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Development of Agricultural Cooperatives
-Relevance of Japanese Experiences to Developing Countries

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DEVELOPMENT OF AGRICULTURAL COOPERATIVES -Relevance of Japanese Experiences to Developing Countries

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While working with the International Cooperative Alliance Regional Office for Asia and the Pacific, I have been more actively associated with the Japanese Agricultural Cooperative Movement for over ten years now. The agricultural cooperatives [JAs] have risen from out of the ashes. They have demonstrated their economic, social and political strength through sheer hard work, organisational and management capacities and capabilities, a systematic application of farm-related technologies, and consolidating their marketing, supply and credit efforts. These institutions have provided a continued supply of food, which, in a way, gave a strong boost and confidence to Japan's economic and industrial development.

In the modern times, these cooperative institutions have undertaken a number of innovations and structural reforms to be able to counter the negative effects of global competitiveness. I have found that the Japanese agricultural cooperatives have made the farming profession equally remunerative and honourable as the industrial profession. It is, however, feared that farming may go downhill if the new blood does not enter the profession quickly and replace the ageing farming population. With a view to enhance the economic viability and servicing potential of these agricultural cooperatives their progressive amalgamation has been attempted. The JAs, based on their experiences of the present days and of the past times, have a lot of lessons to offer to other Movements outside Japan. I have here tried to explain some of the salient features of these JAs and the areas which could be of some interest to others. There are many lessons to be learnt by the developing Movements from a long accumulated experience of the Japanese Agricultural Cooperative Movement.

Introduction

According to the United Nation's Food and Agriculture Organisation [FAO], the world's land area for foodgrain harvesting rose only slightly over the 35 years up to 1995. During the same period, the world's population increased 1.8 times. Despite this, it was possible to avoid a food supply crisis because the yield per unit of land doubled due to various reasons including improved farm technology, other inputs and application of better management methods and techniques.

About 90% of this dramatic increase was due to the introduction of chemical fertilisers and pesticides, along with the improvement of crops and the expansion of irrigation. In order words, agricultural fields assumed the form of factories. But the wide-ranging use of chemicals has impaired soil conditions, and excessive irrigation using underground sources of water has lowered subterranean water levels. As a result, over a period of time the improvement in harvesting has subsided.

Nearly 65-75% of the population in Asia-Pacific countries depends on agriculture. Farm income has been the main source of livelihood. Farm practices and means are traditional. Application of methods and technology for farm management, crop protection, post-harvest, diversification of cropping patterns, use of farm inputs, mechanisation of farming, farm guidance, farm production planning, have not yet been used extensively. Pressures on agricultural lands due to ever-

increasing population, urbanisation and development of other non-farm infrastructures have been heavy. Organisation and management of farmers' groups or associations has been weak. In the rural areas, agricultural cooperatives have been playing significant roles by way of disbursement of farm credit, farm supplies, marketing and agro-processing.

Although there are a large number of such cooperatives, their main functions largely remain confined to the distribution of credit, fertilisers and procurement of farm products for national food stocks. Marketing, agro-processing, warehousing activities are still weak. Their services to the members are inadequate. Many of the agricultural cooperatives largely remain blissfully content with implementing some of the government-sponsored programmes. Income by way of commissions and service charges received by the cooperatives often form a major portion of their working capital.

It is often assumed that world food shortage can be eliminated by increasing food and agricultural production through the application of modern technology. It is also argued that supplying modern inputs such as large-scale irrigation, chemical fertilisers, farm machinery and pesticides can improve the productive capacity of the land. New agricultural technology supported by other factors like, finance resources, creditworthiness, government policies, and political influence makes a lot of difference.

It is very misleading to lay total faith in the authenticity of GDP figures which indicate only the abundance of material possessions and monetary amounts. In order to make these things a reality, it is essential for each of us to become more aware of the problems at hand and to make changes in our own lifestyles. In other words, it is necessary to distance ourselves from focusing simply upon GDP figures. Agriculture has something to teach us in this regard – namely, the concept of its multi-functionality. This refers to various functions, apart from the mere supply of agricultural products arising from agricultural operations performed by rural communities. Such functions include preserving the soundness of national land, dealing properly with water sources, protecting the environment and scenic landscapes, and properly transmitting the cultural heritage of rural communities.

Agricultural Cooperatives and the Problems they Face

Some of the problems faced by agricultural cooperatives have been, among others, poor management, lack of capital resources, inadequate training, extension and education programmes, lack of communication and participation among members, feudalistic characteristics of society, unclear and inadequate government policies on the development of agricultural cooperatives, high fragmentation of land holdings, and weak linkages among the activities of the cooperatives e.g., production, credit, marketing etc. To overcome such problems, some of the measures taken by the governments and movements have been: re-assessment and improvement of farm policies, human resource development through formal and informal training of members, development of commercial partnership and joint ventures with private enterprises, development of marketing and agro-processing, implementation of self-reliance projects, diversification of agricultural products including the development of export-oriented crops through contract farming, promotion of universal membership, and strengthening of legal framework of cooperatives.

Agricultural Cooperatives of Japan -Their Phenomenal Rise and Contributions

The phenomenal rise of Japanese post-War economy can safely be attributed to the hard and systematic work done by these agricultural cooperatives [called JA or JA Group or even JA

Movement] in consolidating people, land resources, producing the needed food and providing the needed services to the community. *The JAs are a good example of an integrated framework in the service of the farmers. They deliver multipurpose services and operate as multi-function economic institutions directly responding to the felt-needs of the members. They serve the members at the same time being under the control of the members.* Their services range from the 'Cradle to the Grave' [This slogan has presently been pushed into the background mainly due to the economic capabilities and capacities already achieved by the agricultural cooperatives. The fact, however, remains alive because the organisational structure and the system still firmly exists and has been integrated in the services provided]. The Japanese agricultural cooperatives stand committed to "3-H Agriculture – Healthy, High Quality and High Technology".

The Japanese Agricultural Cooperative Movement had successfully introduced a number of innovations which are of great relevance to the Movements in the Region. Some of the interesting features of the agricultural cooperatives have been:

Sustained and progressive amalgamation of cooperatives to make them more economically-viable and service-oriented; Farm guidance and better-living services to achieve a high degree of communication with the members and to enrich their economic and social life; Protection of interests of farmer-members through mutual insurance, health-care; Carefully planned and well-executed marketing and supply functions through specially-created and cooperative-owned holding companies; Production of quality consumer goods and services; Implementation of the "joint-use" concept e.g., joint marketing, joint purchasing, joint-use of capital, joint use of facilities etc.; Successfully interacting with the government through a process of policy dialogue and lobbying inside and outside legislature; Education and training of farmer-members through a network of cooperative training institutions; Ensuring higher economic returns to the farmer-members through a process of 'value-addition'; Encouraging women and youth to form associations to compliment and supplement the work of agricultural cooperatives especially in taking care of and sustaining the interest of the young and the aged in the honoured profession of farming; Encouraging the farmer-members in controlling pollution to produce and market the healthy, safe, and nourishing agricultural products to safeguard the interests of consumers; and Extending technical collaboration and cooperation to the developing Movements.

In the light of the experiences of Japan, potential factors that would influence the operation of cooperatives elsewhere are: Customs of mutual help and assistance in rural areas; Introduction of new crops and technology to increase productivity; Active participation of women members through women's associations and Han groups; Employment of capable and professional managers; Acquisition of operational facilities and linking credit with marketing; Guidance and education for improving production technology; and, above all, the cooperative being a member-centred institution rather than the cooperative being a 'cooperative-centred' institution. Based on the above factors, some general requisites for an effective operation of an agricultural cooperative could be derived. These include: Promoting members' participation - economic and organisational; Increasing membership by encouraging non-members, women and young people to join agricultural cooperatives; and, Promoting the utilisation of cooperative services by members.

The Period of Transition

The Japanese economy and society are in the midst of transition. Respect for social and economic ethics, customs, values, traditions, cultural heritage and rule of law have contributed significantly to the rich values of Japan. Belief in individuals, groups and institutions has been another factor for the economic and social progress of Japan. However, due to the high levels of economic achievements some of the social values have begun to erode. There are new pressures which have been generated by the global competitiveness which is forcing the country to undertake some structural reforms. The JA Movement [JA Group – JA is the Corporate Identity of the Japanese Agricultural Cooperatives] is striving hard to maintain and enhance its presence in the market inspite of pressures of open market economy and the WTO regulations. JAs are trying to align

their business operations also in line with the changing food habits of the people. Agricultural cooperatives have also taken steps to implement new strategies to enter the 21st century.

There are six major reforms that are being undertaken by the Government: i] Government expenditure reforms; ii] Administrative reforms; iii] Financial reforms; iv] Economic structural reforms; v] Welfare reforms; and vi] Educational reforms.

JAs Enter the 21st Century

Agricultural cooperatives have also taken steps to implement new strategies to enter the 21st century. The JA-Zenchu [the Central Union of Agricultural Cooperatives of Japan] which serves the agricultural cooperatives, has taken active interest in responding to their needs. Some of the strategies adopted by JA-Zenchu include: general public opinion formulation in favour of agricultural cooperatives; policy dialogues with the government and interacting with the Movement through national congresses and regional meetings; and following latest trends in the agricultural and food supply policies at the international level. These strategies are mainly designed to safeguard the interests of the farmers. Some of the measures being pushed by JA-Zenchu are as follows: i] Empowerment and participation of members; ii] Mobilisation of member-group movements in cooperative enterprises; iii] Dynamic and efficient restructuring of cooperative business practices; iv] Cooperative marketing business practices; v] Cooperative supply business practices; vi] Cooperative credit business practices; and vii] Other cooperative business practices.

Elements of JA Agricultural Policy

The principal elements of JA Agricultural Policy are, among others: Involving all countries in food security efforts; Maintaining productive capacities; Maintaining food stocks; Promoting food aid; Strengthening international aid; Promoting technical assistance; Promoting educational programmes on world food security; Increasing support for an active role of women; Strengthening support for family planning and welfare; Supporting international agricultural research; and, Establishing a new agricultural trade system.

Services to the Community -Methods and Services

Already within the organisational structure of the agricultural cooperative sector of Japan a number of business organisations, fully owned by cooperatives, have been operating, trying to fulfil the marketing, supply and credit needs of members [they are both - producers as well as consumers]. However, due to the open market implications, a greater number of ageing farmers, inability to recruit or interest young people to enter farming profession, and the growing needs of farmer-members to market their products fast and with some economic advantage, the JAs appear to be facing problems. The consequences have been: members prefer to have direct access to the market; members converting their farm lands into non-farm purposes; members do not have excess funds for savings; and, the cooperatives prefer to invest their funds in non-farm investments [even speculations] to earn higher incomes etc.

Amalgamation of JAs has been high on the agenda. The process is viewed as very difficult, nerve-wrecking, highly diplomatic and time-consuming. This involves the ego-power of local leaders, division of assets and liabilities and displacement and rationalisation of employees. From 12,000 agricultural cooperatives in 1960, the number went down to 2,300 in 1995 and 1,500 in 1999, and it is expected that the number of amalgamated cooperatives would still go down to 550 by the end of the year 2000.

The three-tier system is being steadily converted into a two-tier system by eliminating the prefectural tier to improve efficiency in management, delivery of services and savings on administration expenses. It is argued that by doing so the basic members will get greater economic benefits. It is also assumed that members of primary cooperatives will be served better by the federal institutions.

There has been a steady decrease in the number of farm households – there were 6.06 million in 1960, 5.40 million in 1970, 3.44 million in 1995 and just 3.29 million in 1999. The farming population of 8.11 million in 1970 decreased to 3.32 million in 1995 and to 3.22 million in 1999 and the farmers above 65 years who were 12.1% in 1970 had risen to 17-20% in 1999. During 1995 there were almost 50% of the farmers of 65 years and above still working on their farms. Similarly there were nearly 61.2% of women engaged in farming. In the JAs they represent only 13.0% of regular membership, and as little as 0.2% of directors. On an average there were 3,642 members, 121 employees and 11 branch officers per JA – the largest one being JA-Topia Hamamatsu in Shizuoka Prefecture with 27,000 members. On an average there were 20.7 board members and elected auditors per cooperative and the share capital contributed by per household was 278,000 yens.

Some of the key services provided by JAs include, marketing, supply, credit, farm guidance, better-living and joint use of utilisation services including large-size high-tech country elevators, A-Coop Stores, grading facilities and distribution centres. The strength of JAs lies in the agro-processing by making an extensive use of high technology, locally-available resources and products, promotion of local products, and strong linkages with wholesale and retail markets. Another factor which binds these institutions in the community fold are the women's associations, which act as, a bridge between the cooperative business and the community needs. Institutions like the Ie-No-Hikari Association, National Press and Information Federation, JA-Zenchu and the IDACA also provide a lot of information, through print and visual media on the achievements and problems of JAs for domestic and foreign audience. Young Japanese who have their roots in rural Japan are being gradually encouraged to take up farming as an honourable and highly remunerative profession. Some of the well-known and honoured names in agricultural cooperative business in Japan are, among others, Zen-Noh [the marketing and supply federation], Zenkyoren [insurance federation], Norinchukin Bank, UnicoopJapan, "A-Coops" etc.

Conditions Necessary for the Success of Agricultural Cooperatives

Experiences of agricultural cooperatives and the results of various studies have identified several factors which are responsible for the success of agricultural cooperatives. Some of them are:

- Cooperatives are member-driven, member-controlled and member-responsive organisations;
- Cooperatives are efficiently managed by experienced, trained and professionally-qualified staff under the supervision and control of democratically-elected boards of directors;
- Principles of "accountability" and "answerability", "role model", ethical behaviour and good governance are employed;
- Adherence to the "joint-use" concept e.g., joint marketing, joint purchasing, joint use of capital, joint use of facilities;
- Elected officials [board members including the presidents and auditors] are compensated. [It is assumed that honorary elected officials tend to be more expensive to the organisations. Besides,

the era of honorary elected positions have gone, as not many people have neither the time nor the inclination to serve in such capacities];

- Cooperatives have integrated their operations with the needs of their member-households;
- Well-integrated vertical structures of cooperatives exist and these provide support in order to enable the base level cooperatives to effectively and efficiently service their individual members; the federal cooperatives provide advisory services, technical know-how and back-up support services;
- Cooperatives undertake comprehensive programmes for member education in order to facilitate the process of members' participation, members' involvement and empowerment; and for training of staff and members of boards of directors;
- Cooperatives undertake value-added operations: choose, assess and employ appropriate but advanced technologies; and forge forward integration in order to gain competitive advantage in the market place;
- Cooperatives establish viable and strong linkages with external research and development/extension agencies in the field of agriculture and technology;
- Cooperatives strive to become self-reliant, accumulate capital and develop other resources in order to remain free from all external controls and directions; and
- Cooperatives are open, ethical, caring, and socially-aware institutions. They display social concern in their business operations and in their relations with customers, employees and members, and the community at large.

The Ethics of Mutual Cooperation

The integration of business activities in cooperatives could enhance economy of scale. However, this is only possible if the primary cooperatives are strong. The experiences in the Asian countries show that Cooperative Movements, which have resorted to merger, consolidation and amalgamation at all levels, have become more stable and self-reliant. In some countries, the cooperatives shifted from the three-tier to the two-tier cooperative structure and at the same time they merged and consolidated their primary cooperatives. In other countries, they merged and consolidated at the primary and secondary levels where both receive vertical support from the national level. In this structure, the integrated activities are not overlapping as the primary, secondary and tertiary cooperatives have their own defined role. The problem arises when this discipline is not respected, and when the secondary level cooperatives begin to compete with their own affiliates. Instead of competing with the affiliates, the principle of collaboration and mutual economic benefit should be adopted.

Value-Addition through Agro-Processing

It should, however, be noted that value-addition does not take place through undertaking processing activities alone. Marketing plays an important role as well. Marketing of graded, properly packed semi or fully processed products still adds some more value than the marketing of basic material. The JAs have been able to establish 'on-line' contacts with the farmers, farmers' groups, and financing agencies, wholesale markets, major bulk buyers and consumer groups. For that matter, no agricultural cooperative can survive and bring benefits and services to its members if it is unable to market the produce of its members. Members want not only to sell their produce as fast as possible, but also with higher economic returns and take the money home. It thus

becomes the responsibility of the cooperative to assist the farmers in not only selling the members' produce but also selling it with advantage.

Cooperatives have, therefore, to be on an alert look out for markets and means of marketing the products of their members. The development of value-added agro-processing industry motivates the farmers for improving productivity and further opens up possibilities of industrial development. The basic requirements are: sound marketing, modern technology, quality control and a better flow of information. Based on the integrated agricultural cooperative marketing network, agriculture can work as the biggest safety net in the process of adjustment by softening the rigors of inflation as well as by raising income and employment for weaker sections of the society in the Region.

Cooperatives and Members' Expectations

The main point is that the members should not run after their cooperatives to provide them with services and facilities – it should be the cooperative which should, on its own, be keen to offer a variety of services and facilities to the members which they need. Member is a radiant factor from which the power of agricultural cooperatives emanates. Member is the key and the main source of economic strength of the cooperative. A member should not feel that he is dependent on the cooperative. He has several other options which may not be as economically attractive for him. It is the cooperative which should be dependent on the member. It is often heard that cooperatives do not do enough for them. For the cooperative, the focus should be on the member and his business potential, rather than on itself.

Farmers need money and that money has to be a reasonably good return for the investments made. To secure returns, two factors are very important: *Value-addition* and *Marketing*. The process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organised, otherwise the farmer runs the risk of not getting the full value of his produce and the investment made. In cases where cooperatives are not able to respond to the marketing needs of the members, middlemen thrive and the farmer-members get sucked into the vicious circle which the cooperatives are supported to break. Provision of post-harvest services, warehousing, grading, packaging, shipment and market information are the essential links in the chain of marketing.

Cooperatives are often blamed for non-performance mainly due to lack of participation on the part of their members. In agricultural cooperatives the entire business moves around the economic benefits which the members expect from their cooperative. Farmer-members are eager to sell their produce and obtain timely and sufficient funds to increase their produce. Their expectations from the cooperative generally revolve around: Guidance, advice and support in matters of farm technology; Supply of farm inputs e.g., fertilisers, farm chemicals, farm machines and implements etc.; Easy accessibility to the sources of credit for purchase of improved seeds, maintenance of fields, investments in long-term items e.g., tubewells, farm cattle etc.; Assistance and advice on environment-related issues e.g., disposal of animal wastes and others; Improvement and development of infrastructure e.g., grading centres, packaging facilities, forwarding facilities, plastics and pipes etc. etc. Farmers on their own individual strengths cannot harness all these services and facilities. They would naturally expect their cooperative to develop such services and provide them to the farmers when needed. Members also expect their cooperative to find suitable marketing avenues, which involve: supply of market information, warehousing, value-addition possibilities by erecting some agro-processing facilities and maintaining some business contacts with wholesale markets and bulk buyers.

These expectations naturally become the responsibilities or tasks to be undertaken by the management leaders of the cooperative, which include the Board and the managers. It then becomes a plan of action for the cooperative. All efforts are then made to implement the plan. If the expectations are not met members get disjointed from the cooperative. Their participation in business and organisational affairs get reduced, which a cooperative can hardly afford. A manager is, thus confronted with several problems e.g., identification of markets, methods and techniques of handling members' produce, ensuring adequate returns to the member-farmers and maintaining their loyalty and relationship with the cooperative. Managers with experience, capacity, capability, tact, clarity of business ethics, and professional competence can overcome such problems.

Lessons from the Field

Based on the experiences of agricultural cooperatives at the primary, secondary and national levels in various countries of the Region, including Japan, the following lessons can be derived:

- Government should give more importance and provide greater support to agriculture if agricultural cooperatives are to perform satisfactorily;
- Cooperatives would function well with least government intervention. Discipline and good governance contributes much to the efficient operation of cooperatives. Cooperatives should be non-political and self-reliant organisations. Complete trust and confidence is necessary for cooperatives to succeed;
- Cooperatives should be managed in a more business-like manner – these are not social clubs or charity organisations;
- Cooperative's guidance and active participation is valuable in the formulation and execution of farm production plans. Knowledge of scientific farming, provision of high quality inputs such as seeds, and mechanisation are important factors for enhancing productivity. Technological innovations that are pertinent to the changing needs of agriculture and the environment should be promoted. Introduction of new technology and methods of production is needed to develop agriculture;
- Cooperatives should provide advice to farmers on crops to plant which earn them higher income. Regular dialogues among farmers, cooperatives and market authorities should be undertaken to resolve problems. For success the farmers' orientation should be on improving productivity and quality;
- Organisation should be led and managed by energetic, professional and dynamic persons. Business should be conducted in accordance with modern management principles;
- Elected officials viz., Board members including Presidents and Auditors should be paid. Honorary elected officials tend to be a drain on the resources of the cooperatives; and
- Improved packaging and marketing are important to enhancing the business operations of cooperatives. Agricultural cooperatives could be encouraged to participate as wholesalers in the market and hence, enhance the benefits of their members; and good grading and packaging add to the final price of the product and enable efficient handling and distribution.

These lessons can very well form the basic guidelines for the leadership of agricultural cooperatives elsewhere.

Lessons Relevant to the Developing Agricultural Cooperative Movements

Some of the most recent experiences of the Japanese Agricultural Cooperative Movement would indicate that the agricultural cooperatives have to be run on strong economic lines and direct their total efforts and service at the farmer-members/associate members who are the owners of the institutions and users of services. These are discussed briefly below:

01 ***Creation of a Corporate Identity:*** With a view to bring unity within the agricultural cooperatives and to highlight the quality of JA products, the Movement adopted a Corporate Identity – JA [representing the Japanese Agricultural Cooperative]. “JA” is printed on all products which are supplied through the agricultural cooperatives channels. CA “JA” is recognised as a strong commercial group just like any other CI and the brand is associated with fresh, healthy and good product.

02 ***The Concept of Cooperative Companies:*** Since there is a legal limitation on the agricultural cooperatives to carry out business with non-members, the cooperatives have created companies which are wholly owned and controlled by cooperatives. JA-Zen Noh is a case in point. Zen-Noh [the National Federation of Agricultural Cooperatives] is Japan’s federation of agricultural cooperatives, one of the largest in the world. Most of the 4.7 million farm households in the country belong to one of Zen-Noh’s 1,600 primary level cooperatives. In cooperation with prefectural federations and primary level cooperatives, Zen-Noh serves its member-farmers by purchasing and distributing the materials and equipment for agricultural production and the necessities of daily farm life. It is equally involved in the collection, distribution, and marketing of agricultural products, which it handles through its own channels. It imports quality materials for Japanese farmers, including fertilisers, feedstuffs, LP gas and oil, in order to promote their stability and cost efficiency. Overseas operations range from direct importing from producing countries to establishing procurement subsidiaries and production bases and chartering ocean-going vessels. It has thus created companies and corporations to undertake this business. Another organisation, UnicoopJapan is also a company promoted by the agricultural cooperatives to import and distribute a variety of commodities needed by the agricultural cooperatives in the country.

03 ***The Concept of “Joint-Use”:*** The concept is widely implemented not only in the agricultural cooperative sector but also in other industrial sectors. It overcomes the problems of procurement of funds and harnessing of resources. This concept implies joint purchasing, joint marketing, joint use of capital, joint use of facilities.

04 ***Collaboration with Private Enterprises:*** This concept is based strictly on the principle of pure business. The JAs often use their extra industrial capacities to meet the requirements of other enterprises. Some of the JAs have been filling bottles for juice makers, coffee processors and even for popular brand companies.

05 ***The Concept of One-Window Service:*** It is generally observed that the office a primary cooperative is alike a cooperative complex where the members transact their business at one place. The JA usually houses the bank, insurance service, travel agency, farm distribution centre, farm guidance services etc.

06 ***Amalgamation of Agricultural Cooperatives:*** The main aim is to strengthen the JA group and to make the cooperatives economically viable. There is an ‘amalgamation’ trend in the country – banks, telecommunication companies, automobile companies and other business houses are merging together to enhance and consolidate their economic strength. JAs have been

following this programme with the following objectives: making the farming operations viable, making the cooperatives strong and viable, and facing the market competitions bravely through a strong collective bargaining power. The process has been slow and painful. Some of the problems faced by cooperatives in the process of amalgamation have been: a] Division of assets and liabilities, b] Placement of personnel, c] Difficulties in arriving at consensus, and d] Egoistic attitudes of local leaders. The process is based on consensus and with the agreement of all the members. Government directives or instructions have no place in the process.

While there are several good merits of the process, several demerits have also been cited. Some of the drawbacks of the process of amalgamation have been stated as: a] Cooperatives will become too large to manage; b] Cooperatives will lose contacts with the members; c] Members will feel distanced; d] Bureaucratic tendencies will develop; e] Leaders due to their power and wide area of influence and business operations will get involved in local politics or may get involved in party politics; f] Failure of a large cooperative will result into huge economic losses, etc. Some of the amalgamated cooperatives have, however, shown good results.

07 ***Farm Guidance Activities:*** This concept is not only to provide technical information to the farmers on cultivation of various crops but also to assist their farmer to increase their income. The farm guidance activity revolves around the total economic business of the farmer as well as of the cooperative. The farmer is guided on technical and economic aspects of particular crops e.g., higher income can be derived by taking up floriculture instead of rice, or cultivation of a special variety of rice, or a special kind of tomatoes, and by the application of methods of cultivation e.g., hydroponics cultivation etc. The main aim of this service is to enhance the income. Without provision of this service, the JA is not called as a multipurpose cooperative. Farm guidance is the key to the success and strength of the business of the JA. The service is linked with farm planning, provision of farm inputs and other supplies, and marketing of the ultimate product.

08 ***Regional Agricultural Promotion Planning [RAPP]:*** In the production of food the JAs are the basic units. Each farmer produces a production plan, the JA collates these plans and produces a comprehensive regional plan. The municipal/city administration and prefectural governments and the national government develop their respective plans, and support the basic farmers with inputs, technical advice, equipment and recognition. The RAPP not only produces a comprehensive agricultural promotion plan, but also summarises a few other things e.g., the quantity and quality of rice, barley, corn, fruits and vegetables, the approximate requirements of fertilisers, farm chemicals, farm implements etc. This data enables the JAs to prepare the supplies and timing of these supplies.

09 ***One-Village-One Product Concept:*** The JAs have supported the members to specialise in their respective products. Members are encouraged to improve upon the product. The cooperatives provide all the needed technical and promotional support. These village products eventually become the specialised products of the respective prefectures. Some of the examples are: Nagano's Fuji oranges, Kyoho Grapes, Carnations and Turkish bellflowers, Enoki-take mushrooms, pickled apricots, beef cattle; Fukuoka's Persimmon fruit, Kochi's cucumbers etc. are the result of the application of this concept.

10 ***Diversification of Agricultural Practices:*** JAs are not restricting themselves to produce rice and vegetables alone. They have taken up other activities e.g., herbs garden, green tourism promoted by the JA-Sawada in Gumma prefecture. The members of this cooperative decided to pool their lands to create a very large herbs garden which has assumed importance for green tourism in the country.

11 ***Farm Management Centres:*** These technical units are created to provide all services and equipment related to farming to the farmer-members. They provide technical information on the equipment, their use, and maintenance. Farmers find it very convenient to obtain all their supplies and the required technical information and guidance from one single point.

12 ***Producer-Consumer Contact Markets:*** These are often called 'Morning Markets'. The JA provides space to farmer-members to sell their products [fruits, vegetables, flowers, potted plants etc.] directly to the consumers without going through the process of middleman or local markets. These are usually located in one corner of the JA or its "A-Coop" Store. The idea is also to give a chance to the busy citizen/consumer to come in direct contact with the producer – the farmer, thereby creating a kind of goodwill for the farming community and the JA. [See *Annexure-I and II*].

13 ***Chemical-Free Food/Agriculture:*** The concept is to meet the growing demand for "Fresh, Healthy, Safe and Chemical-free Food". Farmers are advised to gradually increase the use of bio-fertiliser and avoid use of farm chemicals. Farmers who are engaged in dairying, hog-raising and poultry business are often confronted with the problem of disposal of wastes. These are natural bio-fertilisers which could enhance the quality and safety of farm products. Under this concept the farmers are entering into purchase and sale agreements with each other, thereby, increasing the economic transactions and producing the safe and chemical-free products.

14 ***Women's Associations:*** These are supporting the JA in many ways. These are informal groups but the structure is parallel to the JA structure – from the basic step to the national level. [There were 1,526 JA Women Associations with a total membership of 1.4 million as at the end of 1999]. These associations supplement and compliment the social and economic activities of the JA besides enriching the social aspects at the family level. They also contribute significantly in the operations of JA's "A-Coops" – large size departmental stores run by the primary cooperatives. In fact, these associations try to promote the business activities of JAs.

15 ***Ethics and Good Governance in Agricultural Cooperatives:*** By tradition the Japanese society respects the rule of law. The JA Board is responsible for the business operations, and in the event of economic losses, all the members are obliged to make good such losses. The elected officials e.g., board members and auditors are paid officials and their term of office is fixed. Decision-making and implementation process is based on the principles of 'accountability' and 'answerability'. There is a good and harmonious relationship between the chief executive and the Board. The Chief Executive is the Managing Director of the JA [who sits on the Board and is naturally well-informed of the trend of discussion and the decisions taken]. There are good ethics within JAs and everyone in power in the organisation – small or big – takes care of the members. Care for the community is another important factor for the success of JAs. These are: taking care of the aged through welfare homes and supply of their food and household requirements, medical facilities, establishment of child nurseries etc. These services are instituted because these are the needs of the community and the cooperatives have not to seek the permission of the government or any other authority to initiate such facilities and services except for obtaining the approval of their members. The JAs have good working relationship with the local governmental authorities and other non-governmental organisations.

16 ***Open Membership:*** The JAs have opened their doors to farmers and non-farmers in the form of Full Members and Associate Members. In the provision of services to both the categories there are no restrictions – the only difference is the right to vote. Associate members are not qualified to vote. Since the cooperatives are community/village based, it is the duty of the cooperative to serve all the members of the community. Also the inclusion of Associate Members helps increase the capital base and business operations of the JAs. In many countries, agricultural

cooperatives do not serve the non-members and do not have the practice of formally accepting non-members as associate members.

Problems Faced by the JAs

The present stage of development of the Japanese agricultural cooperatives is the result of 100 years of experimentation, innovations and improvements. These successes are not devoid of impediments. Some of the problems encountered by the JAs have been identified as follows:

- Lack of ability for management and ability of planning and development;
- Lack of leaders' management ability;
- Lack of products development ability;
- Inadequate system of national/regional level research institutions;
- Insufficient study and research of consumers' needs and trends of market;
- Failure to establish brand names;
- Lack of development of distribution channels;
- Lack of understanding between processed foods and perishable foods;
- Inadequate linkages with the public information, events planning;
- Insufficient public relations in rural areas;
- Shortage of raw material faced when enlarging the business scale;
- No linkages with Regional Agriculture Promotion Plan [RAPP];
- Raw materials are expensive;
- Operations are based on season
- Shortage of assorting commodities;
- JA factories tend to operate independently;
- No establishment of cooperation system with members for management.

Conclusion

Agricultural cooperatives provide all types of economic and social services to their members. They demand effective, enlightened and skilled leaders. They need initiatives and services to sustain the interests of their members through the provision of education, training, guidance, extension and farm inputs, farm credit and marketing opportunities. They have to be run on democratic lines. They operate within the framework of national guidelines, but at the same time fulfil the demands of domestic and international markets. Agricultural cooperatives, to be effective and acceptable, must take the members' views and their felt-needs into consideration. An active communication has to be established and sustained between the management and the members, and between the leadership and the management. Agricultural cooperatives have no reason to be afraid of the open market pressures if their members remain united and respond to the needs of the market. The unity of members is the strength of the cooperative business.

The pillars of strength of the Japanese agricultural cooperatives consist of, among others: amalgamation of primary cooperatives; restructuring of JA organisation from three-tier to two-tiers to generate greater efficiency in management and provision of services; farm guidance to ensure higher productivity with due consideration for environment; better-living activities in association with the women's associations; continuous policy dialogue with the government; acceptance and application of farm technology; and dissemination of information and technology among farmers in Japan and abroad. Agro-processing leading to value-addition and higher economic returns to farmer-members is the key to the success of agricultural cooperatives because through the application of this concept members get more economic returns and they get closer and more involved with their cooperatives. Agricultural cooperatives strive hard to help their members to increase and sustain their income levels through a variety of innovations and services. Economic returns are the key to sustain the relationship between the members and their

cooperatives. JAs have, through their actions, given ample proof of it. We, in the Region, only need to have a closer look at the dynamism of these institutions, respectfully, of course!

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ANNEXURE-I

Developing “JA-Farmers’ Markets” in Japan

At the 20th National Congress of Agricultural Cooperatives held in 1994, the JA Group adopted a resolution to promote the production, distribution and marketing of agricultural products within each of the JA areas. Recently, some JA members have had great success in establishing **Farmers’ Markets** which sell their produce directly to the consumers. These large, permanent shops are managed by cooperatives and are helping to renew the traditional images of direct outlets for agricultural products.

Farmers’ Markets offer a wide range of agricultural products and give farmers the opportunity to sell privately grown produce and products that are unsaleable at retail stores. Farmers’ Markets have also attracted attention because they provide the elderly and housewives in farm communities with a sense of purpose. Farmers’ Markets are expected to strengthen the relationship between farmers and JA; and at the same time these markets will help increase JA’s revenues.

Establishing Strategic Points to Survive Free Competition

The Japanese agricultural market has entered an era of free international competition, as evidenced by increasing imports of agricultural products and deregulation of the rice distribution system.

The current environment, however, is unfavourable to both local agriculture and JA. Farm size has grown slowly, while efforts to reduce costs have been difficult. At the same time, it is unclear whether there will be an adequate supply of labour for agriculture in the future because of the aging of the workforce and the problems farmers face in finding successors to take over their farms when they retire. The JA Group has struggled to resolve these problems, but the unity of its members has gradually been weakened. The JA Group is thus facing a serious challenge to its management. Farmers’ Markets are one effective way of meeting this challenge.

I. Principles of Local Distribution Permanent Facilities and Direct Management by JA

Farmers’ Markets are more than just direct outlets for agricultural products. They are strategic points that activate local agriculture and strengthen the unity of JA members. To establish Farmers’ Markets, it is necessary to meet several basic conditions:

- A. Direct marketing of local agricultural products to consumers. Direct marketing reduces distribution costs, which are a major factor in raising the retail price of agricultural products. By lowering such costs, both producers and consumers benefit.
- B. Establishment of permanent Farmers’ Markets. Markets require sophisticated organisational and management skills so as to provide a wide range of products throughout the year. Permanent facilities are indispensable to winning consumer trust and to increasing the market share of Farmers’ Markets.
- C. Establishment and Management of Farmers’ Markets by JA. Individual Farmers’ Markets can be managed by group of farmers or municipalities, but to develop them into strategic points of JA’s comprehensive business expansion, we must make the best use of the JA Group’s agricultural, life-style improvement, community development and financial know-how, as well as its vast resources and networks.

II. Creating Greater Value in Agricultural Products

It is highly desirable to create added value for local agricultural products sold at Farmers’ Markets. For example, the freshness of the vegetables harvested in the morning and brought to market the same day and

the sense of assurance that customers get from face-to-face contact with growers are sources of added value unique to local distribution. Processing agricultural products is another means of adding value. Restaurants are another area of potential growth. By taking advantage of local agricultural products, steak restaurants, barbecue pits, herbal cafes and other restaurants can dramatically raise the value of local products, thereby increasing profits.

II. Utilising the skills of Women and the Elderly

Women and the elderly are expected to provide the bulk of the staff for Farmers' Markets. Farmers' housewives working part-time and the growing numbers of senior citizens in farming communities will be organised into "shipping groups" or "processing and restaurant groups". According to their physical strength and abilities, they can operate small farms, process agricultural products, or manage restaurants. With JA Farmers' Markets serving as a base, housewives and the elderly will be able to sell a variety of agricultural products in small quantities and products that they process themselves; they can also manage restaurants. Farmers' Markets will meet the needs of consumers, who demand freshness, a sense of assurance and safety. We thus believe these markets will prove very popular with consumers. In addition, the markets will provide a stable income to women and the elderly, together with healthy, camaraderie and a sense of purpose for those who run them. This will restore trust in JA and the unity of its members.

III. Creating an Awareness of Marketing

At Farmers' Markets, each farmer is responsible for shipping, pricing and displaying his own products. In principle, the JA does not regulate production or the shipment of products to Farmers' Markets.

Farmers must understand consumer needs if they are to survive in a competitive market. They must understand marketing and be able to respond to those needs. Farmers' Markets are a practical training ground for the development of these skills, transforming farmers from "people who sell what they produce", to "people who produce what can be sold".

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DEVELOPMENT OF AGRICULTURAL COOPERATIVES
-Relevance of Japanese Experiences to Developing Countries
Daman Prakash

[Points for Group Discussions]

Japanese agricultural cooperatives have a rich experience of innovations. Agricultural cooperatives in other countries of Asia have a great deal to learn from these experiences. What, in your opinion, are the possible points of interest and areas of learning which could be of relevance to your own countries and the Asian region as a whole?

01 *Organisational Relevance*

[The organisational structure, democratic control exercised by the members, organisation of groups and working through groups e.g., interest groups, production groups etc. Organisational structures at the primary, prefectural and national levels and their linkages, amalgamation etc.]

02 *Management Relevance*

[Management organs of agricultural cooperatives e.g., Board, Auditors, their rights and duties, the obligations of cooperatives towards the community and the government, Board-Member relations, control over funds, employment of funds, procurement of funds, management of personnel, job opportunities, job security etc.]

03 *Membership Relevance*

[The characteristics of full members, associate members, women's participation in decision-making, reflection of members' felt needs and their satisfaction by the cooperative, the image of the cooperative in the eyes of the members etc.]

04 *Business Practices Relevance*

[How is the business of a cooperative promoted, who contributes to the development of the business, the role of Women's Associations, Youth Associations, members and all others. Implications of amalgamation. Sustaining business operations of organs like the A-Coops, gas stations, business operated by individual farmers and groups of farmers, handling of cash and assets of the cooperatives etc.]

05 *Technology Relevance*

[Farm practices, cooperative's initiatives to acquire or provide technology, technical services e.g., farm guidance, better-living, crop protection, harvesting, grading, packaging, warehousing, shipment, and the elements of subsidy from the government, linkages with the consumers through agro-processing activities and marketing. Capacity of farmers to own and maintain a large variety of farm machines, etc.]

06 *Government/Movement Policies Relevance*

[Legislation of agricultural cooperatives, policies, programmes of the government in relation to the programmes and policies of the Agricultural Cooperative Movement, realisation of policies and programmes, types of government support to agricultural cooperatives, audit, facilitation in the establishment of cooperative services, registration and liquidation of cooperatives and amalgamation etc.]

07 *Governance Relevance*

[Respect for the rule of law, election of Board members including the President, their terms and emoluments, cost factors of the Board vis-à-vis the cooperatives, participation level in the business operations of the cooperative and its further development, political linkages, investment of funds and speculations etc. Implications of amalgamation.]

08 *Other points of Relevance*

[Any other aspect of the organisation and management of agricultural cooperatives]
