

The distributional impact of agricultural policy tools on Japanese rice farm incomes

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The chronically low and extremely variable incomes of farm households have been one of the main reasons for the policies supporting farm income (Gardner, 1992). In Japan, nearly two decades ago, administered price policies were reexamined with a view to improving market orientation, and a new type of direct payments was introduced to stabilize the farm economy (OECD, 1999a; Ando, 2016). Moreddu (2011) argues that, as budgetary payments have progressively replaced market price support, farm income support has become more visible and has therefore attracted public attention.

In 2010, new farm income support payments were made to rice farmers in Japan. All rice farms with sales records were eligible for this payment and approximately 1.2 million rice farms participated in this program, with payments being based on the current area of rice production (OECD, 2011). When support is tied to output, distribution of the support is necessarily very unequal and large farms receive most of the support (OECD, 1999b, 2003). The main part of this policy was abolished in 2018. Despite doubts concerning the legal validity of this program (Kojima, 2018), no ex post assessment on the inequality of the program has been carried out.

Whatever the policy objective, how support is distributed among farmers is of increasing interest in many OECD countries (Moreddu, 2011). A considerable literature has dealt with the role played by agricultural policies on income distribution in developed countries (Allanson, 2018; Bekkerman et al., 2018; Ciliberti and Frascarelli, 2018; Luh and Wei, 2018; Deppermann et al., 2016; Severini and Tantari, 2015; El Benni and Finger, 2013; Mishra et al., 2009; Schmid et al., 2006; Keeney, 2000; Ahearn et al., 1985; Von Witzke, 1979; Sawada, 1977; Gardner, 1969). While most of these analyses have found that government payments decrease income inequality, other studies have reached the opposite conclusion. Many of these analyses have calculated the Gini coefficient of income from sample data of individual farms and decomposed the Gini coefficients by income components (Ciliberti and Frascarelli, 2018; Severini and Tantari, 2015; El Benni and Finger, 2013; Mishra et al., 2009; Keeney, 2000). However, to our knowledge, no study has decomposed the Gini coefficients into evaluations of direct payments for Japan and other Asian countries.

The purpose of this paper is to assess whether direct payments reduce farm income inequality in Japan. Using the Gini coefficient and its disaggregation, we investigate the impact of direct payments on farm income inequality using sample data of rice farms. The analysis shows that direct payments and farm incomes are both very concentrated but that direct payments reduce farm income inequality in Japanese rice farms.