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Census analysis series No.4

From an analysis of business relating to agricultural production

Census analysis team of the project on the structure of the agricultural industry and rural regions

1. The larger the cultivated land under enterprise management, the greater the proportion of continuing businesses related to agricultural production

The number of agricultural enterprises (excluding only direct sales to consumers) carrying out more than one related business of agricultural production (manufacture of agricultural products, rental farms, farms for experiencing farming or field studies, tourist farms, farm hostels, farm restaurants, businesses exporting overseas, and so on) fell from 53,678 enterprises in 2010 to 36,748 in 2015. However, if we limit this to organized farms, an increase from 3,771 to 5,076 enterprises is evident. Therefore, connecting the individual dates of enterprises with business relating to agricultural industry.in the 2005, 2010, and 2015 censuses, we analyzed the trends by classifying 16,253 enterprises as “continuing” enterprises (conducting business in both 2010 and 2015), 15,419 as “newly started” enterprises (not active in 2010 but conducting business in 2015), and 35,514 as “ceased” enterprises (active in 2010 but not active in 2015).

Figure 1 illustrates the share of continuing business enterprises that were separated by the scale of the cultivated land under management in 2010. This confirmed the trend that the larger the cultivated land under enterprise management, the greater the proportion of continuing businesses.

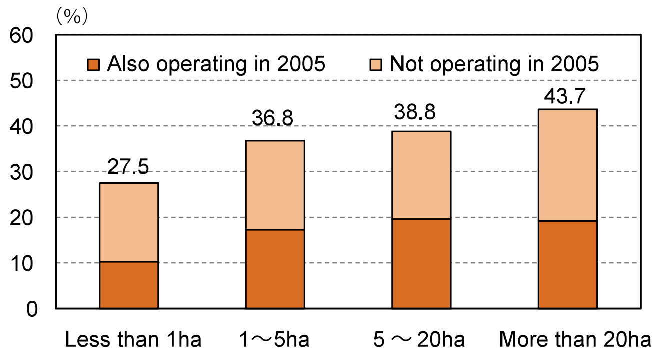

Figure 1. Share of continuing production-related business by the size of cultivated land under management（2015）

2. Fruit tree family farms remains stable

If we look at the changes in business (Table 1) among the continuing enterprises, with a focus on those already operating in 2005, we can see that many farmers in family farms cultivated fruit trees as their primary sales category and operated tourist farms. The

Table 1. Characteristics of farms operating business related to agricultural production

		Family farms				Organized farms			
		Continuing (also operating in 2005)			Newly started	Continuing (also operating in 2005)			Newly started
		2005	2010	2015	2015	2005	2010	2015	2015
Number of agricultural enterprises (farms)		7,177			1,129	912			1,798
Number of farms by the size of cultivated land under management	Less than 1ha	1,889	1,918	2,011	453	122	106	135	568
	1 ～ 5ha	4,437	4,313	4,147	493	337	306	267	636
	5 ～ 20ha	761	824	869	148	278	277	269	373
	More than 20ha	90	122	150	35	175	223	241	221
Number of farms by primary category of sales	Fruit	3,112	3,204	3,139	261	207	218	222	262
	Wetland rice	1,386	1,299	1,373	211	216	225	236	340
	Outdoor grown vegetables	704	739	828	282	77	82	85	385
Number of farms by sales of related business	Less than ¥1 million	…	…	3,094	726	…	…	135	656
	¥1 million ～ ¥10 million	…	…	3,338	308	…	…	328	600
	Greater than ¥10 million	…	…	745	95	…	…	449	542
Number of farms operating	Agricultural products	4,065	4,324	4,391	816	668	705	708	1,322
	Tourist farms	2,747	2,818	2,736	166	289	289	280	238
	Farm hostels	305	385	385	63	27	36	37	38
	Farm restaurants	195	239	251	65	77	117	107	151
Number of farms by the age of the owner	Under 39	288	199	145	297				
	40s and 50s	4,011	3,064	1,965	407				
	Over 60	2,878	3,914	5,068	425				

Source: Recombined aggregates of individual agricultural census returns（2005, 2010, 2015）.

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mid-sized groups of cultivated land, managing between 1–5ha, made up approximately 60%; this amount remained stable. Among the organized farms, the share of farms 20ha or larger rose substantially from 175 enterprises in 2005 to 241 enterprises in 2015. It is evident that the long-term business efforts of the organized farms have expanded the scale of agricultural production in order to supply raw materials and other goods.

3. Can newcomers and community-based farm cooperatives participate in business?

Focusing on "newly started" agricultural enterprises that were not operating in 2010, there were 297 family farms wherein the owner was less than 39 years old, which is a greater number than that for "continuing" enterprises (operating in 2005 as well). There were also many enterprises whose business sales were less than ¥1 million. We can infer from this fact that newly started enterprises were participating in agriculture-related business. Conversely, the number of newly started enterprises among the organized farms vastly exceeded the number of continuing enterprises; furthermore, 542 enterprises had production-related average sales of over ¥10 million. From this fact, it can be said there is a trend that organized farms, compared to family farms, are more actively entering the agricultural business.

(Analysis by Megumi OHASHI)

4. Expansion of the sales of agricultural products through direct sales to consumers

The expansion of the sales of agricultural products by making direct sales to consumers, (herein, "consumer direct sales") is expected to contribute to increased agricultural income; I will compile the trends and characteristics of these sales. As their share of agricultural production has increased greatly in the past ten years, I will focus on the trend of corporation farms increasing their presence.

Looking at the agricultural product sales of corporate organized farms, many enterprises have increased the value of their sales between 2005 and 2015, and approximately 30% of the enterprises have moved to the top-tier sales (Table 2). Although the movement to the bottom tier was also noticeable, as with other organized farms (sales over ¥15 million), the share of movement to the bottom tier does not greatly exceed the share of movement to the top tier. It is inferred that the growth in the top-tier sales of agricultural products is a factor contributing to the increase in market share accounted for by the agricultural production of corporate organized farms.

Table 2. Changes in the sales of agricultural products of farms operating continued direct sales to consumers

Sales of agricultural products in 2005 by scale	Organized farms								Family farms			
	Corporation				Others							
	Number of farms	Movement ratios in the hierarchy of sales			Number of farms	Movement ratios in the hierarchy of sales			Number of farms	Movement ratios in the hierarchy of sales		
		To the top tier	Maintaining the status quo	To the bottom tier		To the top tier	Maintaining the status quo	To the bottom tier		To the top tier	Maintaining the status quo	To the bottom tier
Less than ¥3 million	76	53.9%	46.1%	—	56	32.1%	67.9%	—	44,663	6.9%	93.1%	—
3million ～7million	79	48.1%	29.1%	22.8%	42	35.7%	40.5%	23.8%	13,327	14.7%	47.8%	37.5%
7million ～15million	127	43.3%	37.8%	18.9%	46	34.8%	37.0%	28.3%	10,671	11.8%	54.3%	33.9%
15million ～30million	192	29.7%	40.1%	30.2%	26	7.7%	57.7%	34.6%	3,765	10.9%	49.7%	39.3%
30million ～50million	163	33.1%	36.8%	30.1%	10	10.0%	70.0%	20.0%	809	16.7%	40.3%	43.0%
50million ～100million	185	20.5%	50.3%	29.2%	12	8.3%	50.0%	41.7%	312	11.2%	44.6%	44.2%
Greater than ¥100 million	213	—	70.9%	29.1%	4	—	100.0%	—	99	—	64.6%	35.4%
Total	1,035	27.3%	47.1%	25.6%	196	27.0%	53.1%	19.9%	73,646	9.3%	76.3%	14.4%

Source: From recombined aggregates of individual agricultural census returns (2005, 2010, 2015)
Note. Corporate organized farms are for commercial purposes and do not include one-household enterprises.

5. The sales channels of corporation farms operating direct sales are diversifying

The background behind the expansion of the agricultural sales mentioned above is considered to be due to changes in the shipping destinations of corporate organized farms. Figure 2 illustrates the changes in each enterprise by 2015, according to the top-ranked sales destination in 2005.

From this figure, we can infer that about 60% of the enterprises whose top-ranked sales destination was "agricultural cooperatives" in 2005 had not changed their top-ranked sales destination in 2015. This indicates that agricultural cooperatives remain positioned as important sales channels. It is suggested that market shipments function as a buffer for corporate organized farms through agricultural cooperatives, mitigating the risks of direct transactions.

It should be noted that the remaining 40% of shipping destinations differ between corporate organized farms and other farms. The share of "shippers' unions besides agricultural cooperatives" and "retailers" is comparatively high for corporate organized farms.

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Benefitting from advantages of scale while using agricultural cooperatives as a buffer, direct transactions through shippers' unions besides agricultural cooperatives to retailers that require large sales and stable supply have increased.

(Analysis by Ryosuke KIKUSHIMA)

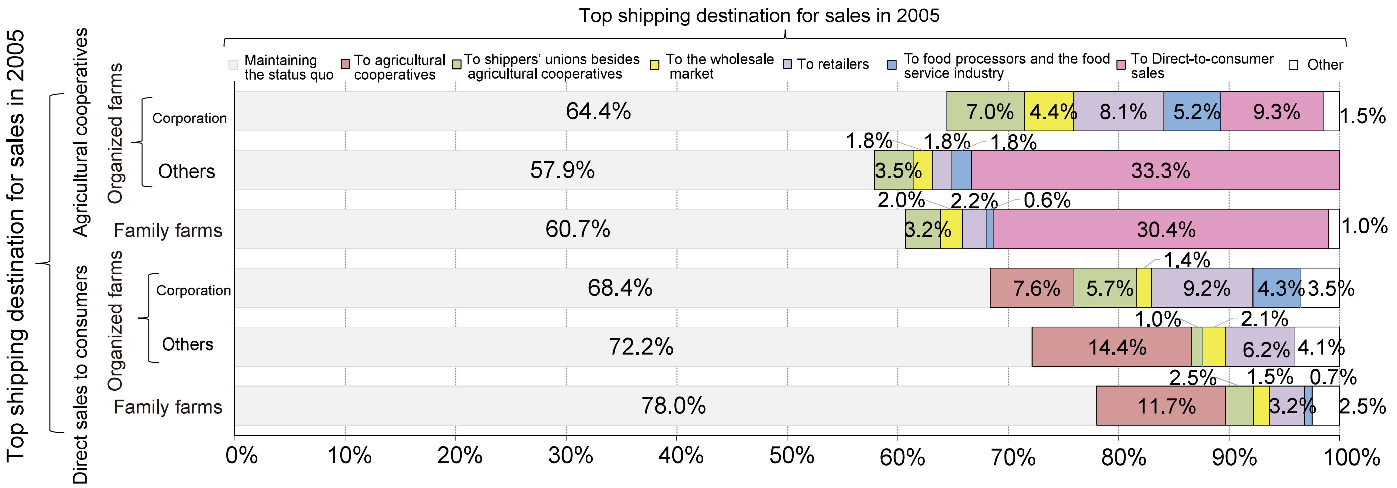

Figure 2. Changes in the top shipment destination for sales by agricultural enterprises continuing to operate direct sales to consumers

Source: From recombined aggregates of individual agricultural census returns (2005, 2010, 2015)
Note. Corporate organized farms are for commercial purposes and do not include one-household enterprises.