farms which keep 50 or more cattle receive 246,000 yen (US\$2,249) and 175,000 yen (US\$1,600) respectively per increasing head of *Wagyu* breeding female cattle. Dairy farms in prefectures other than Hokkaido receive 275,000 yen (US\$2,515) per increasing head of dairy successor cattle. Public ranches and livestock research institutes receive 246,000 yen (US\$2,249) per increasing head of breeding female cattle. Through this support, MAFF targets to increase the number of breeding female cattle from 610,000 in 2018 to 800,000 by 2030.
- 2) To facilitate succession of family farms which do not have successors, support payments are provided to farmers succeeded those family farms for improvement and construction of cattle barns without requiring increase in the farming scale.
- 3) To deal with expected increase in manure in accordance with the increase in cattle numbers, support payments are provided to farmers who purchase machinery and build facilities for manure treatment and compost making. MAFF set a target to increase compost sales from 6.2 million metric ton (MT) in 2018 to 6.8 million MT by 2024.

several times to renew the targets and measures, and most recently was revised in December 10, 2019 to incorporate a program to strengthen production infrastructure focusing on support to the livestock industry, measures to secure farming population, export promotion and livestock manure and soil management.

- 4) Provide support payments to improve facilities and equipment for live cattle markets and meat processing facilities to promote meat exports and improve hygiene management of meat processing facilities and distribution.

Support for new farmers, foresters and fishermen

To secure future generation farmers, the ordinary fiscal year budget funds the program to provide support payment to people under 50 years old to enter farming. To encourage people in all generations, including over 50 years old, to enter primary industries, the supplementary budget allocates 6.4 billion yen (US\$58.5 million) to provide support payments to all new entrants for training or trial employments. Additionally, support payments are also provided to new certified farmers to purchase machinery and construction of facilities.

Export Promotion

The budget for export promotion increases 22.5 percent, to 29.8 billion yen (US\$272.6 million), for the establishment of a one-stop export support office in MAFF to facilitate export certificate issuance, facility approval process, strategic use of intellectual property rights, and the improvement of distribution facilities and aquaculture farms to increase exports of fisheries products.

Farmland Improvement

To facilitate a production shift to profit making products, 56.6 billion yen (US\$517.7 million) is earmarked to turn rice paddies into fields, enlarge farmland plots, and improve irrigation facilities in fields and orchards. The budget for this program increases 8.5 percent from the JFY2018 supplementary budget.

Smart Agriculture

7.2 billion yen (US\$66 million) has been allocated to expand the use of artificial intelligence and the internet of things in horticultural, livestock, and terrace rice production.

MAFF Supplementary Budget for Trade Agreement Countermeasures JFY2015-JFY2019

	Amount Budgeted in JFY (billion yen)				
	2015	2016	2017	2018	2019
Nurture Future Generations of Business-Minded Farmers					
<ul style="list-style-type: none"> Financial support for purchase/lease of machinery and construction of facilities 	5.3	5.3	5.0	5.0	6.4
<ul style="list-style-type: none"> Extend zero-interest loans 	11.0	4.6	100.0 ³	100.0 ⁴	100.0 ⁵
<ul style="list-style-type: none"> Enlarge plots of farmland and establish underground irrigation systems 	37.0	37.0	35.0	34.8	27.0
<ul style="list-style-type: none"> Convert paddy fields to dry fields, and establish production/sales facilities in mountainous and hilly areas 	1.0	10.0	10.0	8.0	
<ul style="list-style-type: none"> Support to preserve terrace paddies and agricultural infrastructure in hilly and mountainous areas 					28.2
<ul style="list-style-type: none"> Support establishment of agricultural management schools 		0.2			
Promote Innovation in Rice, Field Crops, Vegetables and Fruit Producing Areas to Improve International Competitiveness					
<ul style="list-style-type: none"> Provide financial support to upgrade machinery and facilities and to re-planting profitable crops (Production Area Infrastructure Power-up Program) 	50.5*	57.0 ⁶	44.7 ⁷	40.0 ⁸	34.8
<ul style="list-style-type: none"> Turn rice paddies into fields, and improve infrastructure of fields and orchards [public works] 	40.6	49.6 ⁹	45.7 ¹⁰	51.8	56.6
<ul style="list-style-type: none"> Provide support to research institutions, universities, producers and companies which team up to develop new varieties and technologies, carry out verification tests and implement new technologies in practical use. 	10.0	11.7	6.0	6.2	7.2
<ul style="list-style-type: none"> Provide support to flour millers, sugar refineries, potato starch factories and meat processing facilities for restructuring and improving productivity, and to dairy 	4.6	1.0	2.5	2.4	2.1

³ A credit line of 100 billion yen (US\$910 million) includes the existing fund

⁴ A credit line of 100 billion yen (US\$910 million) includes the existing fund

⁵ A credit line of 100 billion yen (US\$910 million) includes the existing fund

⁶ Include a 5 billion yen (US\$45.5 million) quota given priority to the hilly and mountainous areas

⁷ Include a 4 billion yen (US\$36 million) quota given priority to the hilly and mountainous areas

⁸ Include a 4 billion yen (US\$36 million) quota given priority to the hilly and mountainous areas

⁹ Include a 10 billion yen (US\$91 million) quota given priority to the hilly and mountainous areas

¹⁰ Include a 1.2 billion yen (US\$11 million) quota given priority to the hilly and mountainous areas

manufacturing facilities to switch production to produce high demand products (such as soft cheese, fresh cream, concentrated skim milk, etc.)					
Comprehensive Project to Improve Profitability of Livestock and Dairy Farmers					
<ul style="list-style-type: none"> • Provide support for the purchase of machinery, facilities and livestock to improve productivity (Livestock Cluster Program) 	61.0*	68.5 ¹¹	66.5 ¹²	56.0 ¹³	40.9
<ul style="list-style-type: none"> • Provide support to dairy farmers and cheese factories for improving the quality and productivity of raw milk and cheese production, and for purchasing machinery and facilities 			6.0	15.0	15.0
<ul style="list-style-type: none"> • Improve and enlarge grasslands to improve productivity of feed crop production [public works] 	16.4	9.4	9.5	3.6	5.8
<ul style="list-style-type: none"> • Provide support to increase cattle production 	3.0	1.6	1.0	1.0	24.3
<ul style="list-style-type: none"> • Provide support to control weeds, to renovate bunker silos and to improve utilization and operation of public ranches 	0.7	0.9	0.5	0.5	
<ul style="list-style-type: none"> • Mitigate existing loans by providing long-term and low interest loans, and provide interest subsidies for loan refinancing. Exempt farmers from the guarantee fee payment for loans for increasing dairy cattle and breeding cattle (fund) 	2.0*	1.7	13.0 ¹⁴	10.7 ¹⁵	
Develop Demand Frontiers (such as Exports) of High Quality Agricultural, Forestry and Fisheries Products					
<ul style="list-style-type: none"> • Establish one-stop export support office 					0.9
<ul style="list-style-type: none"> • Implement export promotion measures to CPTPP and EU countries through JFOODO¹⁶ and JETRO¹⁷ 	8.8	6.7	3.6	5.7	3.3
<ul style="list-style-type: none"> • Improve export infrastructure for wholesale markets, container yards, controlled atmosphere storages, HACCP¹⁸ certified processing and meat processing 	4.3	20.3	17.1	6.0	10.8

¹¹ Include a 5 billion yen (US\$45.5 million) quota given priority to the hilly and mountainous areas

¹² Include a 4 billion yen (US\$36 million) quota given priority to the hilly and mountainous areas, and a 9 billion yen (US\$82 million) quota for raw milk for cheese production with participation of cheese manufacturers

¹³ Include a 4 billion yen (US\$36 million) quota given priority to the hilly and mountainous areas

¹⁴ A credit line of 13 billion yen (US\$118 million) includes the existing fund

¹⁵ A credit line of 10.7 billion yen (US\$ million) includes the existing fund

¹⁶ Japan Food Product Overseas Promotion Center

¹⁷ Japan External Trade Organization

¹⁸ Hazard Analysis and Critical Control Points

<ul style="list-style-type: none"> facilities Establish export GAP¹⁹ and HACCP-based food safety management standards, and promote protection of intellectual property rights (e.g., plant variety rights) overseas Develop new products through tie-ups between farmer groups and the food service industry Promote sales of agricultural, forestry and fisheries products to foreign tourists Improve export facilities at ports and fishing ports to increase exports of fisheries products [partially public works] Provide consultation to farmers, fishermen, foresters and food manufacturers who wish to export and are registered with MAFF's GFP²⁰ 	0.01		0.8	1.7	
	3.6				
	0.4				
				8.7	14.0
				1.0	0.8
Strengthen International Competitiveness of Plywood, Lumber and Structural Glue Laminated Timber					
<ul style="list-style-type: none"> Improve forestry roads and wood processing facilities, and utilize timber from thinning, and promote Cross-Laminated Timber use [partially public works] Promote use of legally-logged wood and collect information on illegal logging 	29.0 *	33.0	40.0	39.2	36.0
	0.2	0.2	0.2		
Turn Fisheries into Sustainable and Highly Profitable Operations					
<ul style="list-style-type: none"> Provide financial support to upgrade fishing vessels, machinery and facilities 	22.5 *	25.5	23.0	32.4	27.0
Strengthen Communications with Consumers					
<ul style="list-style-type: none"> Implement projects to increase consumer understanding of domestic agricultural, forestry and fisheries products and food to contribute to their food selection/purchase (introduction of country of origin labelling for ingredients of processed foods, geographical indications system) 	0.4	0.2			
Establish Price Information Disclosure System for Farming Input Materials to Help Farmers Compare Prices		0.1			
Total	312.2	345.3	317.0	318.8	325.0

*Establishment of a fund where the budget amount is used over a period of several years.

¹⁹ Good Agricultural Practices

²⁰ Global Farmers/Fishermen/Foresters/Food Manufacturers Project

Attachments:

No Attachments.