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JPRS L/8964

4 March 1980

Japan Report

(FOUO 6/80)

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POLITICAL AND SOCIOLOGICAL

PROPOSED JAPANESE-SOVIET TREATY MAY THREATEN JAPANESE SOVEREIGNTY
Tokyo SHUKAN SHINCHO in Japanese 24 Jan 80 pp 28-33

[Text] Brezhnev riding atop a tank. Chief Secretary Marche (phonetic) of the French Communist Party marching alongside him. And he shouts, "On to the Elysee Palace." It is a political cartoon (in FIGARO), satirizing the French Communist Party which supported the Soviet invasion of Afghanistan. Could there have been a Japanese cartoonist who had a dream of another figure marching with Marche--Chairman Miyamoto of the Japan Communist Party (JCP)? The JCP maintained a long silence concerning the Afghan incident, but finally decided to criticize the Soviet Union. After all, the incident took place soon after the JCP shook hands with the Soviet Communist Party. Therefore, the criticism is seen as a pose directed towards the Diet Upper House. Meanwhile, could the dream become a reality?

Fears of a Soviet "Invasion of Aid" at JCP's Request

"It was a good thing the opposition parties excluded the Japan Communist Party (JCP) from their coalition regime concept."

"It (the Afghan invasion) has become the most concrete proof, hasn't it?"

"The direction of our coalition government concept is correct. After all, one can never tell what the JCP might be up to."

"There is ample possibility that, if the JCP is included, Japan could become a second Afghanistan."

This casual conversation took place at the discussion meeting of the secretary generals and policy deliberation committee chairmen of the Japan Socialist Party and Komeito on a coalition government on 9 and 10 January. Secretary General Yano of the Komeito, one of the participants, remarked as follows:

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"If the JCP should join the coalition and should conclude a friendship and cooperation treaty with the Soviet Union, Japan might become a second Afghanistan. No, the JCP should not join us. Aside from the question of whether the recent Soviet intervention was based on such a pact and whether or not it was legitimate, the friendship and cooperation treaty has provided the Soviet Union with an excuse for rationalizing the move. Therefore, I say that we should not create a possibility whereby Japan would be taken advantage of. Excluding the JCP as a partner of our coalition plan is not unrelated to the Afghanistan incident."

Leaving aside the "pitfalls" of the coalition regime concept for the moment. Tamio Kawakami, international bureau chief of the JSP, which is a so-called "relative" of the JCP, said, "I think we should review more carefully the content of the friendship and cooperation treaty between the USSR and Afghanistan. It is questionable whether such a treaty should be concluded. Last December when a delegation of Soviet activists visited Japan at the invitation of the JSP, they told us they looked forward to an affirmative response regarding a friendship and cooperation pact between our two countries. We rejected the suggestion on the grounds that a Japan-Soviet amity pact should include a solution to the territorial problems. Their treaty with Afghanistan differs somewhat from their proposal to Japan concerning military clauses, but still Japan should not respond to it. Although the Soviet Union is seeking to rationalize the recent intervention by virtue of the friendship treaty, the incident only serves to prove the danger of such a pact. I believe we should learn a lesson from it."

The only article in the Soviet-Afghanistan friendship treaty which looks like a military clause is Article 4, which says, "To consult for the purpose of securing the safety, independence and territorial integrity of the two nations and to adopt appropriate steps based on mutual agreement." In other words, "appropriate steps" represents the invasion by the 80,000 Soviet troops into Afghanistan. In the face of the "appropriate steps," the stipulation in Article 1 "to promote full cooperation on the basis of non-violation of territories and mutual non-interference in internal affairs" has been totally ignored.

Now let us compare this with the text in Article 5 of the friendship and cooperation pact proposed to Japan by the Soviets. "To contact each other immediately for the purpose of exchanging views on the possibilities of improvement in the situation, in case it is deemed, according to mutual agreement, that a situation has arisen to endanger the maintenance of peace, or in case of a violation of peace by either side." It is left unclear as to what steps would be taken after making such a "contract."

"I see a danger in this exchange of views and in the contact being obligatory. It is dangerous because, whenever a contact is made, there is bound to be a pro-Soviet element in the target nation (like Japan). In other words, the Soviets would make contact in order to find someone who would request intervention. Once this breakthrough is made, the rest can be explained in any manner they please. (--Masamori Sase, Japan Defense College professor)"

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For instance, if the request was by Chairman Miyamoto of the JCP which was made up with the Soviet Communist Party, the Soviet military could easily carry out "military intervention," and a "Miyamoto regime" similar to the Afghan Karmal regime would be established as a powerful "military government" under the backing of the Soviet forces.

Landing by Soviet Forces a Possibility in "Near Future"

Even so, the JCP must either be nonchalant or taken lightly by Brezhnev. When Miyamoto and his cohorts visited the Soviet Union late last year, they had apparently not heard a word about Afghanistan. Chairman Miyamoto held a press conference at the guest house in Moscow on 24 December concerning the joint communique. The following day, Soviet troops invaded Afghanistan. In retrospect, the content of the press conference was too embarrassing to mention, but here is an excerpt of Chairman Miyamoto's remarks:

"I proposed the return of Shikotan and Habomai island. I also proposed an interim treaty between Japan and the Soviet Union. By a Japan-Soviet interim treaty, I mean essentially a treaty which is not a finalized peace treaty, but one which firms up for the present an agreement of friendship. The Soviet Union has hitherto proposed a pact of neighborly cooperation. Although we do not intend to recognize the Soviet proposal in its entirety, we should discuss both the conclusion of such an interim treaty and the return of Shikotan and Habomai island. This is very important from the standpoint of solving these problems progressively."

Leaving aside for the moment the fact that the JCP's stance vis-a-vis the territorial problem is quite different from its contention in the past, the point here is that the JCP has manifested a desire for a "friendly re-examination" of the neighborly cooperation pact proposed by the Soviet Union. This means that, if the Soviet Union intends to use the JCP for the Afghanistanization of Japan, Chairman Miyamoto would become a gullible prey of the Soviet Union. In fact, rather than becoming a prey, Chairman Miyamoto may be desiring such a turn of events. Naturally, Chairman Miyamoto adds that he does not agree with the clause on joint consultation on military matters within the proposed neighborly cooperation pact, saying that it is not apropos. But how long can such a contention last? There is no guarantee that Chairman Miyamoto and the 400,000 (publicly announced) membership of the JCP will defend Japan (its independence) from the Soviet Union.

Columnist Kotaro Tawara explains in his "Novel of the Near Future" as follows:

"Let us suppose that a democratic coalition government materializes in Japan, and a Japan-Soviet neighborly cooperation treaty is concluded. Someone like Takeo Miki might take over as the prime minister of the regime. Let us say it is a Kerensky type of government (Note: Regime prior to the Bolshevik takeover of Russia) and it topples in 3 to 6 months amidst

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exposures of personal wrongdoing. It is not clear whether the successor regime might be headed by Asukata or (at one leap) by Miyamoto. But in any case it would be quashed by an Imperial court coup d'etat. And, while Miyamoto holds the reins of government, a single rifle shot will trigger an invasion by Soviet troops. Such a scenario is easily imaginable. In other words, Miyamoto is the Amin of Japan, don't you see?"

Here is the opinion of Hayao Shimizu (professor, Tokyo University of Foreign Studies) on the "Near Future":

"Let us suppose the JCP embraces a faction of the JSP (Socialist Association faction?) and forms a coalition regime. The JSP-JCP coalition government might be anti-Soviet at the outset. But judging from the present attitude of the JCP, the U.S.-Japan security pact will be abrogated and relations with the United States will deteriorate. The U.S. will apply military and economic pressures towards Japan as an adversary nation. As a result--although the coalition has stressed non-armed neutrality--once it takes over the reins of government, it will realize that this is unrealistic and begin to feel the need for national security. At that point, the Soviet Union will extend its hand. An army cannot be built overnight and the decision will be made to accept Soviet aid, resulting in an ambiguous treaty between Japan and the Soviet Union. Meanwhile, the JSP-JCP will embark on various economic reforms. From the anti-trust standpoint, exorbitant taxes will be imposed and no firing or rationalization moves will be recognized. This will bring a flight of capital out of the country and, with U.S. relations cut off, economic confusion will reign internally. No matter how Miyamoto, who aims for an independent policy, may suppress the opposition, pro-Soviet elements like the Shiga group will be sure to appear. There will be those who believe that 'the situation is critical and Japan cannot make it alone.' Someone in the pro-Soviet groups will request intervention by the USSR based on the neighborly cooperation treaty. The Soviet invasion begins. Japan becomes a second Afghanistan and Miyamoto a second Amin."

Shimizu concludes:

"Since Miyamoto is a self-confident man, he may not have such worries, but, objectively speaking, I believe it is possible." The danger is that we cannot dismiss it as a mere "premonition."

A Barking Dog Does not Stop the Tanks

The JCP maintained a long silence before it criticized the Soviet Union on the Afghan problem. A former party cadre remarked that "it was easy to understand the JCP's dilemma, since it was soon after it shook hands with the Soviet Communist Party.

"The decision by the JCP to take a stand was late in coming. It mentioned something about conducting its own investigation, but it appears that it

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was watching the reaction of other communist parties. Miyamoto does not wish to become isolated. He was hedging. He must have wanted to be on the side of the majority. Moreover, the Upper House elections will be held this year, and he probably felt his votes would drop if he supported the Soviet Union. He could have sent his cohorts to the various regions to sound out the possibilities" (--Hayao Shimizu).

"Of course, Miyamoto had just visited the Soviet Union and eaten and drunk with them. He must have felt on his return home that the Soviets had played a dirty trick on him. At the same time, he must have felt proud about having achieved a reconciliation with them after 15 years. I do believe he was in a dilemma. So, I think that, while stressing independence, he was observing the reaction of the other communist parties. At that point, the Italian Communist Party expressed criticism towards the Soviet Union, whereupon Miyamoto must have decided that he too would take a critical stance. The French Communist Party offered the Soviets flattering support. On the other hand, Miyamoto is more of a Berlinguer (chief secretary of the Italian Communist Party) than a Marche (chief secretary of the French Communist Party).

On 28 December, a note was received by the JCP from the Soviet Union. It requested support towards the Soviet intervention in Afghanistan. The JCP did not reply but kept silent. (Note: According to the JCP, a questionnaire was sent to the Soviet Union, but was not answered.) But, actually, the JCP must have wanted to offer support. It probably meant to indicate that support by maintaining silence. If it had clearly indicated its support, it would have been subjected immediately to attack by the Japanese mass media. It was probably aware of this. On the other hand, if Berlinguer had supported the Soviets, what would the JCP have done? It would really have been something to see if Miyamoto had singlehandedly criticized the Soviet Union" (--Kotaro Tawara).

Until immediately prior to the decision to take a critical stand towards the Soviet Union, the reporting in the AKAHATA was albeit minimal in space somewhat supportive of the Soviet Union. One party member said:

"In the international column of the AKAHATA on 31 December of last year, Hiroshi Takakusagi (also read Kokusagi) wrote a bylined analysis on the Afghan change of government. It was clearly supportive of the Soviet invasion into Afghanistan. I was concerned whether it was safe to write such an article. I even discussed with my colleagues the possibility of Takakusagi being fired."

Two days before the communique was announced criticizing the Soviet Union, the AKAHATA (8 Jan) carried an article which was undeniably pro-Soviet. The article was written in reply to criticism from an elderly participant in the TBS-TV program "Jiji Hodan" (Free Discussion on Timely Topics). For example, it contains the following passage:

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"The report was based on the fact that the incumbent Karmal government requested assistance from the Soviet Union 'to repel the threat from foreign powers to overthrow Afghanistan,' and the fact that the troops were deployed by the Soviet Union on the basis of the military cooperation clause (Article 4) of the neighborly cooperation treaty."

The report also declared that criticizing the JCP simultaneously with an attack on the Soviet Union is to "kowtow to the United States."

Despite such a declaration what did the AKAHATA report soon after that? Let us look at a report carried on 11 January:

"There is no basis which can be found to interpret the deployment of Soviet troops, the execution of Amin the former regime head and the establishment of the new Karmal regime, including the timing and steps taken (according to the standing committee communique), as a legitimate implementation of the neighborly cooperation treaty."

The "facts" carried in the AKAHATA took a 180-degree about-face in 3 days. Also, the JCP dispatched two AKAHATA reporters to Afghanistan via Moscow on 9 January on an "emergency mission." Was it for the purpose of what the AKAHATA called "an analysis of the situation in order to render judgment based on the facts?" Actually, the JCP issued a communique critical of the Soviet Union without waiting for a single report "based on the facts" by the two correspondents. Perhaps the correspondents are somewhere in the Afghan mountains, rueing the fact that "a barking dog cannot stop the tanks."

Meanwhile, rumors are belatedly flying about concerning the "truth" of the Miyamoto visit to Moscow. A former party member and scholar, now living in the Kansai area, said he "could not perceive his purpose as anything but to beg funds from the Soviet Union."

He continued,

"The JCP is heavily saddled with mounting debts incurred during the elections. Last November, the fund-gathering goal by the yearend totalled 30 billion yen. Most of it was to offset the election deficits. One regional campaign office in Kyushu incurred a 56 million yen deficit and I have heard of many regional committees which went into deficits of 5 or 6 million yen. This is apparently due to the impact of the decrease in JCP-affiliated reformist community groups. The deficits can hardly be offset despite the increase in JCT Dietmen. Moreover, the AKAHATA is deep in debt. The JCP which must increase its Diet members is desperate for funds. It is probably confident that, with sufficient funds, it could win 60 to 70 seats. Apparently, that was the reason for its decision to visit the Soviet Union." The foregoing could somewhat clear up the mystery surrounding the indecision of the JCP in criticizing the Soviet Union.

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Deception of "Neighborliness" and "Equality"

"I hadn't imagined they would go so far regarding Afghanistan, but my reaction on hearing the news was that they finally revealed their true colors."

This was the impression of Michio Takeyama (writer). The JCP is the bearer of an annoying disease called "Yoyogi syndrome," which causes it to react like a porcupine whenever it is criticized by outsiders. But when it concerns the "principles of behavior" of the Soviet Union, its "boss," its reaction can only be called "the Moscow block syndrome."

Mr Takeyama goes on,

"I doubt whether the Soviet Union will confront Japan in a full-fledged quarrel. But there are many other clever ways. It could let the Third World make inroads and gradually isolate the free societies. It could also enable the Soviet Navy to freely navigate the southern seas and create conditions where ships carrying raw materials to Japan are sunk from "unknown causes." Japan would have no choice but to endure it, as it did when robbed of the Shikotan and Habomai island. Despite this, it would not result in war, but Japan could be annoyed in various ways and would have to bear it. Finally, Japan's industry could be taken over intact and Finlandized, and thus be at the mercy of the Soviet Union. I believe this is the Soviet master plan."

Finlandization means, in a word, that when the Soviet Union conducts foreign relations with a free nation, it induces the politics, speech and foreign policy of the target nation to become non-antagonistic toward the Soviet Union which recognizes its "independence." Military intervention is not necessarily the only monopoly of the Soviet Union.

If so, why does the Soviet Union continue its expansionist policy toward the world? Hiroshi Kimura (scholar of Russian literature) gives the following commentary:

"As Solzhenitsyn writes in his 6-volume 'Gulag Archipelago,' in the Soviet Union the exact opposite of the principle of justice has been perpetrated for the past 60 years.

"To put what Solzhenitsyn says in the 50,000 words of the 'Gulag Archipelago' in a nutshell--it is the fearsomeness of the priority placed on Soviet ideology. The Soviet system is nothing more than a system under which anything goes for the sake of its ideology. It would be acceptable if the ideology were just and good for all people, but actually the ideology is nebulous and represents the egoism of a handful of men in power. This is the tragedy of the 20th century. There is nothing on the front page of PRAVDA concerning the Afghan invasion. Therefore, the Soviet people must know very little about it. There is only slight reference to it in the international column and it merely criticizes the United States for interfering.

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"One gets the impression that a world exists within the Soviet Union which is 180 degrees at variance from the world in general."

According to Mr Takeyama, there are no people as clever at propaganda as the communists. When one reads the AKAHATA, one certainly receives such an impression. They always claim to be on the side of justice and utopia. The trump card they use is the concept of "quality." But recent history proves that their so-called "equality" is actually the lowest form of "inequality." Witness the Hungarian incident, the Czechoslovakian incident, the Pol Pot regime and the Afghan invasion. There is still another "trapword." Might it not be the simulated concept of "neighborliness?"

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POLITICAL AND DOCTRINAL

SONODA TO THE MIDDLE EAST: DIPLOMACY, A POLITICAL TOOL

Tokyo THE DAILY YOMIURI in English 3 Feb 80 p 3

[Text]

The government on January 29 decided to send ex-foreign minister Sonoda to the Middle East as the premier's special envoy. Foreign Minister Okita told the Diet in his foreign policy speech on January 25 that Japan's diplomatic efforts in the 1980s would strongly emphasize the Middle East. Sonoda's mission is the first step in such efforts.

Sonoda told reporters that the purpose of his visit to the Middle East was not to ensure oil but to convey Japan's wishes to do what it could to promote peace and stability in that part of the world. But ensuring Middle East oil is the supreme task for Japan's diplomacy in the 1980s.

Since the second oil crisis triggered by the Iranian revolution of 1979, Japan hammered out three energy policies.

The first is a policy for thorough energy saving. But an energy-saving drive will reduce energy consumption by 5-7 percent and at its most successful it will achieve only a 10 percent saving. The second is a policy for the development of energy substitutes. But coal produces greater pollution than oil. Use of coal in lieu of oil poses a problem of how to secure land for coal storage yards. Residents' opposition will be great. Liquefaction or gasification of coal calls for development of new technologies, and it will be toward the close of the 1980s that liquefaction or gasification will be placed on a commercial basis.

Nuclear energy also poses many problems. N-plants in Japan are running at only 50 percent of full capacity or less, and the low capacity factor is mostly due to technical deficiencies, such as radiation leak. Nuclear energy will not grow into a mainstay substitute by the end of the 1980s.

All told, petroleum will remain the principal energy source in Japan.

The third policy is to diversify the sources of oil supplies to Japan. The percentage of Mideast oil in Japan's total oil imports declined from 88.3 percent in 1965 to 78.3 percent in 1978 but it is believed difficult to reduce our dependence on Mideast oil further. The fate of the Japanese economy in the 1980s depends on how much, how stably and at what low prices Japan can buy oil from the Middle East.

Despite such a background, the circumstances leading to Sonoda's appointment as the premier's special envoy to the Middle East were unseemly. Prime Minister Ohira divulged his intention to send a special envoy to the Middle East in answer to a question in the Diet on January 28. But the Foreign Ministry was taken by surprise, because when Foreign Vice-Minister Masuo Takashima briefed Ohira on the international situation two days before, Ohira did not mention any such plan. Sonoda was picked as the premier's special envoy quickly after Ohira divulged the plan to the Diet. Because Sonoda and the Foreign Ministry made no previous arrangements, a difference of views has arisen between Sonoda and the ministry about which countries he should visit.

Why did such a thing happen at all? Some persons said that a battle between Ohira and antimainstream faction leaders for the election of Liberal-Democratic Party (LDP) president in December had already started. Ohira met Takeo Fukuda on January 23 and Takeo Miki and Yasuhiro Nakasone on January 25. On that occasion, the three men criticized Ohira for his domestic and foreign policies and particularly his way of handling the seizure of the US Embassy in Tehran.

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Ohira retorted by asking Fukuda to get to the Middle East as his special envoy as Fukuda had once visited that region as prime minister. When Fukuda refused, Ohira obtained his agreement to send Sonoda as the premier's special envoy.

However, when Nakasone informed Ohira that he planned to visit the Middle East from February 8, Ohira said it was very good and he wholeheartedly supported the plan. On that occasion, Ohira did not mention a single word about his plan to send Sonoda as a special envoy to the Middle East. Three days later, he divulged the plan.

As a result, Nakasone put off his visit to that region in order to prevent an overlapping of his tour with Sonoda's.

Upon learning that, Miki said that Ohira was inconsiderate as he appointed Sonoda as a special envoy knowing that Nakasone planned to visit the Middle East.

If this story is true, it's a disgusting mess.

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POLITICAL AND DOCTRINAL

CHANGE OF LDP WILL NOT CHANGE JAPAN

Tokyo MAINICHI DAILY NEWS in English 5 Feb 80 p 4

[Text]

On the international political scene, the Afghan problem, cropping up right on the heels of the Iranian spat with the United States, threatens a big change. The Olympics, if boycotted, would have no really damaging effect. But a beclouded *détente* can throw the world into gloom by pushing history back into the days of the Cold War. The other day I was asked if the world was heading toward a war. Of course, I could not answer the question. But I thought the question represented the vague anxiety, if not based on accurate reasoning, that the Japanese man-in-the-street has these days.

Compared with this fluid situation of the world, what has changed on the domestic scene? Or, is anything changing at all? If anybody asked you that question, you would not be able to think of any definite change that is either coming up or has happened. I must say the situation has stagnated and there is no likelihood of a change. The Socialist-Komei agreement on a coalition government may be called a change worthy of note, but

there is no practical hope of such a coalition coming into being to actually affect national politics. Things will not change unless there is a change in the Liberal-Democratic Party. And so far, there is no sign of a change in the LDP. The party is still deep in its tradition of just managing the politics along, and the nation has been tolerating it. And the nation does not seem to be conscious whether it should view the situation as a stagnation or a stability, or if it should welcome or deplore this situation.

Come November, and the LDP will be choosing a new president. The choosing process last employed has proved very unpopular. The biggest cause of unpopularity is the practice of giving the voting right to any party member who has paid membership dues for two years. Throughout the country, LDP Diet members of all factions went on recruiting forays to increase the membership which backed their factions. In recruiting, these Diet members paid the party

dues for recruits they had solicited. It amounted to a factional competition to buy new membership to buttress factional positions in the presidential election. The preliminary vote in the last presidential election was dominated by these expenses-paid new members brought into the party just for that purpose.

Politicians often complain about the difficulty of soliciting small donations from grass-roots supporters. Even if the donations asked is in such small amounts as 1,000 yen or 2,000 yen, the backers would say: "Our honorable Dietman, we have given you our votes. Are you now asking us to give you money, too?" This inhibits politicians' approach to small backers for financial help.

Solicitation

In the case of membership solicitation by LDP Dietmen, it does not cost any money to those solicited because the solicitors would pay the party dues for those who agree to be LDP members. Thus, the members of convenience swell to millions around the time the LDP gets ready to pick a new

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head. LDP members registered, as of Jan. 20 this year, are eligible to vote in the preliminary election. On that day, a flood of applications pushed the membership to 3,210,000. It was popularly believed to be the limit of money available to LDP Dietmen to buy supportive membership. If they had more money, the membership would have gone up higher, even to 5 or 6 million. The very first step for anybody to be LDP president requires a Midas touch. This is the reality of the LDP presidential election.

This fact was strongly criticized at the time of the last election. But this most criticized phenomenon has not changed a bit. Bosses of factions that are poorly heeled and have members who are not interested in buying membership have no chance of entering in the presidential race. On the contrary, a man like Toshio Komoto, who has scads of cash at his disposal, can bankroll close to a million new members to his support even if the Miki faction, to which he belongs, is not particularly well funded.

In the last preliminary elections of the LDP head, votes were translated into points—one point per 8,000 ballots in each prefecture cast for one candidate. The two highest scorers were picked in the preliminary elections. And in each election, the points scored by candidates other than the two finishers were prorated to the top two. This made it necessary for presidential candidates to be among the two top finishers in the prefectural-level preliminary elections.

In this year's presidential election procedure, the point system has been abolished. The preliminary elections are to pick two top finishers on the basis of the number of ballots won by candidates, wherever they were polled. This does away with the need for candidates to canvass the whole country. If, for instance, a candidate succeeded in enrolling 200,000 new party members in each of five prefectures, most probably by paying membership dues for them, he has a million votes to his credit in the preliminary elections. That will certainly assure him a second place, and thus qualify him to fight for the party presidency in the final runoff election in which only the LDP members of the Diet are allowed to vote. He has made the most out of the money power he used to scare up the new membership in his support.

In one view, of the bulging LDP membership, only less than 20 percent are bona fide members who volunteered to register. This means that of the 3,210,000 members registered as of now, 2,600,000 or so are expenses-paid members that the money power of the candidates produced. Of course, it can be reasonably said they are supporters of the LDP. Apparently, however, they are not so much supportive of the LDP that they do not grudge paying 4,000 yen in two years' party dues to acquire the right to vote in the preliminary elections of the LDP president. After all, candidates bought one vote in preliminary elections at 4,000 yen. For presidential aspirants, it was a cheap buy. Some 2,600,000 votes have been bought, and president of the LDP is going to be elected on these votes. Among the civilized countries of the world, Japan must be the only one that formally embraces such electoral absurdity.

In the coming election, a new rule has been added, setting the minimum voting age at 20. The setting of minimum age became nursery school children were among those who were newly made party members. Even if these children are excluded from the coming election, it still stays a machinery through which money power will create the LDP president.

In the last election, voting by mail was approved. As the result, local offices of candidates mobilized campaign workers to collect blank votes from the expenses-paid members, to write the candidate's name on the ballot and to send them to the party headquarters. The candidates not only paid party dues for members but did the voting for them.

The situation did not seem tolerable even by the LDP standard. In the coming election, a new regulation says the ballot is to be cast, as a rule, personally by the voter. It requires party members to come to the polling station in person and vote. If this type of voting is enforced, a party member who was registered at the candidate's expense may not vote for him. At least, the voter has the opportunity to exercise his voting right according to his will. So the new rule appears to be some improvement, at least to persons not accustomed to LDP politics. Big baloney. The new provision says the vote must be cast in person by the voter "as a rule," and approves voting by mail where fair and smooth voting cannot be assured otherwise.

Nat'l, Local Elections

The elections of national and local assemblies are organized by the election management committees which mobilize national and local government facilities and personnel to set up polling stations and do other

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things to see that the election is fairly carried out. Nothing of this sort is assured in the election of the LDP head. In other words, fairness is not assured. It is practically impossible for a voter to cast his ballot personally. In practice, it will be "voting by mail as a rule." Nothing, after all, has changed.

The LDP's Party Reform Promotion Headquarters and its second committee were in charge of reforming the rules of the presidential election. What did they study during the past year? They make it appear that some improvements have been achieved. Nothing has changed in the basics. If they think they have improved the situation, they are in need of seeing a shrink. It is no longer a matter of procedural changes. No amount of procedural changes will correct the qualitative deformation in LDP politicking. Nothing will cure the Liberal-Democratic proclivity for no-holds-barred factional power struggle in which money power is the decisive factor.

The nation may find relief, if any, in the fact that whoever becomes the LDP president will not change the situation in Japanese politics. The nation can keep an eye on the LDP and remind the party of its displeasure when the party leaders get too cocky, as it did in the last general election. We will just sit back and watch, with disinterest, the power scramble within the LDP, because we know the change of LDP head will not change Japan.

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POLITICAL AND SOCIOLOGICAL

BRIEFS

NONPERMANENT UN SECURITY COUNCIL SEAT--Baghdad, 23 Feb--The government has decided to run for a nonpermanent seat in the UN Security Council at the 35th UN General Assembly session this September. This was disclosed 23 February by an official accompanying Sonoda, the prime minister's special envoy. The Sonoda mission is unofficially asking the countries it is visiting to cooperate in Japan's bid for a nonpermanent seat in the UN Security Council. In 1978 Japan ran for nonpermanent UNSC membership but lost. As for the coming race, the Japanese Government hopes to succeed, based on the favorable responses of several countries. The government has decided to run for UNSC membership because the importance of the Security Council has increased with the Iranian crisis and the Soviet military intervention in Afghanistan, but at the same time it has become incapable of handling these issues owing to Soviet vetoes. Japan feels there is a need to break this impasse. Recently, Japan has placed increasing diplomatic emphasis on playing its "political role" in the world community, and special envoy Sonoda's Middle East tour itself is regarded as part of this policy. The government hopes that Sonoda's request for cooperation will end with good results. [Hironaka] [Text] [OW271304 Tokyo YOMIURI SHINBUN in Japanese 24 Feb 80 Morning Edition p 2 OW]

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ECONOMIC

CHALLENGE OF JAPANESE AGRICULTURAL INDUSTRIES DISCUSSED

Agricultural Cooperatives, Meat Industry

Tokyo SHUKAN ASAHI in Japanese 9, 16, 23 Nov 79

[Special Series: "Agricultural Co-operatives in Japan," Documentary Report by Takashi Tachibana]

[9 Nov 79, pp 140-145]

[Text] Agricultural Co-ops With Computerized Management System [6th Series]

Mandarin oranges and beef are the two products of Japanese agriculture and husbandry which are subjected to the strongest pressures from imports from abroad. The Mitsukabi agricultural cooperative, located in the Lake Hamana area of Shizuoka Prefecture, has continued to fight on with these two items as its principal products. Of its 2000 farming households, 1200 produce mandarin oranges. Of its 2100 hectares under cultivation 1700 hectares are mandarin orange groves. The Mitsukabi cooperative also has 370 hectares in irrigated rice fields but, at a gain of 70 million yen, rice accounts for less than 1 percent of the cooperative's net income. Mandarin oranges account for 3.9 billion yen and livestock products account for 4 billion yen (of which beef accounts for 2.1 billion yen) of the 8.1 billion yen gained from sales handled by the cooperative.

The farmers who raise mandarin oranges here generally live by farming alone if they have 2 or 3 hectares of land. Generally, 1 hectare yields 35 tons of mandarin oranges, which can be sold for about 140 yen per kilogram (1978 average). This comes to roughly 5 million yen per hectare, and the percentage of earnings is about 65 percent.

This is the top ranking rate of profit for mandarin orange growers in the country. There is no guaranteed price for mandarin oranges as there is for rice, nor can the grower simply produce them and have the government buy them up. The price fluctuates cruelly, reflecting the supply and demand situation in the market. In the slump in 1972 the price dropped below 50 yen per kilogram. Prices also vary greatly according to quality. Mandarin

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oranges which are fit only for making juice bring about 20 or 30 yen a kilogram, while high quality varieties which can be eaten as they are bring a price of 300 yen per kilogram. At a given time, prices for the same variety may vary by as much as triple on the basis of size and quality.

The rice farmers raised an uproar because a quality differential was taken from this year's rice price. The upper and lower limits of the price of rice, however, do not amount to 4 percent at the most. The high and low prices for mandarin oranges may vary by as much as 10 times.

Consequently, for the same mandarin orange, profits will vary greatly between places which produce high quality, high priced fruit and places which produce low quality, low priced fruit. The income from 10 acres of land in Hiroshima and Kagawa is only 15,000 to 16,000 yen, while in Shizuoka and Wakayama it is from 150,000 to 170,000 yen. Though also in Shizuoka, the figure for Mitsukabi exceeds 300,000 yen.

In order to realize such profitable operation, thorough quality control is carried out in Mitsukabi under the leadership of the cooperative.

"In the cultivation stage we use every level of technology, we use all varieties and all kinds of fertilizer and agricultural chemicals. Thinning means to work to reduce the number of fruit when they are small so that the nutrients will concentrate in the good fruit. If we are greedy and leave a lot of fruit there the quality will go down. Joint thinning means to help one another thin out their fruit." (Consultation Office Chief Kenji Ishibashi)

When the harvesting is done, each farmer first does his own individual sorting. They divide the fruit into about 30 grades according to quality.

Now they bring the fruit to the cooperative's joint sorting station. This is a giant gymnasium-like building and in it is a monstrous continuous automatic sorting machine which was built at the cost of 580,000,000 yen (one half subsidized). At one end of the building the producers bring in the mandarin oranges by truck and load them on the line; the machine automatically classifies them into seven sizes ranging from "ML" to "MS," and the mandarin oranges come out at the other end of the machine (100 meters from the starting point) packed in cardboard boxes.

"In order to get a good price on the market it is important to ship fruit of consistent quality continuously in volume. Therefore, every year we work out a shipping program in consultation with the business people in the market; we apportion the shipments to the various village shipping associations, and shipments are allocated to the individuals in the villages. The producers want to ship when the price is high and do not want to ship their assigned amount when prices are low. Since failure to follow the rules here would result in a mess, we have decided to charge a penalty, for which the village is jointly responsible, against those who fail to abide by the shipping plan.

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"Then, so that the producers will not be distracted by the constantly changing market prices, we do a pool accounting every week or 10 days." (Mr Ishibashi)

The highest quality product is shipped to the Kanda wholesale market in Tokyo. It is common practice here to have a difference of 1000 yen per case (15 kilograms) between the top price in the bidding and the second highest price. For 2 consecutive years the Mitsukabi mandarin oranges (M brand) have commanded the top price here. Mitsukabi is aiming for victory number three.

The interesting thing is that when the season ends a "report card" is given to each of the farmers. All data on each producer in connection with the shipment and selection process for the mandarin oranges is fed into a computer and recorded. At the end of the season this data is collated and made into a "Mandarin orange evaluation and analysis report" for each individual. In a precise column of figures this report shows what quality and what size fruit were produced; when and how far it was shipped; how much it brought; how much spoilage there was and why (20 types); what was the variation in luster and sweetness; and, how earnestly was the household's individual sorting carried out. The producer who gets bad marks knows immediately where his mandarin oranges fell short.

The Mitsukabi Agricultural Cooperative introduced a Honeywell computer in 1970 and initially used it only for handling business matters. Now, however, the computer office does system design and uses the computer for a wide range of purposes.

The cooperative is also a financing agency with 11.5 billion yen in deposits and 3 billion yen in loans. This is managed by the cooperative's independent on-line system. Just as at a bank the association members can use a cash dispenser with their cards. At a gas station which handles trade in excess of 300,000,000 yen, a computer terminal has been installed where members can also use their cards to make automatic withdrawals from their accounts.

There is a general numbering system for the members of the association and the members, and their families, have 5-digit code numbers. Attaching extra digits 0 through 9 to the individual's number makes it possible for each person to open up to 9 accounts. Zero when used as the extra digit marks the account used exclusively for mandarin orange money. When the proceeds from mandarin orange sales are pooled and calculated for the individuals the money is put into this account.

Sales of agricultural products amounting to 4.5 billion yen, purchase of 3 billion yen worth of production materials, purchases of goods for daily living amounting to 1.3 billion yen (the cooperative operates a huge supermarket), and .9 billion yen in proceeds from sales in connection with automotive maintenance and oil supply are all kept track of and managed on an individual basis, registered in the computer, deposited and withdrawn.

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Operational indicators for farmers raising crops other than mandarin oranges have also been put into the computer, operating ledgers have been created for each farm household, and operational analysis is done by computer.

Although some farmers react by asking whether computer management might not be too strong when the cooperative knows every last detail about the farmer's finances, others are asking for more operational guidance.

Farmers engaged in fattening beef cattle are representative of the latter. Frightening amounts of capital must be invested in fattening beef, and unless the farmer is precise in managing his operation he ends up not knowing if he is currently making or losing money.

The average number of head to be fed in feeder cattle operations is about 70 head of cattle. Calves are bought at around 250 kg, fattened for a year and sold at 6 or 700 kg. The calves cost 250,000 yen. Mature cattle sell for 500,000 to 600,000 yen. To fatten a calf by 1 kg it must be fed 9 kg of feed. The cost of feed to complete the process for one animal comes to about 200,000. Thus, in 1 year it is necessary to invest nearly 30 million yen for calves and feed alone in order to fatten 70 head of cattle. In addition, 10 million yen in equipment capital is needed. The ordinary farmer is hardly likely to have such financing capability. Therefore, the cooperative has what is called a deposit system. In this system, the cooperative buys the calves and entrusts them to the farmer to raise. The cooperative lends the farmer feed money in the form of a temporary loan. After the farmer has gotten money by selling the cattle, the price of feed and the interest are calculated and the farmer repays the cooperative.

Deposits are allowed for up to 200 head per one farm household and up to a limit of 50 million yen (at 6.7 percent interest) as a temporary loan for feed. Even farmers with no capital can borrow on this scale. To make loans on this scale, calculate the interest, to make additional equipment loans, to take repayment into account and to analyze costs on an individual basis bearing in mind the sometime fluctuating market prices for calves and mature cattle would be a confusing, impossible undertaking with paper and pencil ledger work alone.

If this were left to the farmers there would inevitably be cases when imprecise people, using sloppy accounting practices, would bankrupt themselves selling two head here to buy furniture and three head there to buy an automobile. Therefore, with the idea coming from the producers themselves, the cooperative manages individuals' financial operations by computer.

The cattle which have come into Mitsukabi are each tagged with a registration number on its ears. Every month, for each of the farmer's cattle, neat tables are produced which show how many days the animal has been fed up to the end of that month, how much feed it has been given, how much this has cost, from the viewpoint of the farmer's financial management how much in various expenses (including interest) has to be paid out per head, what the current price would be if the animal has gained so much weight compared with

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its weight when it was brought in, and how much profit it is safe to estimate if the animal has gained the weight. To set his mind at ease, the farmer doing the fattening has only to weigh his own cattle to check whether the cattle have grown according to the computer's calculations and whether he is not giving too much feed.

When the cattle are sold at market the computer, of course, does all the computation work. Loan repayments by the farmer on accounts other than the deposit cattle account are also automatically cleared. In what is called an "average payment system" the farmer is given 30,000 yen per head in cash and the remainder is automatically deposited in the individual's account to replenish his personal capital. All of the movement of capital connected with this process is accomplished through an account with the extra digit 9 in the individual's account, as was described above.

Currently, 50 farm households are feeding 3500 head of cattle in Mitsukabi and producing receipts of 2.1 billion yen (an average profit of 15 percent); by a special taxation measure, farmers who fatten beef cattle are exempt from income tax. Even now, animal husbandry is one of the mainstays of agriculture in Mitsukabi, but this has only been the case for about the past 10 years. This is due to the fickle policies of the Ministry of Agriculture, Forestry and Fisheries.

"Around the mid-60's the Ministry of Agriculture and Forestry turned up its bandwagon and, with a call for selective expansion, suddenly increased the number of farmers raising mandarin oranges by offering subsidies. At that time the production of mandarin oranges did not keep up with consumption; profits were good and nearly twice as high as profits on rice. According to calculations by the officials in the Ministry of Agriculture and Forestry, production had to be suddenly increased because demand for mandarin was going to grow. However, the basis for the predictions were calculations which took their structural model for consumption from the United States. Ignoring differences in customary eating habits, the calculations adopted the premise that Japanese would gulp down mandarin orange juice as Americans do. It would be impossible to reconcile the predictions which the people in the Ministry of Agriculture were turning out right and left for the various fruits. In any case, if those predictions were realized, every Japanese, from babies to senior citizens, would be eating a mountain in a year, including 30 kg of mandarin oranges, 10 kg of apples, 10 kg of bananas, over 10 kg of pears and persimmons and some number of kilograms of grapes. Such foolish predictions could not come true. We predicted that if the Ministry of Agriculture's policy to promote increased production of mandarin oranges were to continue as it was going, there would certainly be a surplus and a serious decline in the market. We considered two countermeasures. First, the only way to get through an era of surplus in mandarin oranges is to get by on quality. Therefore we said we would exercise thorough quality control. Secondly, since it was dangerous to rely on mandarin oranges alone we decided to find another mainstay and worked out a policy of promoting livestock farming. Subsequent history bore out our predictions and we won out." (Economics Department Chief Kazuma Takahashi)

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In fact, the production of mandarin oranges, which had been 1 million tons in the decade prior to 1965, surpassed 2 million tons in 1968, and the market fell. Again in 1972 when production passed 3 million tons, there was an even more severe slump in the market. The profitability which had been twice as high as rice dropped to 64 percent in 1968 and to 39 percent in 1972. Since 1972 it has consistently been lower than rice, as in 1978 when it plunged to 13 percent. These figures are, of course, averages. It goes without saying that in areas like Mitsukabi which produce high quality mandarin oranges profits are far higher than those for rice.

"Mandarin oranges bear their first fruits 4 years after the seedling is planted. The tree is full grown after 10 years. (Taxes are paid beginning in the 12th year.) By its 40th year it is an old tree and its life ends by its 60th year. Therefore, considering the seedlings that were planted, it was not such a difficult thing to predict surplus production in the mid-50's. The sad thing was the areas which were converted to mandarin oranges at the urging of the Ministry of Agriculture and Forestry. When these areas were finally ready to ship oranges the bottom fell out. Because they did not have the technology they could only produce a low quality product. They had a terrible time. The Ministry of Agriculture and Forestry finally noticed the mistakes in its estimates and brought about adjustments in production by again offering subsidies. Mandarin orange groves that were planted with subsidies were cut down with subsidies.

It became precisely one of the main causes for the Ministry of Agriculture and Forestry's losing the confidence of the farmer through a pattern of fickle policies. They introduced the methods of the subsidy policy which had ruined rice farming but did not change the method at all. Of course, we used the subsidy to discard old trees whose productivity had declined and to invest the future by replanting and grafting. Again we were looking in the direction opposite to what the Ministry of Agriculture and Forestry was calling for." (Mr Takahashi)

Just as the mandarin oranges, the feeder cattle business was also threatened with a serious decline in the market. The cattle they fatten here are Holstein steers. Holsteins produce about equal numbers of males and females but, in the past, the males were butchered soon after birth on the grounds that they are useless because they do not produce milk. In 1965 this held true for about 80 percent of male Holsteins. Top grade beef cannot be produced by feeding these cattle, but medium grade beef can be produced. As the price of beef went up, the fattening of Holsteins gradually increased. Around 1968 when cattle feeding began in Mitsukabi, only half of the calves were given over to feeding; young feeder cattle could be bought 6 months after birth for 60,000 to 70,000 yen.

However, as inflationary trends continued, the price of beef continued to rise until 1973. In 5 years it doubled. Since it was profitable to feed Holsteins, the number of farmers engaged in feeding suddenly increased, and there was a scramble for calves. Then came the oil shock and the price of feed shot up. Then the market slumped because of a surplus of beef. In

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the end, when the beef could be sold it netted a loss of 100,000 to 150,000 yen per head. People who were feeding a large number of cattle had losses easily exceeding 10 million yen.

Among the farmers who were feeding cattle, there were even some who brought their cattle back to the cooperative, tied them to the cooperative's gates and said, "This happened because of the cooperative's recommendations. Let the cooperative take the responsibility."

It was a serious matter for the cooperative as well. Nevertheless, the cooperative took the view that the market price would recover and advised the farmers to "sell one, buy two." This meant that since there was nothing that could be done about the mature cattle they were to be sold at a loss but two calves were to be bought to replace them, doubling the number of head being fed. This is a method of "doubling up" when losing at gambling. Since the price for calves had dropped to a level of 40 to 50,000 yen in the slump, it was easy to buy if one had a mind to buy. Nevertheless, capital was needed. The cooperative decided to take complete charge of providing the capital. The amount however, was more than the capital which the cooperative had on hand. Therefore, all 15 members of the cooperative's executive committee joined together to give personal guarantees and borrowed 500 million yen from the Shizuoka Credit Association (an association for financing for agricultural cooperatives which is under the prefectural government). With this they financed the farmers who fed the cattle. Many of the farmers followed the cooperative's recommendations, and the number of cattle being fed in Mitsukabi suddenly rose from 2600 to 3200. The gamble paid off remarkably well. In the following year, beef prices rose 50 percent. Each head earned 150,000 yen in profit, and the people who had "bought two" were able to pay back their loans and get money back.

A look around the beef producing areas throughout the country will show that the scars of the market slump on 1974 are still deep to this very day. One of the main reasons beef production since then has been low has been the scars from the 1974 slump. Everywhere the blow was so serious that even if the attempt was made to provide relief at the agricultural cooperative level, unless the entire executive committee were prepared even to put down their personal capital as they were at Mitsukabi, it was as though there was no attempt at all. There were hardly any other cooperatives where this was done.

Why was the Mitsukabi Agricultural Cooperative able so quickly to take bold steps with the agreement of all of its officers?

Actually, this was because the Mitsukabi Agricultural Cooperative has experienced bankruptcy once. In 1951 the cooperative's deposits were only a total of 24 million yen, while it incurred liabilities of 12 million yen. Payments became impossible and the cooperative went bankrupt. Councilor Susumu Nakagawa, who was instrumental in rebuilding the cooperative, has this to say:

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"The cause of the bankruptcy was that when we converted from a controlled economy to a free economy we were not able to respond to the change. While the economy was controlled we could coast along and get by without ability to manage finances. But, as soon as the controls were removed, the merchants came in and we had everything taken from us in handling fertilizer and so forth. Ten or more fertilizer businesses were started all of a sudden. We did not have the ability to manage finances in other areas either. Consequently, mountains of unrecoverable debts piled up. The road to rebuilding was hard. First there was the job of covering the deficits. By pursuing the responsibilities of former officials and association chiefs we made them repay a total of 7 million yen. Then we went around visiting each of the association members to convince them that if they would use the cooperative it could certainly recover, and lost deposits would return. We went right to the farmers' fields selling fertilizer and in 3 years we returned 70 percent of the shares. The 10 or more fertilizer businesses quickly folded and only 4 were left. Having gotten a foothold with fertilizers, we next moved on to agricultural chemicals, and in this way gradually developed sales operations for production materials. Nevertheless, it was 1957 when we finally came out in the black."

The people who are currently the executives of the cooperative are the ones who were responsible for the rebuilding in the 1950's. Their strength in solidarity in times of crisis which has been formed by history, and their accumulated sense of financial management is probably what enabled them to pull through the crises in both mandarin oranges and beef.

Now, having come this far, they are again facing a difficult situation in regard to beef. The difficulty is that the price of calves has continued to rise sharply. The current price per head is around 200,000 yen, where until just recently one animal could be bought for 100 to 150,000 yen. The sharp rise in the price of calves results from the fact that the fattening of Holstein steers has been started on a large scale in Hokkaido, which is the main production area and, consequently, the demand from feeding farms in the various areas of Honshu cannot be met.

Since male Holsteins are a so-called secondary product of the dairy farming industry, one-third of all the male Holsteins produced in Japan are produced in Hokkaido.

A week after they are born, the calves, called "wets," weigh about 50 kg. When these have grown for 6 months to a year they become feeder calves (200 to 400 kg).

Previously, they were raised to this stage of growth in Hokkaido and then sold to feeder farms on the main island. However, since feeding has become so profitable people in Hokkaido, too, are wanting to do it.

Since there is land in Hokkaido it is easy to put up barns. In addition, the thinking is that because transport costs would be less by raising the

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cattle to beef and then shipping them, the competitive advantage could be determined by that portion of the costs.

In fact, if mature cattle are shipped live in a 10-ton car (to Tokyo at 300,000 yen per car), the car will carry only 14 head. It will carry the equivalent of 30 head in carcasses and the equivalent of 50 head in cut up parts.

In the first article of this series we introduced the (TSUCHIAKIRA) cooperative which has actually been fattening Holstein steers on a scale of 7,000 head over the past several years. Large-scale feeding operations have begun there and at other areas in Hokkaido.

The Mitsukabi cooperative must apportion a minimum of 300 calves each month to the feeder farms. For this reason, employees of the cooperative frequently go to Hokkaido to buy calves and carry them back by truck at a cost of 1,000 yen per head. Although at present the quantity can be guaranteed, the price is rising too high and causing deterioration of the financial operation. The future looks bleak if the situation continues.

Masami Wada (35) who is a leader among the feeder farmers of Mitsukabi says that the only way to resist is by technology and lowering costs. With two women and one part-time employee Mr Wada cares for 271 head of cattle and takes in sales receipts of 135 million yen.

"We have such technology for carrying on highly efficient feeding that the feeding operation in the Tokai area has been called "beef factories."

"Profit or loss depends on how fast the fattening can be done and how high the efficiency of the feed can be raised in the fattening process. This involves creation and management of an environment in which the cattle will want to eat. In this area, 200 grams a day means a difference of 70 or 80 kg in a year (in monetary terms, 5 to 6,000 yen).

"Thus, it is a matter of giving good cheap feed. Therefore, rather than using ready made feed mixtures, I buy different raw materials and bring them together to create my own homemade feed mixture. The main ingredients are corn, barley and wheat bran, but I also get things like dried mandarin orange skins and rice straw which can be obtained cheaply here and mix them in. After 3 years of trial and error, I now have a formula for my own feed mixture, and this makes a difference of 10 yen per kg in the price of feed."

Even 10 yen per kg is not insignificant. Three to 4 tons of feed are required to raise one steer. At that rate the difference is 30,000 yen per head per year. If this, combined with the difference made through management, comes to 80,000 to 90,000 yen per head, it amounts to a difference of more than 20 million yen for 270 head.

The reader might be surprised and say, "Yes, but..." With an average income which is probably 20 million yen, Wada gets extremely high profits as a re-

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sult of his management efforts. Furthermore, he is exempt from income taxes. It might seem that farmers who feed beef cattle are excessively favored. However, for the country as a whole, the number of feeder cattle at farms feeding Holstein steers is 14 or 15 head (the figure is 5.5 head for Japanese cattle) and the average income is only 1 million yen, not enough to get by on. This can be said not only for cattle feeding but all of Japanese agriculture. There is too much difference between the top and bottom in both quality and scale of agricultural operations. Since the prices of agricultural products are set at levels at which farmers fairly near the bottom of the scale can get by, the farmers at the top are making surprisingly high profits.

Because these prices are established, farmers at a fairly low level on the scale who have no ambition to improve can indulge themselves in indolence, and farmers at the top end of the scale, with the incentive of raising their incomes, increase their efforts in managing their operations all the more. Far from getting smaller, the difference between the top and the bottom only grows bigger and bigger.

[16 Nov 79, pp 160-164]

[Text] Manipulation of Meat Industry Criticized [7th series]

Along with rice, beef is representative of the ridiculously high-priced food products of Japan. But is the producing farmer actually responsible for the high price of beef? What becomes clear in a first-hand look at the production sites is the poverty of the agricultural administration which brings about a situation in which the farmer has to create high beef prices.

The Miyakonojo Cooperative in Miyakonojo City, Miyazaki Prefecture was formed by combining the cooperatives in a broad area, including Miyakonojo and five neighboring towns. It is a giant cooperative, the largest in Japan. While there are 82 cooperatives in Japan whose regular membership numbers less than 100 households, there are 65 giant cooperatives with membership of over 5000 households. Even among these Miyakonojo is conspicuously large. Its membership includes as many as 17,000 households.

As a result of the large-scale amalgamation, the cooperative was able to lower the amount of money paid to its officers by 50,000,000 yen by reducing the number of officers by one-third. Through this and other measures to rationalize its business operations, the cooperative reduced its schedule of service charges. It has been roughly calculated that the benefits of the amalgamation surpassed 1 billion yen.

In a cooperative of such huge size, nearly every kind of agricultural and livestock product is produced, but one of this cooperative's biggest products is calves of Japanese cattle. Nearly half of the farmers, 8,800 households, produce calves. Over 22,000 head are shipped yearly. This is the largest scale of production in any region.

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The Miyakonojo Cooperative sells these calves in its own livestock market. Here they have a livestock market which they boast of as the largest in size in the Far East (44,000 square meters) and which was built at an investment of 540 million yen (45 million of which was subsidized by the regional Horse Racing Association). A calf auction which goes on for 2 weeks is held here once every 2 months.

When I visited there an auction was just getting under way. Beginning early in the morning the producers come together, bringing their cattle by truck. The calves are about 10 months old and weigh about 300 kilograms. After washing the calves, the farmers brush them until they shine. Cattle which have won prizes at exhibitions have ribbons bearing the names of the prizes on their foreheads.

In an auction chamber which resembles a tiered lecture hall, a crowd of prospective buyers who have come from all over Japan, from as far north as Hokkaido and as far south as Okinawa, wait expectantly. Counting only prefectures which obtain 1,000 or more calves from Miyakonojo per year, five prefectures, Yamagata, Fukushima, Nagano, Mie and Kagawa make the list.

The calves come into the auction chamber one at a time and the price for each one is determined in about 2 minutes in an auction which makes use of an electronically lighted board. If the sales are not handled this quickly, 400 head cannot be sold in a day. Just as I am thinking that the auctioneer dealing out the auction prices in a peculiar cadence is a real pro, at this someone tells me he is the assistant chief of the Miyakonojo Cooperative's Department of Japanese Cattle Production. The buyers who are flashing bids in the auction chamber with signals in which they open and close their fingers are also nearly all representatives of the All Japan Federation of Peasants' Unions and representatives of economic federations and agricultural cooperatives from various prefectures. Few of the buyers are businessmen. Currently, nearly 90 percent of the 446 livestock markets in Japan, 392 of these markets, are run by producers' groups, as this market is.

Since the average price per head is about 350,000 yen, 140 million yen changes hands in a day. The total sales receipts for calves in a year is 6.6 billion yen. These receipts account for 20 percent of this agricultural cooperative's sales business.

The production of Japanese cattle calves is a special world even within livestock production. Prices differ radically from head to head. Some cattle go for only about 200,000 yen while others go for over 1 million yen. The record to date is a case in which one animal brought 3,001,000 yen. What could cause such differences in prices?

When you go to the auction you are handed the register of the names of the calves. On the register are recorded the sire and dam as well as the bloodlines going back for three generations. By following the breeding chart at the top of the registration, it is possible to trace the bloodline back to 20 years ago. It is the same as is done with race horses. On the day I

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visited the auction, "Umekatsu II" brought 1.5 million yen. The sire was "Kikunami" and the dam was "Umeyuki II." The maternal grandsire was "Natsuyama" and the maternal great grandsire was "Skashi II." Following the breeding chart I could see that the sire, "Kikunami" was a Tajima bull of the Kikumi line from Hyogo Prefecture, and "Natsuyama" on the maternal side was of the Nakaya line from Okayama Prefecture.

Tajima cattle are famous for the good quality of their beef. The source of all the highest quality beef is found in Tajima. The drawback of Tajima cattle is that they grow slowly. (They gain 400 grams of body weight a day. Ordinary Japanese cattle gain more than 700 grams per day and Holsteins gain 1 kilogram.) Purebred Tajima cattle take 3 years to fatten. The Okayama strain, on the other hand, does not make good quality beef but does gain weight quickly. Bloodlines which combine these two strains to improve both beef and weight gain are typical of the calves from Miyakonojo Cooperative. A look at the calf register and, of course, you notice a great many calves have daughters of "Natsuyama" as mothers and "Kikunami" as their father. This does not mean that everyone here breeds as they like; it is because strict bloodline management is practiced by the cooperative and prefectural Livestock Improvement Association. It has become a general principle that daughters of "Natsuyama" will be bred with "Kikunami."

"Kikunami" was a breeding bull particularly well known, even for Miyakonojo, because his offspring produce high quality beef. For 5 years in succession he sired 10,000 head of cattle a year. He died last year.

Someone may doubt that such prodigious breeding could be done by any number of breeding bulls. It was all done by artificial insemination.

A bull's single emission amounts to only 4 to 8 cc. However, one cow can be impregnated with 0.5 cc of the emission thinned to 10 times its original volume with a diluting liquid. There are from 6 billion to 10 billion spermatozoa in a single emission of raw seminal fluid, but impregnation can be accomplished if 30 million spermatozoa are present. Therefore, the process has been rationalized as far as possible. Thus, from one emission enough seminal fluid can be taken to fertilize an average of 100 cows. The seminal fluid is taken twice a week or 100 times a year. Therefore, it is possible to breed 10,000 times in a year. Incidentally, the price of semen for one artificial insemination is 25,000 yen. "Kikunami" who was bought from Tajima for 2.8 million yen produced 25 million yen worth of sperm every year.

The quality of the beef from offspring of breeding bulls is watched and, if the results are poor, these bulls too are suddenly weeded out and end up as beef. The number of bulls which are kept breeding until they die is very limited. At Miyakonojo there are 300 cows which are the stock used for producing breeding bulls. Every year 150 bull calves are born, but in their 10th month these are cut down to one or two head. Since these are tested and culled further, only truly select cattle are left as breeding bulls. There are currently only 14 bulls, including those being tested, which are being used here as breeding bulls.

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You might say that the calves produced here are all like brothers or cousins. The same situation holds wherever Japanese cattle are produced. In this same way, improvement of stock aimed at raising the quality of the beef and the rate of growth has continued. As a result, if you trace back five or six generations, the grandchildren of a mere handful of breeding bulls are being produced all over the country.

According to the farmers who buy calves and fatten them, how good the quality of the beef will be is 70 or 80 percent determined by the bloodline. Feed and feeding techniques are secondary. The buyers who go to the calf markets around the country and walk about buying know the breeding diagrams of the important breeding bulls in the country and have formed in their minds a set of market prices for a calf whose breeding mixes this and that blood.

Of course, just as brothers born of the same parents have their own individuality, there is individuality in calves, too. The basic price is for the bloodline and then a certain amount is added (or subtracted) for confirmation, coat, etc. In Miyakonojo one household out of two raises cattle. Where there are few people they raise one or two head. Where there are many people they raise up to 20 head. The average per household is 3.3 head. Nationwide, the special characteristic of calf production is operation on a small scale. This is so to such degree that half of the producers are keeping only one cow. People who farm as well as hold some other job can comfortably handle five or six head. There are a fairly great number of cases such as old people who keep cattle as an activity in their later years or housewives keeping cattle in time spared from their housework. Producing calves is not so profitable an activity but it does not require too much work and selling the calves is like getting a bonus. Since half of the farmers in Miyakonojo are part time farmers in the first place, calf production, too, is a part time business in most cases here. Then there are many cases where full time farmers or farmers whose primary work is farming keep about 10 head as part of a mixed operation.

There are very few farmers whose sole business is producing calves. If the calves were born as a secondary product in the production of milk as in the case of Japanese cattle the calves are the main product.

Japanese cows give milk, of course, but their milk is not sufficient in quantity or quality to be sold commercially as milk. Therefore, Japanese cow's milk is drunk only by the calves and brings no income to the farmer.

This is the minus in producing calves; the plus is that the cows need only to be fed rough homemade feed. In Kyushu where there is much rainfall and it is warm, vegetation grows quickly. Feed crops such as Italian ryegrass can be cut four times a year, and 10 tons can be harvested from 10 ares of land.

Even if the crop is (DENTO) corn (corn used as animal feed) the yield is 8 tons. If fall and winter crops and spring and summer crops are mixed and alternated, 10 ares of land will feed one head of cattle. The calves are

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weaned 2 months after they are born and after that they are raised on rough feed and concentrated feed which is sold on the market. One half an are is said to be enough land to provide the rough feed.

Because the raising of feed is the primary governing factor in the economics of managing production of Japanese cattle, the cooperative distributes to each household a "Feed Cultivation Almanac" which very considerably gives directions for cultivating feed. The cooperative also equips various households with small-scale silos (2 meters on all four sides).

Hatsuo Kodama (45 years old), who says he is keeping 14 cows, says this:

"A long time ago I was dairy farming with 8 head of milk cows, but 10 years ago I switched to producing Japanese cattle. In the dairy business I was pressed for time from early in the morning until evening. It was rough. Now it's comfortable with about half the work. I had to sweat all day in the fields and rice paddies but with Japanese cattle I do not have to work that hard. I feed them at 7 am and then let them out to pasture on the hill in back of my place. I have only 5 ares on that hill and have turned it all into an exercise yard where I let them out for exercise during the day. Then, in the evening all I have to do is bring them back into the barn and feed them again. I can take care of the cattle in an hour in the morning and an hour in the evening.

Besides the cattle, I have 1.2 hectares of dry field and 85 ares of rice paddy. In 40 ares of the dry field I raise garden stuff and in the rest I raise feed. By using some of the rice paddies where I have reduced rice planting to raise feed, I supply all of my own feed. In this work, 4 hours a day is enough time for a family of three to do the job. So, when I have the time, I hire myself out for work by the day."

In an operation of this size, the income from rice is 200,000 yen and the income from dry field farming is 200,000. Selling 9 calves at last year's average price of 430,000 yen per head would bring in something slightly under 4 million yen (possibly 40 percent of which would be earnings). When this is combined with income from other work, it is not enough to live in ease but is enough to get by on.

With the same work Mr Kodama could keep up to 20 head at his place, but he says he is not thinking about increasing the number he has. As far as economic management is concerned, there is more advantage in determining profit or loss by quality than by quantity. If 100,000 yen in income is produced by selling a calf at 300,000 yen, raising a calf that can be sold for 600,000 yen means that an additional 300,000 yen in earnings will come in.

Whether the calf is expensive or cheap, the trouble and expense of producing it will not differ very much. The only difference will be the cost of paying for the cow. Of course, expensive calves are born from expensive cows with good bloodlines. Cheap cows with poor bloodlines have only cheap

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calves. Even if a cow costs 1 million yen, since cows bear one calf a year for at least 10 years, the cost of the cow per calf is only 100,000 yen.

When total profits are figured, having bought an expensive cow which can be expected to produce expensive calves will ultimately raise the rate of income.

The price of a male calf runs from 100 yen per kilogram to 1300 yen per kilogram (one animal costs about 350 to 450,000 yen). The price does not vary too much for any male calf. Even if the bloodlines are good the price is only 30 percent higher. Even so, it is not ridiculous to have a difference of 100,000 yen on an animal. However, in the case of she calves, the price for calves which are to be fattened, of course, varies with body weight, but the prices set for calves which will make good breeding cows are tremendously higher. Females which are to be fattened bring prices beginning around 250,000 yen (they do not have the weight of the males).

The prices for the prospective breeders range from 700 or 800,000 yen to 2 to 3 million yen. Since there is a high probability that female calves born of high priced cows with expensive bloodlines will be sold as high priced breeding cows, these calves, with good luck (some cows, like some humans, bear only females), will bring in extraordinary profits. Therefore, the farmers who produce the calves are trying to improve their operations to get more expensive calves, and the cooperative is giving them guidance to do this. This guidance tells them that profits will be far higher from keeping 10 expensive cows than from keeping 20 cheap ones. In practice that is the way it works out.

If you analyze why Japanese beef is expensive you immediately run into the high price of calves. In America and Australia one head (at 270 kilograms) is 120,000 yen, while in Japan the price is 300,000 yen and up. Then, as we have seen, in the places where the calves are produced, the farmers doing the producing are thinking only of producing higher priced calves. It is readily understandable that to do otherwise would not be profitable.

Nationwide, the average income from calf production is 75,000 yen per head. Even if 20 head are shipped, the income is only 1.5 million yen.

In the case of Japanese cattle, not only calf production but in fattening as well, effort has been concentrated solely on raising more expensive cattle.

Seventy-five percent of the 22,000 calves produced at Miyakonojo will be bought by feeding farms throughout Japan. The remaining 5500 head are fattened locally. This, however, has not gone well.

There are great differences in the price of live cattle and there are great differences in the price of cattle after they are made into beef. When beef cattle are cut into large sections they are inspected and graded into six grades. The following shows the grades and the prices per kilogram. (Statistics for meat from cows in 1978; currently prices are about 200 yen higher.)

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Select (3000 yen and up)
 Fine (2300 yen)
 Good (2000 yen)
 Medium (1600 yen)
 Average (1300 yen)
 Inferior (1000 yen)

Adult Japanese cattle generally weigh about 600 kilograms. In large sections of beef this comes to 330 kilograms. In dressed beef it amounts to only 250 kilograms. This means that although adult animals which become select beef bring 1 million yen and up per head, animals which produce only average beef bring about 450,000 yen (the price is made up of the price of the beef plus the prices of the giblets and hide). However, the cost of feed needed to raise one head of cattle for beef is about 200,000 yen. Add to this the price of the calf and the operating expenses and the farmer doing the feeding comes up short if the beef is average.

Even if the calf is inexpensive, there is no profit unless the beef is medium grade or better. If the farmer wants to make money the product must be good or better. Generally, Holstein steers for which the price of calves, 50,000 yen, is low and which grow fast, produce medium or average grade beef. Therefore, it is not possible for Japanese cattle to compete without aiming for good grade beef or better because of the cost.

"However, the percentage of good grade beef or higher is only 16 percent. The percentage of medium grade is 67 percent and 17 percent is average grade. Although the name Miyakonojo cattle is known throughout the country as a mark of quality for calves, the quality of Miyakonojo feeder cattle is not good. The same calf which becomes select Matsuzaka beef if it goes to Mie Prefecture ends up as medium beef here. One reason is because the farmers feeding here do not have the capital, they cannot buy expensive calves with good bloodlines. They buy cheap calves. Then, with cheap calves they can only produce cheap meat and get no capital. It is a vicious circle."
 (Assistant chief of the Feeder Cattle Department Katsskira Kuroki)

But this is not all. For example, when the offspring of "Kikunami" go off to other prefectures, 80 percent or more of them produce good quality beef or better, but only 40 percent do so here. It was even decided to send two employees of the cooperative a year beginning the year before last to pre-eminent feeding areas as domestic exchange students to study such things as whether techniques are different, whether the climate is responsible or whether the water is to blame. Since they were told that they would not be taught in Matsuzaka because the techniques there are secret, they were mainly allowed to study in the Tohoku area. Then they chose eight households as model farms and had them feed 20 heifers and 20 steers with new feeding and management methods.

"We just recently butchered the females and met with qualified success. The percentage of good or higher grade beef went up to 45 percent. The

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quality of the beef was good but the weight increase is still not sufficient. Nevertheless, we have learned that it is better to manage the cattle one at a time or in small numbers that allow for scrupulous attention to each animal than to do multiple feeding. Therefore, although there had been feeding here of herds of 100 head or more, we are giving guidance to reduce the scale of this feeding. With Japanese cattle, since the calves are expensive, it is useless to say that cheap is all right and scale of operation will determine the profit. One cannot get by unless quality determines the profit." (Mr Kuroki) Effort after effort is going into producing more expensive cattle. In Matsuzaka, a leading area in raising high priced cattle, the talk becomes even more extreme. They have adopted a mode of feeding called "ideal fattening" in order to produce high grade beef.

Real Matsuzaka beef is limited to female cattle which have not been bred (this is the tenderest quality meat) which were born in Hyogo Prefecture and which have been ideally fattened for 3 years in the area between Kumodegawa and Miyagawa in Mie Prefecture from the time they were calves 6 to 7 months old.

The Matsuzaka people buy calves with the proper bloodlines which cost about 750,000 yen (twice the average price in Miyakunojo). They give the cattle only about 1 percent of their body weight in feed. They do not let them eat too much. When they allow the cattle to eat as they like, the "cut off time" comes quickly. Each household has its own secret blend of feed and will lie about the mix to people who ask about it. They brush the animals daily so that the fat will be evenly distributed.

"After about 2 and one half years, fat forms around the stomach and intestines; their pipes become narrow and their desire to eat drops off. Then we stimulate their appetites by making them drink beer. Then we make them eat more. For half a year we give them a bottle a day. How well we make them eat during this final half year is the key to success in the ideal feeding. If it is done poorly tumors will develop in the stomach or intestinal blockages will occur. It is a way of eating that would make a human sick." (Veterinary Doctor Noriyoshi Nomura of the Department of Guidance and Marketing in the Matsuzaka Souther Cooperative)

Cattle produced by this method can be sold for 1 million to 1.3 million yen a head. However, there are costs. The price of the calf, the price of the feed, and operating expenses end up costing 1 million yen.

Mr Koichi Nagata (43 years old) who fattens 30 head by ideal feeding says this:

"My feeling is that there is hardly any profit unless one head sells for 1.4 million yen. Therefore, I usually do not make too much but there is a special price added for winning a prize at an exhibition (he has won 17 times). For 2 years straight I have won at the local exhibition and was able to sell both of these animals for 4 million yen. Because of this I have made a profit."

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There is a record of one animal being sold for 9.6 million yen at the Tokyo fair. Did the person who bought such an expensive cow make a profit on it? Yes, he did. Since there are no marks placed on beef he went around selling it saying, "This is beef from the famous cow that sold for so many million yen." It is said that he bought one head and when he sold it he turned it into the equivalent of several head."

[23 Nov 79, pp 158-163]

[Text] Differences Between U.S. and Japanese Agriculture [8th series]

The argument that "if importation of agricultural products is liberalized prices will drop suddenly" may be a bit reckless. Furthermore, if we consider rice, how do we explain the fact that even though our productivity is one tenth of America's or less, our farmers' incomes are the same or higher?

So far I have given an introduction to the current state of agriculture in various regions of Japan in individual products. Now let us direct our attention abroad to try to get a new grasp on Japanese agriculture in the international perspective. Why and to what extent has Japanese agriculture lost its ability to compete internationally? Let us try to see how great a difference in ability to produce exists behind the pressure from abroad which threatens Japanese agriculture. External pressures on Japanese agriculture come solely from the United States. How great a difference in capability is there between Japan and the United States, which is the world's leading agricultural power. (Refer to the chart below.) (As a general rule the figures in the following comparisons are 1977 and the yen to dollar conversion rate is 1 dollar equals 260 yen.)

The United States has 150 million hectares of farmland and produces 320 million tons of grain (including feed grains) and various other kinds of agricultural products. The area of this farmland is 27 times that of Japan.

In addition, the United States has 270 million hectares of grass pasture and grazing lands (500 times that of Japan) and is feeding 120 million head of beef cattle alone. Japan has only 2 million head, one-twentieth of the United States' number.

This huge agriculture industry is run on only 2.7 million farms. (Since there are farms operated as business ventures in the United States, the number of farms is ordinarily used in counting entities carrying on agricultural operations. However, 90 percent of the farms are family operated. Furthermore, 77 percent of the business operations are family enterprises. Therefore, the number of farms is nearly equal to the number of farm households. Where used below, the number of farm households in the United States includes business operations.)

The number of farm households in Japan is 4.8 million. This means that 1.8 times the number of American farmers are clinging to one twenty-seventh the amount of America's farmland and one five-hundredth the amount of

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America's pastureland. It is to be expected that if we look at the scale of operation per household the differences will be even greater. America has 370,000 households of farmers producing cash grains, and they have 200 hectares of farmland per household. These figures are 200 times Japan's.

In addition to there being such a disparity in the production bases, America also has very high labor productivity. For rice the time of labor in production is 2 to 2.5 hours per 10 ares (in Japan this is 72 hours). For wheat the time is 0.7 per 10 ares of land (22.6 hours in Japan, 32 times the American figure). The labor in fattening beef cattle is 1.3 hours per 100 kilograms of live body weight (in Japan this is 16.5 hours, 13 times as much). If the labor productivity were not this high America would not be able to maintain agricultural operations on a scale tens of times larger than Japan's with a labor force smaller than Japan's.

What has allowed the United States to maintain this high labor productivity is a high degree of mechanization of agriculture. The total horsepower of American farmers' tractors is 270 million horsepower. Japan, on the other hand, has 28 million horsepower.

The area of farmland in the United States is more than 10 times that of Japan. Therefore it is surprising that in horsepower per unit of area the general use of tractors turns out to be greater in Japan than in the United States. America has 1.3 horsepower per 1 hectare of cultivated land, while Japan has 5 horsepower or four times as much. In terms of horsepower to farmland, America has 0.6 horsepower per hectare while Japan has eight times that much, 4.8 horsepower. On the basis of the amount of money invested in a year not only on tractors but also on all large model farm implements this same situation holds true. Per household the United States invests the equivalent of 470,000 yen while Japan invests 180,000 yen. Considering that the operational scale in Japan is one-thirtieth the scale in the United States it should be clear that this is an inordinately excessive investment. The amount of equipment per hectare reaches 1 million yen; the amount in the United States is one-thirtieth of this.

Incidentally, 15 horsepower tractors cost about the same amount, about 1 million yen in both Japan and the United States, but 35 horsepower tractors are about 10 percent more expensive in Japan. Since Japan's labor productivity is much lower than America's, even though Japanese investment in mechanization is more than 10 times America's, Japan's investment productivity is incomparably worse. The above, ultimately, is productivity on the basis of the amount of goods produced.

In terms of cash value, to the extent that the prices of Japanese agricultural prices are higher, the visible difference in productivity grows smaller.

One would think that if they operate on such a large scale and if their productivity is so high, American farmers are surely wealthy and probably have an income with which the income of Japanese farmers cannot compare.

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Surprisingly, however, the average income per household in Japan and the United States is just about the same. The American average is 4.14 million yen while the Japanese average is slightly less than 4 million yen. This is at an exchange rate of 260 yen to the dollar. At 250 yen to the dollar the two average about the same. On the level of 230 yen to the dollar which we have now, the Japanese farmer's income becomes higher. In addition, even if the exchange rate did not fluctuate, the total farm income including items such as "income from work away from home, grants and assistance" comes to 4.67 million yen and is already higher than the United States farm income.

One might think that Japanese farm income is high because there are many cases where income comes from second occupations. However, in fact, there are also many American farmers who have second jobs. The rate of reliance on agricultural income for farm income is 2.5 percent in America. In Japan this is 29.4 percent. Therefore, the proportion of income from second occupations is certainly greater in Japan. Nevertheless, this does not begin to fully explain the surprising fact that Japanese farm incomes are higher than American farm incomes.

This phenomenon is explained by the high prices of agricultural products in Japan and the high income rates in Japan. If we look at gross agricultural income, the American farmer takes in 10 million yen a year while the Japanese farmer takes in a little less than 2 million yen, or about one-fifth of the American figure.

The reason the American farmer's gross income is only five times as large even though his production is ten or twenty times as high is that consumer prices in the United States and Japan are vastly different. For example, using 60 kilograms of unpolished rice as the basis for conversion, rice which costs 4400 yen in America costs 17,000 yen in Japan, nearly four times higher. Wheat is six times higher. In beef, what costs 31,500 yen per 100 kilograms of live body weight in the United States costs nearly three times as much, 103,600 yen, in Japan.

With this much difference in prices, the rate of earnings, that is, the margin of profit for the producer, is greatly different. The American farmer works with an earning rate of 18 percent, but the Japanese farmer takes earnings of 58 percent, a profit margin nearly three times as great. The American farmer sells cheaply and at a low margin of profit the agricultural products which he has produced at low cost. The Japanese farmer sells at high prices and with a high margin agricultural products produced at high cost. This is the secret of how the Japanese farmer, with his small scale operation, low volume production and low productivity can match earnings with the American farmer who operates on a large scale, produces great volumes and has a high rate of productivity. It is because Japanese agriculture is based upon this kind of fragility and indulgence that Japanese farmers have to raise an uproar when the question of liberalization of agricultural imports comes up.

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Even so, because there are great differences in environmental conditions between Japanese agriculture and American agriculture, simple comparison of the above figures alone could lead to conclusions which would be overly hasty. Mr Iwao Yamaguchi, an administrator for the All Japan Central Association of Agricultural Cooperatives, says this:

"It is said that Japanese agriculture is backward and has no capability whatsoever to compete internationally, but this is not the case at all. Because Japanese agriculture is always under limitations in land, it must give way to countries which are rich in land resources in feeding of large animals (cattle) and agronomic production (fields and rice paddies) which are land intensive types of agriculture. However, in agricultural production where limitations of land are few, Japanese agriculture achieves international levels in good form. This is so for chickens and eggs. It is also true in vegetables, particularly in facility gardening. Dairy farming has reached the level of the EC. Hogs have also reached a good level.

"It is said that there is not enough rationalization, but in the past 10 years the labor time per ton (.245 acres) of rice has been reduced by half and the labor time per head of dairy cattle has also dropped by one-half. The United States' degree of improvement in labor productivity is 6.9 percent a year; Japan has a slightly better level with 7 percent. The Japanese farmer is making efforts toward rationalization. Our cries of opposition to liberalization of agricultural imports and our demands for government protection are not haphazard attempts to maintain the status quo.

"Please give the farmer a little more time for rationalization in those areas where we are behind. Then, Japanese agriculture faces limitations in the form of various natural conditions as well as restrictions in the form of social conditions. Japanese agriculture cannot reach all international levels. The farmers, for their part, will continue to try to improve productivity but, even so, there is a point beyond which nothing can be done. We must have the consumer understand this to some extent; we must have the consumer put up with agricultural prices which are relatively high on an international basis as the cost of maintaining Japan's ability to survive in times of food crises."

As a general argument, this is certainly correct. Even in various public opinion surveys on agricultural and food problems, it is a minority which holds such radical views as to say, "The lower the prices of agricultural products the better. Therefore, even if self-sufficiency in food declines, it would be fine to completely liberalize imports and destroy the agricultural sectors which cannot stand international competition." There seems to be national consensus on not letting self sufficiency in food decline any further.

The question is whether the cost is at an appropriate level and whether efforts at rationalization on the farmers' part are really sufficient.

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Therefore, let us take a slightly more substantive look at a comparison between Japan and the United States on individual agricultural products which takes natural conditions into consideration.

First, there is rice. Despite the fact that rice is not part of the trade in agricultural products, I take rice up here because rice is the backbone of Japanese agriculture (rice accounts for 40 percent of the gross total of Japan's agricultural production, and nearly all Japanese farmers plant rice to some extent) and because the price structure of all Japanese agricultural products is determined by comparison with the price of rice. On the other hand, the amount of rice produced in the United States is about 5 million tons, only about one-third the amount produced in Japan, but the United States ranks first in the world in the amount of rice exported and accounts for a little less than one-fourth of the volume of international trade in rice. The United States holds the power to decide the international price in rice.

American rice crops are currently raised in the southern and western parts of the country. The rice grown in the south is long grain Indica rice, the so-called foreign rice, but in California in the west, the short and medium grained Japonica rice is cultivated. This rice has a reputation even among the resident Japanese in America as being as tasty as Japanese rice.

The development of rice production in California is largely due to the efforts of second generation Japanese-Americans. One particularly well known such person was the late Mr Keizaburo Kofuda who started the Kofuda farm in the Sacramento Valley. It is not an exaggeration to say that he created the modern American system of rice growing.

Many Japanese exchange students go for study and training at the Koruda Farm, which has 1300 hectares of rice paddies. They come back having received great incentive. One such person, Soichi Saito, of the Mizahashi Agricultural in Haga-machi, Tochigi Prefecture says this:

"What surprised me first was how broad and flat it was. It was level all the way to the horizon. When I went there they were just doing the preparatory work, preparing the ground in the rice fields. They took a bulldozer and leveled everything, retaining ridges and all. In Japanese rice fields the ridges between the fields are semi-permanent, but over there they tear down the ridges every year and build them over. Since one rice field is 30 to 50 hectares or 100 times as large as a Japanese rice field, the water will not have an even depth unless the field is perfectly level. Therefore, after the bulldozing has been carefully done, the measuring engineers get on a large machine which is called a checker and which has measuring machinery, and build up new ridges by meticulously following the contour lines."

I too, visited the Sacramento Valley this summer, to inspect the rice growing. Looking down from the airplane I could see that the ridges in the rice fields had been built exactly like the contour lines of a map, it was certainly an interesting scene. This area is generally flat land with

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with very slight inclination of about 1 over 1500. Ridges about 80 centimeters high are built there wherever the difference in altitude reaches 5 to 7 centimeters.

In Japan, there is little level land, and relations of ownership become involved. Consequently, rice fields in Japan are always smaller. This greatly inhibits efficiency. "When the paddy fields are ready, they fertilize the fields; but there is a business firm that does this. They analyze the soil and fertilize once by airplane. Because the land is fertile, they do not spread a lot of fertilizer as we do in Japan and follow up applications are not needed. Then they let the water into the fields and flood the fields to a depth of about 15 centimeters. They sow the seeds directly in the fields by airplane. They do not go through the traditional rice planting or anything like that. There is also a company for this operation. They use almost no agricultural chemicals but, when they do use them, they get a business firm for this, too. These agricultural service companies are well developed and are cheap and fast." (Mr Saito)

How fast is this work done? Any of the operations can be done at the rate of 20 hectares in an hour. In Japan, the rice planting and transplanting of the seedlings for 10 ares takes altogether 18 hours. For 10 ares, the first fertilizing takes 3 hours, weeding takes 7.5 hours, pest prevention takes 2.5 hours. There is tens of times difference in the speed.

The prices for the consignment firms which use airplanes are surprisingly low. For each 10 ares the cost of seeding is 760 yen. Fertilizing costs 400 yen and spreading agricultural chemicals costs 185 yen.

The reason they can get by without using agricultural chemicals to any extent at all is that there is hardly any occurrence of insect damage because there is no rainfall and the air is dry. Weeds can be almost completely prevented by consistent wet cultivation. There is an arrangement which makes it possible to control the water at will by using irrigation control boxes which are buried on either side of the ridges. By making rounds in an automobile, one person can control the water for 300 hectares.

Until about 2-4 weeks before the harvest, water control is only a matter of seeing that the water is kept at the same level, water control can be done in 2 to 3 seconds per 10 ares per season. Japan's case, however, requires delicate water control in conjunction with the growth of the rice, including replenishing low water, irrigation at intervals, mid-season drying and running off. Furthermore, Japanese rice fields are small and in many cases are scattered here and there. As a result, the time required per 10 ares is 10 hours. There is also a great difference in the soil conditions. While California has weak alkalinity in its soil, Japan's soil is acid and substances to improve it have to be added. In California, to spread 20 kilograms of nitrogen fertilizer and 10 kilograms of phosphoric acid fertilizer per 10 ares at the start of the season by airplane is sufficient. Potassium is not needed. In Japan, however, it is necessary

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to add the three important elements of nitrogen, phosphoric acid and potassium at four stages, in preparing the ground, at rooting, during growth and when the grain is forming. Agricultural chemicals must also be applied according to the season. In Japan there are more forms of insect damage than you can count on your fingers. Because Japan is hot and humid weeds will grow anywhere and, therefore, weed killers are needed. As can be seen from a chart comparing U.S. and Japanese production costs, fertilizers are four times more of an expense and agricultural chemicals are five times more of an expense in Japan. The reasons for this are the conditions I have described.

In America they harvest rice with large combines 4.2 meters wide which can finish 10 ares in 8 minutes. In Japan, the use of combines is still not very widespread and the few that are used are mainly small or medium sized. Consequently, on the average, harvesting takes 18 hours for 10 ares. A large farm like the Kofuda Farm has its own rice center, does everything from the drying to the threshing and polishing and even sells the rice at its own plant.

Farmers who do not plant on this large a scale do these operations through an agricultural cooperative. At the California Rice Growers' Cooperative which has been organized by 3,500 farmers who constitute half of the rice growers in California, you can see a rice polishing plant which is said to have cost 4.5 billion yen. Lined up with this are a huge warehouse and a drying plant. There is also a railroad siding and a wharf. The place looks like an industrial complex for rice. When the producers bring the rice here it is dried at a cost of 1 cent per kilogram and then exported as unhulled rice (50 percent) or polished and sold at the cooperative's own plant. Later accounts are settled with the producers by a pool accounting system.

In this cooperative, the average land in wet rice production per household is 30 hectares and earnings would be 12,000 yen for 10 ares, the yearly income would be 3.6 million yen. However, the difference between the sizes of the largest and smallest holdings is quite great. On the top end are those who have 1000 hectares or more, while at the bottom of the scale there are farmers who operate on a very small scale.

The division of classes, not only among rice farmers but among American farmers as a group, is, as can be seen in the chart, quite sharp. Poor farmers whose sales have a cash value of 600,000 yen or less constitute over one-third of the total number of farmers. However, the total of their gross agricultural production amounts to only 3.7 percent of all agricultural production. On the other hand, the class whose sales are 52 million yen or more and who make up only 2 percent of the total number of farmers account for one-third of the gross agricultural product. This is the reason that in terms of income per household the American farmer has a surprisingly low income.

Mr Saito tried various experiments to see whether American rice growing techniques could be adopted in Japan.

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"First I tried direct seeding. Because the quality of the soil here is different from over there, "preparing the soil" has to be done in Japan. When this is done the oxygen is driven out. Once the seeds are sown, if the water is not drained off about a week later to let air get to the seeds, the seeds rot from lack of oxygen. However, if the water is drained off, the crows and sparrows eat the seed. I had to sow seeds three or four times. When I tried to plant the seeds in a dry field, a lot of weeds came up. Even with water control, if the American method is used, the seeds do not die. They survive because there is a lot of rain in Japan and there is a large amount of oxygen in the water. It is a significant fact in various ways that the rainy season over there is from November to February and that it does not rain at all during the growing season. Effectiveness is very different simply by virtue of the fact of being able to plan a work schedule without considering the weather and then being able to carry it out as planned."

It can be seen from the above that however much Japanese rice growing is rationalized, it cannot be like rice growing in America. The costs which are due to natural conditions in Japan must, of course, be borne by the Japanese consumer. However, if we ask whether the current costs of producing rice are appropriate, the answer should probably be, "By no means." A single look at a chart comparing production costs will tell that in Japan's case the costs of farm equipment and labor are too excessively high. To any way of thinking it is an unusual situation when Japan's costs in agricultural machinery cover the entire United States cost of production.

It would be possible to reduce both the cost of equipment and the cost of labor by a considerable amount if the scale of operation were expanded by carrying out operations in common and consolidating rights to the use of farmland. The costs per 80 kilograms of rice are currently 3000 yen in America and exceed 12,000 yen on the average in Japan. However, on farms of 5 or more hectares in the Hokuriku area average costs are on the 7000 yen level and similar farms in Tohoku and Hokkaido operate on the 8000 yen level. Even when 5 hectares are worked there is surplus labor time. If this time were used and put into combined operations or second jobs, it should be possible to work out a design for farm management which would not be shaken by pressure from abroad. There is, however, a premise to this idea. The farmers who are now resting easy on the excessively protectionist agricultural administration and who have no desire to change must leave agriculture and the agricultural population must be further reduced.

A farmer who has been to the United States to study even had this to say:

"Since I am also an official of an agricultural cooperative, some people may take offense if I speak frankly. Therefore, I would like to have my name withheld. Nevertheless, in any case, the number of farmers has to be reduced.

"Even in this prefecture, all of the top class of farmers say this when they get together, and it would be better if the protectionist administrative

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policies to foster successors to the farmers and to foster independent farms were stopped entirely. Because the government does those things, what really happens is that farmers who do not have the capability to stand on their own cling to agriculture. Left alone, the farmers who have the capability of standing alone would be able to go on their own, and those who inherit these farms would naturally be able to do the same."

Unless we have the farmers who do not have independent capability get out of agriculture quickly, we will continue to have the situation in which even the farmers who could stand on their own will actually not be able to divorce themselves from government protection no matter how much time may pass. It would be better to introduce the principle of competition by stopping food controls and switching to a price support policy with a wide band between floor and ceiling. Otherwise, not everyone will make earnest attempts to reduce costs and even those people who work only for their own self interest will continue to raise rice. In Japan it is not possible to move to large-scale operations like those in the United States. However, the price of rice would easily go down if each farm household were to work 20 hectares.

In fact, at the beginning of the 1960's, even the United States was troubled by an excess farm population and excessive fiscal outlays by the government. There was a surplus stock worth 9 billion dollars and yearly government expenditure of 6 billion dollars. Now United States agriculture is strong enough to be called one of America's strategic weapons, but at that time it was an Achilles heel.

Therefore, the United States CED (Committee on Economic Development) proposed a policy of "Reducing the Farm Population by 30 Percent" and recommended to the government that it make a major shift from excessive protection of agriculture to an agricultural policy which would introduce the principle of competition and would induce people to leave agriculture. The response was a storm of protest from all over the country, and a great debate involving both the government and the people was started. To a large degree the debate which took place at that time is duplicated in the current debate over Japanese agricultural policy, and the interesting thing about it is that as things actually developed later on the American farm population was reduced by more than 30 percent and American agriculture became stronger.

In the process American agriculture was left with problems such as the conspicuous difference between classes and the expansion of corporate control but, fundamentally, it was able to recover by "reducing by 30 percent."

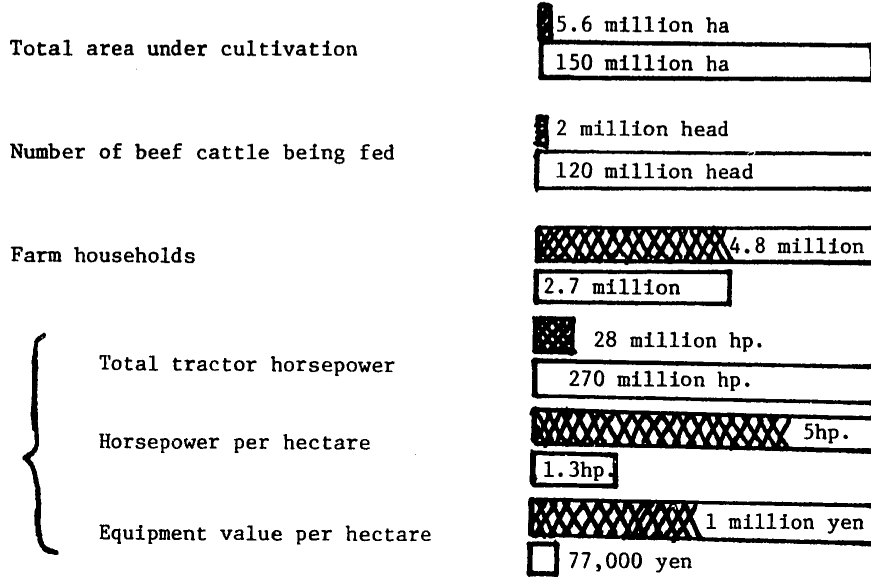
In Japan, out of fear of the political reaction no one openly voices the theory of reducing the farm population but, in practice, this process is being carried on the strength of its own realism. Probably, the true political approach is to face this reality squarely and to look for how to bring a more rational direction to the process while reducing the social friction.

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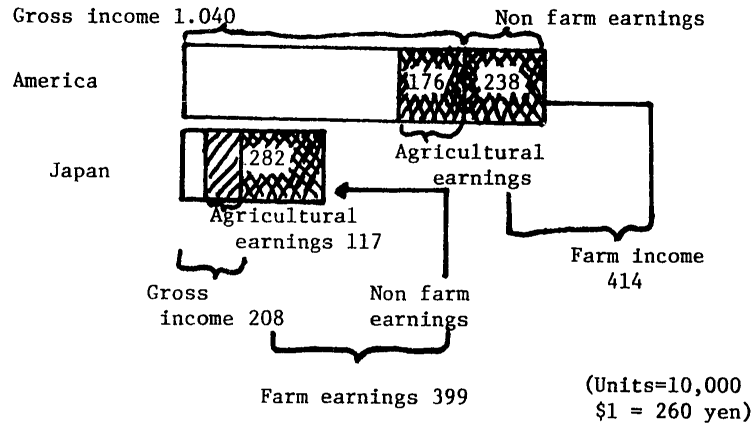
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Numerical Comparison Of United States and Japanese Agriculture

shaded area equals Japan



Japanese and American farm earnings per household and gross agricultural income



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Cause of High-Priced Beef

Tokyo SHUKAN ASAHI in Japanese 30 Nov 79 pp 189-194

[Text] The ridiculously high price of Japanese beef has caused some to comment that the cost of steak is the same as silver by weight. The cause of this high price has been attributed to the antiquated nature and complexity of the distribution system, or also to the comparatively high cost of importing most of the feed. However, this myth has now been destroyed. The culprit was in an unexpected place.

At this time, let's try to compare the production capacity of the United States and Japan in beef production.

First of all, you will be shocked at the difference. Why is there such a difference in production cost to raise the same cattle.

What we hear most often is that the high price of Japanese beef is exclusively a problem of high distribution costs, but this is not so. The ratio of distribution cost compared to the consumer price is by far higher in America. (Japan is higher in absolute value.)

The prime mover in raising the price of Japanese beef is unmistakably the high cost of production.

Why is there this difference? I went to America this summer and studied the feedlot raising of cattle in the Imperial Valley area of southern California (the cattle are fattened with concentrated feed, the same as Japan). 1.1 million head of beef cattle are raised annually in this region near the Mexican border. (This almost equals the total number of head shipped annually in all of Japan.) On the average, 15,000 head are raised at one feedlot, and it is amazing that only 12-13 men supervise it.

Most are under business management and are operated in the form of custom-made feedlots. Cattle raising is done by means of deposits solicited from individual investors. The investor pays the base price for the cattle and expenses, and bears the risks of market fluctuation and accidental death. The feedlot owner received 20 percent of the gross profit as management expenditures, pays the overhead costs (5-7 percent) from that and realizes a steady profit. In lieu of bearing any risk, he does not profit as greatly in the market.

A man who has continued to invest in a thousand head for the last 15 years related the following: "Recently, there has been a profit of about 100 dollars per head, but beef prices have been low for the last four years and there have been only losses. The story is that one-third of the investors in Arizona have gone bankrupt. I also lost 73 dollars per head in bad times. Well, it's a gamble. There are times when a one million dollar profit is made and there are times when it is the reverse.

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Not all have this kind of management form. There are also small-scale, individually managed feedlots. But large-scale custom feedlots have branched out rapidly over the past ten years. Enterprise-managed feedlots of the class having more than 16,000 head, which are only 0.2 percent of the feedlots in present-day America, are shipping 37 percent of the beef. On the other hand, those of the individually managed class having less than 1000 head, which account for 98.5 percent of the total, are shipping 31.8 percent of the beef.

Moreover, looking at the class of feedlots with less than 1000 head, those with less than 100 head account for the greater part and so it can be seen that there are quite small-scale cattle raising households even in America. In general, the Midwest has most of the small-scale cattle raising households, and the West has most of the large-scale feedlots.

Well, I was especially surprised at the largeness of scale when I was given a tour of the feedlots. A 400 m x 200 m rectangular shaped feeding area, surrounded by a mere fence, spreads out as far as the eye can see, and in each section there are 200-300 head of cattle. There are feeding troughs along the fence, and cowboys riding in trucks drop in the feed.

Import Price of Feed Cheaper Than the U.S.

Since one head of cattle eats about ten kilograms of feed daily, if there are 10,000 head (since these cattle will be shipped after being fattened for nine months, usually the number of head raised is three-fourths of the number shipped), 100 tons of feed are needed daily. The raw materials are purchased and the feed is mixed at the site. A small plant is built in the center to do that. Some raw materials are purchased from neighboring farmers, and some are brought by truck from the cornbelt regions of the Midwest.

Since 3-4 people handle the feed plant, 5-6 take care of the cattle and 3-4 supervise and manage, such a huge feedlot can be operated with only 12-13 people. In general, 800-1000 head can be raised per man at a large feedlot.

In Japan, beef cattle raisers on 400,000 farms raise 2 million head per year and ship 1.1 million head. In America, 130,000 feedlots, less than one-third of Japan's beef cattle raisers, ship 25 million head, more than 20 times that of Japan. Outside the feedlots, the shipment of beef cattle not especially raised for good beef is about 17 million head annually, and this becomes cheap meat for hamburger and processed food.

The large difference in labor productivity resulting from this difference in scale is shown in the difference in wages in the production costs. (Japan is 22 times that of America.) In this connection, the unit cost of wages is almost the same level in Japan and America.

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It should not be overlooked that the fattening period in America is short. In America, the process of raising beef cattle differs considerably depending on region and owner. The representative type weans a calf a little more than six months after birth, and then rears it for 3-5 months. The feed cost of this rearing stage is extremely cheap. That is because the cattle are grazed in pastures.

Not only pastures, but fields after corn or sorghum have been harvested are often used as grazing lands. The leaves and stalk, stubble and fallen grain seeds, which the machinery has left after cutting, are large in amount. It is said that the amount from 4 million hectares of corn fields in Iowa in the corn belt region is equivalent to the total amount of coarse feed used in all of the beef cattle production in Texas and Oklahoma. One more advantage of this pasturage is that manure can be put back into the field as fertilizer. As a more thorough use of resources, pigs can be raised mixed together with the cattle. Pigs can be given leftovers from the cattle and manure as feed.

Among those connected with Japanese agriculture, there are those who look down on American agriculture, calling it extensive agriculture, but, in terms of actually doing a thorough job of keeping costs down by this kind of ecological use of natural resources, it must be said that American agriculture is more advanced.

How many months after birth the reared cattle are put in the feedlots and how many months they are fattened is determined by what grade of meat is sought. The norm is that cattle not put into the feedlot until the end and raised mostly on coarse feed are "standard;" cattle raised in the feedlot for about four months, "good;" for six months, "choice;" and if handled skillfully, the highest grade, "prime." If this grading is compared to Japanese carcass grading, "choice" is close to "middle," "prime" is close to "top." There is no special grading for marbled meat called "gokujo" (highest quality) or "tokusen" (special selection).

There are cases in feedlot feeding where a 272 kilogram calf is fattened for six months and shipped at about 477 kilograms. In contrast to this, it takes about 18 months on the average to fatten a 277 kilogram calf to 597 kilograms in Japan's fattening method. Certainly the shipping weight is 120 kilograms heavier, but it takes an extra year to do it.

Due to the difference in rearing time and the scale difference, the total labor time involved in America's fattening takes only four hours per head in America, but in Japan it takes 96 hours. This shows up as the difference in labor costs.

The relative length of the fattening time has a greater influence on feed costs than on wages. A 500 kilogram weight steer eats approximately 9 kilograms per day. Thirty percent of the feed is coarse feed, but in Japan, the production cost of coarse feed, even if home-produced, is much higher than compound feed. For example, if the entire feed costs are calculated at 50 yen per kilogram (the current compound feed price), the annual cost will exceed 160,000 yen.

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That is the greatest reason why the feed cost per head differs so much between the United States and Japan. It is said that the reason why the feed cost in Japan's beef production is high is because expensive raw materials for feed are imported from abroad, but that is a mistake. The price of grains for feed arriving in Japanese ports and the purchase price of grains for feed in America's feedlots are not at all that different. Often it is cheaper in Japan. In some cases, there is a greater distance between America's production region of raw materials for feed and the feed lots than there is between Japan and the Chinese continent.

The transportation of these feed grains for feed to Japan is almost all dependent on marine shipping. In contrast to this, since it is inland transportation in America, it has to depend on rail freight and truck transportation; the cost is so high there is no comparison with sea transportation. Actually, the purchase price of corn at the feedlot I visited was higher than Japan's import price.

Also, it was higher than Japan despite the fact that that place was an alfalfa producing district. That is, because the Canadian grown alfalfa Japan imports is 30 percent cheaper than over there. With that price difference, shipping costs can be paid easily. In this manner, it is possible to procure feed grains cheaper than America's domestic price, if the cheapest possible feed are sought and imported from various countries in the world.

Even though there is no particular price difference at the stage of feed grains procurement, a big difference takes place at the stage of feeding the cattle. The significant point is that in contrast to the fact that the expense for the mixing process and distribution expense in Japan are high, there is no need for those expenses in American feedlots because it is self-mixed and self-consumed. I will refer to this point later. I cannot explain the five fold feed cost difference of 40,000 yen for America compared to 220,000 yen for Japan.

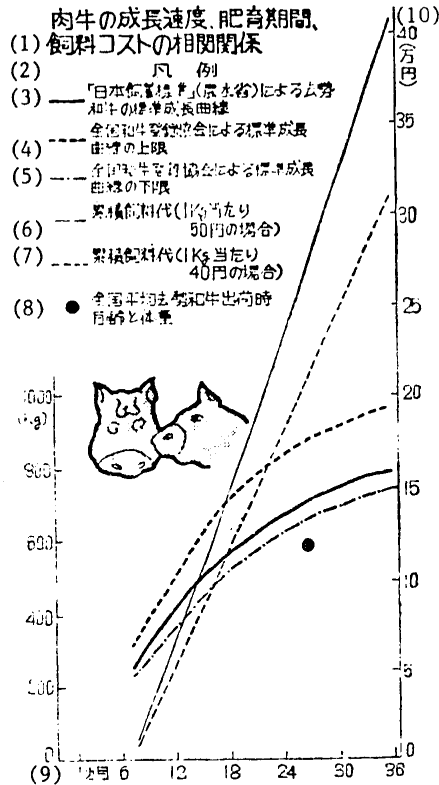
The biggest cause to explain this is the slowness of the cattle's growth rate and the length of the fattening period. Now I would like you to look at the correlation diagram (on the next page). This is a graph which shows how much the cumulative feed costs at each stage of the steer's growth were according to the "Japanese Breeding Standards" for beef cattle. Since it is shown beginning at 250 kilograms at 7 months, I would like you to take note that the 40,000 yen cost of rearing the cattle for a three month period is included in the cumulative feed cost (normally, the cattle raiser would procure a calf weighing about 300 kilograms at 10 months.)

Long-term Raising to Produce Marbled Meat

It can be seen from the indicator that the national average beef cattle growth rate is considerably lower than the "breeding standard."

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Key:

1. Correlation of Beef Cattle Growth Rate, Fattening Period and Feed Cost
2. Explanatory Notes
3. Standard growth curve of Japanese steer according to "Japanese Breeding Standards" (Ministry of Agriculture, Forestry and Fisheries)
4. Upper limit of standard growth curve according to the National Japanese Cattle Registration Association.
5. Lower limit of standard growth curve according to the National Japanese Cattle Registration Association.
6. Cumulative feed costs (at 50 yen per one kilogram)
7. Cumulative feed cost (at 40 yen per one kilogram)
8. National average age and weight of Japanese steer at time of shipment
9. One month
10. 400,000, 350,000, 300,000, 250,000, 200,000, 150,000, 100,000, 50,000 yen.

The rate of the steer's weight increase slows down drastically as the number of months since birth piles up. At the point of about 500 kilograms and 15 months after birth, a period is entered where, even if the steer continues to be fattened, only the feed cost piles up and there is no weight increase at all. In America, the steer is sold at the turning point when the merit of fattening the steer begins to decline.

However, the steer continues to be fed one more year beyond that point in Japan and a weight increase of 120 kilograms is finally attained after spending 160,000 yen just on feed costs--that is inefficient. Even in Japan, if it is sold at that point, the feed cost would be only about 60,000 yen after the fattening stage is entered. That would compare favorably with America.

Well, why doesn't the Japanese producer do so. It is because fat tissue evenly permeates the meat after the effectiveness of fattening the steer starts to decline; it becomes a high grade meat. Extending the fattening

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period with an aim at producing high grade meat is the biggest cause of high cost beef.

One more reason is because the history of Japanese cattle in Japan as beef cattle is short and there is not yet enough improvement in breeding and the real meat yield is poor. In contrast to America where a steer shipped at 477 kilograms yields 232 kilograms of good meat, even if a Japanese steer is raised to nearly 600 kilograms, it is only a mere 13 kilograms heavier when it becomes meat. Although the good meat yield of a Japanese steer is only 41 percent, the kind used exclusively for meat in America, when it is "Grade I," will reach 50 percent.

But that is not to say Japanese cattle are worthless. As shown in the diagram, an improved steer whose weight increase is rapid will reach 600-700 kilograms within 14-17 months after birth, the time an American steer is shipped. If so, even with a poor yield, it would far surpass America in the amount of yield.

So, you can understand that it is possible that feed costs, said to be the "bottleneck" in Japan's beef cattle raising, can be sharply reduced just by switching from high grade beef to popular beef. It is also possible to reduce the feed costs to one-third or one-fourth by reducing the time until shipment (at the same time, this will sharply reduce the wage costs) and increase the growth curve by means of raising the technology level and making further advances in the improvement in breeding.

One more method of cutting down feed costs is to lower the prices even a little. How much the feed cost would differ if the compound feed price could be lowered 10 yen per kilogram is as shown in the diagram on the previous page. That would make a difference of 50,000 yen even with the same kind of shipment as now. I have previously stated in a three-day agricultural cooperative report that there are producers who have succeeded in a cost reduction of 10 yen per kilogram as a result of ceasing to buy completely mixed feeds from the All-Japan Agricultural Cooperative Association and changing to mixing feeds themselves.

Why is self-mixing cheaper. One reason is because of the added value profit. Another reason is costs can be lowered by putting in low-priced feed grain found in the producer's region. Just as there are enough leftovers on the ground after a corn harvest in America as feed for the cattle being raised, it is surprising that what is passed over and thrown away can be used as feed. There are feedlots in America which use the dregs from breweries, and in Hawaii, pineapple lees are used. In each region, producers use their own resources in their pursuit of feed grains for feed that are even a penny cheaper. However, no one uses his head in Japan, but depends extensively on the high-priced, completely mixed feeds which the All-Japan Agricultural Cooperative Association and manufacturers supply. Professor Ichiro Takahashi of Kyushu University's Agriculture Department relates the following.

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"It is necessary to do the mixing oneself in order to cut down on feed costs. Moreover, nowadays raising feed grains as after crops is actively encouraged through the policy on rice-field reorganization. Secondary crops have been promoted as an effective use of the land. In order to set this on its way, it is necessary to have self-distribution systems among the other households. If there is no self-distribution system even if feed crops are produced, they will just be thrown away without ado. However, the agricultural cooperatives have been negligent in this area. They absolutely do not give any leadership for home distribution system after mixing feed grains at home. The reason is because how the agricultural cooperatives have become the world's largest compound feed makers. If they encourage self-distribution system they would destroy themselves. Rather, on the contrary, they encourage producers to buy the agricultural cooperatives' compound feed."

Guild of the All-Japan Agricultural Cooperative Association Sitting as a Feed Oligopoly

It is a fact that the agricultural cooperatives are the world's largest compound feed makers. At the beginning, the All-Japan Agricultural Cooperative Association simply jointly purchased products from feed makers, but before long they started to have their own feed factories and furthermore, started to make direct purchases of raw materials for feed from abroad. They advanced both in processing and distribution, acting on the strategy of reaping as much as possible value added profit in a 1.5 trillion yen feed market.

Now, the 48 companies in the "Union Feed" group (55 factories) are affiliated with the All-Japan Agricultural Cooperative Association and have a 40 percent share of the total compound feed market (70 percent of the feed used for beef cattle) and they have definitely become the price decision-makers in Japan's feed world.

In the search for feed grains, they have tied up with America's agricultural cooperative related export companies, PGC (Producers Grain Co.) and FEC (Farmers Export CO) and are daily shipping back and forth, like a piston, raw materials for feed in five ships used exclusively for grain through a subsidiary company, Kumiai Boeki, K. K. And yet that is not enough; they are also stocking up through major grain concerns through the use of trading companies. The total amount of annual purchases is 5.5 million tons. The All-Japan Agricultural Cooperative Association is the world's number one buyer.

And then, finally, they have invested 1.1 billion yen and set up the All-Japan Agricultural Cooperative Association Grain Co. in America. This led to having their own export elevator at the mouth of the Mississippi River. (The cornerstone laying ceremony was held this past 4 October.) It is said that they will go through the 100,000 ton holding capacity elevator 60 times each year; 3 million tons will be exported to Japan and the remaining 3 million tons to Europe. Cargo bookings will be made not only by transactions with the agricultural cooperatives over there, but also

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directly with domestic traders and producers. They will be one of the major grain traders both in name and in reality.

It is said that by doing this, they will be able to return a much greater profit to the domestic producers, but is that really true? When I look at the All-Japan Agricultural Cooperative Association, I am strongly inclined to think that somehow, rather than being the producers' representative, its position as a major grain trader and feed maker appears much stronger.

Even though returning a profit to the producers should be done first of all by means of price, the price is not always cheap as I have stated before concerning feed used for beef cattle. Feed raw materials delivered to the feed plants at a little less than 400 billion yen cost 500 billion yen when shipped to the various economic federations (Keizairen). This means the processing expense rate is 25 percent, but it is done for about 11 percent at the American feedlots.

Moreover, distribution costs about 20 percent before it gets to the producer. It amounts to 200 billion yen for both, but the fact is these are expenses in which a considerable profit has been included at each stage. For example, it is not open to the public how much business profit the subsidiary company feed makers receive because it is classified business matter, but it is certainly in the billions of yen. The All-Japan Agricultural Cooperative Association, the economic federations (Keizairen) and the agricultural cooperatives are all making a great profit in the feed line. The total of the net business profit base is in the tens of billion yen. The agricultural cooperatives' slogan, "greater added value into the hands of the farmer" is fine, but, under the circumstances, isn't the reality not "into the hands of the farmers" who are the producers, but "into the hands of the agricultural cooperatives," who are the makers and at the same time, the distributors?

In particular, it can be seen from the following strange fact that the profit return to the producers on the price of feed for beef cattle is insufficient.

When Japanese and American compound feed product prices are compared, even though meat for broiler use is nearly 20 percent higher in America, feed used for beef cattle is nearly 20 percent higher in Japan. (Ministry of Agriculture, Forestry and Fisheries' survey) Even though both are made with imported raw materials, it takes considerably more time to make meat for broiler use.

The All-Japan Agricultural Cooperative Association's share of the feed for broiler meat is small (less than 30 percent). In contrast to the fact that a cut in cost was realized with severe competition, aren't they just working like an absolute monopoly, sitting on their 70 percent share of the feed for beef cattle use.

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Excessive 53 Percent Profit for Extremely Simple Processing

The fact that the All-Japan Agricultural Cooperative Association has lacked an attitude of giving priority to the producers' profit has been expressed often in the cold attitude taken by the agricultural cooperatives toward self-distribution system by mixing feed at home, as stated by Professor Takahashi. It has not been seriously considered by the All-Japan Agricultural Cooperative Association--"self-mixing is out of the question. Nonsense." (Hiroshi Nishishita, section chief in the Livestock Industry Production Department)

Not only the All-Japan Agricultural Cooperative Association, but all of the feed makers have the same cold attitude, thinking that self-mixing is related to their own self-negation. Each maker has been given guidance from the Ministry of Agriculture, Forestry and Fisheries to make "two kinds of mixtures" as raw materials for farmers who do their own mixing. In order to avoid any diversion, they simply mixed 2 percent fish meal or 5 percent rice bran to the imported corn, which is the principal raw material for feed.

They are charging a 53 percent expense rate to this extremely simple processing, and are selling feed with a raw material cost of 24,000 yen (per ton at the 1978 average) for a little less than 37,000 yen. This is too much for the farmer who mixes feed grain at home because he has to use this feed, on which an excessive profit is made, as the principal raw material (a ratio of about 40 percent). This causes the producer to have the mistaken idea that, under these circumstances, it will not be cheaper to do the mixing oneself. (In fact, perhaps that is the maker's intent.)

The strange thing is the Ministry of Agriculture, Forestry and Fisheries, which ought to make a point of encouraging self-mixing, does not try to give any administrative direction, but simply says, "we don't think it is expensive," (Masao Matsudo, assistant section chief of the Livestock Industry Bureau's Feed Distribution Section) even though it knows the high price of the two kinds of compound feed, which are the basis for self mixing.

From this investigation, it seems the day when Japan's beef will become cheaper is still far in the future.

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ECONOMIC

CLOSE RELATIONS BEING FORGED BETWEEN EGYPT, JAPAN

Tokyo BUSINESS JAPAN in English Feb 80 pp 35-44

[Article by Masayuki Tomita, Ministry of International Trade and Industry]

[Text]

THE Egyptian economy has been weakened by several Middle East wars. For several years Egypt has suffered from constant international payments deficits and a huge fiscal deficit. At the end of 1976, the national economy was about to collapse, with foreign currency reserves of \$339 million and external debts of \$8,160 million.

Since then Egypt has devoted its energies to reconstructing its economy by adopting the open-door policy. As a result of these efforts, and aid from Arab oil-producing countries and major industrialized Western countries, the Egyptian economy has shown signs of gradual improvement. The nation's trade balance for the past several years has shown a large deficit because, while the increased production of oil resulted in a small increase in exports, the import of intermediate materials, capital goods and foodstuff increased by a more marked degree. The overall balance of payments, however, is improving thanks to revenue from the Suez Canal and the increased remittances from Egyptian workers abroad.

The peace treaty between Egypt and Israel, signed in March 1979, created quite a stir in Arab countries. These countries were so angered that they decided, in a conference of Arab foreign and economic ministers held just after the signing of the treaty, to impose sanctions against Egypt, such as its disqualification of membership in the Arab League and other Arab organizations and discontinuation of

economic aid. There was concern about the possible effects these sanctions might produce on the Egyptian economy.

According to statistics on Egypt's trade in the first half of 1979, exports totaled E£506 million (\$723 million), increasing by 52.9% over the same period of 1978 (E£331 million), and imports totaled E£1,160 million (\$1,657 million), increasing by 3.4% over the same period of 1978 (E£1,121 million). With respect to Egypt's trade with other Arab countries, exports totaled E£52 million, increasing by 29.9% over the same period of 1978, while imports totaled E£26 million, dropping by 22.6% from the same period of 1978. These figures show little evidence of the trade boycott of Egypt by Arab countries.

Trade Between Japan and Egypt

In 1978, Japan's exports to Egypt totaled \$400.3 million and her imports \$82.8 million. Exports were made up of machinery (63.9%), metal

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Table 1 Japan's Trade with Egypt

Unit: \$1,000

Goods \ Year	1976	1977	1978	Compared with year before (%)
Export total	328,917	387,379	400,336	103.3
Foodstuffs	7,186	8,008	11,314	141.3
Raw materials and fuels	575	64	424	662.5
Light industrial goods	26,292	55,774	63,510	113.9
Heavy industrial goods and chemical products	293,630	322,525	324,021	100.5
Reexports and special goods	1,234	1,008	1,068	106.0
Import total	67,881	78,684	82,829	105.3
Foodstuffs	12	54	121	224.1
Raw materials	58,035	64,657	44,852	69.4
Mineral fuels	3	14	5	35.7
Processed goods	2,602	13,739	37,397	272.2
Reexports and special goods	7,228	220	453	205.9

Source: White Paper on International Trade

products (14.5%), textile goods (8%) and others. Main export items included steel (10.8%; 7.6% for steel pipes), communications equipment (13.3%; 8.6% for TV sets) and transportation equipment (28.4%; 14% for automobiles and 13.1% for ships). The main import items included raw cotton (54.2%), which is valued because of its long fiber, and aluminum ingots (44.6%).

Japan's exports to Egypt reached \$328 million in 1976 (a 55% increase over the previous year), \$387 million in 1977 (an 18% increase) and \$400 million in 1978 (a 3% increase). Japan's imports from Egypt were \$67 million in 1976 (a 448% increase over the previous year), \$78 million in 1977 (a 16% increase) and \$82 million in 1978 (a 5% increase). Thus, the trade between Japan and Egypt has steadily increased.

According to Egypt's statistical data for 1978, exports to Japan and imports from Japan accounted for 4.7% and 5% of Egypt's total exports and imports respectively. Japan stood fifth as importer from Egypt and sixth as exporter to Egypt among world nations.

In January-October 1979, Japan's exports to Egypt totaled \$312 million

(0.6% drop from the same period of 1978), while imports from Egypt totaled \$86 million (a 26.0% increase over the same period of 1978).

Egypt's new five-year economic development plan (from 1978 through 1982, a total investment of \$31,599,100,000) is now under way. Presumably the nation will import an increasing amount of materials and machinery for development in order to build an infrastructure. Egypt has become an oil-exporting country since 1969 and, in 1977, produced 412,000 B/D of oil. Some estimate that Egypt's oil production will soon reach 1 million B/D now that the Sinai Peninsula has been returned to Egypt under the Egypt-Israel Peace Treaty. Japanese corporations have already started exploration for oil in Egypt, with some results. It is hoped that Egyptian oil will be exported to Japan in the future.

The Egyptian economy faces such difficulties as a large fiscal deficit and an imbalance in international payments. It is not likely that these economic difficulties will be resolved very soon, considering that an increase in government expenditure is indispensable for the nation's economic devel-

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Table 2 Egypt's Trade with Other Countries

Unit: \$1 million

Country	Export			Country	Import		
	1976	1977	Compared with year before (%)		1976	1977	Compared with year before (%)
Total	1,529	1,708	111.7	Total	3,862	4,815	124.7
USSR	373	396	106.2	USA	624	788	126.3
Italy	128	181	141.4	West Germany	440	516	117.3
Czechoslovakia	85	114	134.1	Italy	303	430	141.9
Greece	54	105	194.4	France	233	304	130.5
East Germany	78	85	109.0	United Kingdom	218	281	128.9
United Kingdom	60	71	118.3	USSR	191	271	141.9
Japan	52	62	119.2	Japan	139	249	131.7
(Japan's share in %)	(3.4)	(3.6)		(Japan's share in %)	(4.9)	(5.2)	
France	54	61	113.0	Australia	149	140	94.0
Switzerland	21	53	252.4	Netherlands	151	128	84.8
Netherlands	40	49	122.5	Yugoslavia	63	118	190.3

Source: UN-YITS

Gratuitous Cooperation to Egypt
As contracted in exchange of notes as of the end of December 1978

(Unit: ¥1 million)

Date of contract	Project	Value	Remarks
77.Oct.12	[General gratuitous cooperation] Machinery and materials for Jobra Center for machine operation and vocational training	360	
78.Oct. 5	Housing program for low-income bracket (small steel bars) [KR foodstuff aid]	2,500	
69. Jan.22	Spanish rice	2	Completed

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opment and also that the import demand for intermediate materials and capital goods will probably increase as well.

However, hopes are held out for the expected revenue increase from the Suez Canal after it has been widened, along with a steady increase in revenue resulting from tourism, an increase in oil exports, and the peace treaty with Israel. In addition, financial and technological cooperation from industrialized nations will help resolve the country's economic difficulties.

Economic Cooperation

As far back as 1958, Japan decided to supply capital goods totaling up to \$30 million for the United Arab Republic on a deferred payment basis as her first economic cooperation program for that country. Japan in effect helped the United Arab Republic financially to import capital goods such as sugar-manufacturing plants and cotton-spinning plants up until 1964. In April 1973, Japan provided commodity aid amounting to ¥3,080 million for Egypt. In December 1973,

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Paid Cooperation to Egypt
As contracted in exchange of notes as of the end of December 1978

(Unit: ¥1 million)

Date of contract	Project	Value	Organization	Interest rate	Term	Kind	Remarks
	[Yen credits]						
73.Apr.29	01 - Commodity aid (1)	3,080	EIBJ	4.50	20(7)	C	
74.July.25	02 - Commodity aid (2)	7,500	OECF	3.50	25(7)	C	
75.Apr.16	03 - Expansion of the Suez Canal	38,000	OECF	2.00	25(7)	P	
75.Apr. 2	04 - Commodity aid (3)	15,000	OECF	3.50	25(7)	C	
76.Oct.19	05 - Repair of Alexandria Port	5,805	OECF	3.50	25(7)	P	
76.Dec. 5	06 - Improvement of Greater Cairo water supply	5,820	OECF	3.50	25(7)	P	See Note 1
77.11. 5	07 - Expansion of the Suez Canal	23,000	OECF	3.50	25(7)	P	
78.May.30	08 - Improvement of Greater Cairo water supply	3,375	OECF	3.50	25(7)	P	See Note 1

Note 1: These two projects were undertaken within the framework of yen credits totalling ¥15,000 million (project aid) which Japan had offered to Egypt in February 1974.

Note 2: Abbreviations EIBJ - Export-Import Bank of Japan
OECF - Overseas Economic Cooperation Fund
C - Commodity aid P - Project aid

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Economic Cooperation to Egypt in the Private Sector
(As approved and granted by the authorities)

(Unit: \$1,000)

Fiscal year	~74	75	76	77	Total
Deferred-payment exports	102,705	12,501	48,581	24,802	188,589
Overseas investments	191	-	-	8,073	8,264

special envoy Miki visited Egypt. Thus, Japan's economic cooperation with Egypt increased rapidly in the 1970s.

In February 1974, Japan announced its intention to extend yen credits to Egypt - ¥15,000 million in commodity aid and ¥15,000 million in project aid. Actually, with regard to commodity aid, notes were exchanged for ¥7,500 million in July 1974 and for ¥15,000 million (including an additional ¥7,500 million) in October 1975. With regard to project aid, a note was exchanged for ¥38,000 million in April 1975.

Later, exchange notes were signed

for commodity aid and additional project aid concerning the expansion of the Suez Canal. In October 1978, it was decided to extend yen credits totaling ¥30,000 million to Egypt. The exchange of notes for about ¥25,000 million has already been signed. A credit line was drawn at \$100 million for the three years starting in fiscal 1976. The line was shifted to \$200 million for the three years starting in fiscal 1979. The financial cooperation the Japanese government has promised to give Egypt added up to ¥104,400 million at the end of 1978, of which gratuitous cooperation

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amounted to ¥2,800 million and paid cooperation ¥101,500 million. Gratuitous cooperation has been extended to machinery for vocational training centers and the housing program for low-income workers. Paid cooperation has been extended in the form of yen credits for commodity aid and project aid.

Financial cooperation in the private sector in 1977 included deferred-payment exports totaling \$24,802,000 (a total of \$188,589,000 up to the end of 1977) and investment in Egypt totaling \$8,073,000 (a total of \$8,264,000 up to the end of 1977). Specifically, project aid programs included the repair of Alexandria Port (scheduled to be completed in 1981; ¥5,850 million credit); the improvement of the water supply system in Greater Cairo (improvement of water pipe facilities and pumping facilities; exchange of notes signed for ¥5,820 million credit and for ¥3,375 million credit, for the two separate stages of construction work); and the expansion of the Suez Canal (¥38,000 million credit already provided for the first stage of construction work — widening the canal to 160 meters; exchange of notes for a ¥23,000 million credit signed in November 1975).

The Japan International Cooperation Agency (JICA) and a few other organizations receive trainees from Egypt (126 trainees in 1977 with a total of 779 trainees up to the end of 1977) and dispatch of specialists to Egypt (45 specialists in 1977 and a

total of 209 specialists up to the end of 1977) as part of Japan's technological cooperation program with Egypt.

In January 1977, an investment guarantee treaty was concluded between Egypt and Japan for the purpose of encouraging Japanese corporations to make direct investments in Egypt. The treaty, which is not by itself economic cooperation, is structured on two points: protection of invested assets and most-favored-nation treatment for Japanese investors.

Future Outlook

Along with Saudi Arabia, Egypt is a military, economic and demographic power in the Middle East, and is located in a place of geographic importance. Shunned by other Arab countries after concluding a peace treaty with Israel, Egypt still has a strong influence in the Middle East. It is not possible to talk about the Middle East without taking Egypt into account. Arab history is, in a sense, a history of constantly changing relationships between countries. It is quite possible that some day Egypt will regain its leadership in this area.

In view of the expected increase in oil production, Egypt will hold an increasingly important position in the area in terms of oil strategy. It is a big advantage to Egypt to be able to concentrate on building her economy now that the long conflict with Israel is being resolved. □

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ECONOMIC

HIGH ENERGY COST DAMPENS PROSPECT OF SIX PERCENT ECONOMIC GROWTH

Tokyo ASAHI JANARU in Japanese 18 Jan 80 pp 88-94

[Article by Takao Tomitate, director of Japan Energy and Economic Research Institute]

[Text] With the new year, the cold of winter has finally come upon us. For the students it is now the season for the final exams of the school year and the college entrance exams. But how are the study rooms being heated now? I suppose that even in the midst of the grumbling that "Kerosene has gotten expensive..." the heaters are probably being left on as a matter of course where studies are the purpose. While last year was called the second oil crisis, there were, fortunately, almost no shortages and, at this point, all of the worry is about the effects of the high increases in the price of crude oil (which moved suddenly into the era of \$30 a barrel oil).

Nevertheless, the situation in the 1980's will in fact require such austerity that attention to conserving energy will affect even the study rooms. At the time of the first oil crisis 6 years ago we Japanese were sometimes amazed and sometimes envious of the Americans who were examining their consciences over an energy wasting society which "used too much air-conditioning and wore long sleeves in summer and used too much heat and wore short sleeves in winter." When you think about this, however, although there is a difference in degree, has a similar paralysis toward wasteful consumption not penetrated deeply into the Japanese feelings about living?

For example, if the government established an energy conservation goal of "setting heat at 18 degrees or less," do we not perceive this as the "beginning of a life of austerity" and do we not feel a sort of reaction against "a government initiated movement" even though the goal is basically good for the health and should be efficient for work and study (judging from winter biorhythms).

This is somehow similar to the "sense of recession" which was widespread in industry at the shift from a high growth rate of 10 percent to a low growth of 5 percent.

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Now, when a period of 4 to 3 percent growth should be faced up to, the predominant mood in government and industry is still to persist in calling for 5 to 6 percent growth without looking at the situation seriously or to lose confidence completely. This point, I believe, can also be made with few distinctions for the non-government parties, both moderate and reformist, and for the labor unions.

Even at \$30 a Barrel Crude Is Not Too High

For an industrial country which developed at a high rate, as did Japan, it is healthy to become able to get along on 3 to 4 percent growth; the sickness is for unemployment and bankruptcies to increase and real wage increases to be out of control unless there is 5 or 6 percent growth. To prescribe maintaining a 5 or 6 percent growth rate to cure this sickness is like an overweight middle-aged person always eating heavily after wasting his time jogging.

The heart of the problem is that because we are caught up in an illusion of growth which does not fit our strength, we, on the one hand, set up unrealistic targets for developing alternate energy without measures to implement these goals and, on the other hand, we are more terrified than necessary by the threat of oil shortages and an energy crisis. We must look coolly at the severity of the situation and we should have more discussion of what sort of economic management and production structure and what kind of life style of energy consumption will enable us to guarantee sufficient oil and energy to maintain a 4 percent growth rate and steadily improve the people's living over the next 10 years. I think that doing this will require the courage to boldly present arguments which run contrary to the feelings which have become deeply engrained during the period of high growth.

Almost everyone realizes that the prices of oil up to now have been too low, but when people are faced with the price of crude oil at \$30 a barrel there will probably be very many people who will complain that OPEC (The Organization of Petroleum Exporting Countries) has probably gone too far and that kerosene (heating oil) at 1300 yen a can is too high. I feel that from the viewpoint of the basic value which oil has, the price still cannot be called too high.

First, let us recall what the prices for oil were before the high growth period (1960-1973) began. In 1958, for example, gasoline was about 40 yen per liter and kerosene (heating oil) was 350 yen a can (18 liters). (The price of crude at that time was \$2.08 per barrel.) That was the year I graduated from college, and my starting salary was just over 10,000 yen. Students threw some charcoal briquets into a round footwarmer, propped their feet close to this and did their studying wrapped in blankets. They often used electric footwarmers. Only a few rich boys rode in automobiles; there were kerosene heaters but they (both the equipment and the kerosene) were too expensive to buy.

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By 1970, the peak of the high growth period, the price of kerosene was down to 300 yen a can. Gasoline was 48 yen (the price had gone up to cover increased taxes) and students who commuted to school by car were not unusual. In the meantime, the wage index increased by 3.6 times and consumer prices were twice as high. The price of crude oil dropped to \$1.30 per barrel. Consumption of petroleum increased by 4 times and consumption of kerosene (heating oil) increased by 13.5 times. Use of kerosene heaters spread to nearly every household. (See chart 1.)

Preserving Oil With Low Production and High Prices

In the first oil crisis in the autumn of 1973, the price of crude shot up to five times what it had been, and wild consumer prices lapsed into panic. It was an experience no one can forget, but in 1977, the year before the second oil crisis, the price of kerosene (heating oil) was 650 yen and gasoline cost 90 yen a liter. This is an increase of about double the 1958 prices. In the same period, consumer prices went up by four times. The wage index went up by more than 10 times. The amount of kerosene (heating oil) consumed increased by more than 20 times. The total consumption of petroleum increased by 16 times.

In the second oil crisis last year, the price of crude doubled. As of the end of December, the shifting of this increase to the prices of petroleum products was still not finished, but the price of kerosene (heating oil) had gone up to 1300 yen and gasoline was up to 150 yen. These, however, are still not four times the 1958 prices. I am not insisting that kerosene (heating oil) is not to be used in the home. What I want to point out is the fact that the movement to restore oil prices is still not finished. At the same time, I want to emphasize that to call for conservation when prices are low is basically a waste of talk.

For a limited resource such as oil, which will dry up, the price does not become (relatively) cheaper with mass production as it does with televisions or automobiles. Furthermore, from the producing countries' point of view, the price of crude oil, which reached a peak of \$2.22 per barrel in 1947, had been held low until just before the first oil crisis, and with the recent second oil crisis these countries were merely implementing (more accurately, had become able to implement) the very natural idea of leaving as much as possible of this precious resource to posterity through high prices and low production and, in the meantime, pursuing economic and social development.

Before we go into the advantages and disadvantages of the effect this will have on the world's economy, we must take this occasion to face the stark facts of the situation; e.g., the prices of both crude oil and petroleum products in 1970 were too low and the price of crude will probably continue to rise not only to simply recover from the relatively low levels of the past but to reach beyond that point to its high basic value (for the present that would be the cost of alternate energy). Furthermore, even though there

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have been temporary, short-term adjustments, OPEC will probably persist to the death with its basic strategy of a policy of high prices and low production. Just as there is no way to cure obesity other than cutting down on meals, we must be resigned to oil shortages in order to cure the overblown use of oil.

The OPEC general meeting in Caracas at the end of last year broke up without an agreement on the question of prices. Later Venezuela, Kuwait, Iraq and Indonesia, the "middle of the road group" raised their price \$2. In practice, they shifted to a system of \$26 per barrel for standard crude. Then, the hard-liners such as Libya and Nigeria put on an additional increase of \$4.70, causing the ceiling price to jump to \$34.70. As a result, the weighted average of posted prices for OPEC crude (the average price weighted by volumes produced) rose from \$25.80 at the end of the general meeting in Caracas to \$28.70 after 1 January.

Furthermore, most of the oil producing countries have adopted a policy of handling themselves the marketing (DD crude which the producing countries sell directly, GG crude which is sold in government-to-government deals and spot crude which is sold in immediate sales) for which they had relied upon the majors (international oil capital). Furthermore, the producers' policy is to sell at prices higher than the posted price, and they are proceeding rapidly to increase the proportional rate of this kind of direct marketing. For the present Saudi Arabia has left the standard price for Saudi produced crude at \$24, but there is a strong possibility that as early as the extraordinary general meeting at the end of February or as late as the regular general meeting at the end of June (in Algiers), Saudi Arabia will raise this price to about \$28 on the condition that the ceiling price be held to around \$35 as a step toward unifying the divergent prices. This year, because of such factors as high prices, oil conservation by the consumer countries, world business recession and increased stockpiles, the demand for oil will probably move from stagnation toward decline. The producing countries will probably respond with policies of reduced production and will probably try to prevent reduction in the actual value of the crude oil prices (due to inflationary rollback and decline of the dollar). The basic policy of OPEC as a whole, including Saudi Arabia, is, "Maintain the real price when business conditions are poor by reducing production (nominally raising the price) and raise the real price when business recovers or improves."

Payments for Oil Imports Exceed Half of Total for Imports

This basic strategy should be seen as having been strengthened at the general meeting in Caracas, which broke down. The theory of a breakdown of OPEC which was voiced in some quarters was mistaken. In the so-called "general summary," OPEC did not reach agreement on the particulars of the extent of price increases and unification of prices despite the fact that OPEC had strengthened its solidarity as a group in the course of the second oil crisis. One reason for this failure to reach agreement was a difference of views between the hard-liners and the moderates about this year's supply and demand

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situation and the effects of a price increase on the world economy. Another reason seems to have been that international politics were involved in the situation (dealings over the PLO problem and the moderates' cooperation with the American policy of isolating Iran; incidentally, Iran was a leader of the radicals at the Caracas conference).

Accordingly, sooner or later, Saudi Arabia will be seen shifting to a policy of increased prices and decreased production and, if the expansion of direct deal crude is taken into consideration, the prices of crude oil this year will move toward a completely established period of \$30 prices. In the more medium to long range view, the ceiling on OPEC's capability to produce more is low. It stands at 34 million barrels per day as opposed to current production of 31 million barrels. In contrast to this, according to estimates by the IEA (International Energy Agency), the demand for imported OPEC crude will be 45 million barrels by 1985 even if the maximum import volumes set at the Tokyo Summit are observed. In 1990 there will be a huge demand for 41 million barrels. The extent of the latent shortage in supply is growing.

Calculations of this gap between supply and demand incorporated efforts to develop alternate energy and to conserve energy. It can be expected that even with intensified efforts, there will ultimately be no way to strike a balance in the real world other than by downward revision of economic growth. Predictions for the 1980's are that the "seller's market" for crude oil will basically continue and that the price of crude will rise to \$45 to \$57 in 1985 and \$80 to \$99 in 1990 (Chart 2).

Production in non-OPEC oil fields and development of alternate energy will certainly be promoted gradually but in the next 10 years will not progress as far as is hoped, even considering the time factor. Consequently, there will be a strong tendency for prices to rise along with OPEC crude for the time being. Therefore, non-OPEC oil production and development of alternate energy cannot act as a brake on the rise of crude oil prices. Incidentally, through the action of inflation the price of crude oil and the costs for alternate energy are in a race with one another. Last year when crude was \$20, it was said that the cost of alternate energy would be from \$35 to \$50. Because of the further effects of inflation this game of catch-up will not be over even by 1990.

Judged from the basic perception of the situation for the 1980's given above, the international environment in which Japan could continue to have a 5 to 6 percent growth rate has ceased to exist. Let me point out here the rapid growth of payments for petroleum imports as the effect of high increases in the price of crude on Japan. By comparison with the previous year, OPEC's average crude oil price level (official prices only) in 1979 rose by a very large 43.7 percent, and this year the rate of increase will be even greater at close to 50 percent. This is because in ever so many increments the price of crude oil has been increased gradually. In particular, the impact of the period of \$20 crude which began in July last year and the period of \$30 crude which began in January this year will penetrate the world economy in earnest

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later on. In Japan's case, the amount of petroleum imports in 1978 accounted for just 30 percent of approximately \$80 billion for total imports, but, as can be seen from chart 2, the amount of oil imports could be \$63 billion and in excess of 50 percent of total imports. By comparison with other countries, Japan has so far relied conspicuously on the majors for its supply of crude oil. However, with the switch toward direct deal marketing since last year, the majors' extra capacity to supply crude to third parties (non-affiliated enterprises) has declined. Because of this there was a series of cuts in supply and limitations were placed even on supplies to affiliated companies. The majors' share of the crude oil supplied to Japan, including crude supplied to affiliated companies, fell from a previous 70 percent to 50 percent at the end of last year. Since this trend will continue this year, for the present Japan will probably be placed in the position of having to import on its own (through spot purchase, DD or GG deals) a large percentage of its crude oil. Furthermore, on the basis of the predictions for increases in crude oil prices given above, and assuming that the 6.3 million barrel per day upper limit for oil imports which was internationally accepted at the Tokyo Summit can be guaranteed, the amount of crude oil imports in 1985 will be \$115 billion (real value at 1980 prices would be \$82 billion) and in 1990 the figure will reach the huge amount of \$207 billion (105.2 billion in 1980 dollars).

Furthermore, beginning this year the import prices of LNG and LPG will be completely linked with increases in the price of crude oil and this will probably have an effect on the import price for coal. Therefore, the sudden increase in costs for imported energy will be a mortally serious problem for Japan's economy, which has to move to "escape from oil."

Supply and Demand Estimates Which Presume a 5 Percent Growth Rate

In the face of such a serious situation as described above, what sort of situation has Japan's energy policy gotten into? At the end of August last year, the "Advisory Committee for Energy" (an advisory organ for the minister of international trade and industry) released its "Tentative Outlook for Long Term Supply and Demand for Energy." At present this is the government's official supply and demand forecast; all energy policy will be promoted on the basis of this forecast. However, these figures are maximum "objectives" rather than "prospects." More precisely, they are a statement of ideal possibilities which have already become unattainable.

The forecast incorporates the maximum volume of 6.3 million barrels of imported oil per day (366 million liters) for Japan, which was set at the Tokyo Summit. The forecast aims at making up for control (reduction) of petroleum imports with conservation and development of alternate energy. Furthermore, it sets goals for reducing, to some limited extent, oil imports after 1985. Consequently, in some respects the forecast can be appreciated as Japan's first "plan to escape from oil." However, the forecast sets very high economic growth rates of an average of 5.7 percent from 1977 to 1985, 5 percent from 1985 to 1990 and 4 percent from 1990 to 1995. As a result, the report balances its estimates with inconceivably high targets for development of alternate energy.

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If the maximum goals which seem possible to realize are posited for the introduction of alternate energy, the figures in the right hand column of chart 3 are the result. That is, various downward revisions are necessary. The figure for electric power produced by atomic energy in 1990 would be 35 million kilowatts and not 53 million kilowatts as in the government's forecast. LNG imports would be 35 million tons instead of 45 million tons. Imports of common coal used as fuel for industry or generating electricity would be slightly less than 30 million tons rather than 53.5 million tons (the remaining 90 million tons would be coal used as raw material in making steel). Geothermal energy would be 550,000 kilowatts rather than 35 million kilowatts. New energy such as solar energy (solar houses, etc.), liquified coal and alcohol fuels would convert to about 12 million kiloliters of petroleum rather than 38.5 million kiloliters.

Having the Courage To Tell the Overweight Japanese To Eat Less

Since the development of an energy supply system requires a long lead time, immense investment and development of technology, it is comparatively clear whether or not "targets" for 10 years later on are unreasonable or not. Thus, assuming achievement of the realizable goals given above and achievement of a rate of energy conservation no less than that predicted by the government, Japan's economic growth rate from 1977 to 1985 will average 4.8 percent (from 1980 to 1985 the average will be 4.5 percent) and from 1985 to 1990 the average will probably be about 3.5 percent. In other words, in view of energy limitations, an average growth rate of 4 percent is appropriate as the economic growth rate for the 1980's. However, at the present time, both the government and the various political parties, in general, are insisting on 5 to 6 percent growth and are calling for a rate of energy conservation and targets for development of alternate energy (although the targets are different) which are unrealistic (or which they have not studied carefully). To put it bluntly, they are afraid of movements in election voting and they cannot take the lead in facing head on the responsibilities of lowering growth rates and rising energy costs. As in the simile used above, they recommend exercise for the overweight patient but they do not have the courage to talk about a stringent reduction in food consumption (one that would not, however, be severe for the normal person). This is a situation which can only be called a lack of leadership in politics.

From a different viewpoint (with a shift in concepts), Japan's future can even be considered very bright in that Japan can maintain over the next 10 years a 4 percent growth rate which has already become a high rate of growth in Europe and America. Even so, guaranteeing 63 million barrels of oil imports and developing alternate energy to meet the realistic targets mentioned above will require shouldering a very heavy cost in effort and capital.

However, at present, we are on the one hand promoting policies to stimulate business and promote growth with a goal of 5 to 6 percent while, on the other hand we are intervening in energy costs and cannot implement resolute and effective policies to conserve energy and develop alternate energy. If this

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situation continues, it will only invite acceleration of runaway inflation, and ultimately the Japanese economy could collapse in confusion (there is even concern that in the next 10 years Japan will suffer the agony of a minus growth more than once or twice and, as a result, even 4 percent growth will become unlikely).

In the uncertain situation involving energy at home and abroad which can be expected in the 1980's, the high price of crude oil can probably be more smoothly absorbed, the Japanese economy given greater resistance and the people's economic losses better held to a minimum by intervening as little as possible in the price of energy and making more effective use of the market mechanism.

In particular, political intervention in the mechanism of passing on and absorbing increased prices for imported energy should be avoided. Furthermore, more consideration should be given to the energy saving effects of making the utmost use of the price mechanism.

However, policy management and an oversight structure to see that inflation is not brought on by opportunistic price increases and gaps in supply will be necessary and, in addition, it will probably be necessary to devise measures to relieve the low-income classes (from the high prices of energy). Incidentally, when the price of gasoline was raised 10 percent the effect on consumer prices was an increase of less than 0.2 percent; for kerosene (heating oil) the effect was less than 0.04 percent. Petroleum products as a whole increased wholesale prices 0.6 percent, consumer prices 0.5 percent and export prices 0.7 percent or less. (This is based on industry related tables for 1974. The increase could be expected to be less today.)

Now is the time when politicians and scholars and other opinion leaders, rather than the oil companies and electric power companies, should be calling the people of the country to a "design for living" which urges them to shoulder legitimate costs and economize on the consumption of energy under conditions of high energy costs.

This is not a matter of victimizing the people. On the contrary, I feel that thorough conservation of energy in daily living is the most powerful means of sharply criticizing opportunistic price increases and mistakes in policy management. Furthermore, I think this is the way toward steady economic growth and improved living standards.

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Chart 1 Oil Prices and Consumer Prices/Wages

	1958	1970	1977	End of 1979
Crude oil prices (dollars/bbl)	2.08(100.0)	1.30(62.5)	12.70(610.6)	24.00(1153.8)
Retail gasoline price (yen/liter)	40(100.0)	48(120.0)	90(225.0)	150 (375.0)
Retail kerosene (heating oil) price (yen/18 liter)	350(100.0)	300(85.7)	650(185.7)	1300 (371.4)
Consumer price index	100.0	199.1	400.4	440.7
Wage index	100.0	360.6	1044.2	1181.0
Gasoline Consumption (10,000 kl)	412.4(100.0)	2101.4 (509.6)	3126.7 (758.2)	3416.8 (828.5)
Kerosene (heating oil) consumption (10,000 kl)	117.5(100.0)	1583.5(1347.7)	2401.2(2043.6)	2742.6(2334.1)
Oil consumption (10,000 kl)	1894.8(100.0)	26684.2(1408.3)	30506.9(1610.0)	31425.8(1658.5)

(Note) 1. Oil consumption for 1979 is based on petroleum supply plans.
 2. Figures in parentheses are in proportion to the base year 1958 expressed as 100.

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Chart 2 OPEC Crude Oil Price Increases and Amount of Petroleum Imports (dollars/barrels)

	1979 (end of December)	1980 (forecast for July)	1985 (forecast)	1990 (forecast)
Standard crude	24.00	28.00	45(32.5)	80(41.5)
Ceiling price	30.00	35.00	57(40.6)	99(51.8)
Weighted average price	25.80	29.80	44(31)	78(40)
Price delivered to Japan	29.83	33.94	50(36)	90(46)
Amount of petroleum imports (100 millions of dollars per year)	--	628	1,150	2,070
Percentage of total imports	--	48-56 percent	--	--

- (Note) 1. The total imports for 1980 are based on government predictions of \$112.8 to \$130 billion.
2. After 1 January 1980 the ceiling price will rise to \$34.70 and the weighted average price will rise to \$26.70.
3. Figures in parentheses are real prices in 1980 dollars.

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Chart 3 Outlook for Energy Supply and Demand

	1977	1985	1990
	Government predictions ¹	Energy research predictions ²	Government predictions
			Energy research predictions
Hydroelectric power (10,000 kw)	1,810 (4.8)	1,850 (3.8)	1,950 (3.6)
Geothermal Power (10,000 kw)	8 ---	30 (0.1)	55 (0.1)
Oil, gas (10,000 kl) ³	379 (0.9)	640 (1.2)	940 (1.6)
Coal (10,000 tons)	1,972 (3.2)	1,862 (2.3)	1,862 (2.1)
Nuclear power (10,000 kw)	800 (2.0)	2,370 (5.9)	3,500 (7.9)
New forms of energy (10,000 kl) ³	31 (0.1)	80 (0.1)	1,186 (2.0)
Imported LNG (10,000 tons)	839 (2.9)	2,900 (7.2)	4,500 (9.0)
Coal imports (10,000 tons) ³	5,829(11.6)	10,100(13.6)	14,350(15.6)
(Common coal included) (10,000 tons)	(95)	(2,200)	(5,530)
Imported petroleum (100 million kl)	3.07 (74.5)	3.66 (66.8)	3.57 (58.5)
Totals (100 million kl) ³	4.12(100.0)	5.82(100.0)	7.00(100.0)

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- (Note)
1. From "Tentative Outlook for Long-Term Supply and Demand for Energy" published in August 1979 by Advisory Committee for Energy.
 2. With some revisions taken from "Medium and Long-Range Outlook on Energy Supply and Demand" published in December 1979 by Japan Institute for Energy and Economic Research.
 3. Calculated on crude oil amounts. Incidentally, it would be more accurate to refer to both sets of predictions as "targets."

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