

The Role of Family Management Agreement in Japan

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Introduction

Post-war Japanese family farms have had considerable changes, especially over the recent passed three decades. The first, the number of family farms has decreased remarkably. The second, a lot of family farms have changed their farm organizations into the various types of farming. The third, the changes have occurred within the farm family itself. The author intends to deal chiefly with the latter points by describing the background, the actual state and the significance of the family management agreement, which has recently been diffused in Japan.

The so-called Family Management Agreement is a written form of treaty which establishes a clear-cut line for the protection of human rights and the assumption of responsibilities among the family members. It deals with payment for work done, distribution of farm revenue, day-off, succession of farm and so on. This form of agreement encourages youngsters and their spouses to participate in and be in charge of the farming operations.

We should consider the significance of family management agreement not only from the view points of improving the working conditions and/or of solving gender problems but also from that of forming new types of family farm organizations.

Background

1. The Changes of Family Farm

A part of this paper was presented at the Second Asian Conference of Agricultural Economists in Bali, Indonesia, August 6-9, 1996

Family farms in Japan may be classified into the four following categories; self-sufficient family farms, supplementary family farms, labor-intensive family farms and capitalized family farms³⁾. The prevailing type has been the labor-intensive farms to be managed without the use of hired labor. The criteria that differentiate labor-intensive farms from capitalized family farms are the separation of farm enterprise from household and modernization of the family. Modernization of a family is considered to be an evolution from an extended farm family into a sort of conjugal farm family. Such a conception as this is conceived because it has been considered right and proper that the Japanese family farm should be 'modernized' to be operated by a married couple, a husband and a wife, as in the western society.

After the war, the land reform generated the nationwide owner-operated family farms. Furthermore, the high economic development in the 60s brought about some considerable changes in Japanese family farms. For example, an enormous number of collateral members were drawn off from the extended farm families, letting the stem families become dominant. As a result, patriarchal family system was eliminated. Moreover, in the period of 1970s, not only the descendants of the family but also the heads of the farm were apt to be absorbed into off-farm or non-farm labor market. Pluriactivities of the farm family members lead the family farms to be the part-time or supplementary family farms⁵⁾.

2. Internal Conflicts

The working conditions of family farm didn't stem directly from the external conditions. The descendants of farm families have become to be free to choose their occupations by themselves since the realization of the postwar democratization of the Japanese society. Actually, many of them chose non-farm occupations instead of succeeding the farm business. Thus, a lot of family farms failed to acquire successors of farming business, though many of them lived in the farming households. It means that the function of farm family to provide farming successors in the intergenerational transfer has become changed or weakened.

To amplify on the above topic, the transfer of farming operation and the inheritance of farm assets were used to occur through the process of the family cycle¹⁾. Typical family

cycle starts from the two-generation family consisting of parents and children, and ordinarily this is followed by the three-generation family with grand parents, parents and children. After the elder people have passed away, three-generation family comes back to two-generation family again. In the process, the intergenerational transfers occur including the inheritance of farm assets such as lands, facilities and houses, and the succession of farming operation. Therefore, it happens that as consequence of the family cycle the farm family performs the function of supplying successors to the agricultural sector.

Although hitherto the inheritance of assets went comparatively smoothly with few troubles in the 1970s, the succession of the farm business failed to a considerable extent. As one of the external causes to this fact we may mention the comparatively high wages in the industrial sector accompanied with desirable conditions of urban life. However, we can not deny the fact that there were some internal causes. There were some cases in which the farmers who gained good revenue from farming, failed to acquire successors. Presumably, this happens due to the following process: even if an expected successor commences working on the farm, conflicts inevitably occur between him and his parents since he hasn't got any rights as a worker or a partner in the farm operated by his father⁶⁾. Even when a successor becomes occasionally a partner, farm business causes some sorts of confusion when two heads are managing the farming activities together.

The conflicts between the agricultural institutional system and the actual circumstances the farmers are facing are also one of the causes why they come to be deprived of the successors of farm business. There were a primogeniture or a family-head inheritance system in the pre-war Japan, under which the eldest son usually inherited the entire estates. The Civil Code was revised in 1947 to abolish the old system and to introduce the equalized inheritance system throughout the country. On the other hand, as a consequence of Agricultural Land Reform, a head of the farm family was designated as a representative of farm household to prevent making a loophole of dispersed property. Thus, there occurred a contradiction between the legal system and the actual state of farm household.

Another internal conflict was the fact that the rights of farmer's wife, successor and his spouse were still ignored, because the head of the farm family preserves the old fam-

ily-head consciousness even after the execution of democratization of rural society. He believes that to behave as a family-head and to supervise the whole farming operations by himself are his duties for maintaining farm family and providing a guarantee in his old age⁴).

Among the successors who are working on a farm as well as who are engaged in non-farm jobs, a new consciousness of rights to choose their occupations freely was gradually brought about in accordance with Japan's high economic growth. Therefore, the family ties between the successor who had chosen to be engaged in farm business and his father come to be slightly different from the old one.

3. The Counter-measure

Until now, some sorts of institutional measures have been provided successively by authorities to cope with the conflicts among the family members. For example, the National Revenue Office admitted a measure of "special grace of tax for a blanket gift of farm land executed in life" in 1964, (the farmer is exempted from paying gift tax if he turns over his whole estate to only one successor during his life time), and another measure of "agricultural pension system" (the amount of money the farmer receives as pension increases if he transfers management rights to some one when he is between 60 and 65 years old) was introduced in 1971. Also the National Chamber of Agriculture has encouraged farmers to make "farm family agreement" or "father-son contract" since 1964. Since then, however, the farm family agreement has not become prevalent throughout the country except in some parts of Hokkaido and Gunma prefecture. 'The family management agreement' which was slightly revised from 'farm family agreement', as it is going to explained later, was animated recently by the consciousness of individual rights in the family members, at the same time it was by the improved position of women or by the introduction of the pension system for farmers.

History of the Family Management Agreement

1. The Farm Family Agreement

To cope with the rapid outflow of youngsters from the rural families during the period of high economic growth, the Japanese government devised various counter-measures to induce the expected successors to stay in farm businesses, by arranging the marital opportunity for them and so on. Also a father tried to keep his successor by such means as paying him for the work done, dividing revenue or enterprise and executing earlier retirement and succession. However, all these attempts contradicted the legislative systems such as the equalized inheritance system and the tax system.

Although the National Agricultural Chamber has tried to expand the farm family agreement since 1964, as mentioned before, there were almost no advantages for the farmers who made the farm family agreement under the agricultural credit system and the Law for the Promotion of Agricultural Land Utilization.

2. The Revised Family Management Agreement

In 1992 the Ministry of Agriculture, Forestry and Fishery enacted the new agricultural policy proposing the new concepts of agricultural establishments such as the individual and the group farming units. What this enactment aimed at was a promotion of entrepreneurship. The government realized that for the accomplishment of this goal it was necessary to establish the rights of successors and spouses in farm management. Accordingly, the National Agricultural Chamber revised 'the farm family agreement' to 'the family management agreement' and has strengthened its diffusion since 1993. The MAFF also issued a notification for the promotion of 'the family management agreement' in February 1995 and in March 1996, revised the agricultural pension system to admit the entry of women farmer on the condition that they signed a family management agreement.

To distinguish the farm family agreement from the family management agreement, Dr. Toshitani described that the latter intended to support the independence of each family member as an individual components of the farm and tried to emphasize the establishment of farm business⁷⁾.

Since then, the family management agreement has gradually become popular throughout the country. Table 1 shows us that the number of farm families who have signed the agreement, is increasing²⁾.

3. Types of Family Management Agreement

As already pointed out, the family management agreement may be defined as a written form of agreement made in the presence of an unrelated person, concerning the internal rules governing the farming operations and family activities. It might be possible for them to make a family regulation without a third person, but such a regulation tends to become obscure soon. However, making a written contract may be considered too formal within the farm family. However, this type of agreement has come to be not only favorable for farmers but adaptive to the existing agricultural law. The contents of the agreements are various, including such items as in the following: the distribution of farm revenue, the division of labor and enterprise, the transfer of farm operation, the inheritance of farm assets and so on. Those can be classified into four categories: A. B. C. D. as in the following.

A. Agreement on payment

In this category it is agreed that all the members of the family farm, namely spouse, successor, spouse of the successor, parents of the farmer should be paid appropriate wages in a form of salary by the head of the farm.

B. Agreement on the division of enterprise

In this category it is agreed that the head of the farm shares revenue with his successor in return for having taken the responsibility for the specific enterprise in the farm.

C. Agreement on the working condition

This is an agreement that deals with the working conditions such as the working time, the day off, the division of labor, etc..

D. Agreement on the transfer of farming operations

This is an agreement that deals with the transfer of farm operations from father to son. Not only the inheritance of farm assets but also the supports for the retired parents are allowed to be included in this agreement.

In addition to these four categories, it's possible to make an agreement on the such

matters as household expenditure, family activities, book keeping and so on.

Examples of Family Management Agreement

In this section, the author would like to mention some examples observed in Northern Kyushu to explain the role of family management agreement in some details.

1. Outline

In the agricultural area in northern Kyushu there are many farms which have been specialized in horticulture managed with the aid of green houses, fruit farming and live-stock farming. Most of those are operated only by family labors without the aid of hired labors. The profitability of these farms is relatively high, so there are a lot of young successors engaged in their fathers' farms. In most of the cases of two-generation farms, there would often be a lot of conflicts concerning the duties, rights and contributions of youngsters to the farms, such as payment, overworking, incentives for the youngsters and the transfer of farm assets. Recently, we come upon many cases, in which the farmer divides his farming enterprises and operations, pays salary to family members or follows the day-off agreement fixed at a community level to avoid stress between the father and the son.

2. An Extension Process of the Agreement - A case in Kamoto Region in Kumamoto Prefecture

Although it is desirable for the rural family to enter the family management agreement, it's difficult to make a voluntary extension of it. During the period of 1994-1995, the Kumamoto prefecture government executed a project aiming at developing a new type of family farm in which the roles of women and youngsters on the farm should be encouraged. As a result, by the end of the fiscal year of 1995, 70 families have entered the agreement under this project. The extension process of the project was actualized as in the following.

1) For executing the project three sites were selected, namely, Ueki town in Kamoto region,

Koyamatoshima in Kumamoto city, Taura town in Ashikita region.

2) In Ueki town, a famous horticultural area specialized in the production of water melon, a team to promote the project was formed by the Kamoto Agricultural Extension Center, Ueki local office and other related organizations. The group of women and youngsters belonging to the agricultural cooperatives were targeted. The training course consisting of ten lectures and group studies was held for women farmers. This generated a consciousness of participating in the farm management.

3) A survey on the young farmers using questionnaire, was conducted. The results of the questionnaire were summarized as in the following.

(1) Wives of the successors are willing to participate subjectively in farm management by means of keeping diaries, making the cropping plans, doing book keeping and accounting.

(2) More than half of the families take a day-off at the regular intervals.

(3) In case of the correspondents counting more than 60%, the heads of the families paid them salary.

(4) 70% of them had some kinds of oral or written agreements made in their families.

(5) 10% knew of 'the family management agreement', 20% had heard about it and around 70% didn't know it at all.

4) The team persuaded several families who seemed to be ready to accept the new concepts and 9 families came to sign the family management agreement. The signing ceremony was held in public at the beginning of 1996. Various kinds of the elements are included in the agreement: for example, payment for work done, day-off, working hours, transfer of management, pension and retirement allowance, field trip and the way of living, and so on. The extension team intended to expand the agreement through the youth groups of the agricultural cooperatives.

In Kamoto town, lying adjacent to Ueki, 50 farm families signed the agreement after having learned from the experiences of Ryuhoku town, Kumamoto Prefecture, where the agricultural division of the town hall office already promoted the family management agreement since 1992. In Kamoto town, the town hall personnel recommended 'the designated farmers' by the Agricultural Master Plan of the town to sign the agreement.

Conclusion

Farmers appreciated the family management agreement as it gave their successors the incentive and aroused their consciousness toward responsibilities. On the side of the successors themselves they found it worthwhile and less-stressful to work at their own father's farm.

In the nutshell, the family management agreement has brought about the following achievements. First, farm activities have been improved. For example, the successors freely introduced new ideas such as the use of personal computers for book keeping or/and hiring a temporary workers like students or housewives in the farm management. The second, the meaningless conflicts due to differences in 'evaluations' and 'thinkings' between the father and the son has been eliminated. The third, a smooth transfer of farm management has been made possible. Usually, the farmer transfers his management right in his age of 60s. However in the case in which the family management agreement has been signed, the intergenerational transfer is carried on gradually and successfully.

Although the family management agreement is a new concept in Japan, it seems to on the way of be prevailing. This happens the family management agreement is the long-expected measure which draws a clear-cut line for protecting the rights of family members as it has changed the characteristics of the family farm from a paternalistic one to a business like one. In that sense, the family farm who has made the agreement can be regarded as a partnership typed family farm. Finally, the author would like to emphasize that the most important point in making an agreement is the fact that it enables the family members to discuss any problems frankly and to reach a consensus on all the important matters of farm management and farm household.

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[家族協定 Table1.xls](#)