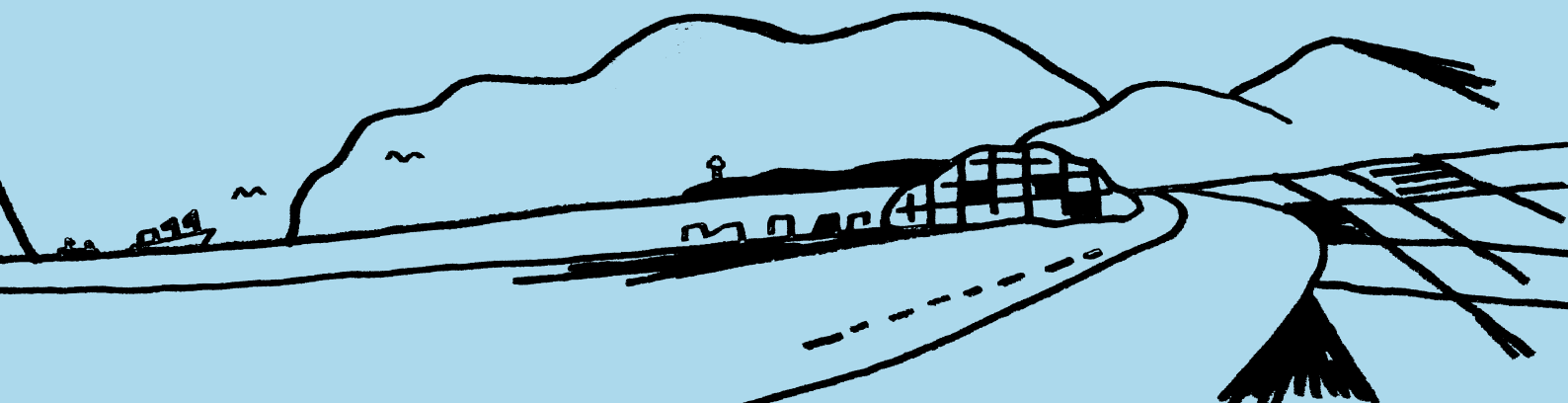


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# What does The Norinchukin Bank look like?

Rethinking our *Raison d'être*



# Special Talk

Opening  
Article

## 01 The Professional Perspective

# Japanese Agriculture: What are the **Keys** to its Growth?

Last year, a major earthquake hit Kumamoto. Mr. Hitoshi Kinouchi, who started farming in Kumamoto in 1985 despite being brought up in Tokyo, has been running Kinouchi Farm, a tourist farm growing mainly strawberries, and was one of the people who suffered serious damage. Mr. Hayato Ishii, a journalist who knows a lot about agricultural policy, visited Mr. Kinouchi, who is trying to recover from the earthquake while continuing to train young agriculture workers on the farm where he worked for many years, and Ms. Chiaki Ino, who was trained there and became independent, at the farm in Aso, Kumamoto. Here is what was discussed about the challenges facing Japanese agriculture and requests for The Norinchukin Bank.

Hayato  
Ishii

Editorial Board Member and  
Editorial Writer, Kyodo News



Chiaki  
Ino

Young Farmer



Hitoshi  
Kinouchi

Representative Director and  
Chairman, Kinouchi Farm



## Fear of Going Against Nature Discovered Through the Earthquake

**Ishii:** I heard that you suffered serious damage in last year's Kumamoto earthquake. I'd like to express my sympathy.

**Kinouchi:** The strawberry field which is the pillar of the operation was destroyed leaving only the frames of the greenhouses. After that, the ground collapsed completely due to the heavy rain in the rainy season, and we lost 70 or 80% of the field.

**Ishii:** From the plane, I could clearly see that despite it being the time for planting out rice, there were fields not filled with water. Kinouchi Farm's strawberry field is in the Tateno district very close to Aso Ohashi Bridge, which collapsed, isn't it?

**Kinouchi:** Because Aso Ohashi Bridge passed over agricultural water from the water source up to Tateno, I think that it will take at least a few years to start again in the same place.

**Ishii:** It's a major blow, isn't it?

**Kinouchi:** What this earthquake really brought home to me was that the damage to produce was greater when we add to nature, such as with greenhouses and so on. On the contrary, even though the harvest for field crops, such as potatoes, decreased, they grow in harmony with nature using rainwater. I was aware of a fundamental fear of going against nature.

**Ino:** The tomatoes that I work with were also completely destroyed. I thought that I would at least harvest, but they were already dead because there wasn't any water.

**Ishii:** I still cannot believe that such a large earthquake happened in Kumamoto.

**Kinouchi:** I was brought up in Tokyo (Machida City), so I have always experienced earthquakes, but I honestly never expected any damage from an earthquake in Kumamoto, Kyushu, where they say there are hardly any earthquakes. I'd seen and heard about the plight of disaster areas many times in the past, but I reflected on the fact that those other disasters felt somewhat unrelated to me before. This time I was powerfully reminded that Japan is a disaster-prone archipelago. At the same time, many volunteers have been helping us



Tateno district cut off by collapse of Aso Ohashi Bridge due to landslides

since the earthquake until today, and I have been touched by the kindness of Japanese people.

**Ishii:** Nature, including its disasters, is formidable. I think it's a major uncertain factor for agricultural management. How have you coped with it, Mr. Kinouchi?

**Kinouchi:** For a long time, I've believed that to develop agriculture you need to expand your land to raise yields while minimizing risk from the weather. So in addition to investing in Hananoumi Corporation, an agricultural corporation in Yamaguchi Prefecture that I have a connection with, I have taken part in the management of the corporation and provided human resources and technology related to strawberry production from Kinouchi Farm to them. Thanks to that, I've received some assistance from them since the earthquake and they've looked after employees from Kinouchi Farm temporarily, and I think that this has somehow enabled me to spread the risk and continue in business in spite of this predicament.

**Ishii:** As shown in this discussion, I think that the main feature of Mr. Kinouchi's endeavors is that he identifies agriculture as a business in the development of his operations. I'd like to ask about where that concept came from.

## Going to South America to Question Own Commitment to Agriculture

**Ishii:** Please tell me about how you came into contact with agriculture in the first place while being brought up in the city, Mr. Kinouchi.

**Kinouchi:** I always liked plants and animals and nature, but mountains around me were being scraped away and there was rapid destruction of nature. While feeling a resistance to this, I came to feel a powerful longing for agricultural work where I could create produce with my own hands while being close to the natural environment and the earth.

**Ishii:** Where did your relationship with agriculture start, Ms. Ino?

**Ino:** When I was in high school, I learned about the work of Tetsu Nakamura, a doctor from Fukuoka who made wells in developing countries. That was the trigger that germinated a vague longing in me for a job that uses nature to enrich people around the world, and I finally chose working in agriculture after considering a variety of things.

**Ishii:** Dr. Nakamura worked on improving health care and irrigation channels in Pakistan and Afghanistan. Even though you are from different generations, you both share a feeling about the earth, don't you? So could you tell me about the process of how you came to choose agriculture as a profession?

**Kinouchi:** I entered the School of Agriculture at Kyushu Tokai University in 1980. There, separate from the practical training, I started to help farmers and, impressed by their speed and beauty of their work, my desire to be involved in full-scale agriculture strengthened. Although it was manual work, the ridges of the fields stand straight. Even when planting out seedlings, these professional farmers did a beautiful, precise job as if they had measured everything, and they worked very quickly.

**Ishii:** You're saying that the professional skill was beautiful. You've also had a lot of experience overseas, haven't you?

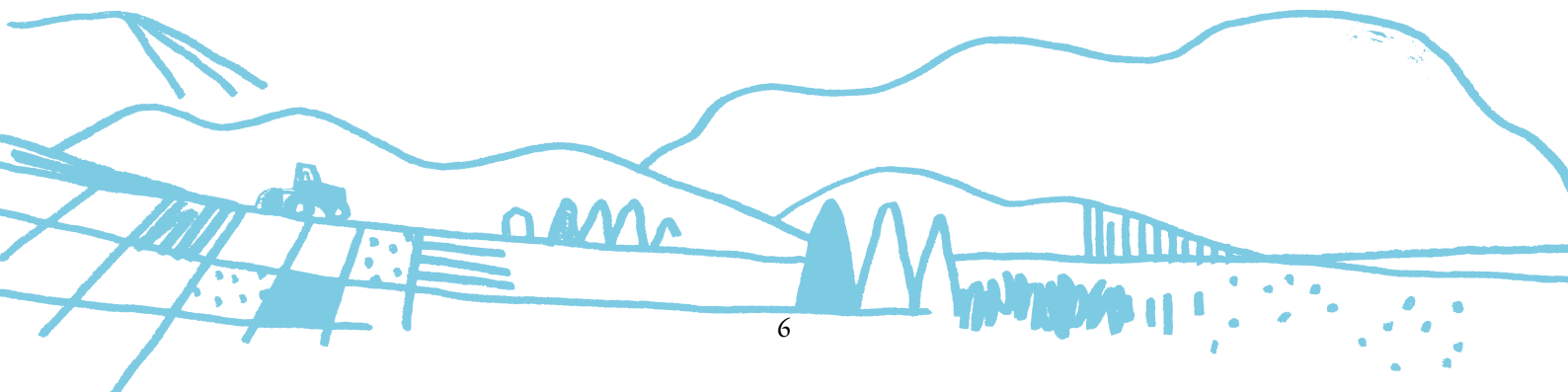
**Kinouchi:** Yes, I decided to go to South America because I heard the stories of a professor who had experience of



agriculture over there. The language and culture were both different, there was strong discrimination against Japanese people at the time, and a lot of crimes as well were caused by poverty. All the people were struggling to lead independent lives. I wanted to question my own commitment to agriculture while experiencing the situation on the ground.

**Ishii:** What kind of reaction did you get from the people close to you at the time?

**Kinouchi:** My parents in Tokyo were strongly opposed, saying "What are you doing going into agriculture after graduating from university?" That was expected, but I felt resentment when a teacher in the School of





Agriculture said, “Are you serious?” to me with a straight face.

**Ishii:** Even though migrants from Japan struggled to develop farms in South America...Did going overseas strengthen your commitment to working in agriculture?

**Kinouchi:** I’ve never considered agricultural work to be a hardship to this day, including when I was in South America. It’s obviously because I basically like messing around with soil. It was actually a completely different aspect of it that made me decide to work in agriculture.

**Ishii:** What was that?

**Kinouchi:** Even though the local people were leading very poor lives, no one ever had a sad face.

They were perfectly happy. So I wondered why, and I just noticed. They always had farms and pastures near them, so they didn’t worry about eating. This is quite a basic thing and leads to peace of mind.

**Ishii:** There have been food riots in all places and ages.

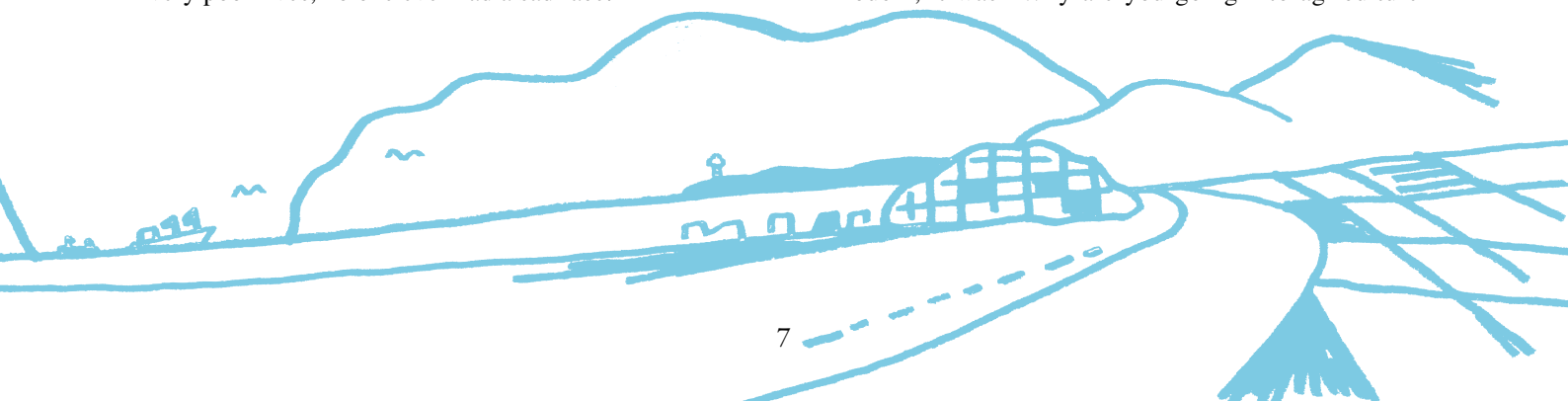
**Kinouchi:** At that time, I thought that Japan was dangerous. Automobiles and computers were attracting attention at the time as industries leading the Japanese economy, but I wondered whether they would be able to support the economy so that Japan can eat. On the other hand, no one was looking into agriculture. Such a society can’t continue indefinitely. I wanted to become independent through agriculture and strengthen a fundamental part of Japan.

**Ishii:** So you’re saying that a sense of crisis thinking about Japan’s future was the starting point for you, aren’t you? What was the process like for you, Ms. Ino?

**Ino:** I’m from the Kumamoto local area, and while I was going to the same university that Mr. Kinouchi went to, I had the privilege of working part-time at Kinouchi Farm. I was able to experience the satisfaction of agriculture for myself there, so, after I graduated, I worked for about a year at an agricultural corporation in Nagano Prefecture through the introduction of an acquaintance. Since the corporation had only just been established, I was able to be involved in the development of abandoned farmland through to harvesting. I also learned cultivation techniques for cucumbers and leeks grown outdoors as well as shiitake and other mushrooms grown in greenhouses. I came back to Kumamoto last spring and leased some land to be independent.

**Kinouchi:** It’s actually hard for a woman to come this far. Even today, there are voices flying here and there saying, “You’re a woman! Why do you start farming?” So the reality is that even if you try to lease land, you’ll get the cold shoulder, and the people close to a person who does lease you land will say things like, “What are you doing leasing your land to a woman?” Stories like this are still around everywhere.

**Ishii:** That means that now you have overcome such a hurdle. You battled a lack of understanding. For Mr. Kinouchi, it was “Why are you going into agriculture





Hanaasobi, a tourist complex in Aso City operated by Kinouchi Farm

after graduating from university?” For Ms. Ino it was “Why are you going into agriculture despite being a woman?” A considerable commitment to working in agriculture is something you have in common.

### Starting up with Subsidies

**Ishii:** Next, I’d like to talk about actually going into farming. Mr. Kinouchi, I heard that after graduating from university you stayed in Minami Aso with the aim of becoming independent. How did you get the funds to buy land and equipment?

**Kinouchi:** At the time, unlike today, neither local government offices nor Japan Agricultural Cooperatives (JA) had any expectations at all that new graduates would actually want to farm.

Naturally, there were no credit facilities, and, to be frank, I got the cold shoulder. A university graduation certificate had no value to farmers (laughs). The mayor of the village told me to come to the local government office because they didn’t have any university graduate employees, and the local people regarded me as a land speculator. There was a friendly staff member who advised me to get myself adopted by a farming family if I wanted to farm so much (laughs). Now these stories are funny, but at the time I was full of gloom about why I was not being given the attention I deserved having graduated from the School of Agriculture with the ambition to farm. However, I believe that my mindset at

that time which was “Just you see! I’ll show you some agriculture that will get your respect in the future,” undoubtedly led to the agricultural corporation I have today.

**Ishii:** You turned adversity into a springboard.

**Kinouchi:** For a while, I decided to help a farmer I knew just to increase my experience value. Of course, it was unpaid, so I saved money by working part-time at nights for a company that cast metal parts for automobiles.

**Ishii:** It seems poles apart from today when there is a subsidy system for new farmers, doesn’t it?

**Kinouchi:** I believe there are two sides to subsidies. Certainly, now that agriculture is positioned as a growth industry and they are trying to increase the farming population, a few million yen is an amount that will make new farmers think about having a go. However, I really feel that many of the people who start from subsidies tend to give in. It’s not jealousy, but the people who farmed in times like I did and struggled to start from nothing have all kept on going for a long time.

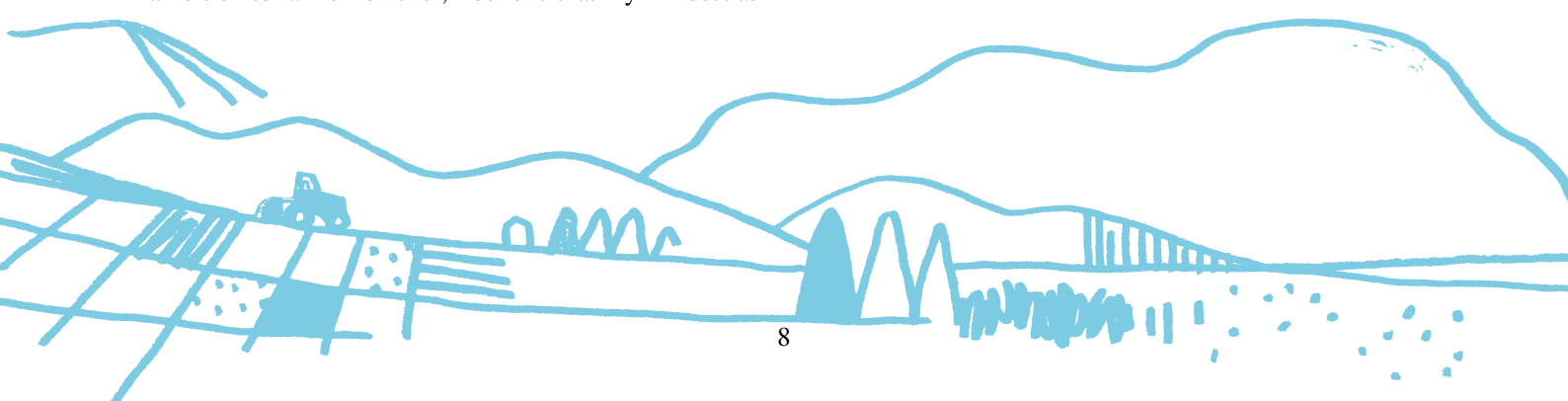
**Ishii:** What are you doing Ms. Ino?

**Ino:** I have just applied for a loan for new farmers through my local JA and have benefited from the subsidy system. Despite that, my first step was building a greenhouse using my own savings and help from my parents.

**Ishii:** Why is that?



The tomato farm that Ms. Ino runs. A variety called Sicilian Rouge is cultivated.



**Ino:** The system is really appreciated, but I had a feeling that it was somehow wrong to get money just because I was farming.

**Kinouchi:** We are human beings even if we have carrots in front of us (laughs).

**Ino:** Mr. Kinouchi always advised me to think of subsidies as savings. I agree that people who see them only as carrots are sure to fail (laughs).

**Ishii:** The Ministry of Agriculture, Forestry and Fisheries' Next Generation Agricultural Human Resources Investment Project is extremely generous. Up to ¥1.5 million a year is granted for two years of preparing to farm and for five years after commencing operations, but you are saying a large amount isn't necessarily good.

I guess there is room for improvement in terms of system design and operation.

**Kinouchi:** I think that a system for people who have been farming for two or three years and built up some achievements to be eligible for loans would be good. I'd really like this to be discussed as an agricultural policy.

### Thanks to Connections with People

**Ishii:** What is needed with the funds is land and equipment. How did the two of you acquire them?

**Kinouchi:** In 1985, I was lucky to be able to lease a rice field for crop rotation from the farmer I had been helping. However, because it was a small area, it was no good for growing rice. I knew that rice production could not be established without subsidies and that the local farmers would never let go of large areas of prime land that are profitable for rice.

**Ishii:** So you started with greenhouses.

**Kinouchi:** I was aiming to be independent through agriculture, so I decided to concentrate on greenhouse produce, which can earn a profit even with a small area of land, and particularly growing strawberries, which no one else was doing at the time. Even though basically I don't really like greenhouse produce that goes against the laws of nature (laughs).

**Ishii:** Aiming to be independent is a choice that is so like you, Mr. Kinouchi. What did you do about equipment and so on?



**Kinouchi:** Like the land, a farmer I knew let me borrow his when it was free. I'm often asked, "Why Aso?" But the truth is that I could only have started in Aso where I had some connections with people.

**Ishii:** You were accepted as a farmer in the course of building up those kind of daily associations, weren't you? What about Ms. Ino?

**Kinouchi:** Ms. Ino is a local, so she has had a lot of supporters from the outset.

**Ino:** I get support from a variety of people. In that sense, I think I have had advantages. I was able to lease some land from someone my grandmother knows. However, I also sometimes got confused with receiving various advice. Because everyone said something different (laughs).

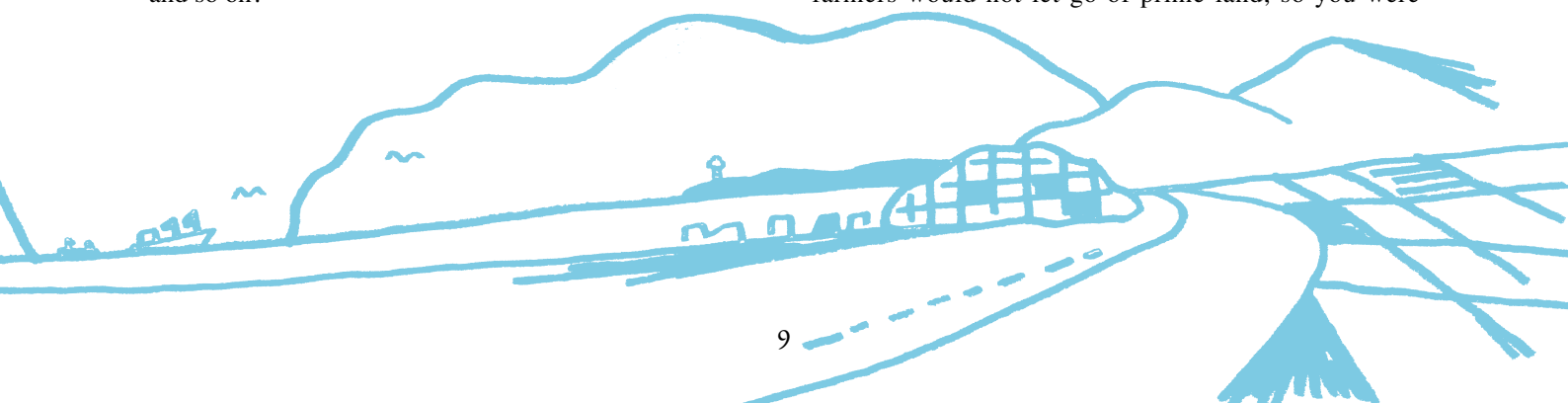
**Ishii:** How did you deal with that?

**Ino:** Basically, I have decided to go with my own ideas. For example, thinking about the direction of the wind for the way the greenhouse faces. That's because I think this kind of trial and error is important in agriculture.

**Ishii:** As I expected. I sense the strong will that is characteristic of a Kinouchi Farm pupil.

### How to Train "Personnel"?

**Ishii:** Mr. Kinouchi, you mentioned earlier that local farmers would not let go of prime land, so you were



only able to get land with poor conditions. What I'd like to ask is what kind of thoughts did you have about your generation who were farming due to their parents, in other words, your generation of fellow farmers who had different competitive conditions from the outset?

**Kinouchi:** Even in the same generation as me, the number of people inheriting was declining, so, in that sense, I thought of them as friends. I myself had no money, and was aware of being an outsider, so I didn't expect to get prime land from the beginning. However, I did think that there was something wrong with agricultural policy, or society more precisely, not trying to correct such a disparity. Just around that time, I took part in a conference where people involved in agriculture from all around Japan came together, and they were all saying the same thing that there were no successors. So without thinking, I put up my hand and said, "Here are people who want to farm. Why is it that

there is no attempt to accept outsiders like us either under the Agricultural Land Act or the committee activities? Isn't there a need for fundamental improvements?"

**Ishii:** That episode sounds just like you. However, since then, the aging and declining number of farmers have become pressing issues, so the government has begun a system for encouraging consolidation of agricultural land and policies to promote incorporation of agricultural operations. I think that the allocation of money and land have become easier than in the past?

**Kinouchi:** We can definitely say that. In particular, I've really felt that land is starting to be consolidated over the past three years or so. I think that a generational break in the people engaged in agriculture is behind this. In other words, people in the baby boomer generation before my generation knew about agriculture, including manual labor, and my generation experienced agriculture



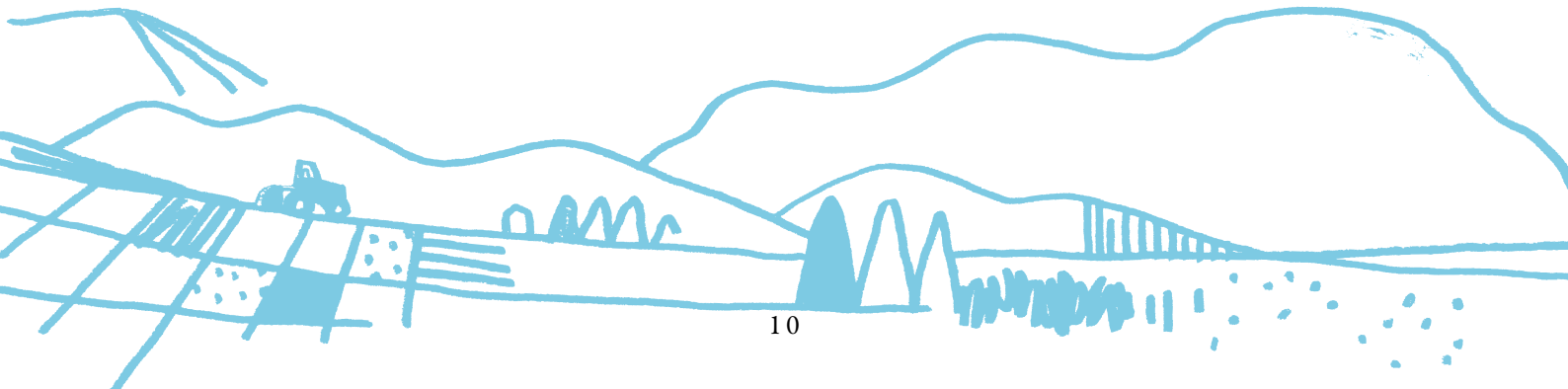
"Yumemiru Strawberry Jam" from Kinouchi Farm



"Yumemiru Strawberry Jam" is produced using the former Kinouchi Farm processing plant.



Inside the Hanaasobi Tourist Strawberry Farm greenhouse





not only with manual labor but also through the use of machinery, helping their parents. However, when we come to the generation now in their 30s and 40s, there are more people who went to the city at a young age and, with barely any experience of agriculture, don't know anything about their own family's fields.

**Ishii:** It has gotten harder to keep the part-time farmers who supported the villages despite aging.

**Kinouchi:** Yes. That's why I think the biggest challenge for Japanese agriculture today is how to secure and train "personnel."

**Ishii:** That's exactly why you are training farmers with management sense (eco-farmers) as the President of NPO Aso Ecofarmers Center while also teaching at university, isn't it, Mr. Kinouchi?

**Kinouchi:** I think that increasing personnel requires us to clear the issue of quantity first and then improve the quality. However, I think that "people who want to farm" and "people who can farm" is a separate issue.

**Ishii:** I think that there is an aspect that overlaps with your earlier observation about the two sides of subsidies. Because there are subsidies, the number of people working in agriculture increases, but some of those people don't continue because they started without really thinking about why they are farming. I think there is a problem that quantity does not lead to quality.

**Kinouchi:** In this respect, I think that the problem is with agricultural policy. I believe that agriculture will not be strengthened in the true sense through a one-size-fits-all policy in a situation where it is necessary not only to promote an increase in the scale of full-time farmers and their incorporation, but also to ask how the part-time farmers, who account for the majority in regional agriculture, can be maintained and retained while also supporting new farmers. There can be small-scale agriculture as well because we can't keep the rice terraces without it.

**Ishii:** The question is how to balance generous assistance with support to promote independence while respecting diversity. This is an issue we have to consider that is not limited to agricultural policy.

## Aiming for Consumer-Oriented Agriculture

**Ishii:** At this point, I'd like to get another message for new farmers.

**Kinouchi:** This is something that I also tell the students I teach at the university, but I hope they will aim for consumer-oriented agriculture since they are doing it as a business. In the past, around 1988 I think, I took part in a conference where agricultural managers from all over Japan came together. While other groups were about policy and technological disputes, the tourist farming group was the only one with discussions from the sole perspective of what should be done to satisfy customers, and this had a big impact on me.

**Ishii:** So that kind of experience was what led you to combine agricultural production with processing (secondary industry) and distribution (tertiary industry) such as by turning the strawberry farm into a tourist farm and selling jam, which has translated into the development of a sixth industrialization which enhances value added.

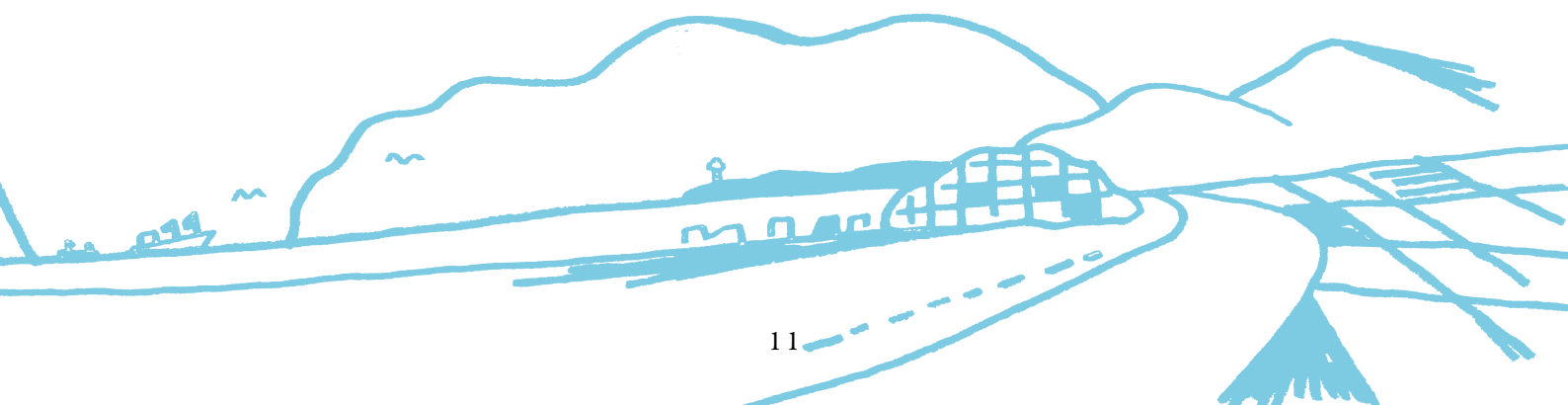
**Kinouchi:** My direct motivation was that we could not harvest all the strawberries with just my wife and an employee, so it was a simple motive to get the customers who came to see the strawberries to harvest them and eat them (laughs). But a desire to try to practice agriculture that pleases consumers was definitely an undercurrent.

**Ishii:** Looking at Mr. Kinouchi, what approach have you taken, Ms. Ino?

**Ino:** The Italian tomatoes that I work with are for processing, and they are delicious when cooked and made into a sauce. There are a lot of imports from overseas, but I'm thinking that if I can produce them in Japan and get them processed while they are fresh, I should be able to make cheap, delicious tomato sauce. It's a niche industry approach (laughs).

**Kinouchi:** Her point of difference is that she has developed sales channels for high value added tomatoes herself.

**Ino:** I am wholesaling to restaurants and similar places through buyers whom I know.



**Ishii:** This means that you have secured buyers who understand the value added properly by yourself. On the other hand, you said just before that you have applied for a new loan through JA, and JA Group is actively investing in agricultural production corporations in collaboration with the Agribusiness Investment & Consultation Co., Ltd., which it jointly established with Japan Finance Corporation. You can increase your capital, so you should be able to expand your business.

**Ino:** Actually, this time I'm thinking about trying to start *sauvage* cultivation...*sauvage*, which means wild, so I'd really like JA Group to make an investment proposal (laughs). In any case, and this is also what Mr. Kinouchi teaches, I am aware that agriculture is a slow but steady industry which starts with preparing the soil and where you cannot grow in one bound with the risk from the weather and other factors, so I am working hard.

**Kinouchi:** At the same time as working hard, I advise you to achieve a goal of 10 million yen in annual sales within two or three years of farming. It seems like a contradiction, but if you don't have a harvest of about 10 million yen, then obviously you don't have the means to innovate and you can't reinvest for the future either.

**Ishii:** You are saying to aim for 10 million yen as a margin for innovation and reinvestment.

## We Want The Norinchukin Bank to Be More Aware of Japanese Agriculture

**Ishii:** Mr. Kinouchi, you literally started farming from zero and have raised your operation up to this after a lot of hard work. Please tell me what your awareness is of the problems for the future of Japanese agriculture.

**Kinouchi:** There are various problems, but a major problem I am aware of is that I think we need to have a discussion about what sustainable agriculture in Japan should be like. The first perspective is that I think it is necessary to clearly develop the aspect of an agricultural nation, as in Europe, increase the value of Japanese food and, to be frank, increase food prices in line with Europe. The second perspective is that positioning agriculture as a growth industry itself is all very well, but I wonder whether profitability will increase simply

by increasing loans and scale as in the high-tech industry and software industry, and I think that a unique business model is needed for Japanese agriculture.

**Ishii:** That's because agriculture has its own risks, such as natural disasters, and there are cases where economies of scale and economies of scope do not work as they do in other industries. Although various companies are interested in agriculture, the point is whether they are feasible as a business. In that sense, building up the agricultural product value chain is important in terms of realizing sustainable agriculture, isn't it? Finally, how do you take the current state of agricultural finance?

**Kinouchi:** Well, in terms of agricultural finance, I sometimes felt that recipients of loans are not completely open about their intentions to the lenders. As an agricultural manager, financial support for agriculture is very much appreciated. However, because agricultural managers want money, they put a positive spin on things. It's wrong to accept these kinds of optimistic management plans at face value. On the other hand, although the lenders, and particularly The Norinchukin Bank, are undoubtedly financial professionals, I sometimes wonder whether they really understand agriculture. Of course, I am well aware that a person who has never farmed or even lived in a farming area does not develop the judgement of a professional immediately on joining the Bank. But if the Bank intends to strengthen its role as a financial institution in JA Group, I would like them to study the reality for farmers, agriculture, and agricultural management. Various companies have entered the industry, but, unfortunately, not many of them have achieved a good profitability. The reality is not so great. I would like the Bank to seriously consider and commit to profitable agriculture in partnership with agricultural managers even though it takes some time rather than wasting money on parties where there is no reality business-wise.

**Ishii:** You think the Bank should deal seriously with individual farmers because it is now trying to increase its participation in the agricultural sector, such as through the establishment of the Food and Agriculture Business. One more thing is that some media is critical



### Hitoshi Kinouchi

Born in Kanagawa Prefecture in 1961. Graduated from the School of Agriculture, Kyushu Tokai University. Despite a non-farming background, pioneered strawberry cultivation in Aso. Participated in establishment through management of Hananoumi, a major farm on the largest area of reclaimed land in western Japan. Established NPO Aso Ecofarmers Center and serves as its President. Former Kumamoto Prefectural Board of Education Chairman. Currently a full-time professor at Tokai University. Publications: *Daichi he no Yume – Tokaikko Nogyo ni Idomu* (Dreams for the Earth – A Metropolitan’s Quest into Agriculture)

### Hayato Ishii

Born in Gifu Prefecture in 1958. Graduated from the Faculty of Letters, The University of Tokyo and joined Kyodo News. After being stationed in Washington and serving as Deputy Director of Economics Section, currently Editorial Board Member and Editorial Writer for Kyodo News. Publications include *Nogyo Chotaikoku America no Senryaku* (The United States: Strategy of an Agricultural Super Power). Jointly translated *Tsusho Senshi: Bei Tsusho Daihyo-bu (USTR) no Sekai Senryaku* (Trade Warrior: The Global Strategy of the United States Trade Representative (USTR))

### Chiaki Ino

Born in Kumamoto Prefecture in 1992 Graduated from the School of Agriculture, Tokai University. Worked part-time at Kinouchi Farm while studying. After graduating, built up experience at an agricultural corporation in Nagano Prefecture and went independent in Aso City, Kumamoto Prefecture in 2016. Expanding sales channels through local networks. Mainly cultivating non-native species of tomatoes with the motto “Delicious and high quality that consumers can eat with peace of mind.” Aiming to train personnel in the future to pass on her own experience.

of the Bank as an institutional investor. The tone is that managing a huge amount of funds in the global financial market is not appropriate for an agricultural financier.

**Kinouchi:** There are criticisms of the Bank’s stance on returning profits from investment in securities, such as bonds and stocks, to JA and individual members, or on the pursuit of investment profit even from some producers. But I believe that the investment business is essential for JA to maintain its farming and livelihood guidance operations in each region. In that sense, I think

that it is wrong to brand the investment business as shameful, and I even think that the Bank should stress more strongly that investment profits translate into projects that are in the interest of producers.

**Ishii:** That’s because investment profits are returned to farmers not only in the form of diverse information and services but also in the form of interest and dividends through the Cooperative System. Thank you for giving me your instructive opinions and observations today despite being so busy.

