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Chapter 5

Agricultural Diversification in Japan

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Abstract

In recent few decades, Japanese agriculture has been facing many problems such as low profit rate, lack of labor force, abandonment of farmland, losing competitive competence for low-price, imported products, and so forth. One of the trials for encouraging Japanese agriculture by the government is agricultural diversification, which is a kind of restructuring value chain in order to gain profitability of farmers. The strategy is that, by integrating some elements of value chain of food industries including primary industry (agricultural production), secondary industry (processed food manufacturing), and tertiary industry (food retails and restaurants), and re-allocating farmers' business resources, farmers could be much more activated and their profit would be gained. In the past several decades, Japanese agricultural supply chain has strongly depended on Japan Agricultural Cooperatives (JA), and this caused some issues such as mismatching of demand and supply and low profitability of farmers. The policy of agricultural diversification was proposed to induce new integration of value chain and restructuring supply chain for solving these issues. This chapter presents some successful cases of agricultural diversification in Japan and infers the Key Factor of Success (KFS) of such trials.

Keywords: Japan, agricultural diversification, agricultural cooperatives, supply chain, KFS

1. Introduction and background

In recent few decades, Japanese agriculture has been facing many problems such as low profit rate, lack of labor force, abandonment of farmland, losing competitive competence for low price, imported products, and so forth.

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Japanese contemporary agriculture was historically characterized by some policies on agriculture by the General Headquarters (GHQ) governing Japan right after the end of the Second World War in 1945. GHQ executed two important policies for reforming Japanese agriculture, as follows.

1. Emancipating farmland from rich farmland-owners and re-allocating it to poor peasants in order to activate Japanese agriculture and improve food production of Japan, which was much damaged during the war.
2. Forming agricultural cooperatives [1] to advance the supply chain of food industries in Japan, that is, establishing Japanese agricultural cooperatives (JA) [2, 3] in 1948 based on Agricultural Association that was established during the war to control national food supply.

   The farmland emancipation policy resulted birth and growth of many independent farmers, stimulated motivation of agriculture production by those people, and advanced the food production in Japan at that time, and JA functioned as effective food supply chain for Japanese nation.

   However, after a long time passing, these two policies resulted in two serious issues for Japanese agriculture.

3. The farmland emancipation policy resulted that the average level of the Japanese farmers' production was lowered because the average level of the farmland area was lowered. The small farmland area also obstructed modernization of agriculture by inducing cultivating machines. The difficulty for inducing modern machinery system into agriculture caused low productivity and high production cost of agriculture in Japan comparing to that in other countries. According to the data of year 2010 by the Ministry of Agriculture, Forestry, and Fisheries (MAFF) in Japan, the average farmland area per one farm in Japan is around 2 ha, that is almost 1/100 of that in the USA. Therefore, in the progress of globalization and trade liberalization on food market, Japanese agriculture has been losing their competitive competence.
4. JA has been grown to a huge organization along the growth of Japanese economy, as indicated by the fact that the number of the total members of JA grew over 10 million in 2014. The business area of JA was enlarged to cover wide area regarding farmers' daily lives, such as banking, insurance, sales of seeds, sales and lease of cultivating machines, managing super markets, managing gas stations, publishing newspapers, postal service, and so forth. Particularly, their power on farmers' banking became very large as indicated that they are now dealing the amount of savings around a hundred trillion yen (*circa* a trillion US dollar). By the growth of JA, their organization has changed to a large bureaucratic one and lost the flexibility as a function of supply chain in agriculture. Because the distance between farmers and consumption market became large in the huge bureaucratic supply chain system, sometimes it became difficult for farmers' products to fit the market demand.

The demand of Japanese food market has been changing along the change of Japanese society after the war. The food preference of Japanese people changed from traditional Japanese dishes

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to Western/American dishes, changed from house cooking to processed food, eating out and fast food, changed from family eating to solitary eating, and so forth. The agriculture products which could fit to the current Japanese food market have been changed, but many Japanese farmers could not have caught up with the changed market, because they could not know well about market in the division of labor in the conventional agriculture value chain.

Also, the complicated supply chain system of Japanese agriculture with many brokers, including JA, retail shops, family restaurants, processed food manufacturers, and so forth, lowered the profit of farmers. Their total sales in Japanese food industry are less than 20% of the total food market transaction. The flow of the food material in Japan is schematically indicated in **Figure 1**.

Low productivity and low profitability of Japanese agriculture resulted younger generation's moving out from farms to manufacturing factories or to other industries' offices in urban areas and thus resulted depopulation and aging in rural regions. This caused negative feedback to regional agriculture and thus resulted in lack of labor force and abandonment of cultivating fields in regions.

To overcome the situation of Japanese agriculture, recently MAFF in Japan made a policy of agricultural diversification. The idea is sometimes called as "sixth sector industrialization." The connotation of the term is a combination of primary industry (agricultural production), secondary industry (processed food manufacturing), and tertiary industry (retails of food and restaurants) by re-allocating farm's business resources and assets. In another word, by covering other elements in value chain of food industries, farmers are expected to adjust their products to market demands and gain their profit by combining the other services. This is a kind of re-allocation of resources and new integration of agricultural value chain. However, the reality was that the policy could not work so easily because the Japanese traditional farmers were not familiar with retail service or processing manufacturing. Most of them lack the capability of diversification or integration of value chain.

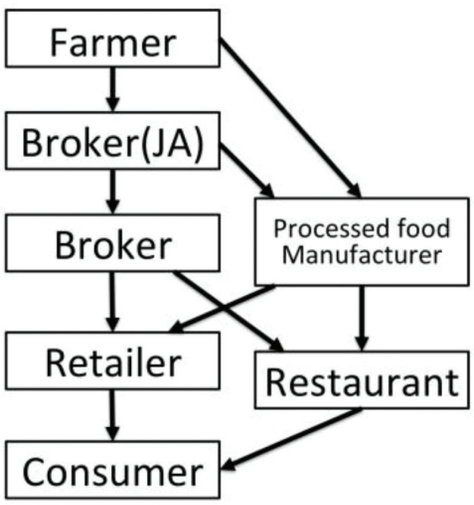


Figure 1. Value chain of agriculture food industries in Japan.

This chapter describes many successful cases of actual trials of agricultural diversification in Japan to obtain implications on Key Factor of Success (KFS) of agricultural diversification. (Some of the cases have been once introduced by the author in different aspects [4, 5].) If some of the implications could be effective for the other regions/countries, this study might be a small clue to advance the world agriculture.

2. Framework of research

This chapter describes totally seven cases of actual diversification in Japanese agriculture to obtain implications on KFS.

The cases are classified to four categories by the difference of the key persons for establishing a new business, as follows.

1. Cases of diversification by brokers.
2. Cases of diversification by processed food manufacturers.
3. Cases of diversification by retailers.
4. Case of diversification by business persons or enterprises.

The research focuses on the following standpoints.

a. Motivation and capability of key person for business
b. Relationship and collaboration between farmers and key person
c. Some other conditions for diversification, such as business strategy on branding/promotion, market categories, market size, market characteristics, and so forth

Based on these case studies, KFS of diversification will be discussed. For each case, direct interviewing and hearing to the key persons were effective to clarify detailed background and conditions for business success. Particularly, it was too difficult to get information on key person's personal motivation for business and relationship between key person and local community, only by literatures and public materials. Direct talking with those persons was very effective in this aspect.

3. Cases of diversification by brokers

3.1. Case of Mr. Risho Azechi and the villages along Shimanto river

The first case of key person for agricultural diversification is Mr. Risho Azechi. He was working for a local JA office at first when he was young, and then, he became a staff of an enterprise (a third sector, a semi-public corporation) for encouraging local villages along Shimanto river. The enterprise was named as "Shimanto Drama." The whole staff members

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of the enterprise were only two persons at first. After that, he became a CEO of the enterprise. His first mission was to encourage the local agriculture of these small villages in mountainous area. But the agriculture products of these villages were not characterized with special advantages. Their products were ordinary regional items such as local chestnuts, mushrooms, river shrimps, and so forth.

One important event for advancing his business was the encounter with a certain designer, named Mr. Makoto Umebara. Mr. Umebara was a very unique designer focusing on package design and catch copy for local products. His first remarkable work on local products was the designing package and making a catchy on bonito, fish. There was a fishery enterprise faced on the crisis of bankruptcy. They were involved in traditional fishing using rod. Their fishery product level was too small compared to that of large enterprise with fishing using net, even though their fishes' quality was good without damages by net. They requested Mr. Umebara to design the package of a box for carrying bonito fish. Therefore, Mr. Umebara came up with a catch copy for the product as "Professional fisherman fished it, and he cocked it in the best way." His design of the package emphasized the primitive taste of fishery by rod with simple color construction. By his copy and package, the item suddenly became popular and could be sold with higher price than that of ordinary bonito by net fishing. That is, he successfully established a brand of rod fishing.

Mr. Azechi heard about the fame of Mr. Umebara and asked him to advertise the local products of Shimanto Drama. However, Mr. Umebara's strategy was not direct advertising the products. First, he published a book cheering the wonder of the lives in riverside. The title of the book was just "Water," and the content of the book consists of many essays written by many famous, eminent persons on politics, art, literature, illustration, and so forth. Generally, it is not so easy to request those persons to write an essay for a book for such small local villages and a tiny enterprise. But Mr. Umebara asked it to them without any special connection just only by saying "If you could accept our proposal, we would like to gift you a lot of river sweet fishes for a year as a sign of appreciation, instead of money." This unique approach led a success, and around 30 prominent persons wrote an essay for them.

Mr. Umebara also recommended to issue a magazine tilted "Lives in river-side." They established a membership club to love lives in riverside and issued a magazine provided to the members. The contents of the magazines were the description of the wonder of lives in riverside in local mountainous area.

These activities were thought to be a kind of branding the villages along Shimanto river. Gradually, their products were getting popularity with the Shimanto brand that has an impression of "slow lives," "sustainable life style with nature," or so forth.

The relationship between regional farmers and Mr. Azechi is very tight and close. Mr. Azechi contributed to the region through his business of retailing the Shimanto products. In that sense, even though the regional farmers were not familiar with marketing and branding, Mr. Azechi in behalf of them established business for them.

Now, Mr. Azechi is also managing Michi-no-eki, a local shopping store including restaurant for regional agriculture products, established by the government for encouraging regional

farmers. At first, the local government opposed to build it in the rural area where Mr. Azechi proposed because of low traffic level. However, after once they built a shop there, over a hundred thousand people visited there for half of a year in terms of the charm of the shop.

3.2. Mr. Mochifumi Toutani and citron business in Umaji village

Mr. Mochifumi Toutani was a leader of local JA organization of a rural village, named Umazi (meaning "a road for houses"). The village was located in mountainous area, and their population was only about one thousand. They were engaged in forestry industry in the past. However, by globalization, their products lost the competitive competence comparing to low price materials imported from emerging countries. They lost the income through globalization. As they could not depend on forestry, they initiated a new business by utilizing citron (Yuzu, a kind of oranges) that they were incidentally growing in the forest. However, most of their citrons were deformed and not suitable for selling as a fruit item. So that, they made juice by processing citrons. But it was also very difficult for them to sell their juice items because there were lots of similar products in the market. Mr. Toutani then focused on marketing and promotion on their citron juice. They emphasized that Umaji village was a rural, remote village but was plentiful of nature, and the people's personality in Umaji is primitive and friendly. After the promotion effort of over 20 years, their village name became famous and the brand of Umaji, accompanied the image of natural lives in mountainous area, was proliferated.

Particularly, improvement of Internet and nation-wide delivery service gave them advantage in business. Nowadays, they were selling their citron products including juice, processed seasonings, spices, and so forth through Internet and delivery service. They have their own factory for processing citron, and the factory is opened for tourists as a kind of tourism service. They have a restaurant in the factory and hold some kinds of attractions for gaining tourists for the village. Their annual sales reach up to 3 billion yen (around 30million US dollar) with the profit rate of over 10%. Growing citron and processed food industry on it are now their main businesses to support the village.

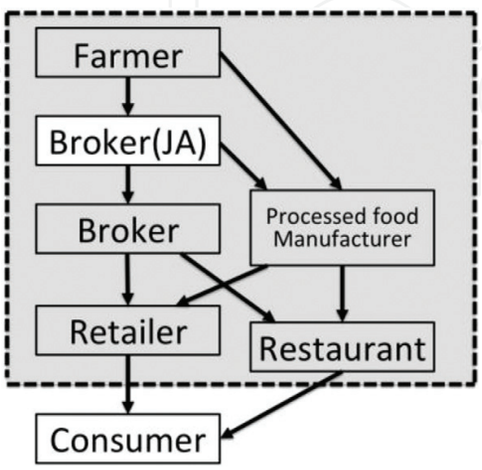


Figure 2. Integrated value chain by broker.

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In these two cases, regional JA organization has very tight relationship with regional farmers, and they were involved in effortful marketing, direct retail service, and also restaurant service. Their businesses were also covering processed food manufacturing. The value chain of agriculture was completely reformed and integrated as schematically indicated in **Figure 2**, and as a result, it gained the profit of farmers.

4. Cases of diversification by processed food manufacturers

4.1. Mr. Fumiya Hamamachi and ice-cream business utilizing regional agricultural products

Mr. Fumiya Hamamachi was originally a fisherman in the rural village. He was engaged in fishery when he was a teenager. However, as he had a dangerous experience in the sea, he quit fishery and changed his job to sales, by working for a certain enterprise. He was involved in sales and marketing of ice-cream items that his enterprise purchased from a certain manufacturer. Spending many years of much effort, he got some stable customers for ice-cream items. But the enterprise changed their strategy of sales and gave up selling ice-cream items. This was the motivation why Mr. Hamada began to establish his own business to sell ice-cream items. Because he had not sufficient capitalization at that time, he should have made much effort to establish his own business. During the hardship of establishing his business, many village people helped him by their primitive personalities and kindness. Those experiences affected him and produced the strong feeling of appreciation to region and regional community, he mentioned later. Gradually, he had advanced his business and made up his mind to initiate the business of manufacturing ice-cream products by his own factory [5].

One remarkable characteristics of Mr. Hamada was his excellent capability to find out delicious fruits/vegetables and to make a friend with the regional farmers who produce such delicious products. Because he loves region and regional community so much that the farmers were willingly accepting special contracts with him about providing their delicious products. As a result, Mr. Hamada's ice-cream products utilizing many delicious fruits/vegetables became popular and famous even for consumers in urban area.

Mr. Hamada's another excellent capability was on marketing and promotion. Because of his long-time experience/effort on sales, his capability on communicating with consumers and retailers became excellent. He always visited the retail front by himself whether it is domestic or abroad and communicated with people directly.

Again, in this case, Mr. Makoto Umebara, a charismatic designer, played an important role to promote the enterprise of Mr. Hamada and his products. Mr. Hamada asked Mr. Umebara to design the package of Ice-cream items and make a catchy for his enterprise. "Running about for seeking a delicious food" was the catchy that Mr. Umebara came up with.

In this case, Mr. Hamada played a role of catalysis and bridge between farmers and market. Usually, regional farmers are not good at communicating with consumers in market because they are concentrated only in cultivating like a craft person. So that, the information and the

advice on the market, that Mr. Hamada could give them, were so important and effective for the farmers. They got the direction of products and became proud of themselves by answering to the request from Mr. Hamada. Of course, Mr. Hamada's enterprise is independent from farmers, but actually the mission of the enterprise is contributing to region and regional farmers; therefore, the activities of Mr. Hamada enlarged the business of the farmers and integrated the value chain of agriculture.

4.2. Hamada family and their cake business collaborating with local farms

Hamakou Corporation is a famous cake manufacturer, owning shops in local city, Kochi, and was founded in 1952. The founder of Hamakou Corporation was a professor of a local university. He was very curious about western cakes particularly Baumkuchen, a round-shape cake developed in German. He personally researched how to make such a cake, and after spending many years with much effort, he successfully realized the cake by his own cocking manner. This is an origin of the famous cake manufacturer named Hamakou. Now, they have over 200 employees and annual sales of around 1.7 billion yen (around 17 million US dollar), and their business is covering processed food manufacturing, managing 16 shops and a hotel including restaurants and also a fruit farm. The current CEO, Mr. Yukihiro Hamada, is a ground son of the founder.

As a manufacturer of processed food, they have been developed a variety of items such as Western cakes, Japanese cakes, jams, beverages, jelly, local beer, and so forth. Their policy was to think their business as cultural activities. That is, to make a cake was a kind of transferring the regional culture, they thought. Particularly, Japanese cake was an enjoyment on beauty of change of seasons, which was one of the remarkable characteristics of Japanese nature, they mentioned. They emphasized that Japanese people historically have been enjoying Japanese nature and its beauty by tasting traditional cakes. Also, they respected special agricultural products in region and insisted to use those products for their cakes to convey what a wonderful treasure the region has to regional people. They also mentioned that the founders' son, the second CEO, has learned many things from French people. Particularly, one thing was that they respected their regional agricultural products when they make jerry cakes. These thinking ways and policies were transferred as a family motto through family business of Hamakou.

Based on the motto, they also initiated hotel business over 20 years ago. On the beautiful hill facing seashore, they have been managing a hotel with a restaurant and a fruit farm by themselves. The purpose of this business is direct transferring the attraction of regional fruits and vegetables to customers. They are also involved in producing processed food products as OEM (Original Equipment Manufacturing) for many other regions' enterprises. The purpose of this activity came from their mission as to transfer the charms and attractions of the regional agricultural products to many people in other regions. Their products are the tools for communication with people and for sharing joy of regional culture/nature, they mentioned.

They themselves design the packages of their products and develop new items because they mentioned that they are the best persons to know their motto on their items. Developing new items is one of the most important subjects of their business. They developed a famous item

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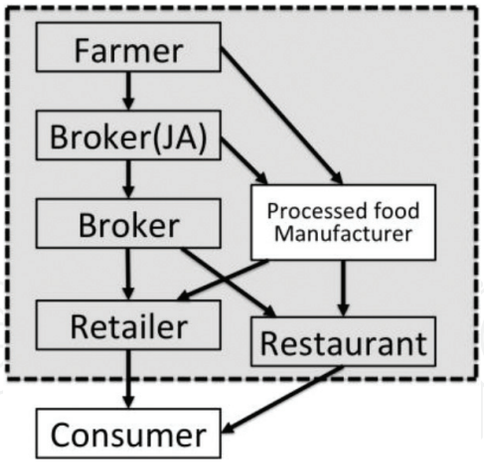


Figure 3. Integration of value chain by manufacturer.

named "Kanzashi (meaning "ornamental hairpin"),," which marked a big hit called as one of the masterpieces representing regional cakes. After the break of this item, they have been continuing the effort to improve by testing a variety of devices over 200 hundred times for 4 years. They always continue improvement of products by absorbing customers' voices and demands.

To realize such a high-quality service, they respect communication among employees. Everyday, the CEO reads whole members' daily reports and informs them his thinking at least once a week. In order to share the affection on cakes not only with customers but also with every employee, daily communication is very important, the CEO mentioned.

Their products were selected as the second excellent item in all of the regional food products in nation by Japan Air Line (JAL) and were served for business class seat customers in the airplane of JAL.

The activities of Kochi Ice and Hamakou are schematically indicated in **Figure 3**. The CEOs of these enterprises played a role of binding market and regional farms. Mostly, the businesses of processed food manufacturer are designed business carefully to match the market and the preference of consumers because those people are located much closer to market than framers. So that manufacturer of processed food can be a good guide of market for framers. If regional manufacturer has a strong hometown feeling and solidarity with regional community, they could establish tight relationship with regional farmers and could contribute to integrate the agricultural value chain.

5. Cases of diversification by retailers

5.1. Mr. Kouji Usui and his activities on vegetables business

Mr. Kouji Usui was working for a certain greengrocery when he was young. The name of the green grocery was Tosa Senri. Tosa was a name of the place of the farmers who supply the

vegetables to this grocery, and Senri was the name of the place where the grocery was located and the consumers' living area. As indicated in the name of the shop, the owner's policy was bridging consumers and framers. So that, in this grocery, there were amount of POPs (point of purchase advertisings), which describe and explain the details of product items, such as where is the place of production, who is a farmer produced the product, what is a special characteristics of the product, how to cook it, and so forth. Those POPs were written by Mr. Usui's hand directly. To collect the information for POPs, he often visited the farmers' places and asked them directly by sometimes staying over in the farmers' houses. Also, at that opportunity, he transferred the consumers' information to the framers, such as what was the reaction of the consumers, what they said about the products, and so forth. For that purpose, he always chatted with the customers in the grocery and asked them about their opinion, satisfaction, impression, and request for the products. That is, Mr. Usui played a role of exchanging/transferring information and bridging between farmers and consumers. On the surface, the business of this grocery was selling fruits and vegetables. However, their business had an aspect of information service. Their manner of transferring information depended not on information technology like Internet but on human power, somewhat old-fashioned style method. However, it was so good to transfer the detailed information from human to human, rather than the transferring by Internet or some other IT methods. By using human network transferring, their information was very deep, detailed, and sensitive.

At that time, the annual sales of the grocery were so good and reached up to over 1 billion yen (around 1 million US dollar) by only two employees, Ms. Mariko Tomita, leader, and Mr. Usui, sales staff. Such high sales were very unusual in comparison with most of the groceries dealing with regional products. Generally, it was very difficult for ordinary groceries to gain such high sales. One reason of their success was that they insisted to provide only excellent products that they themselves could be satisfied with the quality. Another was that they transfer the information on demand and supply between customers and farmers to create a new product fitting to consumers' preference. By the effort of Mr. Usui, farmers and consumers both got benefits on production and consumption. In this case, the retailer played a role of binding both sides.

After working for Tosa Senri, Mr. Usui initiated his own business focusing making POPs for many shops because he recognized that his capability on information transfer would be useful for many retailers.

5.2. Mr. Masaharu Tamamori and Iriomote pineapple

Mr. Masaharu Tamamori was a vice president of the tourism enterprise named Yaeyama Tourism Cooperation. The main business of the enterprise was operating a ferryboat among many islands called Yaeyama islands. But they also managed many other businesses such as operating shuttle bus, taxi, hotels, super market, and so forth in region. Because everyone should collaborate with each other in an island, a small community, the enterprise also should be involved in many kinds of businesses regarding the daily lives of islanders, including cultural events such as summer festival, collaborative activities of cleaning public spaces, and so forth.

In the past, the main industries of Iriomote island were growing sugarcane and pineapple. The farmers sold pineapples to the processed food factory at the price of only 25 yen in the past,

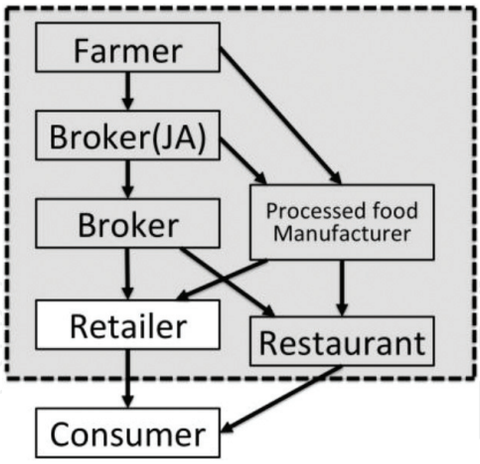


Figure 4. Integration of value chain by retailer.

they mentioned. However, by globalization, the lower price pineapple made in Taiwan and Vietnam surpassed their products in the market, and the factory of Japanese pineapple was closed. The farmers on pineapple lost their job as a result.

Mr. Tamamori, a younger member of the board of trade of the island at that time, watched the distress of the farmers and made up mind to support them by selling their pineapple. He ran about all over nation to promote the pineapples of Iriomote. He went to many railway stations and sang a traditional song of Iriomote with ethnic instrument to appeal that Iriomote was a peaceful island with beautiful nature. After over 10 years' effort of promotion, Iriomote pineapple got popularity among Japanese people and many sight-seeing tourists tended to purchase it with a higher price of several hundred yen, over 10 times that for the factory in the past.

Nowadays, the proliferation of Internet and delivery system accelerated the business of Iriomote pineapple, so that Iriomote pineapple became one of the famous souvenirs of Yaeyama islands.

In this case, the relationship between farmers and the key persons was very tight. In the small community like an island, every one should collaborate with each other for survival. The binding among islanders was so strong that everyone has a strong passion for contributing to island based on their solidarity. In that case, if the key person has a capability of business management, he/she can contribute to build an effective integration of agriculture value chain.

The two cases described here have the same characteristics, tight binding between farmers and retailers and also close communication between farmers and consumers through the medium of retailers. The realized integration of food industry is schematically indicated in **Figure 4**.

6. Cases of diversification by a farmer with business experience

Many cases described before in this chapter were the cases that the key persons were not farmers. Usually, farmers are focusing only growing vegetables or fruits as a craft-person/

specialist; therefore, they are not good at business/sales. Mostly, they are lack of knowledge and know-how on business or sales. The case introduced here is a curious case that a key person as a farmer, but with business experience though his past working experience, plays a role for activating farm. The farm was re-organized as a corporation by him. The key person induced many modernizing devices to this farm and advanced their business as follows.

6.1. Mr. Yuji Nakamura and his global business on lily bulb

Mr. Yuji Nakamura was originally working for a certain life insurance enterprise before entering to his fathers' farm named Nakamura Farm. Nakamura Farm was founded in 1955 by his father, who was originally a high school teacher majoring biology. His father was much keen on flowers, particularly on lily. He launched his business of producing lily bulb after long time researching growing technology of lily bulb.

In 1990, Mr. Yuji Nakamura succeeded his fathers' business and established an enterprise organizing Nakamura Farm because of bad health condition of his father. He initiated global business on lily bulb by utilizing his capability and knowledge on modernized business.

One excellent idea was that they initiated lily bulb business in winter by carrying bulbs by refrigerating container from other countries in the Southern Hemi sphere such as Chili, New Zealand, and so forth. Usually lily cannot be grown in cold circumstance like winter, so that there was no supply of lily bulb in winter. But they grew lily bulbs in hot circumstance in the Southern Hemi sphere and brought them to Japan by using refrigerating container and defrosted them by their original technology. By this device, they could occupy winter market of lily bulb in Japan.

They positively learned many things from Netherlands with advanced technology on flowers and imported lily bulbs and some other flowers' bulbs from abroad. They also built greenhouses controlled by computer to research the best growing conditions for lily flowers. They sold lily bulbs with precious information/data on how to grow lily flowers, obtained through their research in greenhouses. It was a good service for customer farmers who would grow lily flowers by purchasing lily bulbs from them in order to sell the grown flowers to flower market.

Currently, their annual sales reached over 1.7 billion yen (around 17 million US dollar) by only 16 employees. Nakamura Farm is so popular for job-hunting students that over one hundred students applied for only one opportunity of recruit.

Nakamura Farm is also highly respecting relationship with regional community because their business and daily lives are strongly bound with regional community. They held a follower festival once a year to express appreciation for regional community. They have also many social activities collaborating with regional schools.

In this case, the key person in the side of farming had strong passion to contribute to regional community, and he had also capability of modernized business management. This is somewhat a rare case in current status in Japan, but the number of the persons like Mr. Nakamura is getting increased gradually. The effort of agricultural diversification will be much more fruitful in the future.

7. Analysis on KFS and discussion

To analyze Key Factor of Success (KFS) of the cases presented in this chapter, the common elements in the cases particularly focused on character/personality of key persons are summarized as follows.

1. In every case, the key person had a strong entrepreneurship and capability of business management. Usually the farmers are not good at business itself because of their specialty and mentality. In that sense, the key persons who are good at business management can contribute to actual integration of value chain or re-allocation of farmers' assets/resources in new business style.
2. In every case, the excellent strategies of advertisement, marketing promotion, and branding are common elements for inducing their business success. Because most of the poor regions are lack of resources, branding is an effective manner to lift up their business.
3. In the most of the cases, the market size of their products was not so large that large competitive enterprises will not penetrate the market to enlarge their business. If the market is so large, cost-reduction, and price-down by scale-merit of large enterprises with large capitalization will be a threat in business.
4. In every case, the key person had a strong feeling of contributing to the regional community. Particularly, the case of Kochi Ice indicates that the kindness of local people made an important role for forming the personality and the business policy of the key person. Social capital as solidarity, trust, credibility, and hometown feeling in region is said to be essential to grow entrepreneurs with strong mission for contributing regional community [6–11]. Because agriculture industry is commonly strongly linked to regional community, improving social capital in region is significant to advance agriculture by diversification.

The common factors mentioned in 1–3 are understandable by the following tendency. That is, generally, there are two directions of construction of industry as follows.

a. Dividing value chain and horizontal collaboration for enlarging scale of industry for cost reduction
b. Binding value chain and vertical integration for enhancing brand value in niche market

Emancipation of farmland and forming agricultural cooperatives by the policies right after the Second World War were executed for the purpose of activating degraded food industries in Japan, so that the policies were thought to be based on the above-mentioned direction a.

In contrast, the policy of agricultural diversification is proposed for the purpose of increasing profit of farmers by branding in niche market, so that the policy is rather thought to be based on the above-mentioned direction b. The common elements mentioned in 1–3 could be understood in this aspect.

One of the implications induced from the case analysis is that successful key persons for agricultural diversification have strong entrepreneurship, capability of business management, passion and mission for contributing to regional community, and tight relationship with regional community. Although MAFF promoted the policy of diversification, the reforming

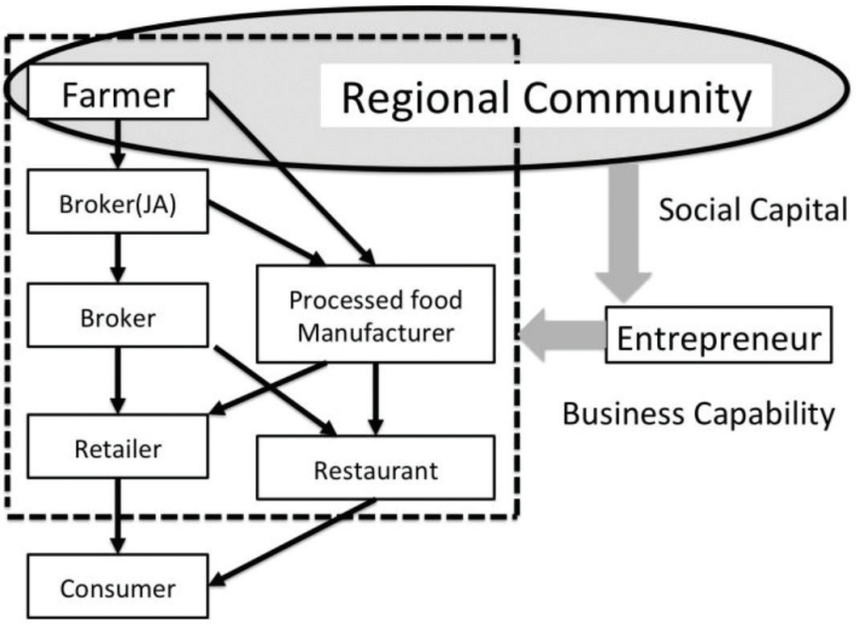


Figure 5. Circulation of intangible asset in region.

social system to support the policy is not enough for realizing the policy. The activities of those kinds of key persons are essential in the real reforming of industries. The significance of human resource should be re-considered for the future of agriculture.

The common elements mentioned in 4 are thought to be indicating a kind of circulation of social capital in region as intangible asset. As schematically shown in **Figure 5**, social capital in region grows entrepreneurs with passion/mission for contributing regional community, and such entrepreneurs play a role for business success by integrating value chain, and the success of the agricultural diversification produce profits returning to the farmers in region.

In this section, many successful cases were introduced; however, of course, there were many failures in the real industry. It is often observed that, even if there is an aggressive entrepreneur for food industry in any position, he/she could not be successful in establishing effective integration of value chain without collaboration with farmers. In any success cases, the tight linkage between farmers and entrepreneur was essential for establishing business model. In that sense, social capital in the relationship between regional community and entrepreneur is though be a kind of potential asset to advance industry/society. It will be increased through the circulation of asset, indicated in **Figure 5**, in the industry; therefore, it is inferred that we could grow asset/equity in society.

Another implication obtained here is that this kind of circulation of intangible asset would be significant in term of realizing sustainable development of regions. The businesses described in this chapter will not be adoptable for all kinds of agriculture fields. The agricultural diversification strategy would be effective only in some niche markets. However, the circulation of intangible asset in these businesses may be a clue to realize sustainable development of powerless regions without amount of resources and tangible asset.

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8. Conclusion

To overcome the issues of low profitability and mismatching to market demand, integration of agriculture value chain, called as agricultural diversification, has been progressed in Japan. The policy of agricultural diversification was proposed by the Ministry of Agriculture, Forestry and Fishery (MAFF) in Japan, but the execution of the policy needs effort and collaboration of many other people except farmers, because the conventional farmers are sometimes lack of capability of organizing other value chain stages.

Some aggressive key persons as brokers, processed food manufacturers, and retailers are very helpful for establishing profitable agriculture when they collaborate with regional farmers. This chapter presented totally seven cases of successful restructuring agricultural value chain. In every case, the key person with strong entrepreneurship, business capability, and passion/mission for contributing regional community played an important role to establish successful business by realizing agricultural diversification.

One of the implications induced from the case analysis is that the activities of those kinds of key persons are essential in the real reforming of industries. The significance of human resource should be reconsidered for the future of agriculture.

Another implication is that social capital of region is important to grow key persons with entrepreneurship, collaborative with farmers and to return profits to farmers and regional community. In that sense, realizing a kind of circulation of intangible asset such as social capital of region is a clue for sustainable development of powerless region.

The policy of agricultural diversification might not be effective for all kinds of fields of agriculture industry. The policy would be effective for increasing profit of farmers in some niche market but not in major market fields with scale of merit. However, the policy would play a complementary role for encouraging Japanese contemporary agriculture.

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