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Report Name: Japan Releases Details on Agricultural Export Expansion Plan

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Report Highlights:

The Government of Japan (GOJ) published a report outlining measures to address next steps in the Export Expansion Action Strategy for Agriculture, Forestry and Fisheries Products and Food. The GOJ intends to facilitate investment in export facilities and export logistics throughout food and agricultural supply chains to achieve its goal of growing exports of these products to two trillion yen (US\$19 billion) in 2025 and five trillion yen (US\$48 billion) in 2030. The GOJ intends to reinforce its export support system and to provide industry groups a legal basis to administer commodity checkoff systems modeled after those overseen by USDA.

Background

In November 2020, the Government of Japan (GOJ) announced the “[Export Expansion Action Strategy for Agriculture, Forestry, and Fishery Products, and Food](#)” (Japanese only; hereinafter referred to as “Export Expansion Strategy”) ([JA2020-0201](#)) and in May followed up with the, “[Export Expansion Follow-Up Report](#)” (Japanese only; hereinafter referred to as “Follow-Up Report.”) The Follow-Up Report provides additional details about the measures proposed in the Export Expansion Strategy and addresses hurdles to increasing agricultural exports. The Follow-Up report has 12 total measures with some measures, in bold, summarized in this report.

- 1. Nurturing production areas and businesses that systematically work on market-in exports by utilizing specialized human resources**
- 2. Product specific industry groups**
3. Government-affiliated organizations work together to establish a system to provide professional and continuous support to export business in major export destination countries / regions
- 4. Revision of the Investment Facilitation Act**
5. Establish safety net measures to deal with risks associated with trade in agriculture, forestry and fishery products and food
- 6. Build efficient export logistics and reduce transportation costs**
- 7. Promote capital investment necessary to expand exports of processed foods, and build an export system for local small and medium-sized food companies**
8. Support overseas business development of agriculture, forestry and fisheries and food companies that engage in exports
- 9. Accelerate the issuance of export certificates by utilizing private institutions**
10. Issue electronic export certificate to improve convenience for businesses
- 11. The government will work together to protect and utilize Japanese intellectual property**
12. Amend the Export Promotion Law to meet the above issues

1. Nurturing production areas and businesses that systematically work on market-in exports by utilizing specialized human resources

The Export Expansion Strategy designated 27 products as products with export growth potential and instructed the Ministry of Agriculture, Forestry and Fisheries (MAFF) to prioritize its export market-oriented production support to these products. Current MAFF export market support, includes low interest loans, tax incentives, and support payments, outlined “[Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food.](#)” By May 27, MAFF had approved and registered 1,261 [export-focused production areas](#) (Japanese only), consisting of producer groups and agricultural corporations that produce or process one of the 27 products. To facilitate improvements to export facilities, such as new production lines and cold storage, MAFF added a facility investment plan component to export business plan and is considering an expansion of incentives for these types of improvements.

Establish Product-Specific Industry Groups

The Follow-Up Report proposes to revise the “[Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food](#)” to establish and legislate “product-specific industry groups” under this Act. This would give product-specific industry groups a legal basis to raise revenue from members to

fund export promotion and industry activities, modeled after the “Commodity Research and Promotion Programs” overseen by the United States Department of Agriculture (USDA).

The Follow Up Report calls for product-specific industry groups to set unified specifications for production, distribution, and sales to ensure quality consistency, establish industry-wide brands, and improve logistical efficiency. It also calls for product-specific industry groups to consolidate efforts in promoting overseas market development, market research, and establishment of overseas offices in targeted markets.

2. Product specific industry groups

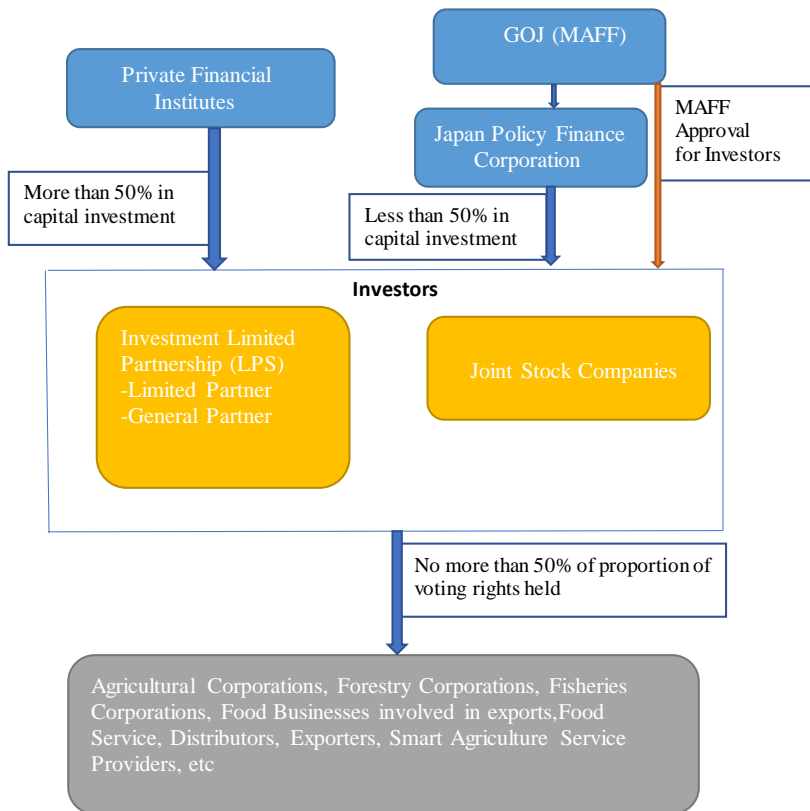
To improve the GOJ’s export support system, MAFF will reinforce its current support system in overseas markets, using the Agricultural Trade Offices of USDA and the Norway Seafood Commission as models.

- MAFF Regional Bureau Offices will hire experts from the food industry and trading houses to provide consultations to export-focused production areas.
- MAFF will also hire experts for its newly created “Exports and International Bureau” to strengthen MAFF’s export support capabilities.
- MAFF will increase the number of agricultural attaches in Japan’s embassies, consulates, and representative offices in target markets, to include the United States, the European Union, Vietnam, Singapore, Thailand, China, Taiwan, and Hong Kong.
- MAFF will establish the “Agricultural Product Export Support Platform,” and it will consist of agricultural attaches in Japan’s embassies and consulates, export advisers, and the Japan External Trade Organization (JETRO) staff in target markets. The Agricultural Product Export Support Platforms will conduct market analysis, provide market intelligence, and negotiate market access with foreign governments.
- JETRO will interview product-specific industry groups regularly and provide support for sales channel development.
- The Japan Food Product Overseas Promotion Center (JFOODO) will work together with product-specific industry groups for marketing promotion activities overseas.

4. Revision of the Investment Facilitation Act

To foster growth of agricultural corporations, the “[Act on Special Measures to Facilitate Investment in Agricultural Corporations](#)”(Japanese only, hereinafter referred to as “Investment Facilitation Act”) established a capital investment scheme for agricultural corporations (Chart 1.) Under the scheme, the GOJ-financed Japan Policy Finance Corporation and private financial institutions can make capital investments in “investors”, Investment Limited Partnership (LPS) formed by regional banks and joint stock companies, if MAFF has approved their business plans. The Japan Policy Finance Corporation can invest no more than 50 percent of the capital for “investors” while private financial institutions must account for the remaining investment. As of October 2020, MAFF had approved one joint stock company and 22 Investment Limited Partnerships (LPS) as eligible export business investors. Investment LPS are formed by general partners and limited partners based on a limited partnership agreement for investment under the “[Limited Partnership Act for Investment](#).” These “investors” then make capital investments in agricultural corporations in which the “investors” can hold no more than 50 percent of the voting rights.

Chart 1. Capital Investment Scheme under the Investment Facilitation Act



Source: MAFF

To achieve this, the GOJ revised the Investment Facility Act. The Japanese Diet promulgated the revised Act on April 28, 2021 and will enter into force on August 2, 2021. The revised Investment Facilitation Act made the following revisions:

- The revisions to the Investment Facility Act expanded the investment targets from just agricultural corporations to also include forestry corporations, fisheries corporations, food businesses including exporters, processors, wholesalers, retailers, distributors, food services, and smart agriculture service providers.
- The name of the Act has been changed to “the Act on Special Measures to Facilitate Investment in Agriculture, Forestry and Fisheries Corporations and Others.”
- The “Limited Partnership Act for Investment” requires Investment LPS to invest at least 50 percent in domestic businesses, but the revision sets a special exemption to allow 100 percent investment overseas if approved by MAFF. The revision aims to increase investment in overseas supply chains by Investment LPS.
- Previously, Norinchukin Bank’s¹ subsidiaries were allowed to hold up to 10 percent of the voting rights of a company they invest in, however, the revision abolished this 10 percent limitation to facilitate investment.²

¹ [Norinchukin Bank](#) is the central financial institution of Japanese Agricultural Cooperatives, fishery cooperatives, and forestry cooperatives.

6. Build efficient export logistics and reduce transportation costs

To achieve the five trillion-yen export target announced in the Export Expansion Strategy the Follow Up Report establishes a plan to improve efficiency in logistics, particularly to reduce domestic land transportation costs as they account for the majority of the export transportation costs. Following interviews with stakeholders, MAFF and the Ministry of Land Infrastructure and Transport (MLIT) published a report in April 2021 that identifies issues and lays out the directions for building efficient export logistics. The Follow Up Report supports the MAFF-MLIT report proposals and proposes to establish a network of export-focused production areas, logistics companies, and governments to push for necessary infrastructure improvements.

1. Establish optimal transportation routes from production areas to export destinations by shipping directly from or transporting via local ports and airports to reduce domestic transportation costs. Eventually establish a collection and transportation system and competitively priced regular transportation routes for exports in the medium term.
2. Establish stock points at local ports and airports where small lots of products that require similar temperature and treatment are consolidated for mixed load transportation.
3. The GOJ will consider selecting local ports and airports which meet the following conditions for logistics infrastructure improvement such as building refrigerated container yards and cold storages.
4. In areas where export-focused production areas are concentrated:
 - Ensure easy access to local ports and airports that have well-developed export infrastructure.
 - Ensure abundant ocean and air routes and export cargos.
5. Establish specifications and standardization for quality and temperature control and packaging materials for palletized transportation. Product-specific industry groups are expected to establish such specifications and standardization for logistical improvement. Encourage technological development of new packaging materials to enable perishables to maintain freshness.

7. Promote capital investment necessary to expand exports of processed foods, and build an export system for local small and medium-sized food companies

In 2020, processed food exports were 374 billion yen (US\$3.4 billion³), accounting for 40.6 percent of Japan's total agriculture, forestry and fisheries products and food exports. The Export Expansion Strategy target for processed food exports is an increase to two trillion yen by 2030. Most processed food manufacturers are small and medium sized companies who find it difficult to comply with regulations for food safety, additives, labeling and containers in export markets. To support those manufacturers, the Follow Up Report proposes the following:

- (1) The GOJ provides finance and tax incentives to those who have a facility investment plan in their export business plans approved by MAFF. The facility investment plan is expected to include

² This revision is set under the Ministerial Ordinance.

³ USD = 110.36 yen

establishment of new manufacturing lines and installment of machinery and equipment for traceability necessary for exports.

- (2) The GOJ coordinates regional export efforts among local food manufacturers to jointly conduct export market research, develop sales channels and products for exports.
- (3) The GOJ assists Japanese businesses for obtaining food additive approvals from foreign governments and identifies non-regulated food additive to substitute regulated additives.

9. Accelerate the issuance of export certificates by utilizing private institutions

To expedite the export certificate issuance process, the GOJ will amend the “[Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food](#)” to enable the GOJ-registered third party certifiers to issue export certificates. The GOJ will digitalize export certificate issuance process from application to delivery to the final destinations.

11. The government will work together to protect and utilize Japanese intellectual property

To prevent unauthorized transfers of Japanese *Wagyu* genetics and horticultural varieties overseas, MAFF revised the relevant legislations to reinforce management of *Wagyu* genetics distribution and prevent outflow of new plant varieties overseas.⁴ The Follow-Up Report supports the government’s reinforced monitoring of unauthorized transfers of *Wagyu* genetics and registered varieties of seeds and seedlings overseas. The Follow-Up Report recommends the use of Japanese Agricultural Standards (JAS) as a marketing tool in overseas markets and to make some JAS standards as internationally recognized through bilateral mutual recognition and harmonization with international standards.

Attachments:

No Attachments.

⁴ [The Plant Variety Protection and Seed Act](#) was revised in December 2020 to allow breeder’s right holders to designate cultivation areas in Japan and exporting countries, and cultivation of non-designated areas and exports of seeds and seedlings to non-designated countries require permissions from breeder’s right holders. As of April 9, there are 1,975 registered varieties which are subject to overseas transfer restrictions.