

MR. RAJA GURU

Report of the Regional Seminar on

**ROLE OF COOPERATIVES IN
MODERNISATION OF AGRICULTURE**

Tokyo (Japan)

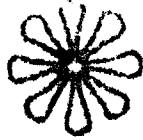
25th August-12th September, 1980



INTERNATIONAL COOPERATIVE ALLIANCE

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REGIONAL SEMINAR

ON

ROLE OF COOPERATIVES

IN

MODERNISATION OF AGRICULTURE

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JAPAN - AUGUST - SEPTEMBER 1980



**INTERNATIONAL
COOPERATIVE
ALLIANCE ROEC
NEW DELHI India**

REPORT OF THE
REGIONAL SEMINAR ON

"ROLE OF COOPERATIVES IN MODERNISATION OF AGRICULTURE"

TOKYO (JAPAN)

25th August to 12th Sept.1980

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Jointly organised by

International Cooperative Alliance
Regional Office & Education Centre for South-East Asia,
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Regional Seminar on "Role of Cooperatives in Modernisation of Agriculture"
25th August to 12th September 1980

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REPORT OF THE REGIONAL SEMINAR ON "ROLE OF COOPERATIVES IN MODERNISATION OF AGRICULTURE", TOKYO (JAPAN), 25TH AUGUST TO 12TH SEPTEMBER (PRECEDED BY STUDY VISITS IN THE REPUBLIC OF KOREA FROM 17TH TO 24TH AUGUST 1980.

Introduction

The Regional Seminar on "Role of Cooperatives in Modernisation of Agriculture" was held by the International Cooperative Alliance Regional Office & Education Centre for South-East Asia in collaboration with the Central Union of Agricultural Cooperatives (CUAC) and the Institute for the Development of Agricultural Cooperation in Asia (IDACA) from 25th August to 12th September 1980. Twenty two participants and three observers from 11 countries attended the seminar. Observers from ILO and UNICEF also attended part of the seminar. The countries represented were Bangladesh, India, Indonesia, Iran, Japan, Republic of Korea, Malaysia, Pakistan, Singapore, Sri Lanka, and Thailand. The list of participants and observers and the seminar programme are enclosed.

The inaugural session of the seminar was held in the morning of 25th August 1980 at IDACA. The inaugural session was addressed by Mr. Lionel Gunawardana, Joint Director & Specialist in Agricultural Cooperation, ICA ROEC, Mr. Takeshi Kai, Manager, International Department, CUAC and Mr. K. Fujimoto, Managing Director, IDACA.

The seminar was directed by Mr. Lionel Gunawardana.

Objectives

1. To review the activities carried out by the agricultural cooperatives in the region for assisting the farmer members in the introduction and practice of modern methods of agriculture and to discuss the problems encountered in carrying out such activities.
2. To discuss the role played by the agricultural cooperatives in Japan and the Republic of Korea in the modernisation of agriculture.
3. To discuss ways and means the agricultural cooperatives can assist their farmer members in the modernisation of agriculture.

Study Vists

In order to provide seminar participants an opportunity of learning about the role played by the agricultural cooperatives in modernising agriculture and the working of the agricultural cooperatives in the Rep. of Korea a study visit programme for six days was organised by the International Cooperative Alliance in collaboration with the National Agricultural Cooperative Federation (NACF) prior to the seminar. The seminar participants were taken to two primary agricultural cooperative societies, one county agricultural cooperative, Agricultural Cooperative College, and to the National Agricultural Cooperative Federation in the Rep. of Korea. The seminar programme in Japan also included study visits. The participants were taken to two primary agricultural multipurpose cooperatives in Yamanashi Prefecture for intensive study with the help of case studies specially prepared for the seminar. They also observed the facilities of the Economic Federation of Yamanashi Prefecture.

PROBLEMS FACED BY AGRICULTURAL COOPERATIVES IN ASSISTING THEIR FARMER MEMBERS IN MODERNISING AGRICULTURE.

Agriculture can be modernised through land and tenancy reforms, proper land consolidation, supply of irrigation facilities, supply of agricultural inputs and ensuring a remunerative price to the farmers for their products. This would necessitate proper arrangements for supply of agriculture credit and development of marketing and processing facilities and effective involvement of farmers in their management.

It must be emphasised that cooperatives are the most suitable form of organisation for organising the weak and dispersed groups of farmers into self-managing units and can be effective instrument in ensuring a proper return for their agricultural produce.

Modern economics have become very complex and unless each producing group is able to excerpt upon the government its case in the proper perspective, the producing group is bound to loose.

Only the agricultural cooperatives can provide the solution to this problem.

Agriculture cannot be modernised by cooperatives alone. The input has to be provided by the people and the government. Cooperatives can only be a means for achieving this end, both for the government and the people.

Some of the problems faced by the agricultural cooperatives in performing their role in modernisation of agriculture as identified by the seminar and suggestions made by for improvement of the existing situation are given in the following pages.

1. Organisation Structure

Organisational structure in most of the Asian countries, except Japan and the Rep. of Korea is very weak. Although there is a three tier system in almost all the countries the primary sector is not sufficiently strong. Moreover difference of opinion and lack of cooperation among the members is a main obstacle in the way of development of agricultural cooperatives. It is necessary to strengthen the base level (i.e. primary societies) to achieve the objective of development of agriculture resulting in better living standards of rural communities. Like minded people with sincerity of purpose should come forward and work for the collective benefit of the farmers. In case of differences of opinion, the minority should bow to the wishes of the majority wholeheartedly without making it a point of prestige.

Financially weak societies should be merged together or with other strong societies to make viable units. The number of societies should be reduced as far as possible to have better organisation and effective control.

2. Insufficient experience & skills among the officers

Agricultural cooperatives in many countries are still in their early stage of development. Their officers are not adequately trained and do not possess sufficient skills and experience and therefore not well equipped to advise farmers on the modern

agricultural and technological know-how. Facilities available for their training are also not adequate.

Farmers usually have to fight with the better organised pressure groups of industries, trade, middle-men, landlords and the rural money lenders to get a better deal for themselves. The cooperatives are organised for a very weak and dispersed group of the community and unless this group has the backing of competent and professional managers they cannot succeed. Creation of such a cadre of managers is a big problem faced by the agricultural cooperatives.

3. Interference of politicians and other vested interest group

Often politicians unduly interfere in the affairs of cooperatives. The agricultural cooperatives should be free from interference by politicians who use them for political advantage and for their own ends. There cannot and never will be a genuine cooperative movement as long as the government allows party supporters to intervene freely in the affairs of cooperatives and to manipulate committee members and employees for political ends.

Politicians and party supporters should get into the board of directors (as chairman or board members) of agricultural cooperatives only through elections. Party politics and personal rivalry should not be allowed to hamper the smooth functioning of cooperatives.

Cooperative workers should work for the betterment of farmer members with enthusiasm, unity and devotion. Leadership qualities should be promoted and people should be motivated to take part in the cooperative movement by holding meetings, seminars, conferences, etc. at primary, secondary as well as national levels. Services of devoted workers should be recognised through moral support, distribution of awards and financial benefits.

Local leadership is an essential input for cooperatives. It cannot be effective unless there is a high degree of literacy and education amongst members. Low degree of literacy is a major constraint amongst cooperatives.

Like in other sectors, cooperatives often become the monopoly of the stronger amongst the farmers. Domination of cooperatives by the bigger farmers is a big problem in several countries.

4. Lack of faith in the societies

Lack of confidence and faith due to mismanagement by the leaders is a main hurdle in the way of promoting the business of the societies. If loyalty can be created by good management, surplus savings of the farmers can be attracted to the societies. This will not only reduce the burden on the government to extend credit but also will increase the income of the societies.

5. Inadequate capital

The paucity of funds is a major obstacle faced by agricultural cooperatives in assisting their farmer members in modernising agriculture. There are three main forms of capital in a cooperative viz. share capital, capital owned by society, and external borrowing.

Most of the farmer members are unable to contribute sufficiently to the share capital as they are relatively poor. Therefore, agricultural cooperatives cannot anticipate large investments on shares from farmer members. In some countries most agricultural cooperatives are newly formed and have not yet built up sufficient capital of their own. Even in countries where agricultural cooperatives have existed for a considerable period they have been small societies and the creation of larger units have taken place only recently and they have not been able to build up adequate capital. These societies are still depending on government aid. The main source of borrowing for agricultural cooperatives are cooperative banks and the government and they are able to lend only limited amounts. The agricultural cooperatives being financially weak are not able to meet the terms and conditions of external credit institutions.

6. Small agricultural holdings

The agricultural holdings are often uneconomic in size and do not have proper titles. Adoption of modern methods of agriculture is difficult in them. Lack of proper titles make them unacceptable as security for loans. Often, farmers have several small scattered plots of land.

The farmers with scattered small land holdings and poor financial resources are unable to plan their farming, to make use of modern techniques and agricultural machinery and to market their produce profitably. Therefore, to derive more benefits from the cooperatives, joint farming may be encouraged. Small farms should be integrated into viable units under joint cooperative farming system. Incentives and necessary facilities should be extended by the secondary organisations of provincial or national governments.

7. Lack of marketing facilities

Facilities for storage, transportation, packaging and processing are inadequate. Many agricultural products are seasonal, but are in demand throughout the year, and the storage function is therefore important.

Modern transportation facilities have made the location of production less important. Fresh and perishable commodities can be transported from far away distances. In modern age packaging tends to increase in importance. Proper packaging is almost as important as the quality of the product itself. Poor packaging can reduce the chances of selling the product. The buyer sees the package and its content as a whole. In fact sometimes he may be mainly influenced by the package when selecting his product.

Processing is perhaps the stage that adds the greatest value to the agricultural product and in most cases cost largest in marketing. Any agency that wishes to exercise control over marketing operations must have an adequate control over this activity. Therefore, it is necessary that the agricultural cooperatives must have processing units.

Efficient marketing is most important for obtaining good returns for agricultural produce. Farmers do not get proper prices for their agricultural produce where agricultural produce is bought by the middlemen. Farmers possessing a small quantity of produce have no bargaining capacity. Better prices can be fetched only through proper grading and packing and marketing the produce of small farmers collectively. In order to obtain good prices for the produce, it is necessary to erect grading, packing and marketing centres at secondary level.

8. Farm guidance service

Farm guidance can play a vital role in the development of agriculture. In most countries in the Region cooperatives do not provide this service to their members. In most countries the rural population is illiterate and unaware of the scientific use of inputs. They are farming on the basis of experience they have gained or inherited but do not know the modern techniques of getting better yields. They should be given proper advice at proper times for suitable crops. As far as possible farm guidance cells should be created at primary level with the help of secondary organisations to render farm guidance services. Co-ordination may also be sought with the Agricultural Department where such services are already available. Ways and means be adopted to make better use of existing facilities of the agricultural department.

9. Machinery centres and repair workshops

The small farmers do not have the capacity to purchase and maintain agricultural machinery. To avail the benefits of modern machinery, machinery centres be established to provide agricultural machinery owned by the societies or other farmers on hire basis to those farmers who do not possess their own. Workshops and repair centres may also be installed at the machinery centres to provide repair and overhauling facilities.

10. Government support and subsidies

Inadequate government support to cooperatives in some countries is an obstacle to rapid growth. Without active support and participation by the national as well as provincial/state governments the cooperative movement cannot flourish.

For example agricultural cooperatives in Japan could not have developed so well if the government had not enabled farmers to receive remunerative prices by extending extensive subsidies for establishing modern facilities for processing and packaging of agricultural produce and giving long term loans at subsidised rates of interest for modernising agriculture. Cooperatives also could not have succeeded if the members did not have a high degree of education.

The government had pursued an effective policy of land and tenancy reform in Japan. And furthermore, the cooperatives would not have advanced well if the government had not pursued the policy of encouraging their amalgamation into viable units and integrating the various functions at the primary level to enable them to deliver the goods and services in accordance with the needs.

Grants in aid should be extended to weak societies to enable them to stand on their own feet. Easy credit on subsidised interest rates should be extended for purchase of fertiliser, pesticides, agricultural machinery etc. The state should come to the help of the societies to overcome the difficulties faced by the societies in day to day activities.

Adequate supply of chemical and modern agricultural machinery should be made available to the farmers through the primaries. Necessary support should be extended for consolidation of land, for maintaining model farms and nurseries. Facilities should be provided for research and study to evolve better varieties of seeds and plants.

The farmers should be given security from the unforeseen loss of crop due to natural calamities and adverse climatic conditions through crop insurance at subsidised premiums.

11. Flow of rural population to cities

Due to meagre sources of income at the farm land and industrialisation in the big cities and towns, the rural population is migrating to the cities. To check the flow of rural population and retain the farm labour at the farm land, it is necessary to promote cattle breeding, fishing, dairy farming etc. Such activities will help in increasing the earnings of the farmers.

Moreover, modern amenities available in the cities should be provided at the villages to reduce the magnetic attraction of cities.

12. Gas plants

Manure of cattle if properly utilised can give more benefits to the farmers. Gas plants can be erected to produce gas or generate electricity out of manure. The waste also can be used as fertiliser as it contains the same quantity of nitrogen. Successful experiments have already been made in some of the countries.

OBSERVATIONREPUBLIC OF KOREAStructure

1. The agricultural cooperatives are vertically organised at three levels, primary cooperatives at myeon or the township level which are federated into county cooperatives at the county or city level and the National Agricultural Cooperative Federation (NACF) at the national level.
2. In 1969 an amalgamation programme has been implemented. Under this programme small cooperatives at village level have been merged into large unit primary cooperatives at the township level.
3. Agricultural cooperatives are multipurpose at all levels and conduct a wide range of business activities such as banking, marketing, purchasing, utilisation and processing, mutual insurance, farm guidance and education. There are however special cooperatives also at the primary level which deal with a single crop or are engaged in other specialised activities such as dairying. These special cooperatives do not deal in credit. These societies are directly affiliated to the national level federation.
4. Presidents of primary cooperatives are nominated by the Presidents of the county cooperatives who are in turn are nominated by the President of the NACF. The President of the NACF is nominated by the President of the country. The board of directors of the primary cooperatives are elected at the general meeting.

Credit and saving promotion

1. The multipurpose agricultural cooperatives extend credit to farmer members partly out of members' savings and partly from borrowings from Bank of Korea through NACF and county cooperatives.

2. There is a credit system operated by the agricultural cooperatives where savings mobilised from members is lent to needy members. This is known as mutual credit programme. Since the initiation of the mutual credit programme of the primary societies in 1968, it has progressed rapidly both in deposits mobilisation and in extension of loans.

3. As a result of the continuous efforts to increase rural savings through such methods as the fostering of "one trillion treasuries" (increasing saving with the target of achieving one trillion) the total amount of rural saving has increased. The rural savings consist of deposits in the mutual credit programmes of primary cooperatives, farmers deposits received by county cooperatives, share subscription of member farmers and premiums of cooperative insurance.

4. The NACF and member agricultural cooperatives operate a credit guarantee fund since 1972 to which the NACF and the government make contributions. The fund is used to guarantee the members loans. This system enables the societies to lend to members without collateral.

5. The interest rates on deposits as well as on lendings are very high. The high interest rates serve as an incentive in deposit mobilisation. In multipurpose societies, the income of farmers received from the sale of their agricultural produce, is credited into the respective accounts of members in the society. The societies also provide the daily necessities of members and their purchases can be debited to their accounts. Money is withdrawn only when a member genuinely needs it. This system promotes saving mobilisation greatly.

6. The integration of functions provides incentive for the promotion of savings. In developing countries this integration can only be attained if an efficient management cadre is created at primary level.

Supply & Marketing

1. Agricultural cooperatives have a net work on the integrated cooperative marketing business system starting from production point to the final retail market. These cooperatives deal in the supply of agricultural inputs and consumer goods to the farmer members as well as marketing of agricultural produce in an integrated business system. These activities are handled by separate departments in the cooperatives at the primary level. This system aims at increasing farmers income as well as in stabilising the prices. The farm produce processing facilities are owned by cooperatives and this further enhances the growth especially of the major crops. Some producers of special crops have joined specialised cooperative societies which are linked directly to the National Federation. The cooperative system has developed modern devices to provide information on prices of agricultural produce to the members speedily. This facilitates the exchange of rapid information on the agricultural market situation.

2. About 50% of the paddy crop is sold to the government at supported price at the time of harvest while the rest is marketed after milling through societies. In the Rep.of Korea about 20% of the total agricultural produce is marketed through cooperatives.

3. So far as the supply of farm machinery and farm chemicals are concerned in Korea it was observed that 50% of the total requirements are met through cooperatives. But in the case of fertiliser the cooperatives have a monopoly i.e. the entire demand of the nation is met by cooperatives as per the price fixed by the government.

4. As regards the supply of inputs, the agricultural cooperatives collect what the farmers need and send to the county cooperatives. The county cooperatives after consolidating the requirements place their orders with the NACF. NACF places orders with the suppliers who supply the goods direct to the agricultural cooperatives.

Farm guidance and modernisation

1. The farm guidance activities in Korea were started during 1961 and its aims and objectives are same as in Japan. However, the number of farm guidance advisers in relation to the number of members is less than that of Japan. More emphasis has been given on the development of management aspects of the societies such as credit, marketing, supply of farm inputs etc. during 1960s and early part of 1970s with a view to increasing the internal resources of the society.

2. Since 1970s the farm guidance activities and modernisation of agriculture through such services are being considered as an integral part of Saemaul Integrated Rural Development (SIRD) Programme and accordingly Saemaul farming societies have been organised in all the villages.

3. As a part of Saemaul Undong (New Community Movement) and extension of support for obtaining higher yields, farm guidance activities have been strengthened.

4. Agricultural cooperatives and county cooperatives engage farm advisers with farming skills to extend farming guidance. Most of the farm guidance staff are with primary cooperatives whereas specialist staff are with higher level societies which give guidance to primary level staff and to farmers through primary societies. Farm guidance by government staff is also provided through primaries.

5. The agricultural cooperatives in the Rep. of Korea have assisted the farmer/members in modernisation of agriculture. They use not only the modern agricultural machinery for tilling and harvesting but also have introduced modern irrigation system like sprinkling of water in the fruit gardens. Cooperatives also arrange aerial spray of pesticides.

6. Amalgamation of societies into viable units was initiated in 1961. These larger units have greatly facilitated the extension of assistance to farmers in modernising agriculture. Almost every farm household possesses its own machinery for tilling, harvesting, etc.

7. In Korea the government have implemented land reforms and land consolidation. It was only after such reforms that the pace for modernisation has become faster.

JAPAN

Structure

1. Agricultural cooperatives are vertically organised at three levels. Primary agricultural cooperative societies are organised on the city, town and village level. Prefectural unions and federations in prefectural level, and the Central Union, and the national federation at national level.

2. The primary agricultural cooperative societies can be classified into two categories - multipurpose and single purpose. They are federated at the prefectural level where they are organised according to specific functions. Each federation on the prefectural level has its counterpart organised at the national level.

3. The activities of multipurpose agricultural cooperatives cover a wide range of business activities such as guidance, marketing, purchasing, credit, mutual insurance, utilisation and processing, educational and legislative activities.

4. The Central Union of Agricultural Cooperatives which is a nation wide organisation; not only engages in services such as guidance, coordination, investigation, education, information, auditing, etc. but also represents the interest and the will of the agricultural cooperatives in Japan.

5. National level and secondary level of agricultural cooperatives in Japan, take a very keen interest in developing the primary cooperatives, in order to provide better services to the farmer members. For instance the supply of agricultural inputs such as fertiliser, farm chemicals and farm machinery is facilitated by the timely procurement and distribution through agricultural cooperatives which have ensured its timely distribution by means of planned procurement and rapid transportation to the farm level.

6. The structure of agricultural cooperatives in Japan, because of its most efficient and highly disciplined administration and services has proved its usefulness to their farmer members.

7. The government of Japan provides large subsidies on production and marketing of rice. Cooperatives work as the agent of the government in purchasing of rice which amply strengthens the financial health of cooperatives. It is interesting to note that despite such heavy financial support from the government to cooperatives the government had allowed the cooperatives to maintain their distinct identity and the government has not interfered with their independence. This has considerably strengthened the cooperative movement in Japan.

8. Integration of functions at primary level and specialisation at higher level, has enabled the cooperatives to provide a comprehensive service to the farmers and win their complete loyalty and also get the advantages of specialisation.

9. The agricultural cooperatives have become strong units on account of the heavy governmental support in agricultural prices and the high level of education amongst members which have enabled the primary cooperatives to have sound management. Without such conditions it is doubtful, if the cooperatives of other countries, merely by duplication of Japanese structure, can achieve the same results.

Credit and saving promotion

1. Credit is disbursed to members through multipurpose primaries. Primaries have sufficient deposits to enable them to give farm credit. In fact on the average only about 50% of the members deposits with primary societies are given as loans. The balance is deposited with Prefectural Credit Federations. For long term loans alone, the primaries borrow from the national government through their prefectural level credit federations and the national cooperative bank.
2. The societies lend on behalf of the government at low interest rates for specific purposes, including the development of forestry, livestock, land development, etc. The rate of interest is subsidised by the government. These loans account for nearly 25% of the total loans by the cooperatives. The system of credit supported by the government guarantees and subsidies may be adopted with advantage by the countries in this region.
3. Primary societies enjoy the confidence of the farmers and are financially very strong. There are huge amounts of surplus funds in the shape of savings of the farmers. The government stands guarantee to safeguard the interests of the farmers who deposit their savings in the societies. Secondly societies offer better interest rates than commercial banks.
4. In the case of long term loans, financial assistance is provided by the Central Cooperative Bank at subsidised interest.

5. Agriculture modernisation fund has been developed to afford credit on long term basis.

6. Credit is guaranteed by Agriculture Credit Fund Association upto 100% in the case of long term loans and upto 80% in the case of ordinary loans.

7. Crop insurance is done by the government giving protection to the farmers in the case of damage to the crops. The government contributes 50 per cent of the premium costs.

8. The strength of the cooperative credit movement in Japan is to a very large extent dependent on the persuance of the present agricultural policy of the government. The integration of various functions at primary level has enabled the primary cooperatives to have a large deposit mobilisation. Sound management and deposit insurance have strengthened depositors faith in cooperatives, thereby increasing the deposits of cooperatives. Effective policy of crop insurance by the government has enabled the cooperatives to have high deposits even in the years of poor crops. Insurance business of cooperatives has greatly strengthened their credit business.

9. To achieve the soundness in cooperatives in other countries as in Japan the governments of the respective countries should support the primaries by making them sale agents for the purchase of rice and the societies should be permitted to enhance their incomes by engaging in insurance business.

Supply and marketing

1. The supply system in Japan can be divided into two groups - (1) agricultural inputs, (2) farm machinery. The purchasing business is carried out in close relation with farm guidance activities. Through the guidance activities the society can get information in advance on members' demand for production inputs based on their farming plans. Based on this information advance

orders for the inputs are placed with the Prefectural Economic Federation which will in turn order them from the National Federation.

2. Medium term loans and long term loans are being provided to the farmer members at subsidised rates for purchasing of agricultural machineries and this has helped in modernising the agricultural practices in Japan. In order to streamline such facilities and to get subsidy directly from the government some societies have formed subsidiary organisations called agricultural machinery banks.

3. The marketing of agricultural produce is carried out by agricultural cooperatives for their farmer members. The marketing system aims at realising reasonable prices for their products in the market by jointly marketing the produce of small farmers.

There are three main systems of marketing. They are :

(1) unconditional consignment system, (2) commission system, and (3) pooling account system.

Unconditional consignment system : Under this the members produce is consigned to the society for marketing without any condition as to the price of sale, etc. The society markets the produce through the Economic Federation or by other means and pay the producers after deducting a certain percentage of the sale price to cover its expenses.

Commission system : The society acts as a commission agent for the farmer members and sells the produce on his behalf. The farmer can set the minimum price at which he likes to sell the produce. The society charges a commission for its services.

Pooling account system : Under this system members produce is pooled together for marketing and the sale proceeds are shared between them according to the quantities of different grades supplied by them. This system is generally applied to commodities where prices have a tendency to fluctuate even within a short period.

4. The agricultural cooperatives handle a lions share in the marketing of agricultural products. The share of the cooperatives in some of the major products are as follows : rice 85%, vegetables 40%, fruits 50% and livestock 45%. This has become possible for cooperatives due to the close rapport they have with farmer members on the one hand and facilities provided in respect of grading, packaging, transporation, warehouse, marketing information etc. on the other.

5. In the case of paddy there are rice centres and small rice mills at primary level. But most of the rice mills are in prefecture level and rice is procured by the government at supported price.

6. Cooperatives own processing facilities for major crops. In the case of livestock at primary level there are auction houses which enable a farmer to get competitive prices.

Farm guidance and modernisation

1. The farm guidance activities play a vital role in the modernisation of agriculture and it has been experimented and found successful in Japan. The cooperatives have the responsibility for arranging educational activities for promoting better farming. The agricultural cooperative societies maintain a guidance service with their own farm guidance advisers. The farm guidance advisers are responsible for :

- (a) Promotion of land consolidation programmes.
- (b) Organisation of producers in commodity/livestock wise.
- (c) Regional farm programming.
- (d) Individual farmers farming programmes.
- (e) Utilisation of production materials.
- (f) Improvement and unification of production techniques.
- (g) Advising on profitable marketing.

2. In order that the guidance workers can discharge their duties efficiently some cooperatives have provided them with wireless broadcasting facilities which help them in keeping constant touch with the members and the society. Besides audio-visual aids like T.V., Radio are also used in carrying out farm guidance activities.

3. Agricultural development or modernisation of agriculture cannot be brought about by farmers acting alone. In general there are ten factors affecting the modernisation of agriculture and generating a structural transformation in agriculture. (1) land and water resources, (2) labour force, (3) farm inputs, (4) production credit, (5) marketing, (6) advanced technology, (7) extension and training, (8) economic incentives for farmers, (9) farmers organisation, and (10) planning. In Japan agricultural cooperatives have given attention to all these factors.

4. Land reforms and consolidation of land have paved the way for modernisation of agriculture. Amalgamation of societies into viable and stronger units has also helped in pooling the resources in modernisation of agriculture.

5. At the prefecture level there are agriculture machinery centres, repair workshops and spare parts shops and warehouses. Modern agricultural machinery and their spares are supplied at lower rates. Supply arrangements for L.P gas for domestic consumption are also available at the prefecture level under the Economic Federation.

6. Some societies have also organised machinery banks at the primary level and machinery is supplied often along with operators on hire basis.

7. Farm guidance is provided by the staff of the primary cooperatives. Higher level cooperatives and the government only engage specialists who invariably provide farm guidance through primary societies and also guide the staff of the societies. This shows the strength of the cooperative movement of Japan especially at the primary level.

8. The payment of a guaranteed price for the farmers produce (i.e. rice) by the government has been a big incentive for the farmers to use modern methods. Incentives provided by the government for land consolidation, loans extended at subsidised interest for land improvement and purchase of machinery, subsidies given to cooperatives for erecting modern facilities such as grading and processing facilities have been definite factors that have accelerated modernisation of agriculture in Japan.

9. It is significant that despite lot of help from the government, the government has not interfered with the cooperatives and has thus allowed them a very healthy growth.

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SEMINAR PROGRAMME

17th Aug Sun.	Arrival of participants in Seoul.
18th Aug Mon. to 23rd Aug Sat.	Study visits in the Rep. of Korea.
24th Aug Sun.	i. Departure for Japan ii. Arrival at IDACA
25th Aug Mon. 1000-1100	Opening session
1130-1230	Introduction to IDACA Introduction to ICA
1400-1700	Lecture : Socio-economic situation in Japan by Mr. H. Togawa.
26th Aug Tue. 0930-1230	Presentation of background papers.
1400-1700	Presentation of background papers (contd.)
27th Aug Wed. 0930-1230	Presentation of background papers (contd.)
1400-1700	Discussion on case studies and group work.
28th Aug Thu. 0930-1230	Lecture : Outline of agriculture and agricultural cooperative movement in Japan by Mr. Shiro Futagami.
1400-1700	Lecture : Outline of agriculture and agricultural coop movement in Japan (contd.).
29th Aug Fri. 0930-1230	Lecture : Role of agricultural cooperatives in modernisation of agriculture by Mr. T. Kai.
1400-1700	Lecture : Role of supply and marketing in modernisation of agriculture (including government support to these activities) by Mr. T. Kai.
30th Aug Sat. 0930-1230	Lecture : Credit Support (including saving promotion) by cooperatives in modernisation of agriculture by Mr. M. Matsuhiro.
31st Aug Sun.	Sight-seeing in Tokyo

1st Sep Mon.to 6th Sep Sat.	Study visits in Yamanashi Prefecture.
7th Sep Sun.	F r e e
8th Sep Mon.	F r e e
9th Sep Tue. 0930-1230	Discussion on study visits
1400-1700	Group work and plenary
10th Sep Wed. 0930-1230	Group work and plenary
1400-1700	Group work and plenary
11th Sep Thu. 0930-1230	Group work and plenary
1400-1700	Group work and plenary
12th Sep Fri. 0930-1230	Final report and evaluation
Afternoon	Preparation for departure
13th Sep Sat.	Departure of participants

Lunch break	:	1230-1400
Tea breaks	:	1100-1115 & 1530-1545



A CASE STUDY ON

**NIRASAKI-SHI
[MULTIPURPOSE]
AGRICULTURAL
COOPERATIVE
SOCIETY : JAPAN**



INTERNATIONAL COOPERATIVE ALLIANCE

Regional Office & Education Centre for S-E Asia

Post Box 3812, 43 Friends' Colony, New Delhi 110-014

A CASE STUDY

ON

NIRASAKI-SHI AGRICULTURAL (MULTIPURPOSE) COOPERATIVE SOCIETY

JAPAN

By

Lionel Gunawardana
Joint Director & Specialist
in Agricultural Cooperation

I N T E, R N A T I O N A L C O O P E R A T I V E A L L I A N C E

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NIRASAKI-SHI AGRICULTURAL (MULTIPURPOSE) COOPERATIVE SOCIETY

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NIRASAKI-SHI AGRICULTURAL (MULTIPURPOSE) COOPERATIVE SOCIETY

Establishment

The Nirasaki-Shi Agricultural (Multipurpose) Cooperative Society was established in May 1965 by amalgamating 11 small agricultural cooperative societies.

A r e a

The operational area of the society covers 203.68 square kilometers. Major part of this area, 169.24 square kilometers (83.1%) is covered by forest and unusable land. 30.40 square kilometers (14.9%) are arable. Housing and other construction covers 4.04 square kilometers (2%) of the land.

Land Utilisation

Rice cultivation covers the major part of the arable land. The area under rice covers 50.3 per cent of the arable land. Mulberry occupies the second place covering 34.3 per cent and fruits the third place covering 11.8 per cent of the arable land area.

Land Utilisation

	Hectare	Percentage of the arable land
Paddy fields	1530	50.3
Mulberry	1042	34.3
Fruits	359	11.8
Upland fields	82	2.7
Others	27	0.9
Total	3040	100

Population

The total population of the area of operation of the society is 30,790. This consists of 4,066 farm families with a population of 16,951 and 3960 non-farm families with a population of 13,839.

Farm Households

Out of the 4,066 farm households 12.1 per cent or 492 families are fully engaged in agriculture. The majority (87.9%) are part-time farmers. The part-time farmers are classified into two categories. The farmers of the first category earn a major part of their income from farming and those of the second category earn a major part of their income from non-farm occupations. 27.8 per cent of the farm households or 1130 families fall into the category-I and 60.1 per cent or 2444 families fall into category-II.

Land Holdings

The average size of land holdings is very small. More than 80 per cent of the land holdings are less than one hectare in size. Only 0.4 per cent of the land holdings are above 2.5 hectares in size.

Farm households classified according to size of farm holdings

Less than 0.5 hectare	:	36.2 per cent
0.5 to 1 hectare	:	44.1 per cent
1 to 1.5 hectares	:	16.6 per cent
1.5 to 2 hectares	:	2.1 per cent
2 to 2.5 hectares	:	0.6 per cent
More than 2.5 hectares	:	0.4 per cent

Crops

The main crop grown in the society area is rice. The area under rice cultivation has been almost stable during the last several years. Different types of fruits together occupy the second largest area.

Crops Grown

	1975 Hectares	1976 Hectares	1977 Hectares
Rice	1130	1120	1130
Wheat and barley	243	214	189
Potatoes	41	42	44
Soyabean	8	8	10
Lettuce	23	27	44
Cucumber	15	12	8
Pumpkin	5	4	4
Eggplant	11	11	10
Tomato	5	5	5
Cabbage	7	5	26
Chinese cabbage	26	10	9
Spinach	7	7	6
Onion	16	16	15
Raddish	25	23	23
Carrot	8	5	4
Apple	3	3	2
Grapes	158	180	186
Pear	4	4	3
Peach	76	87	90
Apricot	26	23	25
Persimmon	16	16	16
Plum	4	4	5

Sericulture

Sericulture is an important industry in the society area. However, the number of farmers engaged in sericulture and the quantity of production has been declining in the recent years. There are 1940 farmers engaged in sericulture and they together produced 893,400 kilograms of cocoon.

Sericultural Production

	<u>1970</u>	<u>1977</u>
No. of sericulturist farmers	2450	1940
Cocoon production	1,203,130 k.g.	893,400 k.g.
Area of mulberry cultivation	990 hectares	886 hectares

Agricultural Income

The major sources of farm income is from sericulture; rice, livestock and fruits and vegetables. Income from livestock production and fruit and vegetable growing has been increasing during the recent years.

Gross Production in Agriculture and Agricultural Income

Unit : million yen

	1975	1976	1977
Rice	1,466	1,262	1,473
Wheats	78	76	99
Coarse grains & beans	4	3	4
Potatoes	40	36	47
Vegetables	309	291	398
Fruits	867	1,031	965
Flower	3	7	3
Industrial crops	3	3	2
Seedlings & ornamental plants	55	58	37
Sericulture	1,761	1,991	1,792
Livestock products	739	1,064	1,208
Total	5,325	5,822	6,028
Production agr. income	3,071	3,424	3,493

Membership

The membership of the society consists of regular and associate members. Only the regular members have the right to vote. Presently the society has 3,668 members of which 3,196 are regular members.

Membership

		1977	1980
Regular	:	3,276	3,196
Associate	:	495	472
Total	:	3,771	3,668

Representative Meeting

The society follows the "representative meeting" method in place of general meeting. According to the Agricultural Cooperative Society Law the representative meeting should have a minimum of 500 representatives. The representative meeting of the society has one representative for every seven regular members.

Board of Directors

The board of directors is elected at the representative meeting and consists of 31 members. By arrangement roughly 3 members are elected from each branch area to the board. There are 11 branches of the society. The President and the Managing Director are elected from the board members and work full time. They receive honorarium for their services.

Auditors

The representative meeting also elects 6 auditors. They work part-time.

Employees

The society has 150 employees - 95 males and 55 females.

Distribution of employees in different departments.

	Male	Female	Total
Guidance	13.1	1.5	14.6
Marketing	12.7	3.5	16.2
Agri. warehouse	0.8	---	0.8
Supply	32.1	13	45.1
Process & utilisation	3.3	---	3.3
Insurance	4.7	3.2	7.9
<u>Credit business</u>			
Saving	3	19.5	22.5
Loaning	4.5	2.3	6.8
Wire broadcasting	2.3	4.5	6.8
Administration	18.5	7.5	26
Total	95	55	150

Organisational Structure of the Society

The society has the following four departments.

1. Administration department.
2. Farm management department.
3. Supply department.
4. Financial department.

1. Administration department

Administration department has two sections. The administration section is responsible for personnel management, general planning, budgeting and supervision. The other is the computer section which maintains computerised accounts.

2. Farm management department

This department has 4 sections and is responsible for guidance in farming and livestock raising, and marketing of agricultural produce and livestock products.

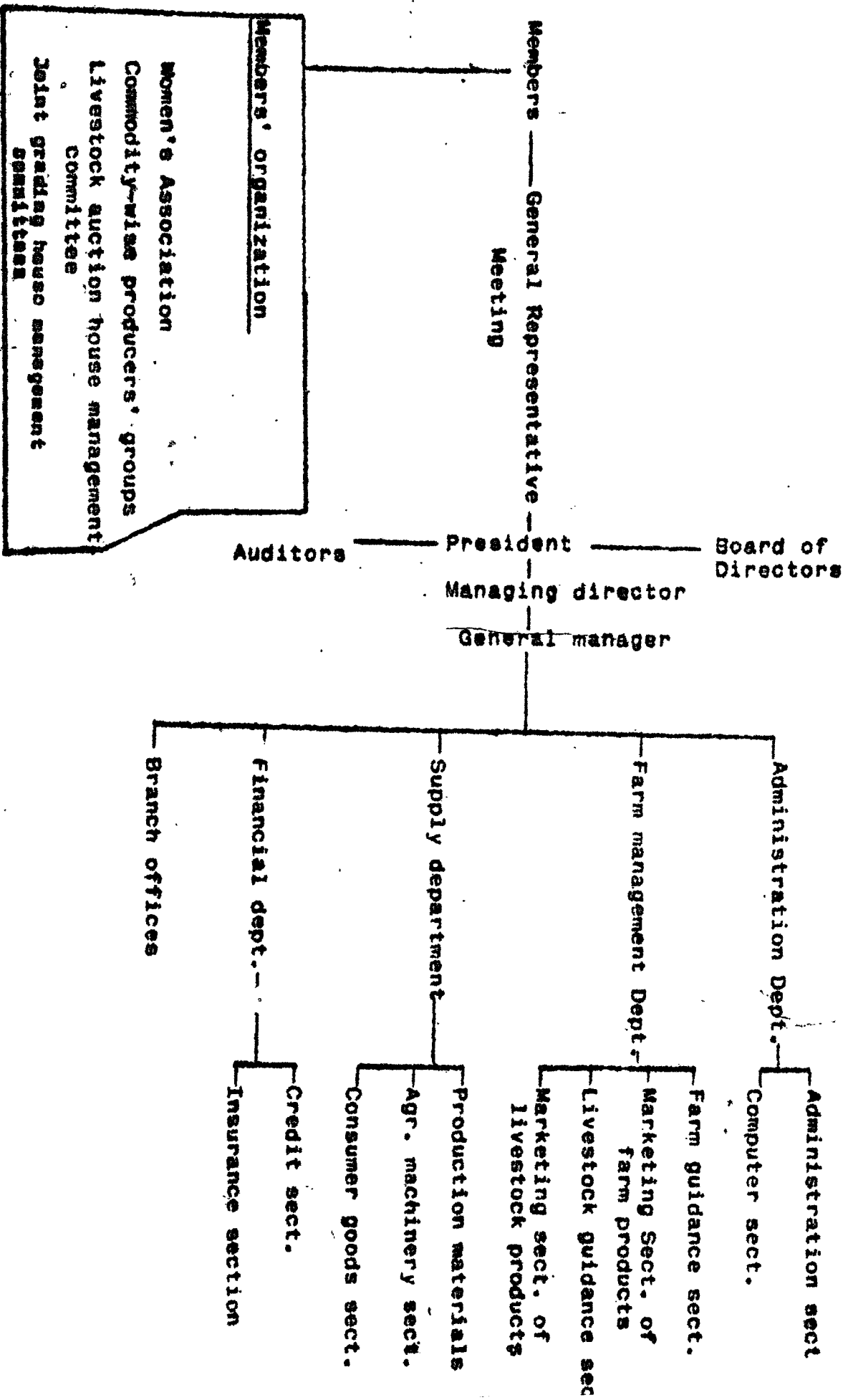
3. Supply department

This department has 3 sections responsible for supply of agricultural machinery, production material and consumer goods.

4. Financial department

The financial department handles saving and loaning and insurance.

Appendix 1. Organizational Chart of the Society



Members' organization

- Women's Association
- Commodity-wise producers' groups
- Livestock auction house management committee
- Joint grading house management committee

Facilities and Services

Head Office building	:	1
Branch offices	:	11
Warehouses for supply of material	:	25
Warehouses for rice	:	5
Collecting & grading houses	:	13
Auction house for livestock	:	1
Rice mill	:	1
Agricultural machinery workshop	:	1
Peach grading centre	:	1
Computer	:	1
Wire broadcasting facility	:	1

Wire broadcasting system is a combined broadcasting and telephone system. The telephone receiver also has a radio receiver similar to that of a radio at the bottom of it which receives messages broadcasted from the society's broadcasting station through wires.

Business Activitiesi. Credit(a) Saving

The total amount of members' savings with the society at the end of the fiscal year 1976 (fiscal year 1st February to 31st January) was 6524 million yen. The amount rose to 9256 million yen at the end of 1979, an increase of 42 per cent. Average saving per member in 1976 was 1.73 million yen and in 1979 the figure was 2.5 million yen, an increase of 45 per cent.

Members Savings

(As at the end of the fiscal year)

Unit : Million Yen

	1976	1977	1978	1979
Ordinary	1,818	1,966	2,240	2,214
Fixed term	4,151	4,665	5,408	6,241
Instalment	555	783	827	801
Total	6,524	7,414	8,475	9,256

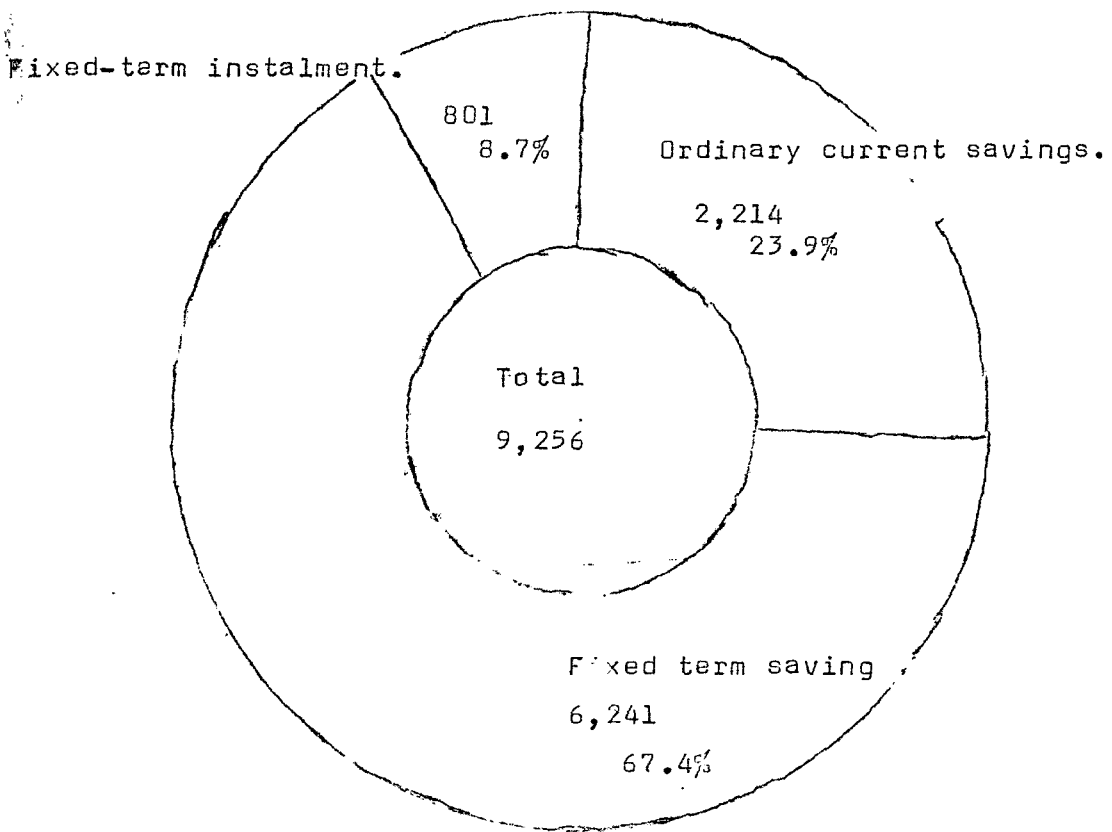
Fixed term deposits

Unit : 1000 Yen

3 month	:	109,601
6 month	:	193,015
1 year	:	3,797,211
2 year	:	2,133,826
Others	:	7,206
Total	:	6,240,859

Members' Savings

Unit : Million Yen



(b) Loans

The society extends both short-term and long-term loans. Short-term loans are mainly for cultivation expenses and living expenses. The long-term loans are for purchase of machinery, for permanent improvement of land, or for starting new cultivations or livestock industry etc. The society in the case of long-term loans also act as the channel for loans from the government. The government loans are given at low rates of interest. Funds for such loans are normally cooperatively owned but the government subsidises the interest. Total amount of loans outstanding at the end of the fiscal year 1976 was 3147 million yen and the corresponding figure at the end of 1979 was 3215 million yen, an increase of 2 per cent.

The average loan per regular member in 1976 was 0.83 million yen and in 1979 the amount had risen to 0.87 million yen, an increase of only 5 per cent.

Loans extended to the members

Unit : Million Yen

	1976	1977	1978	1979
Short-term loans	1334	1552	1367	972
Secured loans	1045	1174	1138	613
Overdrafts	264	372	219	358
Others	25	8	10	1
Long-term loans	1812	1957	2002	2578
Institutional loans	1429	1522	1555	1625
Production loans	383	435	527	618
Total	3147	3509	3449	3215

ii. Supply

The total value of agricultural inputs, fuels and machinery supplied by the society in 1977 was 1617 million yen and the corresponding figure for 1979 was 1565 million yen, a decrease of 3 per cent. The horticultural material supplied by the society however increased during this period.

The total value of consumer goods including fuels supplied during 1976 amounted to 340 million yen and the value for these items supplied in 1979 was 465 million yen, an increase of 37 per cent.

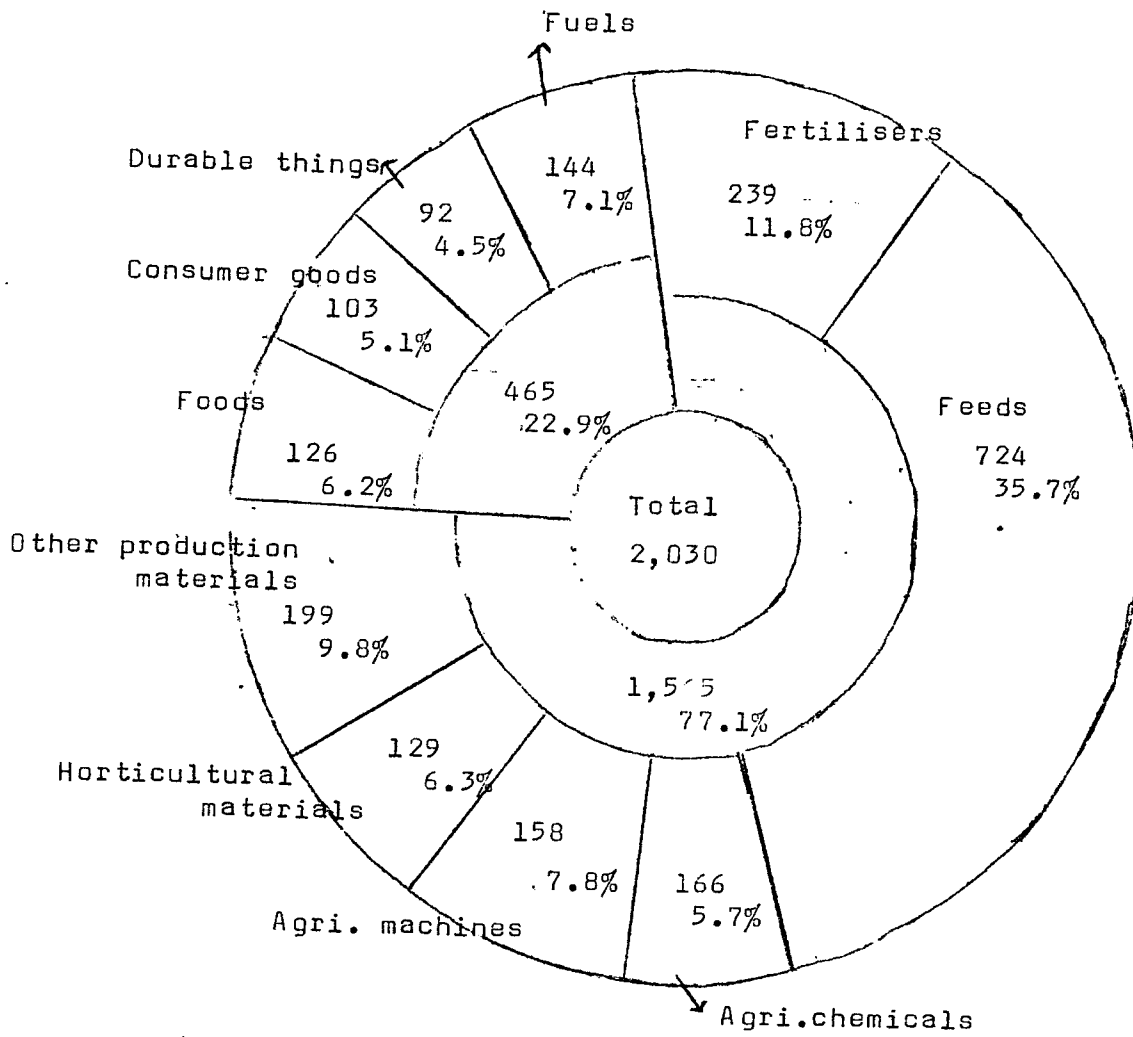
Supply Turnover

Unit : Million Yen

	1977	1978	1979
Fertiliser	229 (11.7%)	237 (12.0%)	239 (11.8%)
Feeds	795 (40.6%)	705 (35.8%)	724 (35.7%)
Agri. chemicals	104 (5.3%)	107 (5.4%)	116 (5.7%)
Agri. machinery	173 (8.8%)	149 (7.6%)	158 (7.8%)
Horticultural materials	107 (5.5%)	115 (5.8%)	129 (6.3%)
Other production materials	209 (10.7%)	255 (13.0%)	199 (9.8%)
Sub-total	1617 (82.6%)	1568 (79.6%)	1565 (77.1%)
Foods	111 (5.7%)	123 (6.3%)	126 (6.2%)
Consumer goods	66 (3.4%)	89 (4.5%)	103 (5.1%)
Durable things	55 (2.8%)	71 (3.6%)	92 (4.5%)
Fuels	108 (5.5%)	119 (6.0%)	144 (7.1%)
Sub-total	340 (17.4%)	402 (20.4%)	465 (22.9%)
Grand Total	1957	1970	2030

Supply turnover in 1979

Unit : Million Yen



iii. Marketing

The society markets rice, livestock, fruits and vegetables and cocoon. The major item of marketing is livestock. Livestock accounted for 38.5 per cent of the total marketing turnover in 1977 and had risen to 42.4 per cent in 1979. The society has a livestock auction house where auctions are held 3 times a month for beef cattle and 2 times a month for pigs and piglets. Farmers from the society area as well as outside of it but within the Yamanashi Prefecture bring their livestock for sale in the auction. About 20 buyers are registered with the auction house. They can bid and purchase at the auction.

Cocoon is the second major item of marketing. This commodity too is losing importance in the total marketing turnover of the society. Cocoon accounted for 26.2 per cent of the total marketing turnover of the society in 1977 but declined to 22.6 per cent in 1979. The society supplies the cocoon collected from its members to the Sericulture Federation.

Rice is the third item of importance in terms of the value of the amount marketed. Rice also has a declining place as far as the total marketing turnover of the society is concerned. It accounted for 17.3 per cent of the total marketing turnover in 1977 and had declined to 14.4 per cent in 1979. Rice is brought from members in unpolished form and supplied to the government.

Fruits occupy the fourth and vegetables the fifth places and are steadily growing in importance. Fruits accounted for 11.7 per cent and vegetables 5.1 per cent of the marketing turnover in 1977 and the percentages rose to 13 and 5.9 respectively in 1979. The society has 13 collecting and grading houses for vegetables and fruits. Five of these collecting and grading houses which are big have been erected with government subsidies. There are voluntary associations formed among vegetable and fruit growers to regulate shipment of fruits and vegetables in order to ensure a smooth flow of these items to the market. This type of regulation helps in maintaining a favourable price for them. The President and the Managing Director of the society are members of these voluntary groups and give them guidance whenever needed.

The total value of agricultural and livestock produce marketed by the society in 1977 was 4821 million yen. The corresponding figure for 1979 was 5728 million yen, an increase of 19 per cent.

The average amount of produce marketed for regular member in 1977 was 1.47 million yen and in 1979 it amounted to 1.79 million yen, an increase of 22 per cent.

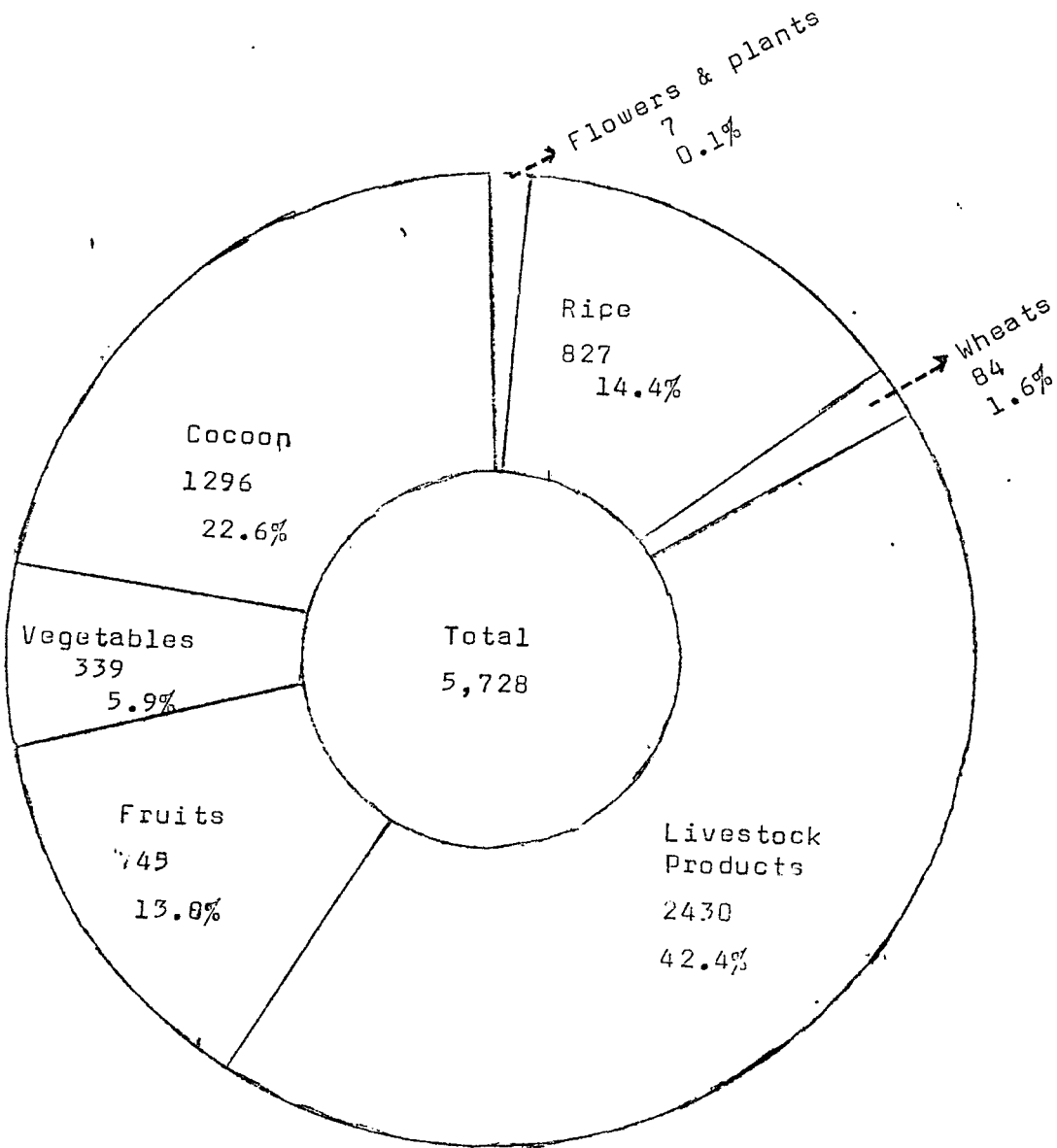
Marketing Turnover

Unit : Million Yen

	1977		1978		1979	
Rice	832	(17.3%)	770	(13.4%)	827	(14.4%)
Wheats	46	(1.0%)	68	(1.2%)	84	(1.6%)
Livestock products	1858	(38.5%)	2433	(42.2%)	2430	(42.4%)
Fruits	564	(11.7%)	743	(12.9%)	745	(13.0%)
Vegetables	248	(5.1%)	355	(6.2%)	339	(5.9%)
Cocoon	1265	(26.2%)	1382	(24.0%)	1296	(22.6%)
Flowers & plants	8	(0.1%)	8	(0.1%)	7	(0.1%)
Total	4821		5759		5728	

Marketing Turnover in 1979

Unit : Million Yen



iv. Insurance

The total value of long-term insurance policy holdings at the end of the fiscal year 1977 was 32,011 million yen and the value of these policy holdings at the end of 1979 was 45,180 million yen, an increase of 41 per cent.

The average value of policy holding per member in 1977 was 8.48 million yen and in 1979 was 12.31 million yen, an increase of 45 per cent.

There are 4 types of life insurance policies - endowment-I, II, III and IV. In the case of category endowment-I, the full amount insured is payable in the event of death of insured before the maturity of the policy and in the case of the endowment-II, twice the amount, in endowment-III thrice the amount and in endowment-IV four times the amount is paid.

The premium is higher for policies where a higher multiple of the amount insured is paid.

Child insurance

In case of juvenile insurance if the child dies before the maturity of the policy the accumulated premium and the interest on it is paid back. If the father dies before the maturity of the policy the full amount is paid to the insured on the due date of maturity. No premium is payable during the interim period.

Building insurance

The building (rehabilitation) insurance policies are similar to life insurance as far as their operation is concerned. As in life insurance the full amount is paid on maturity of the policy.

Policy holdings of long-term insurances

Unit : Million Yen

	1977		1978		1979	
	Contracts	Value	Contracts	Value	Contracts	Value
Life insurance	6,368	21,010	6,383	23,104	6,461	25,935
Juvenile	874	468	842	483	789	483
Building endowment	5,612	10,533	5,583	14,643	5,628	18,762
Total	12,854	32,011	12,808	38,230	12,878	45,180

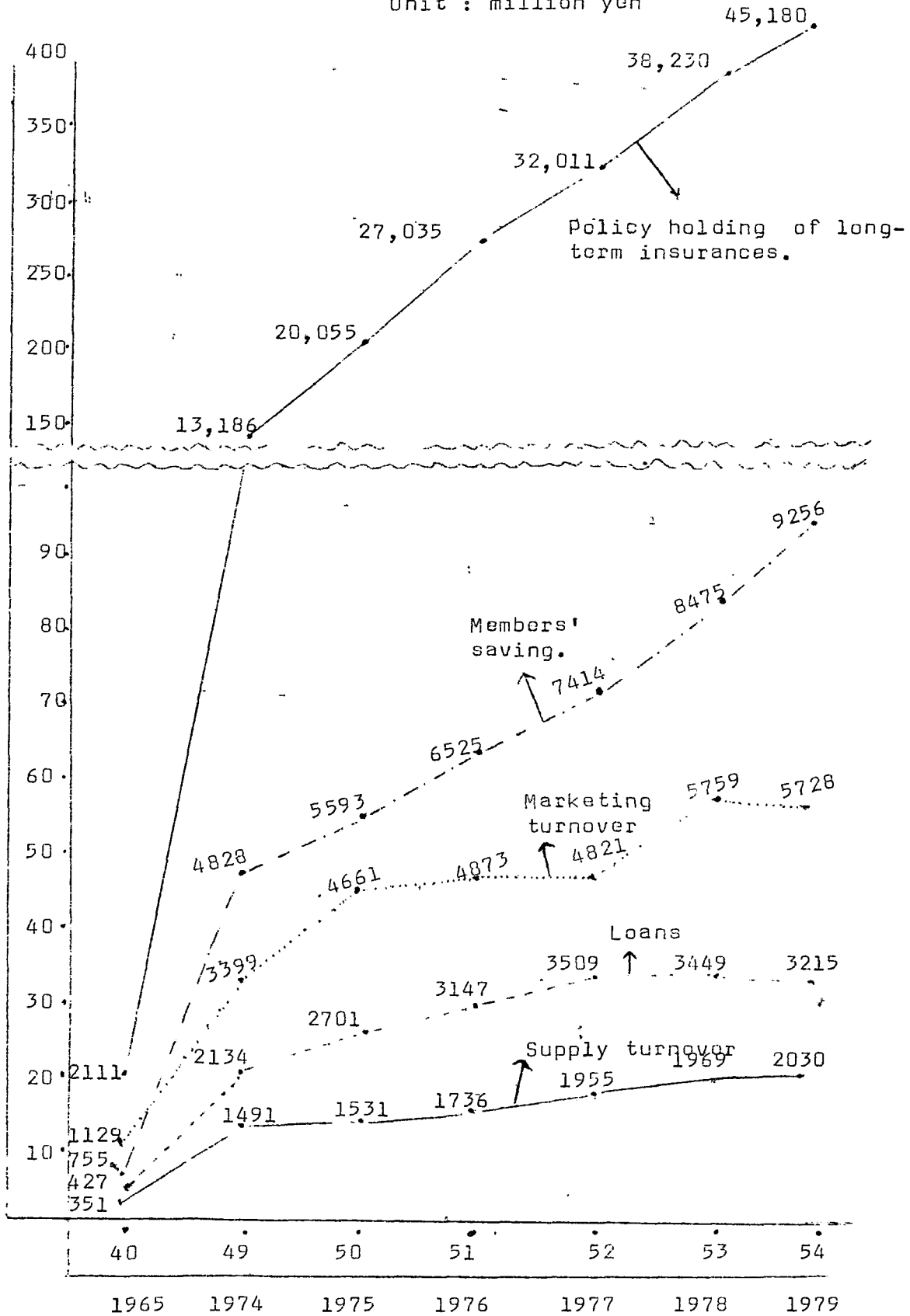
Short-term insurance contracts in 1979

Unit : 1000 Yen

Fire insurance	170 contracts	830,740
Automobile insurance	2,513 contracts	105,128,500
Personal accident	15 contracts	380,500
Total	2,698 contracts	106,346,400
Automobile liability insurance	: 1,428 automobiles.	

Progress of business activities

Unit : million yen



Farming guidance and modernisation of agriculture

The society has formed among its members the following commodity groups.

1. Beef cattle
2. Pig raising
3. Pig breeding
4. Japanese apricot
5. Plum
6. Grape
7. Apple
8. Strawberry
9. Lettuce
10. Tomato
11. Cucumber
12. Kidney bean
13. China yam
14. Eggplant
15. Corn

The society has one farm guidance worker in each of its eleven branches. In addition to this, there are 4 farm guidance workers specialised in livestock at the head office and one better living adviser.

The guidance workers are linked to the head office through a wireless radio-telephone system. Every worker carries with him a wireless radio-telephone set and through it can contact their head office and can be contacted by the head office. If a farmer requests the services of the guidance worker from the society - which he can do through the wire broadcasting system - the society can direct the guidance worker covering the area where that particular farmer lives to attend to his request. The guidance workers are provided with a motor bicycle to facilitate their visits to farms.

The commodity groups elect their own chairman and monthly meetings of the whole group is held once or twice a year. The groups are divided into sub-groups of few members each residing in the same area near to each other. Most of the activities of the groups are carried out at this level. Farm guidance advisers extend advice mostly through these sub-groups. They also give advice and guidance individually if any farmer has a problem or need such individual services. Once a year excursions are arranged for the members of the groups to visit other agricultural areas and markets so that they can learn from the experience of others.

The wire broadcasting system of the society also is made use of for giving advice and guidance to farmers. Guidance given through this system ranges from advice on production techniques to grading and marketing information.

The members of the commodity groups have to pay a membership fee of 500 yen per year and in addition to this a fee according to their land holdings - 1000 yen per hectare held. The income from these sources cover approximately 30 per cent of the expenses on guidance workers excluding the personnel cost. The rest of the expenses are borne by the society. The society gives a subsidy to meet the expenses of the commodity groups, according to the number of members in the group and also their marketing turnover.

The society also passes on to the commodity groups rebate it receives from the Economic Federation on marketing commission.

The persons who work as guidance workers are high school graduates who normally have passed the Prefectural Government's examination for extension workers. The Prefectural Union also conducts training seminars and classes and periodically hold qualifying examinations. Training courses and examinations cover technical knowledge in fruit growing, livestock raising etc., agricultural cooperative law, farm management and agricultural book keeping. There are farm guidance workers of three grades. Grade-I, II and III. Promotion to a higher grade depends among other things, passing of the qualifying examination conducted by the Prefectural Union for each grade.

At the Prefectural Union level there is a League of farm guidance workers. The League at Yamanashi Prefectural Union has 260 members. This has divided its members into commodity-wise groups according to their speciality. These groups hold meetings and seminars to exchange views. The membership fee of the League is paid by the society and the Prefectural Union also gives a grant for the expenses of the League. The League's annual budget is about 2.5 million yen.

The society has assisted the farmer members in various ways in modernising their agriculture.

Through the farming guidance services it has constantly helped them in introducing new farming techniques and new and high yielding varieties. It has especially helped in the expansion of fruits and vegetables cultivation. New dwarf varieties of apples which are high yielding and easy to harvest and carry out other cultural operations like fruit thinning, spraying etc. have been introduced. By maintaining a pilot experimental farm growing of these new varieties have been demonstrated to the farmer members. Fifteen farmers have joined in growing a particular dwarf variety of apples with a special fence support system for the trees. By this system the trees can be made to stand erect and branches of the trees held in position which facilitate easy cultural operations including harvesting. The area covered in the pilot growing project covered 3.5 hectares. Land preparation and fencing expenses were subsidised by the government in this scheme upto 90 per cent.

Another scheme of modernisation introduced by the society is automatic sprinkling system for peach plants. 65 farmers cultivating peach in 11 hectares have joined in this scheme.

Agricultural inputs needed for modern agriculture are supplied to the farmer members with needed instruction for their use facilitating easy adoption of new agricultural practices.

The society extends loans for improvement of land, purchase of machinery and introduction of new and improved varieties of crops. When such loans are available from the government the society acts as a channel for them.

Modern storage facilities have been constructed to enable storage of produce without spoilage, thereby eliminating loss through waste.

The society with the financial assistance of the government has introduced machine grading of fruits and trained farmers in modern methods of packaging which has resulted in their being able to obtain better prices for their produce.

The society through its better living guidance activities helps the farm families to use the increased incomes resulted from modern methods of agriculture rationally and assist them in leading a better and fuller life.

Balance Sheet
(as of 31st January 1980)

Unit : Yen

Liabilities	Assets
1. Financial assets (10,227,751,357)	1. Financial liabilities (10,507,335,701)
Cash 35,843,023	Savings 9,256,039,598
Deposits 5,354,690,087	Borrowings 920,499,182
Securities 1,027,340,620	Miscellaneous ---
Loans 3,214,792,996	Insurance fund 82,377,825
Miscellaneous 487,738	Deferred credit a/c 248,419,096
Insurance fund 258,687,888	2. Economic liabilities (828,319,265)
Deferred debtor a/c 335,909,000	Payable a/c 63,735,809
2. Economic assets (517,427,852)	Commission debts 5,220,689
Receivable a/c 209,909,353	Borrowings 232,638,148
Supply a/c (207,035,214)	Miscellaneous 53,286,295
Marketing a/c (90,335)	Res. for depreciation 255,230,959
Others (2,783,804)	Reserves 210,593,672
Commissioned claim 11,412,790	Retirement allow(159,939,032)
Inventories 12,038,900	Retirement of officers (2,382,000)
Livestock animals 90,821,996	Bad loan (35,338,105)
Miscellaneous 15,168,655	Price fluctuations. (12,934,535)
Deferred a/c 12,696,484	Deferred a/c 7,613,693
Special a/c 165,379,674	3. Capital (307,705,241)
Wire board (111,029,668)	Paid-up share capital 255,996,488
Silk nursery (1,596,739)	Legal reserve 22,300,000
Livestock project (46,265,922)	Special reserve 11,853,000
Others (6,487,345)	Carry-overed surplus 1,497,320
3. Fixed assets 807,338,998	Current surplus 16,058,433
4. External investment 90,842,000	
Grand total 11,643,360,207	Grand total 11,643,360,207

Profit & Loss Account (from Feb. 1st, 1979 to Jan. 31st, 1980)Unit : Yen

	金額
Total business profit	580,565,095
1. Credit business income	634,161,432
Deposit interest	(258,286,437)
Securities interest	(73,483,541)
Loan interest	(261,303,542)
Misc. incomes	(41,087,912)
2. Credit business expense	390,436,515
Saving interest	(352,309,674)
Borrowing interest	(29,821,436)
Misc. expenses	(8,305,405)
<u>Credit business profit</u>	<u>243,724,917</u>
3. Insurance business income	117,109,545
Commission income	(84,083,786)
Loan interest	(25,220,257)
Misc.	(7,805,502)
4. Insurance business expense	25,006,027
Borrowing interest	(12,614,632)
Misc. expenses	(12,391,395)
<u>Insurance business profit</u>	<u>92,103,518</u>
5. Supply business income	2,055,656,077
Supply turnover	2,030,207,706
Misc. income	25,448,371

continued

	金 額
6. Supply business expense	1,881,887,702
Net price of goods	1,862,987,615
Misc. expense	18,900,087
<u>Supply business profit</u>	<u>173,768,375</u>
7. Marketing business income	5,818,280,133
Marketing turnover	5,727,840,173
Commission income	62,722,129
Misc. income	27,717,831
8. Marketing business expense	5,754,659,795
Net price of products	5,727,840,173
Misc. expense	26,819,622
<u>Marketing business profit</u>	<u>63,620,338</u>
9. Agr. warehouse income	11,863,359
10. Agr. warehouse expense	705,477
<u>Agr. warehouse profit</u>	<u>11,077,882</u>
11. Processing income	6,025,403
12. Processing expense	5,912,175
<u>Processing business profit</u>	<u>113,228</u>
13. Utilization business income	8,328,275
14. Utilization expense	6,115,169
<u>Utilization business profit</u>	<u>2,213,106</u>
15. Guidance business income	8,653,616
Membership fees	3,657,980
Subsidy	2,061,000
Actural cost income	2,934,636

continued

	金額	
16. Guidance business expense	14,709,885	
Fram guidance	(9,881,972)	
Better living guidance	(1,432,853)	
Agr. policy information	(3,395,060)	
<u>Guidance business balance</u>	<u>△ 6,056,269</u>	
<u>Business administration expenditure</u>	<u>557,901,186</u>	
1. Remuneration for officials	12,360,000	
2. Wages of employees	356,626,950	
Wages	(373,974,638)	
Subsidy for staff of wire broadcasting	(△ 17,347,688)	
3. Welfare for employees	30,692,958	
4. Retirement allowance	9,824,323	
Paid allowance	36,528,908	
Transfer to the the reserve	△ 26,704,665	
	0	
5. Transfer to the reserve for retirement allowance	50,110,683	
for employees	49,527,683	
for officials	583,000	
6. Travel expense	11,488,186	
7. Business operation expense	13,032,937	
Meeting	(2,553,601)	
Reception	(752,850)	
Publicity	(172,000)	
Telephone and transportation	(4,375,538)	
Printing and waste	(2,443,154)	

continued

	金 額	
Books	(976,700)	
Training of employees	(1,759,094)	
8. Tax and fees	9,895,131	
Taxes	(5,000,968)	
Membership fees for pre. org.	(4,668,178)	
Other fees	(225,985)	
9 Facilities cost	16,162,955	
Repairing	(6,892,697)	
Insurance	(254,300)	
Rental charge	(1,096,380)	
Water and fuel	(7,110,033)	
Waste and others	(809,545)	
10. Depreciation cost	46,571,719	
11. Misc. expense	1,135,344	
<u>Business profit</u>	22,663,909	
Non-business income	113,164,233	
1. interest received	12,932,329	
2. Divident on shares	4,583,695	
3. Subsidy	52,437,000	
4. Transfer from special a/c	1,194,499	
5. Misc. income	2,852,710	
6. Transfer from reserve for	39,164,000	bad loans
Non-business expenditure	108,959,131	
1. Interest paid	16,243,239	
2. Loss in fixed assets	52,407,000	

continued

	金額	
3. Misc. loss	4,970,787	
4. Transfer to the reserve for	35,338,105	bad loans
<u>Current profit</u>	<u>26,869,011</u>	
Special profit	1,046,810	
1. Disposition of fixed asset	509,871	
2. Profit to be listed in the	536,939	previous year
Special loss	95,965	
Loss of fixed asset	95,965	
<u>Current net profit to be taxed</u>	<u>27,819,856</u>	
Transfer from reserve for	4,364,000	price fluctuation
Transfer to reserve for price	12,934,535	fluctuation
<u>Current profit to be taxed</u>	<u>19,249,321</u>	
Taxes	3,190,888	
<u>Current surplus</u>	<u>16,058,433</u>	
Carry-overed surplus	1,497,320	
<u>Unappropriated current surplus</u>	<u>17,555,753</u>	

A CASE STUDY ON

HAKUSHU-CHO (MULTIPURPOSE) AGRICULTURAL COOPERATIVE SOCIETY

Lionel Gunawardana

Joint Director & Specialist in Agricultural Cooperation



INTERNATIONAL COOPERATIVE ALLIANCE

REGIONAL OFFICE & EDUCATION CENTRE FOR SOUTH-EAST ASIA

"BONOW HOUSE", 43, FRIENDS' COLONY, NEW DELHI-110014

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JAPAN

By

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HAKUSHU-CHO AGRICULTURAL (MULTIPURPOSE) COOPERATIVE SOCIETY

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HAKUSHU-CHO AGRICULTURAL (MULTIPURPOSE) COOPERATIVE SOCIETY

Establishment

Hakushu-Cho Agricultural (Multipurpose) Cooperative Society was formed in 1965 by amalgamating three small-agricultural cooperatives. The name of the original society was Sugahara Agricultural Cooperative Society. There were two other agricultural cooperatives adjoining the Sugahara Society, one of which - Horai Agricultural Cooperative - was in the verge of collapse. The other society - Komaseki Agricultural Cooperative - had been weak for some time but had been rehabilitated. Leaders of these three societies with the consent of their members decided to amalgamate them and as a result the new Society was established.

Area

The total land area covered by the society is 13,756 hectares. The total land area in 1960 was 13,750 hectares. The area has gone up by six hectares due to land reclamation.

The total arable land is 668 hectares. In 1960 the arable land area was 816 hectares. The area has declined due to use of land for road and house building.

Crops

The main crops grown in the area is rice. The present area under rice is 388 hectares. The area under rice in 1960 was 437 hectares. The reduction of the area by 49 hectares is mainly due to conversion of rice fields into fruits and vegetable fields in accordance with the Government policy of reducing rice production.

Upland areas are cultivated with potatoes, vegetables, wheat, fruits and mulberry. Mulberry covers 164 hectares and occupies the second important place next to rice and seri-culture is an important industry in the area.

Fruit cultivation has increased from 31 hectares in 1960 to present 65 hectares. The society extends assistance in way of channelling government subsidies for conversion of paddy land into fruit cultivation, providing technical know-how and modern marketing facilities.

The total upland area cultivated with various crops also have been reduced from 379 hectares in 1960 to 278 hectares. Use of land for construction of roads and houses are responsible for this reduction.

Table 1 : Land Utilisation

	1960 (hectare)	1965 (hectare)	1970 (hectare)	1975 (hectare)
Total arable lands	816	772	736	668
Paddy fields	437	427	416	388
Upland fields	379	345	308	278
General crops	222	159	111	82
Fruits	31	64	70	65
Mulberry	125	121	124	124
Others	1	1	3	7
Pastures	13	18	5	2

Table 2 : Commodity-wise Planted Area 1976

Rice	:	371 hectares
Wheat	:	1 "
Potatoes	:	13 "
Beans & coarse grains	:	16 "
Vegetables	:	46 "
Fruits	:	96 "
Mulberry	:	164 "
Feed crops	:	28 "
Others	:	6 "
Total	:	741 "
Total arable land	:	667 "
Land utilisation ratio	:	111 "

Population

The farm population in the area of the society in 1960 was 5293 and in 1975 the figure had fallen to 3555 representing a reduction of 1738. The agricultural working population in 1960 was 2073 and the corresponding figure for 1975 was 1848 representing a reduction of 225 in 15 years.

Table 3 : Farm population and working population in agriculture

Year	Farm population			Working population		
	Male	Female	Total	Male	Female	Total
1960	2553	2732	5293	976	1097	2073
1965	2118	2295	4413	1864	2067	3931
1970	1859	2036	3895	747	1192	1939
1975	1695	1860	3555	632	1216	1848

Land holdings

The number of farm households owning land holdings of more than 150 a was only 41 (in 1975). The average size of farm holdings of 323 households, which is more than one third of the total number of farm households, was less than 50 a

Table 4 : Farm households classified by the size of land holding

Size of the holding	Number of households owning land of various sizes			
	1960	1965	1970	1975
Less than 30 a	155	143	139	163
30 to 50	210	186	172	160
50 to 70	186	159	164	161
70 to 100	271	237	231	211
100 to 150	253	243	218	190
More than 150	37	51	52	41
Total	1112	1019	976	926

Membership

The number of regular members of the society on 1st June 1980 was 1108 and that of associate members was 38 of which 34 were institutional members. Unlike in many agricultural cooperatives of Japan the number of associate members in this society is very small.

Table 5 : Membership

	1977	1978	1979	1980 (June)
Regular	1105	1110	1108	1108
Associate members - Individuals	5	5	5	4
Organisations	37	38	38	34

Officials and employees

The board of directors are elected at the representative meeting. The representative meeting has a representative for every 5 members. The board of directors of the society consists of 17 including the President and the Managing Director. The President and the Managing Director work full-time with the society and are paid an honorarium.

There are 36 employees in the society of which 29 are males and 7 are females.

Division of employees into various departments of the society are shown in the following table.

Table 6 : Distribution of employees in different departments

	Male	Female	Total
Guidance	5*	1	6
Marketing	0.5	1	1.5
Agr. Warehouse	0.5	-	0.5
Supply	9.5	2	11.5
Insurance	1	1	2
Processing & Utilisation	4	-	4
Credit - Saving	4.5	-	4.5
Loan	1.5	-	1.5
Administration	2.5	2	4.5

* Including 2 farm advisers.

BUSINESS ACTIVITIESCreditSavings

The total amount of savings with the society at the end of the fiscal year 1976 was 1598 million yen and the corresponding amount in 1979 was 2023 million representing an increase of 26 per cent. The average saving per member in the society in 1976 was 1,446,470 yen and in 1979 was 1,825,900 yen an increase of 26 per cent.

Table 7 : Member Savings

(Balance at the end of the fiscal year) Unit : 1000 Yen

	1976	1977	1978	1979
Ordinary savings	669,949	660,038	757,343	828,133
Fixed term savings	892,196	1,009,928	1,141,778	1,178,349
Fixed term instalment	36,209	43,403	19,023	16,607
Sub-total of fixed term	928,405	1,053,331	1,160,801	1,194,956
Total savings	1,598,354	1,713,369	1,918,144	2,023,089

For fixed term instalment saving deposits are made at regular interval and can be withdrawn at the expiry of the agreed term. In case of fixed term deposits monies can be deposited at any time and withdrawn at the expiry of the term.

Table 8 : Fixed term savings

	1977	1978	1979
3 months	6,376	7,715	8,073
6 months	17,754	21,626	110,678
1 year	922,651	1,050,945	991,343
2 years	63,147	61,491	68,255
Others	43,403	19,023	16,607
Total	1,053,331	1,160,801	1,194,956

Loans

The total amount of loan extended by the society both short-term and long-term in 1976 was 675 million yen and in 1979 the amount was 1010 million yen an increase of 50 per cent.

The average amount of loan per member was 610,859 yen in 1976 and 911,552 in 1979, an increase of 49 per cent.

Table 9 : Loans to members

	(Balance at the end of the fiscal year)		Unit : 1000 yen	
	1976	1977	1978	1979
Short-term loans (one year)	485,976	516,553	521,188	595,043
Loans without security	430,725	463,852	417,826	497,913
Loans with security	55,251	52,701	103,362	97,130
Long-term loans	189,663	250,780	328,991	415,755
Institutional loan extended through the society.	87,153	145,619	222,061	313,543
Loans for agricultural production.	102,510	105,161	106,930	102,212
Total	675,639	767,333	850,179	1,010,798

Marketing

The value of agricultural produce marketed by the society was 874 million yen in 1977 and 1064 million yen in 1979 an increase of 22 per cent.

The major commodity marketed was rice (which is supplied to Government) in 1977 and livestock products took the second place. In 1979 the livestock products took the first place and rice the second place. The value of the amount marketed in both commodities increased but the increase in livestock products was 67 per cent while that of rice was only 4 per cent. Cocoon occupies the 3rd place of importance

and fruits and vegetables take 4th and 5th places respectively. The society charges 2 per cent of value of the amount marketed as its commission.

Table 10 : Marketing Turnover

Unit : 1000 Yen

	1977	1978	1979
Rice	322,284	334,388	336,991
Livestock products	243,636	454,256	407,527
Fruits	110,800	95,774	113,636
Vegetables	74,481	97,396	72,337
Cocoon	121,673	127,173	129,288
Others	1,366	5,389	3,890
Total	8,74,240	1,14,376	1,064,493

Supply

The total value of agricultural commodities including agricultural machinery supplied by the society in 1977 was 369 million yen and in 1979 it amounted to 394 million yen, an increase of 6 per cent.

The amount of fertilisers supplied has decreased while the amount of agricultural chemicals supplied has remained at the same level.

The total value of consumer goods supplied including fuels in 1977 was 203 million yen and in 1979 was 212 million yen an increase of 4.5 per cent. The value of food items and fuels supplied has actually decreased. The average percentage of commission charged in 1977 in supply business was 8.5 per cent and in 1979 it was 9.2 per cent. The total commission earnings for supply of agricultural and consumer goods in 1977 was 58.8 million yen and in 1979 the amount was 55.8 million yen.

Table 11 : Supply Turnover

Unit : 1000 Yen

	1977	1978	1979
<u>Agricultural</u>			
Fertilisers	57,844	54,970	51,156
Feeds	181,640	151,586	154,244
Agricultural chemicals	33,761	31,649	33,235
Agricultural machines	54,898	62,365	75,352
Horticultural materials	26,167	29,667	64,407
Other production materials	<u>15,573</u>	<u>39,891</u>	<u>16,296</u>
Sub-total	369,883	370,128	394,690
<u>Consumer</u>			
Foods	45,066	44,369	43,019
Consumer goods	33,070	46,195	41,120
Durable things	19,568	16,678	27,103
Fuels	<u>106,208</u>	<u>95,843</u>	<u>101,117</u>
Sub-total	203,912	203,090	212,359
Grand total	573,795	573,218	607,049

Insurance

The number of life insurance contracts with the society in 1977 was 1676. They had a total value of 5.4 million yen. The number of contracts with the society in 1979 was 1819. They had a total value of 7 million yen. The increase in the number of contracts was 6 per cent and in the value 30 per cent. The total number of long-term insurance contracts with the society (for life, juvenile and building endowment insurance) in 1976 was 3092 and had a total value of 7.7 million yen. In 1979 the number of long-term insurance contracts was 3267 and had a total value of 17.6 million yen. The number of long-term insurance contracts had increased by 5 per cent while the value had increased by 28.5 per cent.

The average value of policy holdings per member in 1977 was 7.3 million yen and in 1979 this increased to 10 million yen an increase of 37 per cent.

There are four types of life insurance policies. In the first type the sum insured is paid in the event of the death of the insured. In the other 3 types, twice, thrice or four times the sum insured is paid in the event of the death of the insured. The premium is higher according to the multiple of the amount paid.

Juvenile insurance.

In case of juvenile insurance if the child dies before the maturity of the policy the accumulated premium and the interest on it is paid back. If the father dies before the maturity of the policy the full amount is paid to the insured on the due date of maturity. No premium is payable during the interim period.

Building insurance.

The building (rehabilitation) insurance policies are similar to life insurance as far as their operation is concerned. As in life insurance the full amount is paid on maturity of the policy.

The society also deals in short term insurance such as fire, automobile and personal accident insurance.

Table 12 : Mutual Insurance Business

(Balance at the end of the fiscal year)

Unit : 1000 Yen

	1977		1978		1979	
	Contra- cts.	Value	Contra- cts.	Value	Contra- cts.	Value
<u>Policy holdings of long-term insurances</u>						
Life insurance	1676	5,490,600	1774	6,299,700	1819	7,015,500
Juvenile	186	90,350	177	99,950	163	98,200
Building endowment	1230	2,190,370	1240	3,178,420	1285	4,502,170
Total	3092	7,771,320	3191	9,578,070	3267	11,615,870
<u>Short-term contracts</u>						
Fire insurance	60	148,400	63	189,900	61	202,900
Automobile insurance	597	12,355,900	667	15,940,950	692	22,420,500
Personal accident insurance	46	75,500	79	1,312,500	58	280,500
Total	703	12,579,800	809	17,443,350	811	22,903,900

Farming guidance

The society has a farming guidance service. The farm guidance advisers work mainly through the commodity groups. If an individual farmer has a problem or need the advices of the farm guidance workers such advice is extended. The general guidance is given through the commodity groups.

The society has the following commodity groups.

Name of the commodity	Number of members
Grapes	230
Peach	50
Tomato	140
Cucumber	50
Mushroom	20
Lettuce	55
Dairying	35
Beef cattle	120

The main groups are divided into smaller groups consisting of few members residing near each other. Each sub-group has its leader. The main groups have their elected Chairman and Vice Chairman.

The main groups meet normally once a year and the sub-groups meet as often as is needed. They normally meet when various farm operations are done (e.g. planting, spraying, harvesting) to discuss problems and receive advice from farm guidance workers.

Machinery Bank

The Society has sponsored a machinery bank for the purpose of promoting economical effective and efficient utilisation of agricultural machinery. Those eligible to become members of the Bank are members of the cooperative society (both individuals and groups) who are engaged in farming and individuals and groups owning agricultural machinery.

The Bank has a board of directors consist of 5 members elected at the general meeting of the members of the Bank. The Chairman is elected by the members from among themselves. The term of office of the board of directors is 3 years. The board is responsible for the overall management of the Bank. The manager of the Bank is appointed by the general body. When members need the services of the machinery of the Bank for their agricultural operations they send an application. The bank allocates work according to the availability of machinery and fix charge according to the volume of the work involved.

The Bank operates with its own machinery and those contributed by the members who own machinery and wish to hire them during spare times.

Facilities and Services

1. Warehouses - The society has 10 warehouses for storing rice, agricultural inputs like fertilisers and chemicals and also machinery and consumer goods.
2. Petro stations - 4.
3. Machinery workshop - As the agriculture is increasingly mechanised the farmers need this facility.
4. Rice and rice flour mill.
5. Fruits and vegetables collection centres.
6. Rice seedling nursery.
7. Tomato and peach grading centre. This centre was constructed nearly 11 years ago at a cost of about 2 million yen. The fifty per cent of the cost was given by the Central Government and 20 per cent of the cost by the municipality as subsidies. The society spent the balance 30 per cent.

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BALANCE SHEET AS OF 31ST JANUARY 1960

(Unit : Yen)

A s s e t s		L i a b i l i t i e s	
Cash	5,231,320	Savings	2,023,089,653
Deposits	909,764,083	Borrowings	118,150,493
Securities	565,580	Misc.of credit bus.	
Loans	1,010,798,955	Borrowings of insurance	56,607,000
Loans of insurance business	56,718,000	Insurance bus. fund	37,292,530
Deferred debtor a/c	63,020,010	Deferred credit a/c	37,340,672
Total financial ass.	<u>2,046,097,948</u>	Total financial liability	<u>2,272,480,348</u>
Bills receivable		Supply payable a/c	13,277,100
Supply receivable	82,926,209	Borrowings of economic business	25,153,000
Commissioned claims	8,161,447	Miscellaneous	3,795,590
Inventories	97,108,922	Reserve for taxes	4,000,000
Livestock animals*	7,787,945	Reserves for depreciation	90,951,356
Misc.assets	44,841,335	Retirement allowance for employees	15,967,581
Total economic assets	<u>240,825,858</u>	Retirement allowance for directors & auditors	3,124,000
Fixed assets	208,883,982	Bad loans	10,485,345
External investment	23,138,000	Deferred credit a/c	1,942,178
Total fixed assets	232,021,982	Total economic liability	<u>168,696,150</u>
		Paid up share capital	56,922,912
		Legal reserves	10,000,000
		Special reserve	2,500,000
		Carry-overed surplus	308,364
		Current surplus	8,038,014
		Total Capital	77,769,290
Grand Total	2,518,945,788	Grand Total	2,518,945,788

*Livestock animals entrusted by the society to the members for rearing.

iii) Profit and Loss Account

from February 1, 1979 to January 31, 1980

Unit : Yen

	Amount	金	額
1. Total business profits			※ 146,838,299
(1) Credit bus. income		※ 113,062,196	
Deposit interest	※ 43,013,960		
Securities income	※ 7,502		
Loans interest	※ 62,329,193		
Others	※ 7,711,441		
(2) Credit bus. expenses		※ 79,387,045	
Saving interest	※ 68,209,266		
Borrowing interests	※ 7,926,241		
Others	※ 3,251,538		
<u>Credit business profit</u>			※ 33,675,151
(3) Insurance bus. income		※ 30,085,502	
Premium income	※ 25,107,160		
Commission			
Loan interest	※ 3,328,077		
Others	※ 1,650,265		
(4) Insurance bus. expenses		※ 8,650,713	
Borrowing interest	※ 2,782,903		
Others	※ 5,907,810		
<u>Insurance business profit</u>			※ 21,394,789
(5) Supply bus. income		※ 609,272,764	
Supply turnover	※ 607,049,408		
Others	※ 2,223,356		

iii) Profit & Loss Account (continued)

	金	額	②
(6) Supply business expenses	※	554,916,523	
Cost of supply goods	※	551,167,153	
others	※	3,749,370	
<u>Supply business profit</u>			※ 54,356,241
(7) Marketing bus. income	※	1,083,180,262	
Marketing turnover	※	1,083,180,262	
(8) Marketing bus. expenses	※	1,066,049,772	
Net price of goods	※	1,064,493,585	
Marketing expenses	※	1,556,187	
<u>Marketing business profit</u>			※ 17,130,490
(9) Warehouse income	※	5,408,923	
(10) Warehouse expense	※	1,399,724	
<u>Warehouse profit</u>			※ 4,009,199
(11) Process bus. income	※	6,127,635	
(12) expense	※	41,420	
<u>Processing business profit</u>			※ 6,086,215
(13) Utilization business income	※	2,018,794	
(14) expense	※	605,146	
<u>Utilization business profit</u>			※ 1,413,648
(15) Rice Center Profit			※ 3,484,005
(16) Rice Nursery Bed Center Profit			※ 2,087,159
(17) Vegetable Collection House Profit			※ 1,060,386
(18) Guidance bus. income	※	4,004,631	
(19) G expense	※	2,063,615	
<u>Guidance business balance</u>			※ 1,941,016

iii) -- continued

		額
2. Business administration expenditure		※ 132,918,119
Remuneration for officials	※ 9,737,828	
Wages for employees	※ 81,656,512	
Welfare for employees	※ 7,179,206	
Transfer to reserve for retirement allowance of employees	※ 6,145,050	
of officials	※ 580,000	
Travel expenses	※ 1,171,980	
Business operation expenses	※ 4,785,887	
Taxes	※ 5,570,246	
Facilities costs	※ 5,895,907	
Depreciation costs	※ 10,131,813	
Misc. expenses	※ 63,690	
Business profit (1-2)		※ 13,720,180
3. Non-business income		※ 9,959,916
Divident	※ 1,313,732	
Misc. incomes	※ 379,525	
Transfer from reserve for bad loans	※ 8,266,659	

iii) Continued

		額	④
4. Non-business expenses			※ 11,896,126
Loss of inventories	※ 721,051		
Misc. losses	※ 669,730		
Transfer to reserve for bad loans	※ 10,485,345		
<u>Current profit</u>			※ 11,783,970
5. Special profit			※ 218,000
Sale of fixed assets	※ 218,000		
6. Special loss			※ 261,778
Loss in sale of fixed assets	※ 261,778		
<u>Current net profit to be taxed</u>			※ 11,740,192
7. Transfer from reserve for price fluctuations			※ 2,240,000
	※ 2,240,000		
8. Transfer to reserve for price fluctuation			※ 1,942,178
	※ 1,942,178		
<u>Current profit to be taxed</u>			※ 12,038,014
9. Taxes			※ 4,000,000
Current surplus			※ 8,038,014
Carry-overed surplus			※ 308,364
Unappropriated current surplus			※ 2,346,378