

# AMALGAMATION OF PRIMARY COOPERATIVES

The Japanese Experience



Lionel Gunawardana



INTERNATIONAL COOPERATIVE ALLIANCE

Regional Office & Education Centre for  
South-East Asia

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**INTERNATIONAL COOPERATIVE ALLIANCE**

Regional Office & Education Centre for South-East Asia  
'Bonow House', 43 Friends Colony (East), New Delhi 110-065

**INTERNATIONAL COOPERATIVE ALLIANCE**

**Headquarters**

**ROUTE DES MORILLONS 15,  
CH 1218. LE GRAND SACONNEX,  
GENEVA 1 SWITZERLAND**

**REGIONAL OFFICE & EDUCATION CENTRE FOR SOUTH-EAST ASIA  
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## PREFACE TO FIRST EDITION

The need for amalgamating small cooperatives into large size economically viable units in order to be able to fulfil their objectives efficiently and effectively is being increasingly recognized in South-East Asia. Programmes of amalgamation are being implemented in many countries in the Region. In these attempts cooperative movements are beset with numerous problems.

The experience of the Japanese Movement which is the most advanced and autonomous movement in the Region can provide valuable guidance in finding solutions to these problems. This publication is an outcome of a study carried out by me on the amalgamation of primary cooperatives in Japan.

The publication, hopefully, attempts to bring the Japanese experience, especially, to the cooperators in the South-East Asian Region. It discusses the factors that made the formation of large societies in Japan an economic necessity and explains the procedures adopted in amalgamation. It outlines, without any claim to completeness, the problems that the Japanese Cooperative Movement have faced in the process of creating large and viable units and the ways they have been solved.

I wish to thank Messrs Shiro Futagami and Mikio Suzuki for the useful information they provided on amalgamation of primary cooperatives in Japan and to Messrs T. Nakaoka and K. Tsukada for accompanying me in my study visits. But for their assistance this work would not have been possible. I am also thankful to those Japanese cooperators who assisted me in various ways in collecting information and whose number is too large to permit individual mention.

My thanks are due to Mr. M. Kasaoka for translating certain statistics which were available only in Japanese. I would like to record my appreciation of the assistance given by Mr.

Daman Prakash in the production of this book, by Mr. Prem Kumar who typed the manuscript with commendable speed, and by Mr. Ram Prakash in the preparation of the tables.

I am grateful to Mr. P.E. Weeraman, ICA Regional Director for South-East Asia and Mr. J.M. Rana, Director (Education) ICA Regional Office & Education Centre, for their encouragement and guidance in my work.

*New Delhi,  
June 30, 1973.*

Lionel Gunawardana

#### **PREFACE TO THE SECOND EDITION**

This publication has been used in various training seminars on agricultural cooperation held by the ICA Regional Office and Education Centre for South-East Asia, especially those held in collaboration with the Institute for the Development of Agricultural Cooperation in Asia (IDACA), Tokyo, Japan. It has also been used by cooperative workers and researchers. We believe that it has been useful in communicating the Japanese experience in amalgamating small cooperatives into large size economically viable units, to cooperators, particularly in South-East Asia. It has contributed, at least modestly, in implementing programmes of amalgamation of agricultural cooperatives in the Region. Though the study was done as far back as about 10 years ago, we believe the experiences the book seeks to communicate are still useful. We have run out of copies but still receive requests for them. Hence the decision to reprint.

I would like to express my sincere thanks to the Managing Director of IDACA, Mr. K. Fujimoto, who has encouraged us by using the book in IDACA courses. I also would like to record my appreciation of the work done by Mr. A.H. Ganesan, Publications Officer, ICA Regional Office and Education Centre for South-East Asia, in the production of the book.

*New Delhi  
April 4, 1984*

Lionel Gunawardana

## CONTENTS

I	A BRIEF HISTORICAL SURVEY OF THE JAPANESE AGRICULTURAL COOPERATIVE MOVEMENT Early cooperation, Modern cooperation.	1
II	AMALGAMATION Factors that made amalgamation necessary.	9
III	POLICY FORMULATION General research and planning committee, Policy directive, Size of an amalgamated society.	14
IV	LEGAL PROVISION FOR AMALGAMATION Cooperative Law of 1947, Amalgamation Aid Law, Other legislations.	18
V	PROCEDURE OF AMALGAMATION Plan formulation, Objectives of the plans, Planning by Prefectural Unions, Discussion of plans at regional and society levels, Approval of plans by amalgamating societies, Approval by Prefectural Governor, Implementation.	24
VI	PROBLEMS IN THE PROCESS OF AMALGAMATION Unwilling directors, Unwilling employees, Loss of member-management contact, Possible loss of benefits from reserves, different values of shares, Demands for equalising per-member assets, Differing administrative areas, Other problems.	27
VII	EFFECTS OF AMALGAMATION Progress of amalgamation, Volume of business in amalgamated and non-amalgamated societies, Improvement of business activities of amal-	34

gamated societies and a comparison of their business performance with the average business performance of all multipurpose societies, Comparison of business performance of amalgamated societies with that of small multipurpose societies, Structural improvements, Higher salary scales, Ability to employ qualified personnel, Ability to provide training to employees, Salutary effects of transfer of employees, More public relation activities, More facilities and services, Farming complex and commodity groups.

VIII PROBLEMS FACED BY COOPERATIVES AFTER AMALGAMATION	63
Poor member and employer-employee relation, Greater demands on managerial skills, Pressure of work on full-time directors, Tendency to con- centrate more capable employees at Head Office, Difficulty of auditing by elected auditors, Prob- lem of salary equalization, Problem of equaliza- tion of commission rates, Demands from mem- bers to maintain uneconomical facilities, Liqui- dation of reserves, Confining business to normal shopping hours, Utilisation of the services of the societies by non-members, Investment on life improvement facilities, Duplication of activities of federations by primaries.	
CONCLUSION	73
Appendix I	74
Appendix II	77
CASE STUDIES	
Azumi Agricultural Cooperative Society	80
Minakuchi Agricultural Cooperative Society	99



## **I. A Brief Historical Survey of the Japanese Agricultural Cooperative Movement**

### **i. Early Cooperation**

As far back as 1300 there were organisations among farmers in Japan which functioned on cooperative lines. These organisations pooled money to be used for one another's needs and collected cereals and stored them to be used during times of need. However, though these organisations had elements of cooperation in their functioning, they were not exactly similar to the cooperatives of today.

An organisation called "Hotokushi" which was formed by Sontoku Nimomysya during the period between 1830 and 1840 was the first organisation which had similarities to a cooperative of today. This organisation maintained common funds by pooling the members' money and advancing loans to them. It developed new land for cultivation and constructed irrigation facilities and roads in farming areas.

During the same period, an organisation called "Ancestral Stock Association" was organised and it maintained common funds, amalgamated fragmented agricultural land and undertook joint marketing of farmers produce and joint purchase of fertilizers and other agricultural inputs for farmers.

### **ii. Modern Cooperation**

After the Meiji restoration in 1868, the major burden of modernisation fell on the farmers. To meet the capital needs for establishing factories and banks by government, the system of collecting taxes in kind that existed during that time was changed to that of cash payment. About 70 per cent of the total national taxes were collected from farm incomes. Young men from farm families were recruited to strengthen the country's defence forces. This resulted in a lowering of the standard of efficiency of labour available for agriculture.

To overcome the difficulties that were faced by the farmers during this period of modernisation they spontaneously organised cooperatives. In 1879 a number of raw silk marketing cooperatives were organised and in 1884 tea processing and marketing cooperatives were established. At that time raw silk and tea were the major export products of Japan and constituted about 60 per cent of the country's exports. Cooperatives were organised to promote export of these products and improve their quality. These cooperatives, however, did not last long.

It was after 1900 that cooperative activities made real progress in Japan. The government played an important role in their development. During the period immediately prior to 1900 the officials of the government studied the cooperative system in Germany and took the initiative in introducing this system in Japan. A Bill for "Credit Cooperative Law" was presented to the House of Representatives in 1891, which was, however, not passed. The Sino-Japanese War of 1894-95 interrupted the efforts to pass the Bill into law. In 1897 another bill was presented to the House of Representatives and was passed into law in 1900. This was entitled "The Cooperative Law".

The enactment of this law facilitated the establishment of cooperatives and by 1903, 870 cooperative societies were established. Among them credit societies were predominant, numbering 549.

During the nine years subsequent to 1903 the Cooperative Movement underwent rapid expansion. By the end of 1912, there were 10,455 cooperative societies with 1.1 million members. Eighty per cent of these societies were in the rural areas and about 57 per cent of the farmers of the country were members of these societies. In spite of the large number of cooperatives, they could not meet all the credit needs of the farmers with their own funds. To meet the deficit the government advanced low interest loans through the Hypothetic Bank of Japan, agricultural and industrial banks and other special banks to credit cooperatives. The savings with cooperatives steadily increased and by 1917, savings exceeded loans advanced by the credit cooperatives.

In April 1923, a Bill for the establishment of the Central Cooperative Bank was passed by the House of Representatives

and the Bank was established and started operations by the end of the same year.

Since the enactment of the Cooperative Law in 1900, it has been revised several times to enable the expansion of the movement and to ensure the progress of the cooperatives. Some of the important revisions were the ones made in 1906 permitting cooperatives to undertake functions other than credit which was hitherto not permitted, the revision of 1909 which enabled the formation of federations and central unions, the revision of 1916 which permitted urban credit societies to discount bills and accept deposits from non-members and the revision of 1921 permitting the formation of national federations.

The world-wide depression in the latter half of the 1920s hit Japan, resulting in a fall in the prices of agricultural commodities and the government placed primary emphasis on adopting measures to stabilise agricultural prices. The measures adopted by the government in accordance with this policy helped the agricultural cooperatives in strengthening themselves. The formation of a National Marketing and Purchasing Federation for rice in 1931 and the entrusting of purchases of rice to this federation and the fixing of a minimum price for rice by the government were some of the major steps that helped the strengthening of the cooperative system in Japan.

At the time of the formation of the Marketing and Purchasing Federation, the cooperatives were mainly engaged in credit activities. Supplying of fertilizers and marketing of rice and silk were undertaken to some extent. This, however, does not mean that the supplying and marketing business at that time was mainly done by private dealers. There were other agricultural organisations among farmers, such as tea, silk and sericultural associations, which undertook these functions. During this period the government generally supported and encouraged cooperatives. The government policy of encouragement and support antagonised the private sector and they attempted to pressurize the government to take an anti-cooperative stand. In 1931, the Japan Chamber of Commerce and Industry petitioned the government not to extend assistance to cooperatives. They formed the Japan Commercial Right Defence League in 1930 through which they exerted pressure on the government to take an anti-cooperative stand. When the

government in 1935 presented a Bill to make the cooperatives the agency of government for the exclusive handling of rice and cocoons, the private sector succeeded in their pressurizing attempts and the Bill was not passed.

The cooperatives in order to overcome the obstacles created by the private dealers decided to launch a five-year programme of development to strengthen the agricultural cooperatives. They established a cooperative council in 1933 to tackle political problems.

The council kept close contact with the Members of Parliament and presented the cooperative view-point to them on various issues that concerned the cooperative movement.

It was not only the small and medium capitalists that cooperatives had to fight against for survival but also the big capitalists. In 1931, when fertilizer prices fell due to the large release of fertilizers by the International Fertilizer Cartels the domestic fertilizer producers set up a Fertilizer Distribution Association through which they controlled the import, production and distribution of fertilizers and thereby maintained high prices for fertilizers. At the time the cooperatives handled about 20 per cent of the Aluminium Sulphate consumed in Japan and were hard-hit by the increase in prices. Due to the efforts of the cooperators, the government decided to fix fertilizer prices on mutual agreement between the government, the Distributors' Association and the cooperatives. Furthermore, the cooperatives were able to prevail on the government to legislate for the control of cost and market prices of fertilizers.

Another conflict that ended with the cooperatives achieving success was the one that arose between the big flour millers and the cooperatives in 1935 for the control of wheat milling. As a result of a government project for increasing the production of wheat, Japan had a record wheat production in 1935. The private wheat millers entered the milling field in a big way in competition with the cooperatives and managed to collect from the farmers a major portion of the wheat produced by issuing fertilizers to be paid for in kind at the time of the harvest. The cooperatives, however, due to hard and persistent work managed at the end to handle the major portion of the wheat produced by the farmers.

These were but a few instances where the cooperatives had to

face tough competition and obstacles from the private-sector in their attempt to expand their activities but succeeded in overcoming them due to hard and diligent work.

### **The War Period**

During the period of the Second World War, the normal life of the people was disturbed and the economic growth of the country was retarded as the production effort during this period had to be diverted to meet the demands of the war. The economic system came under the rigid control of the government. Various laws were enacted to control production, distribution and prices. These laws resulted in the central control of the country's economy. Vast number of young men from agricultural families were sent to war. This affected agricultural production. Rigid controls over production and distribution of agricultural produce were imposed by the government to ensure that the remaining agricultural population produced sufficient food for the nation and that what was produced was equitably distributed. These controls affected the cooperative movement as well. The cooperatives were subjected to rigid control by the government which resulted in the loss of their independence. They were made agents of government for collection of agricultural produce, supply of agricultural inputs and credit, and distribution of consumer goods.

In 1940 various organisations of farmers at village level such as agricultural societies, industrial associations\*, livestock raising associations and sericultural associations were compulsorily amalgamated with cooperatives, under the name, "agricultural associations". These associations were established in every village and town. It was made compulsory for all farmers to acquire membership in these associations and 100 per cent of the farmers became members. This compulsion imposed on the farmers to become members of cooperatives is largely responsible, though the compulsion no longer exists, for the present 100 per cent membership of farmers in the multipurpose cooperatives.

In 1947 when Agricultural Cooperative Law was enacted

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\* The Industrial Associations though so named functioned as agents of the government for collecting rice and other agricultural produce.

the membership of the agricultural associations and their assets were transferred to the present agricultural cooperatives.

### **Present Situation of Agricultural Cooperatives**

The enactment of the Agricultural Cooperative Law on November 19, 1947 which lays emphasis on the independence of the cooperative movement marked the beginning of the present pace of cooperatives development. The establishment of cooperatives was encouraged by the government but the initiative was left to the farmers themselves.

After the enactment of the Cooperative Law of 1947 agricultural cooperatives were organised all over the country and their federations at prefectural and national levels. As mentioned earlier, the membership and the assets of the government-controlled agricultural associations were transferred to these cooperatives. With the end of government control over cooperatives, efforts were made to increase operational capacity and efficiency so that cooperatives could stand on their own against the competition from the private-sector. The agricultural cooperatives ventured into new lines of activity such as dairying, life insurance and crop insurance.

Today, the multipurpose societies (general unit cooperatives) cover the entire rural area of Japan and all the farmers are affiliated to them. In addition to the multipurpose cooperatives there are also some special cooperatives which are called special unit cooperatives or single-purpose cooperatives which deal only in a particular single commodity (e.g. sericultural cooperatives, livestock cooperatives, poultry cooperatives etc). These societies normally cover a larger area than multipurpose cooperatives. In view of the limited production of some commodities in an area of a multipurpose society, it is not economical for them to handle these commodities. Therefore, special societies covering a larger area are formed. However, with the enlargement of the area of multipurpose societies by amalgamation some of these single purpose societies are amalgamated with the multipurpose societies.

The multipurpose cooperatives are federated at prefectural level on a functional basis e.g. prefectural credit federation, prefectural economic federation (marketing and purchase federation), prefectural insurance federation etc. These federations are

further federated at the national level (e.g. National Purchasing Federation, National Marketing Federation, National Insurance Federation etc.).

The single-purpose societies form their federations in counties and prefectures. They are also affiliated to prefectural credit and prefectural economic federations of multipurpose cooperatives. These are also national level federations of single purpose cooperatives.

The primary societies in a prefecture as well as their prefectural federation are affiliated to prefectural unions which are the ideological unions. The primary societies, their federations at the county and prefectural level, prefectural unions, and national federations are all members of the Central Union of Agricultural Cooperatives which is the national level ideological union.

Today, agricultural cooperatives in Japan are highly developed and have assumed a position of strength in the country's economy. They extend almost all services needed by the farmers.

TABLE I

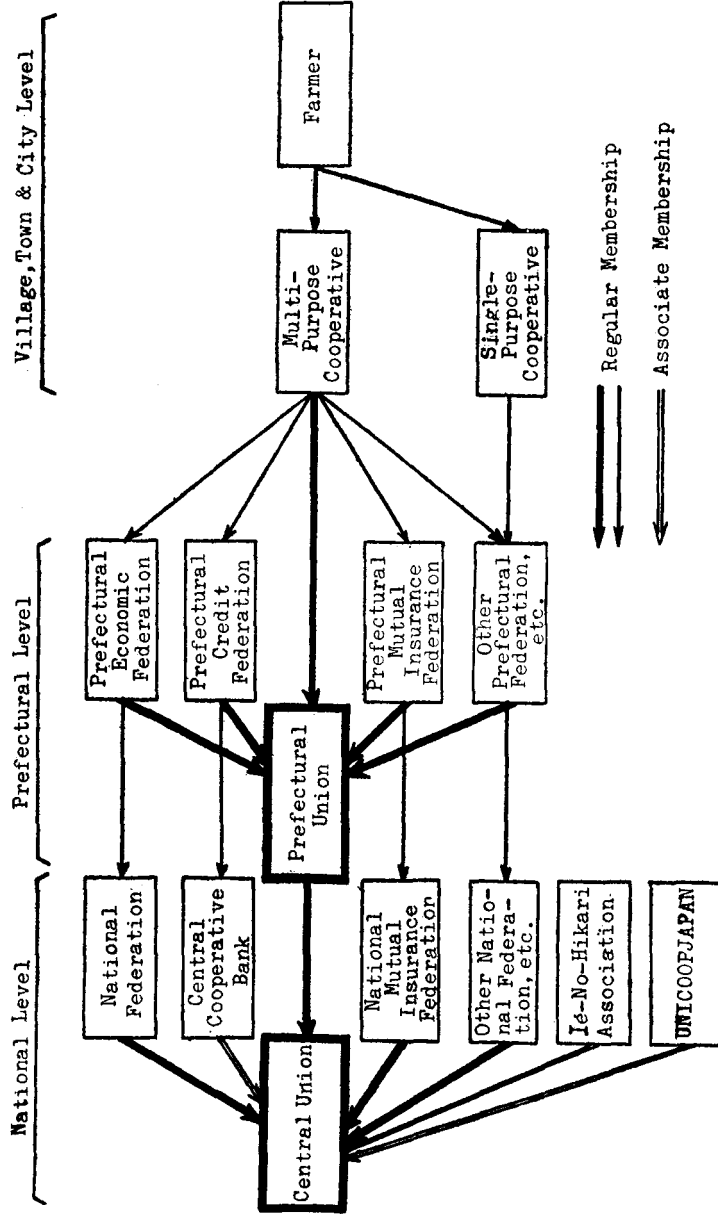
**Volume of Business in all Multipurpose Societies**

(Unit : 100 million yen)

Year	Saving	Loans	Marketing	Supply	Insurance
1960	6,828	3,240	5,999	2,807	3,117
1965	20,892	9,997	12,425	6,114	8,841
1966	25,689	12,496	14,903	7,404	10,743
1967	31,368	15,439	19,033	8,545	12,844
1968	38,089	19,434	20,893	9,655	14,938
1969	45,566	24,996	21,314	10,886	18,273

**Sources:** Figures on Savings, Loans, Marketing and Supply. Ministry of Agriculture & Forestry Government of Japan, published in "Statistics on Agricultural Cooperatives". Figures on Insurance, Agricultural Mutual Insurance Federation of Agricultural Cooperative Associations (ZENKYOREN), given in Agricultural Year-Books published by Central Union of Agricultural Cooperatives.

Chart 1 Structural outline of agricultural cooperative movement





## **II. Amalgamation**

### *The Factors that made Amalgamation Necessary*

#### **Economic and Environmental Changes**

Within a short period after the war, the Japanese economy recovered from the war time devastation and has enjoyed continuous growth since then.

The rate of economic growth in mining and manufacturing industries attained the high level of 15.9 per cent. The growth of national product achieved the rate of 10.8 per cent.

The demand for labour for industry increased with the rapid expansion of the industrial sector. The farming communities were naturally affected by the expanding national economy.

The increasing demand for labour for industry resulted in an outflow of agricultural labour into industry. The population engaged in agriculture in 1960 was 13,390,000. The figure decreased to 10,650,000 in 1966. The decreasing rate of farming population in 1960 was 3.9 per cent (i.e. about 430,000 farmers moved out of agriculture, particularly the younger generation). Even out of those who remained in agriculture a considerable number were engaged in industrial occupations on a part-time basis. The outflow of agricultural labour, especially young men made it necessary to have greater participation by women in agriculture inevitably resulting in the lowering of the quality and efficiency of agricultural labour.

The expanding industrial sector made increasing inroads onto agricultural land. The growth of industry and the consequent improvement of the country's economy resulted in greater demands for more and better housing. Thus a considerable part of the agricultural land especially in the suburban areas was being utilized for industrial and housing purposes.

The following figures of the population engaged in agriculture and the area of land under agriculture in 1965 and 1970

in the area of operation of the Ashigara Agricultural Cooperative Society illustrates the continuous outflow of agricultural population into industry and the increasing use of land for industrial purposes.

	1965	1970
Total population	68,695	79,453
Agricultural population	33,356	29,306
Total number of households	14,490	18,555
<b>Farm Household</b>		
Full-time	679	558
Part-time (mainly agriculture)	1,546	1,233
Part-time (mainly industry)	3,400	3,482
<b>Land Under Agriculture</b>		
	Hectares	Hectares
Paddy	1,433	1,126
Upland (vegetable etc)	1,052	746
Orchard	1,191	1,496

The price of agricultural produce continually increased. The prices of agricultural commodities were increased by 60.9 per cent during the period 1960-66. The price of rice which was the main source of income of most of the farmers rose by 71.8 per cent mainly due to the protection policy of the government which was the monopoly buyer of rice. During the same period the price of vegetables increased by 105.9 per cent, raw milk by 53.8 per cent, fruits by 55.8 per cent, cattle for meat by 28.6 per cent and eggs by 5 per cent.

#### **Rising Standard of Living**

This increase as well as the part-time employment of agricultural families in industry resulted in a marked increase in their incomes. However, the incomes of the farming population had not been comparable with those of the employees in the industrial sector.

The demand for food in the worker families had been increasing. During the period between 1960-66, the annual rate of increase of demand had been 8.02 to 10.7 per cent. The

demand for cereals increased at the beginning and dropped subsequently.

The consumption of meat, vegetables and processed foods had been on the upward trend (maximum rate of increase 12.7 per cent). Though the total agricultural production had not decreased (in fact it has increased at the rate of 2.3 per cent to 3.2 per cent), the increased demand for food resulted in an increase in the volume of imported agricultural produce. During the period between 1960-66 the volume of imported agricultural products rose by 17 per cent. The increase in the prices of agricultural produce as pointed out earlier may be partly attributed to the increasing demand for food from the working class.

The increase in income of the farm families due to increase in the prices of agricultural produce not only resulted in greater demand for modern comforts by the farming families but also increased their ability to save and make bigger investments in agriculture.

#### **New Demands on Cooperatives**

Under these circumstances, the cooperatives which had come to be established firmly in rural areas with almost 100 per cent membership of the farming households, and which had become the focal point of rural life had to be strengthened to meet the new demands made on them.

They had to mobilise the increasing savings of the farmers whose incomes were improving. They were called upon to provide better and more facilities demanded by modern agriculture, such as agricultural machinery and other requisites, research and guidance, processing, marketing, storage and warehousing services etc.

The cooperatives were also called upon to supply farm families with modern consumer goods for comfortable living under hygienic conditions and provide other facilities required for a better social life.

#### **Limited Scope for Improvement of Activities by Small Societies**

Though the existing agricultural cooperatives provided either all or some of these facilities they found that the ability to improve and expand them were limited due to the smallness of their size.

The average membership of a society was small and the area of operation was normally limited to one or two villages.

The following example of groups of societies that have been amalgamated in Nagano Prefecture shows the average membership of the societies before amalgamation.

#### NAGANO PREFECTURE

Societies amalgamated	Name of the society after amalgamation	Average membership of amalgamating socys.	Total membership of amalgamated societies
Shiga, Mutsui	Higashi	490	980
Komoro, Minamioi, Kawabe	Komoroshi	842	2,527
Yokotori, Ashida, Motai, Mitsuwa	Tadeshinacho	489	1,956
Kyowa, Fuse, Kasuga, Mochizuki	Mochizuki cho	619	2,476
Gorobe, Minamigomaki, Makatsu	Asashinamure	330	1,321
Karmikawa, Toyosato, Tengi, Shiojiri, Kawabe, Igumita, Jyoka, Udea, Kamishina	Udedashi	673	6,058
Nishishioda, Higashishioda, Nakashioda, Fujisan, Besyo	Shiodacho	625	3,129
Tanaka, Yastu, Wa, Shigeno	Higashibecho	786	3,147
Nagakuso, Daiwa	Nagatocho	350	700
Nagase, Shiokawa, Ida, Nishuchi, Higashiuchi, Marukocho	Marukocho	586	3,519

### **Enlargement of Private Business Enterprise**

The cooperators also saw that the private sector was undergoing a vast transformation in its methods and techniques of business. The smaller companies were joining together to form large organisations to achieve economies of scale. Even the administrative units of local governments were being enlarged to improve their efficiency.

The members were also not unmindful that their increased incomes were still not comparable with the incomes of the workers in the industrial sector. The more enlightened sections of the farmers therefore wanted their societies enlarged and strengthened to facilitate the adoption of modern and scientific methods of production and marketing so that they could further enhance their incomes.

The need for larger viable and stronger units was increasingly felt with the advancement of the national economy, the increasing complexity of modern agriculture and the greater demands for services from the membership.

The cooperative leaders of Japan led by the Central Union of Agricultural Cooperatives therefore considered that the most essential pre-requisite for advancement of agricultural cooperatives in the highly competitive economy of Japan was to make them large and viable units, strong and efficient enough to render the services demanded of them.

### **III. Policy Formulation**

#### **I. The General Research and Planning Committee**

The Central Union of Agricultural Cooperatives formulated the policy on amalgamation based on the advice given to it by its General Research and Planning Committee.

The Central Union of Agricultural Cooperatives (CUAC) established this committee called the General Research and Planning Committee with the President of the CUAC as its Chairman in November 1962. The bye-laws of the Union provided for the establishment of such a committee.

The Committee in addition to the Chairman consisted of six representatives of the unit agricultural cooperatives, twelve representatives of prefectural, economic, credit and mutual insurance federations, and prefectural unions, and ten representatives of national organisations, all appointed by the President of the Central Union.

Two vice-presidents and two part-time directors of the Central Union, Director and Councillor of the Agricultural Policy Department, Ministry of Agriculture and Forestry and the Chief of the Agricultural Cooperative Section, Agricultural Policy Department, Ministry of Agriculture and Forestry, also attended the deliberations of this Committee.

The functions of the Committee were to advise the President of the Central Union on matters relating to "closer liaison among member organisations and smoother operation of cooperative business".

The first task assigned to the Committee was to advise the President on the formulation of policies in amalgamation.

The Committee after long deliberations of the cooperative and economic situation in the country and the trends of development, submitted a report consisting of three chapters—the first on the Policy for amalgamation of unit agricultural cooperatives, the second on the Policy for rearrangement of

federations, and the third on the organisation prospects. The first part of the report on the amalgamation of unit agricultural cooperatives was submitted earlier as an interim report.

## ii. Policy Directive

Based on this report, the Central Union issued a policy directive on amalgamation. While issuing the policy directive the Central Union pointed out that the existing conditions under which the agricultural cooperatives had to work had undergone rapid changes due to the remarkable industrial and economic growth that had taken place during recent years. It further pointed out that under these circumstances the agricultural cooperatives had to play a more important role in "rationalisation of farm management by way of joint farming, in increasing demand for agricultural and livestock products and in securing suitable markets, so that the balance of incomes between farmers and non-farmers may be kept and farmers may raise their standard of living".

The Central Union emphasized that the size of the agricultural cooperatives should be expanded and the business foundation strengthened to make it possible for them to discharge these functions effectively. It also stressed the need to equip themselves with specialised business techniques and to establish effective management systems suitable for them and for local surroundings.

It also emphasized that the amalgamation of societies should be decided on a voluntary basis taking into consideration the natural, economic and social conditions of the respective areas.

The policy directive recommended the inclusion of both general unit cooperatives (multipurpose cooperatives) and special unit cooperatives (singlepurpose cooperatives) in the amalgamation plans. However, if the functioning of any special cooperative separately for a particular commodity was found desirable, it was to be left out of the amalgamation plan. Two of the main reasons that were considered important enough to allow the continuance of a special unit cooperative were:

1. The production of a commodity within the area envisaged for the amalgamated society is limited and therefore a single purpose society covering a larger area is more desirable.

2. Production and handling of a commodity need specialised technical knowledge and continuance of a special society is desirable.

### **iii. The Size of an Amalgamated Society**

The CUAC in the policy direction issued on amalgamation laid down the basic consideration for determining the size of an amalgamated society.

#### **Area and Membership**

The policy directive said that the area of operation and the membership of a society should be within reasonable limits for easy communication with its members and that **the** area may cover one or several villages and towns and should coordinate with the local administrative areas.

#### **Nature of the Locality**

Within the framework of this policy the factors that were taken into consideration in determining the area to be brought under one society largely depended on the nature of the locality.

##### *(a) Rural Areas*

The types of crops grown were taken into consideration in determining the area to be included in a new society that was to be formed by amalgamation. Crops had to be similar so that storage and marketing of the agricultural produce could be handled easily and economically. Similarity of livestock raised in an area was also considered as it favours the economic handling of livestock products, supply of feedstuff etc.

##### *(b) Mountainous Areas*

In addition to the factors mentioned above the communication facilities were carefully considered in determining the area to be included under one society in mountainous areas. Future plans of the government for provision of roads etc. were also taken into consideration. Villages connected by a river were considered very suitable for inclusion in an area of a society.



(c) *Urban and Semi-urban Area*

Credit and consumer activities being the predominant business in urban and semi-urban localities the volume of business in these fields was a major consideration in determining the area of a society. The density of population being thicker in urban and semi-urban areas a smaller geographical area was considered sufficient to form an economic unit for a society.

**Common Considerations**

A common consideration for determining the size of a society in all areas was the number of members and the volume of business that would be anticipated. One-thousand members was considered the minimum required for an economic unit. The volume of business had to be large enough to achieve economies of scale and to generate sufficient incomes to run the society profitably. The technique of break-even analysis was used to determine whether the volume of anticipated business would bring sufficient income to cover costs and to create a surplus.

## **IV. Legal Provision for Amalgamation**

### **i. The Cooperative Law of 1947**

Adequate legal provisions are a necessary pre-requisite for the amalgamation of cooperative societies. The present Agricultural Cooperative Law of Japan—the Cooperative Law of 1947—provides for amalgamation of cooperative societies.

The law requires that the decision to amalgamate should be taken by every amalgamating society by a two-thirds majority at a general meeting in which one half or more of the regular members are present.

The law also requires the amalgamating societies to form an “Establishment Committee”. The members of this committee are to be elected by the amalgamating societies at their general meetings.

These establishment committees have the responsibility for drafting the articles of incorporation of the new cooperative that would be formed by amalgamation. The administration of the new society during its first year is done by these committees. A board of directors is elected at the end of the first year at a general meeting or at elections held under other arrangements to take over the administrative functions.

Amalgamation of societies can be effected either by dissolving all the amalgamating societies and forming a new one in their place, or by dissolving all but one of the amalgamating societies and amending the bye-laws of the remaining society to include the area of operation of the dissolved societies so as to take over their assets and liabilities.

The cooperative which continues to exist after amalgamation or the new society that comes into existence due to amalgamation be the successor to the rights and obligations of the societies that are dissolved.

## ii. Amalgamation Aid Law

The Japanese Government responding to the wishes of the cooperators for amalgamating primary cooperative societies framed further legislation to facilitate amalgamation. The government enacted "The Amalgamation Aid Law" in 1961 with the object of encouraging and expediting amalgamation of agricultural cooperatives and assisting the societies so amalgamated in establishing a solid foundation to ensure effective business management

This law also required the amalgamation plans of cooperative societies to be approved by every amalgamating society by a two-thirds majority at a general meeting attended by more than one-half of the members. The law stipulated that the amalgamation plans should be submitted to the Prefectural Governor before December 1965 and subsidies were to be given to societies that amalgamated before 31st March 1966. The validity of the law was to end by that time.

The law required that these plans should include:

1. "Items of fundamental policy for amalgamation and business management of cooperatives after amalgamation",
2. "Fundamental items of amalgamation contract",<sup>1</sup>
3. "Items concerning consultation and readjustment of facilities necessary for the competent and efficient business management of cooperatives after amalgamation",
4. "Measures for strengthening the use of business facilities by the members and the cooperation with the members after amalgamation",
5. "Business plan of amalgamated cooperative for three business years after the day of amalgamation"<sup>2</sup>

1. An agreement has to be reached among the amalgamating societies as to the procedure of amalgamated societies and other important aspects. This agreement is known as "Amalgamation Contract". Some of the items that are included in the agreement are as follows:—  
(i) Date of amalgamation, (ii) Method of estimating the assets of the amalgamating societies, (iii) the number of members that would be elected to serve in the establishment committee, (iv) The bye-laws of the amalgamated society, (v) The type of business activities of the amalgamated society.
2. Compiled Laws relating to Agricultural Cooperatives, p. 37-38, RECA Publication Series, 7, August 1970, Research and Education Centre of AARRO, Tokyo.

A cabinet order issued subsequently under the Amalgamation Aid Law emphasized the need for the members of the amalgamating societies to understand fully the aims and content of the amalgamation plans so that the plans reflected thoroughly the will of the members. It is noteworthy that the cabinet order pointed out that the amalgamation of the societies should be realised through independent action of the societies themselves. The Aid Law as enacted to encourage amalgamation as the Government felt that there was an urgent need for amalgamation, and to facilitate the provision of assistance to the amalgamated societies in creating a solid foundation for the business operation of the societies. The law does not have any provision whatsoever to compel the societies to amalgamate. It rather ensures that the societies have the fullest freedom of decision.

Before amalgamation is effected the plan had to be approved by the Prefectural Government. The law required the Prefectural Governor to consult the prefectural union of agricultural cooperatives and men of experience in the field of agricultural cooperation before taking a decision to approve the amalgamation plans.

The law prescribed that in judging the suitability of amalgamation plans the Prefectural Governor should be satisfied: (a) that the area covered, the number of members and the other elements of the cooperative that would be formed by amalgamation were good enough for operating the business of the society competently and effectively taking into consideration the natural, economic and social conditions of the area, (b) that the business management plan of the amalgamated cooperative was sound and had a reasonable chance of being implemented.

#### **Financial Assistance**

The law also provided for the following financial assistance from the Central Government to encourage the cooperative societies to amalgamate themselves into larger units.

##### *1. For Provision of Facilities*

The Central Government may within its budgetary limits grant finances to prefectural governments for extending subsidies to the amalgamated cooperatives to meet the expenditure

for improving, constructing or acquiring facilities, provided they are done within two years of amalgamation.

The amount of subsidy was fixed by a subsequent cabinet order to be whichever was less of the following amounts:

- (a) One-third of the expenditure involved in improvement, construction or acquiring of the facility, or
- (b) the amount derived by multiplying 100,000 yen by the number of amalgamating societies.

The facilities for which subsidies were given were as follows:

- i. Facilities required for improvement of agricultural production, such as those for mechanization of agriculture, improvement of farm operations and production management.  
*Examples* : seed-paddy germination centres, breeding stations, slaughter houses, livestock clinics, poultry hatcheries, nurseries of young silk worms, cattle breeding centres, agricultural machine service centres, pest and disease control instruments and tractors.
- ii. Facilities necessary for improvement of supply and marketing business, such as those for storage, transport and grading.  
*Examples* : packing sheds, fruit grading plants, freezing and drying facilities, milk collection centres, warehouses, milk testing instruments, trucks and motor tricycles.
- iii. Facilities for processing  
*Examples* : rice, wheat and barley processing plants, factories for noodle manufacturing, bakeries, canning and bottling plants, breweries and fertilizer mixing plants.
- iv. Facilities necessary for innovating business operations.  
*Examples* : Office buildings, calculating machines and other office equipment.

## 2. For Advisory Services by Prefectural Unions

The Central Government may within its budgetary limits grant finance to prefectural governments to extend subsidies to the prefectural union of agricultural cooperatives for meeting

the expenses of their advisory services to the primary societies for the execution of amalgamation and management plans.

The amount of this subsidy was fixed by the cabinet order referred to earlier to be whichever was less of the following amounts:

- (a) 7,500 yen multiplied by the number of months in the first year of amalgamation during which advisers of the prefectural union work with the amalgamated cooperatives,
- OR
- (b) One-half of the expenditure incurred by the prefectural federation of agricultural cooperatives in extending advisory services to the amalgamated societies.

### *3. For Advisory Services by Prefectural Governments*

The Central Government may also grant finances to prefectural governments to meet the expenditure of the prefectural government required for giving guidance in formulating and executing of amalgamation and management plans of the cooperatives. The amount of subsidy under this item was fixed as half the expenditure incurred by the prefectural government for their guidance services.

### **Assistance in Management**

The cabinet order issued under the Amalgamation Aid Law requested the higher level agricultural cooperative organisations the prefectural governments and the municipalities of cities, towns and villages to extend the maximum possible support for amalgamation in view of the importance and the necessity of creating large societies. It particularly emphasized the need for assistance for strengthening the management of newly created large societies. It pointed out that due to the increase in scale and volume of business, the amalgamated societies may face various difficulties in their business management and therefore adequate assistance should be extended to them so that the aims of amalgamation may be fully realised.

### **iii. Other Legislations**

Before the enactment of the Amalgamation Aid Law of 1961 the government gave subsidies to cooperatives to encourage them

to improve their business and management under the Law for Reconstruction and Readjustment of Agricultural, Forestry and Fishery Cooperative Societies of 1951 and the Special Measures Law for Readjustment of Agricultural Cooperative Societies of 1956. These subsidies were given to amalgamating societies also. The special measures law for readjustment of agricultural cooperative societies provided the power to the prefectural governor, if he finds that a society is unable to improve its business due to the smallness of its size, to recommend to the society to amalgamate with another society and to extend subsidies to encourage it to amalgamate.

## **V. Procedure of Amalgamation**

### **i. Plan Formulation**

Directed by the general policy of amalgamation formulated by the Central Union of Agricultural Cooperatives, the Prefectural Unions formulate detailed plans for amalgamation of societies in their respective areas.

### **ii. Objectives of the Plans**

The plans have the objectives of (i) creating large viable societies covering an area of a farming complex (Dainchi), (ii) improving management which would result in better utilization of personnel, improved work from employees, more efficient use of capital and lowering of overhead costs, (iii) providing improved guidance on farm management and formulating and implementing farming modernisation and improvement plans, (iv) creating commodity groups of farmers who are engaged in producing similar agricultural products in order to give closer attention to the problems and needs of the farmers, (v) providing improved marketing facilities and realising higher prices for produce of the members, (vi) lowering of purchase prices of agricultural and other requisites of farmers, (vii) mobilising savings more effectively in order to be able to command larger investable funds, (viii) providing new services, extending existing services and making more adequate use of existing services.

### **iii. Planning by Prefectural Unions**

The prefectural unions have special sections in their secretariats to plan and carry out amalgamation work. Each prefectural union sets up two special committees, one an advisory committee to advise the Union on the formulation of the amalgamation plan for its respective area, and the other, an executive committee to implement the plan. The advisory committee consists of the President or Vice-President of the prefectural



government, the President of the Mayors' Association, representatives of prefectural economic, credit and mutual insurance federations and federations of single purpose societies, women and youth clubs, agricultural associations and representatives of presidents of primary societies. The executive committee usually consists of representatives of the Prefectural Union, prefectural level federations and women's and youth clubs.

The advisory committees take into consideration the natural, economic and social conditions and the nature of crops grown in the respective areas, position of the societies with regard to membership, capital, management etc. in advising the Prefectural Union in the formulation of the amalgamation plans for their prefectures.

The amalgamation plans prepared by the Prefectural Union under the guidance of the Advisory Committee are called "The first term plans".

#### **iv. Discussion of Plans at Regional and Society Levels**

These plans are then submitted to regional amalgamation promotional committees and individual societies for examination and discussion. The regional committees are constituted by the various groups of societies that are to be amalgamated. They discuss the plans and, if necessary, suggest alterations.

The plans are also discussed by the individual societies at their Board meetings. The members are informed of the plans, their merits and implications. The responsibilities and obligations which the implementation of the plans would cast on them are explained. This information is supplied to the members through wire communication and printed information material. The plans are also discussed at community conferences at hamlet level. If any suggestions are made by the regional committees, individual societies or members, the Prefectural Union and the Prefectural Advisory Committee take them into consideration and suitably alter the plans.

#### **v. Approval of Plans by Amalgamating Societies**

When the final plans are drawn up they are submitted to the societies for adoption. General meetings are summoned to take a decision on the approval of the plans. As pointed out earlier, the amalgamation law requires that the plans should be approved

by every society by a two-thirds majority at a general meeting attended by more than half the members.

After the amalgamating societies approve of the amalgamation plan in their respective general meetings, they elect their representatives to the establishment committee which will be responsible for the implementation of the plan and also for managing the newly formed society during the first year of its functioning.

#### **vi. Approval by Prefectural Governor**

When all the societies of a group that are to be amalgamated have gone through this procedure and approve the plans, the plans are presented to the prefectural governor for his approval. The governor in consultation with the prefectural union and men of experience in the field of Cooperation as required by the law takes the decision on the approval of the plans.

#### **vii. Implementation**

After the plans receive the prefectural governor's approval, the amalgamation is effected either by cancelling the registration of all amalgamating societies and registering the amalgamated society or by cancelling the registration of all but one and attaching the areas of the societies whose registrations are cancelled to the remaining society by registering an amendment enlarging the area of that society.

The amalgamated society formed by either of the two methods has, legally, the right of succession to the assets, rights and obligations of the societies that ceased to exist consequent on amalgamation.

## **VI. Problems in the Process of Amalgamation**

### **i. Unwilling Directors**

Some directors of small societies object and obstruct amalgamation if they feel that when their societies are amalgamated they will not be able to get elected to the board of directors of the amalgamated society and will lose their position of importance in their villages or towns. In case of the presidents and the full-time directors, the objection may also come because of the possibility of losing the salaries from their respective posts, and the fear of not being able to find similar alternative employment.

To overcome this objection, every effort was made to employ in the amalgamated society as many presidents and directors as possible, especially the younger ones, who did not get elected to the board of directors of the amalgamated society.

In cases where objections to amalgamation come mainly from the board of directors, efforts are also made to reach the membership direct and explain to them the desirability and the benefits of amalgamation so that they may compel the boards of directors of their societies to agree to amalgamation. There have been instances where the board of directors did not present the plans to members because they did not desire amalgamation.

In these instances the members are directly informed regarding the amalgamation plans and benefits that they would derive by amalgamating into large societies. Wire communication system is also used to provide such information to the members. Efforts in this direction have proved successful in that the members after having received the information have expressed their willingness for amalgamation and in many instances compelled the board of directors to take action to amalgamate their societies.

It has also been observed that even societies to which the directors of federations belong have opposed amalgamation. Some federation officers fear that amalgamation might result in losing

their position in the federation as their chances of getting elected to represent the amalgamated society in the federation become remote. They therefore persuade their societies to oppose amalgamation.

If a person opposes amalgamation or any other measure adopted for the progress of the cooperatives out of considerations of personal gain and to entrench his own position at the cost of the progress of the organisation, it is difficult to change his attitude by persuasion. The only way to overcome such obstacles would be to expose such people to the membership and to carry out the progressive measures by winning the members' support.

#### **ii. Unwilling Employees**

At the beginning of the amalgamation programme the employees of the societies feared that the number of employees might have to be reduced after amalgamation and consequently some of the employees might be thrown out of employment. They thought that the reduction of the number of employees that would be made possible by combining the various services that are separately undertaken by different societies would result in the retrenchment of some of them. But when they saw amalgamated societies working successfully and using the employees who had become surplus due to rationalisation of management to man the expanded services of the society, these fears diminished.

The employees of good and well-managed societies fear that amalgamation with poorly managed and weak societies would result in the creation of a larger but a weaker society which would endanger their position. However, experience has shown that this does not necessarily happen and if proper precautions are taken, the successful societies can pull the weaker units that amalgamate with them to success for the mutual benefit of all.

Some employees object to amalgamation on the ground that the creation of larger societies would increase their workload. In certain areas some political parties have opposed amalgamation on this ground and persuaded the employees of cooperatives to adopt an anti-amalgamation attitude. For instance, in Nagano Prefecture a political party opposed amalgamation and carried out anti-amalgamation campaigns by organising demonstrations of the employees of cooperatives, holding meetings and

distributing leaflets. The prefectural union carried out propaganda campaigns, supporting the amalgamation programmes to counter the propaganda of the political party. To counter vociferous politicians using their oratorical powers at general meetings to mislead the members against amalgamation for political reasons, a postal ballot was taken to ascertain the members' wishes regarding amalgamation and votes were counted at general meetings.

The managers of some small societies object to amalgamation as they would not get the top managerial positions of the amalgamated societies and they think it is better to be the top men of smaller societies than to play second fiddle in a large one. These objections are overcome to a great extent by pointing out to them the possibility that a larger society would offer better promotion prospects and also larger emoluments even when they occupy comparatively less important positions in the beginning.

### **iii. Loss of Member-Management Contact**

Some members object to amalgamation on the ground that creation of larger units would result in members losing touch and the close relationship they have with the board of directors and the managerial personnel of their society and the intimate knowledge of each other that exists among the members of a small society. The members fear that by losing close contact with the management they would stop receiving adequate information regarding the business activities of the society. To counter these objections, the various measures that could be taken to maintain close contact between the members and the management are explained to the members. The steps that could be taken to keep the members informed of the activities of the amalgamated societies are also explained to them to allay their fears of the possibility of being kept uninformed. Through education members are made to realize that the disadvantage of losing to a certain extent the intimate contacts they have had with the management and among themselves is outweighed by the economic advantages that could be derived by creating larger units. The experience of the already amalgamated societies also has been that the economic advantages do outweigh the disadvantages of the reduction in intimacy.

#### **iv. Possible Loss of Benefits From Reserves**

Some well-managed and strong societies are reluctant to amalgamate with poorly managed weak societies on the ground that their members would lose the full benefit of the contribution that they have made to various reserve funds of the society.

These societies have been using a portion of their surplus to maintain various reserves like price fluctuation reserve, which is maintained to pay higher prices to members for their agricultural produce when the market rates fall and bad debt reserves which are maintained to write off unrecoverable debts. If these reserves were not maintained the money that accumulated in them would have been distributed as patronage rebate to members. The members of such societies therefore feel that these monies which legitimately belong to them should not be transferred to the amalgamated society. If these reserves were transferred to the amalgamated society they would have to be used to pay higher prices to all members and to write off debts of any member irrespective of whether they contributed to the reserves or not. This would mean that those who have not contributed towards the reserves would derive benefits at the cost of those who built up these funds. This problem was solved by distributing all reserves other than the statutory reserve among the members of the societies as patronage rebate *before* amalgamation. Members were, however, required to buy shares in the amalgamated society with this money and thereby assist the societies in building-up their capital.

#### **v. Different Values of Shares**

The members of strong societies also fear that the value of their shares will go down when their societies are amalgamated with societies which have deficits. To remedy this the share holdings of the members of the societies which have deficits are lowered by amounts equivalent to the deficit thereby wiping out the deficits.

#### **vi. Demands for Equalizing Per-Member Assets**

There were instances where certain societies expected that since the value of the assets per member in their societies was more than in the other societies with which they were to amalga-

mate, the excess value should be paid back to their members so that the value of assets per member in all the societies that were amalgamating would be equal. For instance, a society in Matsumo Prefecture which had a valuable plot of land near a railway station, wanted it to be assessed and the money distributed among its members. Such demands were considered impracticable and uncooperative and were not granted by the other societies. It may be pointed out here that in the Republic of Korea the properties of the amalgamating societies are assessed and shares are issued to members equivalent to the value of the properties.

#### **vii. Differing Administrative Areas**

Some municipalities of cities, towns and villages have objected to selection of areas larger than that of the municipal units. Though they supported the idea of creating large societies they thought that the area of a society should be confined to the municipal area in which it is located. They believed that the inclusion of two or more municipal areas in one society area would confuse the people.

#### **viii. Other Problems**

Some of the other grounds on which amalgamation was objected to were that the services of large societies might not be as good as that of small societies due to the lack of personal touch between employees and members, that the larger societies would be bureaucratic in their management; that they would concentrate purely on business and neglect member relations and that the employees of the societies with whom the members had developed a close relationship would be transferred to other places. Reluctance of members to amalgamate their societies due to emotional reasons also has been an obstacle.

Continuous education and propaganda by the Central Union of Agricultural Cooperatives and prefectural unions through their publications and propaganda meetings etc., have been successful in reducing these objections and in persuading more and more societies to amalgamate.

The degree of insurmountability of the obstacles which hinder the smooth progress of amalgamation work differed with every society. Some societies have completely opposed amalga-

mation due to one or several of the reasons given above and **have** chosen to remain small societies. Some societies where such obstacles existed have been subsequently persuaded to join with other societies. Some of the societies have been in full support of the amalgamation programme and have taken the initiative in the promotion of amalgamation. These are mainly societies which had good and enlightened leadership who could carry their membership with them. However, it should be mentioned here that some of the well-managed and highly successful societies are among those which have opposed amalgamation and chosen to remain small. The main reason for their opposition to amalgamation seems to be the reluctance of the members to dissolve the society which they have laboured hard to build up and feel proud to belong to.

Because of these divergencies the progress of amalgamation has been uneven in different parts of the country. Therefore the CUAC has advised the cooperative leaders who are active in promoting amalgamation to adopt a flexible attitude in tackling problems in different societies. The CUAC has pointed out the fact that amalgamation occurs in different cases under different conditions. Therefore, each case should be examined separately in order to find out the prevailing conditions and the obstacles that could be confronted while bringing about amalgamation. Based on the results of this examination, decisions should be taken on the form, method and schedules of amalgamation. The CUAC has commended the practice of appointing one person to be in-charge of each case of amalgamation until its full completion as is done in Hyogo Prefecture.

In order to overcome the obstacles to amalgamation effectively, amalgamation promotional activities should be backed by mutual understanding and agreement among the leaders at the prefectural level. The collaboration and cooperation with prefecture, city, town and village administrations need to be strengthened. Every effort should be taken to promote understanding among the officers of the cooperatives and educate the members regarding the benefits that would be derived from amalgamation. Presenting cases of successful amalgamated societies would be of great value in convincing the members regarding the benefits of amalgamation.

Giving management guidance to amalgamated cooperatives,



especially where they are found to be weak in management, is of utmost importance as failures of amalgamated societies, whatever be the reason for failure, will have an adverse effect on the amalgamation promotional efforts.

## VII. Effects of Amalgamation

### i. Progress of Amalgamation

As a result of amalgamation the number of unit cooperatives in Japan is on the decline. More and more large societies are created in place of small ones.

At the end of March 1961 there were 7,078 multipurpose cooperative societies with less than 500 regular member households and they accounted for 62.65 per cent of all multipurpose societies. The number of multipurpose cooperative societies with 500 to 999 regular member households was 3,686 and accounted for 32.63 per cent of all multipurpose societies. By the end of March 1970, the number of societies in the former category had decreased to 2,547 bringing down the percentage to 48.87. The number in the latter category had decreased to 1,954 bringing down its percentage to 32.12.

The number of multipurpose cooperative societies with more than 1,000 regular member households at the end of March 1961 was 532 and they accounted for 4.70 per cent of all multipurpose cooperatives. The number in this category of societies had increased to 1,582 by the end of March 1970 increasing its percentage to 26.00.

In the year 1961, the year in which the Amalgamation Aid Law came into effect, 541 cooperatives participated in the amalgamation programme and merged themselves into 137 large sized cooperatives. During the period between 1966-69, 1,499 unit cooperatives including 33 single purpose cooperatives were amalgamated into 408 large societies. The total number of unit cooperatives that have participated in the amalgamation programme during the period from 1961 to 1970 was 7,758. At the end of 1970, the number of amalgamated multipurpose cooperative societies stood at 1,830. (See Table II).

The total number of multipurpose cooperatives at the end of 1960 was 12,050. The number of societies has gradually re-

TABLE II Number of Multipurpose Societies and their Membership

Particulars	1967		1968		1969	
	Total No. of Multi-purpose Societies	Amalgamated Societies	Total No. of Multi-purpose Societies	Amalgamated Societies	Total No. of Multi-purpose Societies	Amalgamated Societies
No. of Societies	7,074	1,471	6,470	1,689	6,185**	1,788**
(No. of Societies Reported)	6,961	1,330	6,622*	1,444	6,083	1,445
Regular Members (Individuals)	5,931,155	2,611,773	5,900,350	2,767,044	5,874,818	2,965,219
Regular Members (Associations)	3,627	1,146	4,125	1,427	4,042	1,398
Associate Members (Individuals)	1,090,460	448,124	1,193,547	516,131	1,257,126	606,791
Associate Members (Associations)	35,810	15,376	38,316	17,034	38,327	18,876
Total	7,061,052	3,076,419	7,116,338	3,301,636	7,174,313	3,532,284
(Per Society)	1,014	2,313	1,074	2,286	1,179	2,444

Source:—"Statistics on Agricultural Cooperative Societies and their Federations", Ministry of Agriculture and Forestry, Japan, for the year 1969.

NOTE:—\*Due to certain technical reasons of registration of amalgamated societies, the number of societies surveyed is more than the number of registered societies.

\*\*The number of amalgamated societies in 1970 was 1,830 and the total number of multipurpose societies 6,049.

TABLE III

(Unit : 1 million Yen)

36

Items	1967		1968		1969	
	Amalga- mated	Non- Amalga- mated	Amalga- mated	Non- Amalga- mated	Amalga- mated	Non- Amalga- mated
Savings	13,404	21,414	16,865	24,226	23,271	27,078
Loans	6,761	10,182	9,023	11,820	11,619	14,048
Supply	3,635	4,909	4,382	5,272	5,215	5,671
Marketing	7,905	11,127	9,261	11,636	10,145	11,169
No. of Societies	1,330	5,631	1,444	5,178	1,445	4,638

duced over the years as amalgamation proceeded and at the end of 1970 it stood at 6,049.

According to the present plans of amalgamation, the number of multipurpose societies are expected to be reduced to 3,200 by the end of 1974.

#### ii. Volume of Business in Amalgamated and Non-Amalgamated Societies

Table III on page 36 shows the total amounts of savings mobilized, loans extended and the business done in purchasing and marketing by the amalgamated and non-amalgamated societies in 1967, 1968 and 1969.

The following table shows the amount of savings, loans, supply and marketing done per society in 1967 and 1969.

TABLE IV

(Unit : 1 million yen)

Items	1967		1969	
	Amalga- mated	Non- Amalga- mated	Amalga- mated	Non- Amalga- mated
Saving	10.07	3.80	16.10	5.83
Loans	5.08	1.80	8.04	3.02
Purchasing	2.73	0.87	3.60	1.22
Marketing	5.94	1.97	7.02	2.40

The amounts of savings, loans, purchasing and marketing per individual regular member has been lower in amalgamated societies than in non-amalgamated societies. The responsibility for this may be attributed to two reasons:

First, most of the societies that have not amalgamated were those small societies that have been comparatively better in their performance and therefore wanted to maintain their identity.

The following table shows the amounts of savings mobilized, loans extended and the business done in purchasing and market-

ing per individual regular member by amalgamated and non-amalgamated societies.

TABLE V

(Unit : million yen)

Items	1966		1969	
	Amalga- mated	Non Amalga- mated	Amalga- mated	Non- Amalga- mated
Savings	0.5	0.6	0.7	0.9
Loans	0.2	0.3	0.3	0.4
Purchasing	0.1	0.1	0.1	0.1
Marketing	0.3	0.3	0.3	0.3

Secondly, in the initial period after amalgamation the relations between the members of the amalgamated societies have widened due to difficulties the large societies have in maintaining relations with their members. As explained elsewhere, effective steps are being taken by these societies to bring their members closer together. The above figures being for all amalgamated societies they also include the figures of those societies that were recently amalgamated and therefore suffer from teething troubles. They have also not had sufficient time to establish themselves and to derive the benefits of amalgamation.

In judging the success or failure of the amalgamated societies, a comparison of these figures therefore would not be useful. For that matter even a comparison of the amounts of business per member in amalgamated societies that have been working for a considerable length of time with those of small societies would have only a very limited use. In determining the success or failure of the amalgamated societies the factors that should be taken into consideration are the improvements in their business activities over the years, the efficiency they have been able to achieve in the performance of their business and the services they have been able to render to their members.

### **iii. Improvement of Business Activities of Amalgamated Societies and a Comparison of their Business Performance with the Average Business Performance of all Multipurpose Societies**

#### **Higher Rate of Increase of Services**

A survey conducted by the Central Union of Agricultural Cooperatives in 1970\* in which 219 amalgamated cooperative societies out of 1,785 existing at that time were included, showed that the average amount of savings per amalgamated society in 1966 was 1,209 million yen and in 1969 the figures had risen to 2,332 million. This is an increase of 93 per cent. The average amount of savings per regular member household in amalgamated societies was 445,000 yen in 1966 and had risen to 817,000 yen in 1969. This is an increase of 84 per cent. (See Tables VI and VII).

The corresponding average for all multipurpose societies for 1966 was 482,000 yen and for 1969, 855,000 yen. The percentage of increase was 77. (See Table VII).

Though the amount of saving per regular member household was lower in the amalgamated societies surveyed, their rate of increase during the period between 1966 and 1969 was higher than the average rate of increase for all societies.

#### **Larger Quantum of Loans**

The amalgamated societies surveyed by the Central Union of Agricultural Cooperatives have been able to increase the quantum of loans extended to members and to decrease the rate of interest for them. The average quantum of loans extended by these societies in 1966 was 589 million yen and in 1969 the amount rose to 1,266 million yen which was an increase of 115 per cent. The average amount of loans per regular member household in 1966 was 221,000 yen and the amount rose to 448,000 yen in 1969 which is an increase of 103 per cent. The corresponding average for all multipurpose societies in 1966 was 234,000 yen and for 1969, 469,000 yen and the percentage increase was 100.

The amount of loans extended per regular member household as well as the rate of their increase during the period bet-

\* See Appendix 1

ween 1966 and 1969 were higher in amalgamated societies surveyed compared to the corresponding averages for all multi-purpose societies.

#### **Higher Maximum Credit Limits for Members**

The amalgamated societies which have worked for some years, have made considerable increases in the maximum credit limits of their members. In the societies surveyed by the Central Union of Agricultural Cooperatives, the average maximum credit limit of members in 1969 was over 6 million yen. The maximum credit limit of all societies which had a membership of over 2,000 was over 5 million. The societies which had a membership of over 3000 had an average maximum credit limit of over 9 million yen.

According to statistics published by the Institute of Research in Cooperative Management, Ministry of Agriculture, Japan, the societies in which the maximum credit limit of members did not exceed one million yen, numbered 2,787 in 1964. The number of societies in this category decreased to 1,674 in 1968. The societies in which the maximum credit limit of members was between 3 to 5 million, 5 to 10 million and over 10 million numbered 505, 344 and 134 respectively in 1964. The numbers in these respective categories rose to 1,081, 969 and 439 in 1968.

This decrease in the number of societies which have low maximum credit limits and the increase in the number of societies which have high maximum credit limits is mainly due to enlargement of societies by amalgamation and the fixation of increasing credit limits for members, by them.

#### **Lower Rates of Interest**

While the quantum of loans extended to members has increased progressively in amalgamated societies the rate of interest has decreased. A considerable reduction has been made by the amalgamated societies in their interest rates. The average minimum rate of interest charged before amalgamation by the small societies that have been amalgamated, for short-term and long term loans on personal security were 8.7 and 8.6 per cent per annum respectively. The minimum rate charged for short-term and long-term loans on collaterals were 8.2 and 8.3 per cent respectively.



The amalgamated societies surveyed by the Central Union of Agricultural Cooperatives had reduced by 1969 the minimum interest rates for short-term and long-term loans on personal security to 7.7 and 7.8 per cent per annum respectively while the minimum rate for short-term and long-term loans on collaterals had been reduced to 7.3 and 7.2 per cent respectively. (See Table VIII).

Some of the amalgamated societies have reduced the interest rates to members even further for loans given out of members' savings. Ashigara Agricultural Cooperative Society, for instance, charged 8.4 per cent per annum for loans given out of members' savings in 1960 and decreased the rate of interest to 7.7 per cent in 1969. This Society also increased the maximum credit limit of a member from 3 million yen in 1960 to 14 million yen in 1969.

#### **Bigger Volume of Marketing**

The average amount of agricultural produce marketed by amalgamated societies included in the CUAC survey in 1966 was 731 million yen and the figure rose to 982 million yen in 1969 an increase of 34 per cent. The average value of agricultural produce marketed per regular member household in 1966 by the societies surveyed was 272,000 yen and in 1969 the figure rose to 397,000 yen, an increase of 46 per cent. The corresponding average for all multipurpose societies for 1966 and 1969 were 249,000 yen and 364,000 yen respectively and the percentage of increase was 46. (See Tables VII and IX).

The figures of marketing in different years given above are calculated at the prevailing prices in the respective years. Therefore a considerable part of the increase in the value of the agricultural produce marketed is due to the increase in price of agricultural produce, specially that of rice. Over 50 per cent of the agricultural produce marketed both by amalgamated and non-amalgamated societies was rice. The producer price of rice has increased annually by 6.1 per cent during the period between 1965 and 1969.

The prices of fruits and vegetables, the other two commodities which have the largest share next to rice in the total average value of agricultural produce marketed by the amalgamated and all other societies increased annually by 8 per cent and 8.2 per

TABLE VI  
Savings and Loans (Per Amalgamated Society)

(Unit : Million Yen)

		Average		1000-1999		2000-2999		3000-	
		1966	1969	1966	1969	1966	1969	1966	1969
SAVINGS	Current (Ratio)	398 100	744 187	238 100	391 164	269 100	651 242	712 100	1268 174
	Fixed (Ratio)	810 100	1588 196	435 100	759 175	531 100	1338 252	1526 100	2848 187
	Total (Ratio)	1209 100	2332 193	673 100	1150 171	800 100	1989 249	2238 100	4116 184
Loans Advanced (Ratio)	589 100	1266 215	328 100	663 202	601 100	1114 185	904 100	2157 239	

NOTE: Amalgamated societies here refer to those surveyed by CUAC in 1970

cent respectively during the period between 1965 and 1969. (See Table X).

The rate of increase in the value of rice, fruits, vegetables and other produce marketed by the amalgamated societies and by all other societies however have been more than the rates of increase in their prices. Therefore, the increase in the marketing figures is due both to the increase in prices as well as to the increase in quantities.

The amount of marketing per regular member household was more in the amalgamated societies than the average amount of marketing for all societies while the rate of increase was the same. If the rates of increase continue to be the same, the amalgamated societies will be able to maintain a higher amount of marketing per regular member household.

The commission charged for marketing of members' produce has gone up from 1.39 per cent in 1966 to 1.61 per cent in 1969. The heavy investment on additional facilities such as cold storage and grading centres have made it necessary to charge an increased rate of commission.

#### **Smaller Volume of Supply**

On the average an amalgamated society surveyed by CUAC supplied 359,840,000 yen worth of consumer goods and production material in 1966. The amount rose to 535,849,000 yen in 1969, an increase of 49 per cent. (See Table IX).

The average total amount of both consumer goods and production material supplied in 1966 by the amalgamated societies surveyed per regular member household was 138,000 yen and it rose to 201,000 yen in 1969, an increase of 46 per cent. The corresponding averages for all societies in 1966 and 1969 were 139,000 yen and 204,000 yen respectively and the percentage increase was 47. (See Table VII).

The increase in the supply of propane gas (cooking gas), kerosene, automobiles, refrigerators and building material contributed considerably to the increase in the supply business. In the societies surveyed, the supply of propane gas increased by 136.2 per cent and durable consumer goods by 109.3 per cent from 1966 to 1969. Every other family in the rural areas in Japan owns a motor car, 92.4 per cent of the rural families have refrigerators,

TABLE VII  
Amount of Business Per Regular Member Household

(Unit : 1000)

Items	AMALGAMATED SOCIETIES			ALL SOCIETIES			
	1966	1969				1966	1969
	Average	Average	1000-	2000-	3000-	Average	Average
Savings	445	817	761	809	895	483	856
Percentage increase		84	81	92	82		77.3
Loans	221	448	446	448	452	23.5	469.4
Percentage increase		103	111	87	106		100
Marketing	272	397	418	397	372	249.4	364
Percentage increase		46	45	49	45		46.2
Purchasing	138	201	200	204	198	139.1	204.4
Percentage increase		46	49	52	36		47

Percentage increase is over the amount of business in 1966.

NOTE: Amalgamated societies here refer to those surveyed by CUAC in 1970. Figures for all societies are calculated based on figures given in "Statistics on Agricultural Cooperatives 1966 and 1969 Business Year Book published by the Ministry of Agriculture & Forestry, Government of Japan.

and 33 per cent use propane gas for cooking according to 1971 statistics.

As shown earlier the amount of supply per regular member household and its rate of increase were slightly lower in amalgamated societies.

In Japan production material and consumer goods are available in plenty. The private retail trade is well developed and organized. The cooperatives have to face tough competition from the private trade in the field of supply. The distance both physical and psychological between the members and the societies created by the enlargement of the size of societies therefore can adversely affect the supply business. The fact that there is only a slight difference between the average supply per regular member by amalgamated societies and the corresponding average of all societies indicates that the wider assortment of goods the larger shops of amalgamated societies' offer has compensated to a great extent as far as the volume of supply business is concerned for the disadvantages created by the physical and psychological distance between the members and the amalgamated societies.

Considering the fact that 50 per cent of the rural families own cars and that the public transport system is well-organised consequently improving the mobility of the rural people, physical distance will not present a great problem if the member relations are improved. The amalgamated societies should therefore make a concerted effort to improve their relations with the members if they are to compete effectively with the private trade in the field of supply.

The rate of commission charged by the societies for the supply of consumer goods increased from 12.1 per cent to 13.7 per cent and for the supply of production material from 7.6 per cent to 8.3 per cent during the period from 1966 to 1969. The increase in commission rates, especially for consumer goods became necessary to meet the expenses involved in providing better facilities like attractive and hygienic consumer stores, pre-packing, cold cases for meat, fish and vegetables etc. It was observed that as living standards of members improved, they demanded these additional and improved facilities and were prepared to pay for them.

The above figures show that the general performance of amalgamated societies surveyed by the Central Union compared to

TABLE VIII  
Rates of Interest in Amalgamated Societies

(Unit: Percentages)

		Average			1000-			2000-			3000-			
		Before Amalgamation	1966	1969	Before Amalgamation	1966	1969	Before amalgamation	1966	1969	Before amalgamation	1966	1969	
Personal Security	Short-term	Max.	12.1	10.8	10.5	12.1	11.1	10.6	11.9	10.9	10.7	12.2	10.5	10.5
		Min.	8.7	8.1	7.7	8.9	8.2	7.8	8.9	8.4	7.9	8.4	7.7	7.5
	Long-term	Max.	11.4	10.5	10.2	11.7	10.7	10.4	11.4	10.4	10.2	11.2	10.4	9.9
		Min.	8.6	8.2	7.8	9.1	8.7	8.3	8.4	7.8	7.5	8.2	7.9	7.5
Collaterals	Short-term	Max.	10.6	9.9	9.7	11.2	10.2	9.9	10.1	9.9	9.5	10.3	9.8	9.5
		Min.	8.2	7.7	7.3	8.8	7.9	7.2	8.0	7.8	7.4	7.7	7.3	7.2
	Long-term	Max.	11.5	10.5	10.1	11.7	10.5	10.1	11.3	10.6	10.3	11.0	10.3	10.0
		Min.	8.3	7.4	7.2	8.4	7.1	7.4	8.0	7.4	6.4	8.5	7.8	7.5

NOTE: Amalgamated societies here refer to those surveyed by CUAC in 1970.

TABLE IX  
Marketing and Supply (Amalgamated Societies)

(Unit : 1000 Yen, %)

Items	Average		1000-1999		2000-2999		3000-	
	1966	1969	1966	1969	1966	1969	1966	1969
<b>MARKETING</b>								
Amt. of marketing per society	731,299	982,461	410,014	586,917	660,212	892,511	1,197,619	1,557,109
(Ratio)	100	134	100	143	100	135	100	130
Rate of utilization of linked organisations	87.3	89.1	83.7	92.0	87.0	87.5	84.4	85.1
Commission rate	1.39	1.61	1.51	1.45	1.50	1.64	1.58	1.67
<b>SUPPLY</b>								
Amt. of supply per society	359,840	535,849	196,031	296,829	327,485	479,438	588,440	884,129
(Ratio)	100	140	100	151	100	146	100	150
Rate of utilization of linked organisation		71.2		76.9		71.9		72.1
Commission rate		9.6		8.8		9.1		10.3

NOTE: Amalgamated societies here to those surveyed by CUAC in 1970.

the average performance of all multipurpose societies was satisfactory with regard to the volume of business and their rates of increase.

TABLE X  
Annual Percentage Increase of Producer Prices of Rice,  
Vegetables and Fruits in Japan

Items	1960-1965	1965-1969	1969-1970
Rice	9.2	6.1	0.6
Vegetables	14.7	8.2	17.0
Fruits	9.0	8.0	11.3

Source : Ministry of Agriculture, Government of Japan.

#### iv. A Comparison of Business Performance of Amalgamated Societies with that of Small Multipurpose Societies

##### Smaller Volume of Business

A comparison of business volumes per regular member household of a group of amalgamated societies and a selected group of well-managed small societies with less than 500 regular members however showed that the business volumes in amalgamated societies were lower than in small societies and leave much to be desired\*.

Table IX shows the per regular member business volumes in savings, credit, marketing and supply in a selected group of small societies and a group of amalgamated societies.

##### Lower Gross Profit

A comparison of gross profit and volume of business in marketing and purchasing in the above mentioned two groups of amalgamated and small societies showed that the gross profit in amalgamated societies was less than in small societies in relation to the volume of business. The average gross profit in small societies in marketing amounted to 2.6 per cent of the value of produce marketed while it amounted only to 1.8 per cent in amalgamated societies. In supply business, the average gross

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See Appendix 2



profit amounted to 12 per cent of the business turnover in small societies while it amounted to only 10 per cent in amalgamated societies. (See Table XIII).

#### Lower Direct Expenses and Volume of Business

A comparison of direct expenses and business volumes in marketing and purchasing in these two groups of societies showed that direct expenses in amalgamated societies were lower than in small societies in relation to the volume of business. In small societies the direct expenses on marketing amounted to 0.6 per cent of the volume of business in marketing while in amalgamated societies it amounted only to 0.2 per cent. The direct expenses on supply in small societies amounted to 2.2 per cent of the turnover of supply business, while it amounted only to 1.8 per cent of the business turnover in the amalgamated societies. The amalgamated societies have been able to keep the direct expenses involved in marketing and supply low due to the economies of scale they derive by handling larger quantities. (See Table XIII).

#### Higher Management Expenses

A comparison of management expenses in marketing in these two groups of societies showed that the management expenses in marketing in relation to the volume of business was slightly

TABLE XI

(Unit : 1000 yen)

Items	Small Socys (Less than 500 mem- bers)	Amalgamated Societies			
		Aver- age	1000- 2000 regular mem- bers	2000- 3000 regular mem- bers	Over 3000 regular mem- bers
Savings	1074	642	601	644	654
Loans	452	328	336	383	290
Supply	188	160	161	153	160
Marketing	560	390	396	360	401

**TABLE XII**  
**Amount of Business, Gross Profit, Direct Expenses and Management Expenses in Marketing and Supply (1969) Per Society**

(Unit : 1000 Yen)

Particulars	Small (less than 500 members)	Amalgamated Societies			
		Average	1000-	2000-	3000-
<b>MARKETING</b>					
Amount of Business	202,026	1,006,280	578,226	893,197	1,591,719
Gross Profit	5,277	18,352	12,006	15,629	28,492
Direct Expenses	1,340	3,991	2,545	3,195	6,481
Management Expenses	1,815	9,079	6,476	8,195	13,416
Staff in-charge (Number)	1.5	11.4	7.0	9.6	17.2
<b>SUPPLY</b>					
Amount of Business	98,866	496,667	276,162	453,793	785,044
Gross Profit	11,894	50,584	27,853	49,388	78,133
Direct Expenses	2,203	8,995	4,623	8,550	13,487
Management Expenses	5,489	25,413	13,853	24,367	40,790
Staff in-charge (Number)	7.2	31.3	19.8	28.0	55.7

NOTE:—The small societies and amalgamated societies here and in Tables XIII, XIV and XV refer to those included in the "Survey on Management of Agricultural Cooperatives conducted by the Ministry of Agriculture & CUAC published in 1971.

TABLE XIII

**Gross Profit, Direct Expenses and Management Expenses in Relation to Total Volume of Business in Marketing and Supply**

(Unit: %)

Particulars	Small Societies (less than 500 members)	Amalgamated Societies			
		Average	1000-	2000-	3000-
<b>MARKETING</b>					
<b>Gross profit:</b> Amount of business	0.026	0.018	0.020	0.017	0.017
<b>Direct expenses:</b> Amount of business	0.006	0.002	0.004	0.003	0.004
<b>Management expenses:</b> Amount of business	0.008	0.009	0.011	0.009	0.008
<b>SUPPLY</b>					
<b>Gross profit:</b> Amount of business	0.120	0.101	0.100	0.108	0.099
<b>Direct expenses:</b> Amount of business	0.022	0.018	0.016	0.018	0.017
<b>Management expenses:</b> Amount of business	0.055	0.051	0.050	0.055	0.051

TABLE XIV

## Gross Profit and Management Expenses in Marketing and Supply per Employee In-charge

(Unit:1000 Yen)

Particulars	Small Societies (less than 500 members)	Amalgamated Societies			
		Average	1000-	2000-	3000-
<b>MARKETING</b>					
Gross Profit	3,518	1,609	1,715	1,628	1,656
Management Expenses	1,210	796	925	853	780
Personnel Expenses	691	624	610	643	636
<b>SUPPLY</b>					
Gross Profit	1,651	1,616	1,406	1,763	1,402
Management Expenses	762	811	699	870	732
Personnel Expenses	645	697	584	737	626

TABLE XV

**Savings, Loans, Supply and Marketing per Staff Member in-charge in a Selected Group of Small Societies and Amalgamated Societies**

(Unit:1000 Yen)

Items	Small Societies (less than 500 members)	Amalgamated Societies			
		Average	1000-	2000-	3000-
Savings	97,361	63,441	64,397	63,517	64,503
Loans	41,017	34,989	35,977	31,088	33,854
Supply	13,731	15,868	13,948	18,152	14,094
Marketing	134,684	88,270	82,604	93,041	92,542

higher in amalgamated societies than in small societies. The management expenses in small societies amounted to 0.8 per cent of the volume of business while it amounted to 0.9 per cent in amalgamated societies. In supply business, however, the management expenses in amalgamated societies was lower in relation to business volume than in small societies. The management expenses amounted to 5.5 per cent of the turnover in small societies while it amounted to 5.1 per cent in amalgamated societies. (See Table XIII).

#### **Lower Management Expenses per Employee**

The management expenses per employee was lower in amalgamated societies than in small societies. This was in spite of the higher salaries amalgamated societies pay to their employees. The reduction of the number of directors in relation to the number of employees was responsible for the lower amount of management expenses per employee. (See Table XIV).

#### **Smaller Volume of Business per Employee**

A comparison of the volume of business per staff in the above two groups of societies showed that the volumes of savings, loans and supply per staff in charge of the respective business activities were more in the small societies than in the amalgamated societies. In the case of marketing, however, the volume of business per staff in-charge was more in amalgamated societies. (See Table XV).

#### **Lower Gross Profit per Employee**

The gross profit per staff member in-charge, was lower in amalgamated societies in all major business activities such as credit, marketing, purchasing, insurance and warehousing. In the case of utilization business, however, the profit in amalgamated societies was higher. The reason for lower amounts of gross profit per staff member in amalgamated societies is obviously the lower amount of business done per staff member as well as the lesser rate of gross profit in relation to the volume of business. (See Table XIV).

#### **v. Structural Improvements**

The viability of the amalgamated cooperatives have enabled them to effect improvement in their management system.

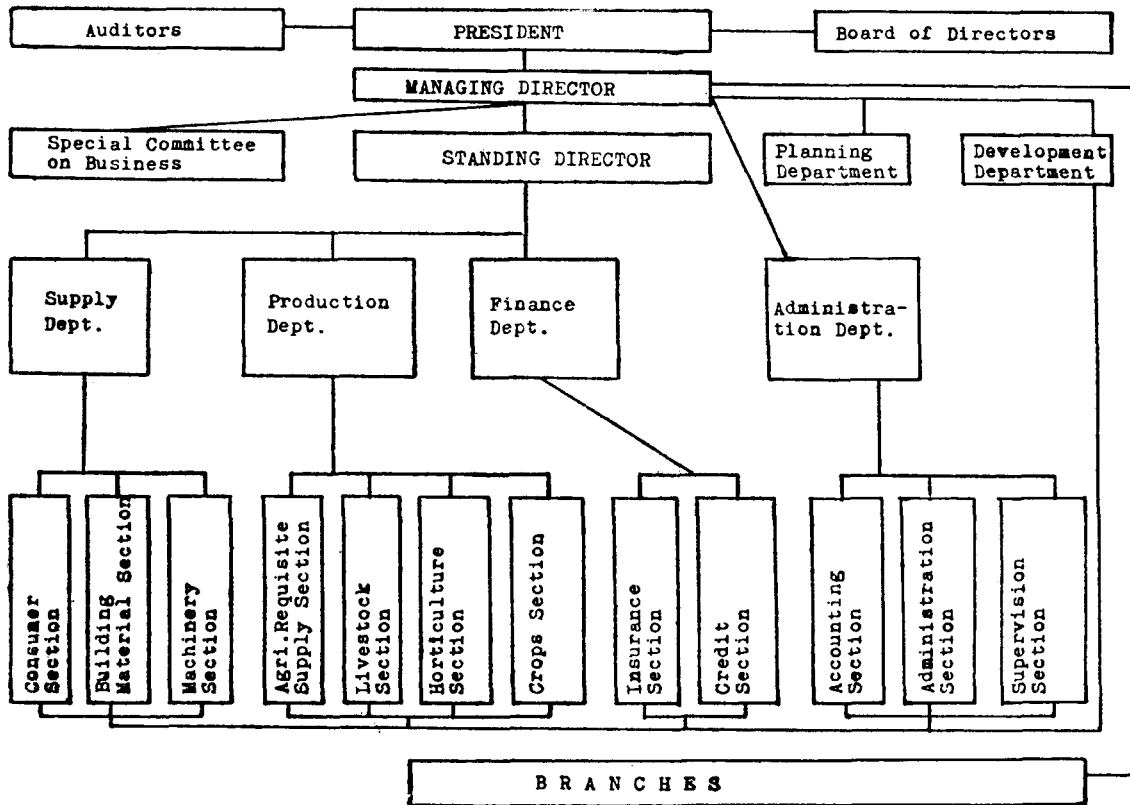
One of the most significant improvements the amalgamated societies have brought about is in the internal structure of the society. The large volume of business they handle has enabled the amalgamated societies to create distinct departments for various functions. There is no particular pattern that is common to all societies for the division of departments or for allocation of functions among various departments.

More departments are found in larger societies. The departments are sub-divided into sections to handle the different functions of a department. Such internal structures have enabled the society to pay greater attention to details and to discharge their functions more effectively.

Creation of Production Departments is a major innovation done by the amalgamated societies in the re-organisation of their internal structures. Earlier, there were separate departments for marketing, supply of agricultural production material and farming guidance. The Marketing Department dealt with marketing of all types of agricultural produce. The Supply Department handled the supply of production material needed for various production activities and the Guidance Department was responsible for providing advisory services for these activities. All these functions have now been brought under the Production Department. Within the Production Department, sections have been created for handling similar types of agricultural produce, e.g. grain section, vegetable and fruit section, livestock section. Each section is responsible for the supply of production material and the provision of farming guidance for a particular commodity, or a group of commodities and for their marketing. This new structure has enabled the employees of different sections to specialise in the commodities they handle. It particularly facilitates the appointment of farming guidance advisers specialised in the production of different commodities. This grouping has greatly helped in closely integrating production and marketing.

The following chart shows the internal organisational structure of Matsumo Agricultural Cooperative Society and gives a

ORGANISATIONAL STRUCTURE





picture of the division of departments and allocation of functions among them.

#### **vi. Higher Salary Scales**

The amalgamated societies pay higher salaries compared to the average salaries of small societies. The average salary of employees of amalgamated societies is also higher than the average salary of employees of the provincial governments. They are however lower than the average salary of employees in the private industry. (See Table XVI).

#### **vii. Ability to Employ Qualified Personnel**

In small societies the manager has to handle several functions including specialised functions such as planning, financial administration and personnel administration. In amalgamated societies, there are specialists to handle these different specialised functions. The employment of such specialists has improved the abilities of the societies in successfully planning and carrying out their business activities, in effective financial control and in better personnel management.

#### **viii. Ability to Provide Training to Employees**

The small societies are faced with two major difficulties in training their employees. First, it is difficult to afford the expenditure involved in training the employees, and secondly, it is hard to release the employees for training due to the difficulties in redistributing the duties among the limited number of remaining employees or in employing temporary hands. The amalgamated societies can not only afford the expenditure of training of their employees but also can release them for training as they can conveniently find substitutes from among the large number of persons under their employment.

#### **ix. Salutary Effects of Transfer of Employees**

According to the managers interviewed during the study, the ability of the amalgamated cooperatives to transfer employees between head office and branches and between branches has a salutary effect on their performance. The possibility has also

TABLE XVI

## Average Annual Salaries of Employees in Cooperatives, Provincial Governments &amp; Private Industry, 1959

(Unit:1000 Yen)

Particulars	Average	1000-	2000-	3000-	All Socys.-	Provincial Governments	Private Industry-
Salary	457	444	458	474	483	560	696
Bonus	223	219	227	224	—	212	—
Total	680	663	685	698	483	772	696
Salary	300	284	296	306	302	395	340
Bonus	140	141	149	149	—	152	—
Total	440	425	445	455	302	547	340

NOTE: :—Amalgamated societies refer to those surveyed by CUAC in 1970.

Source: 1. Ministry of Agriculture and Forestry, Government of Japan (published in the Year-Book 1970).

2. Ministry of Labour, Government of Japan (published in the Year-Book 1971).

enabled the societies to make adjustments in work allocation when necessary.

#### **x. More Public Relation Activities**

The amalgamated societies are undertaking more public relations activities. Most of the societies have full-time public relations officers and also use their regular publications for fostering public relations work. These activities have helped them to counter the disadvantages of distance between the members and the societies.

The amalgamated societies have been actively assisting the prefectural unions and the Central Union of Agricultural Cooperatives in presenting the cooperative view point to the government when legislation affecting cooperatives and their members was framed. Amalgamated societies by themselves have also been able to influence the law makers to take a favourable attitude towards cooperatives by creating a favourable public opinion when questions concerning them are considered by the government.

#### **xi. More Facilities and Services**

One of the most significant effects of the creation of large societies is their ability to expand the existing facilities and to create new facilities.

The facilities that the amalgamated societies provide and the services they render, by any measure of judgement, are to say the least, impressive. Non-amalgamated societies do also provide some of these facilities and render some of the services but the magnitude is much greater in the case of amalgamated societies. They maintain all or most of the following facilities and services :—

1. Fruits and vegetables grading centres.
2. Processing plants for fruits vegetables, tea, etc.
3. Egg collecting centres.
4. Marketing centres to sell locally produced fruits, vegetables and other local products.
5. Supply centres of insecticides, weedicides and other agricultural requisites.
6. Seeds and seedling selling centres.

7. Consumer shops, big departmental stores and mobile shops.
8. Gasolene stations.
9. Agricultural machinery selling and servicing centres.
10. Automobile selling and servicing centres.
11. Automobile repair shops.
12. Warehouses for rice and other agricultural produce.
13. Warehouses for fertilizers etc.
14. Warehouses for feedingstuffs.
15. Artificial insemination centres for cattle and sheep etc.
16. Cattle rearing centres (where the male calves belonging to members are brought and reared).
17. Pig raising centres.
18. Tax paying services (the taxes due to government from members are paid on their behalf, by collecting them from members or by debiting their accounts in the society).
19. Electricity, water and gas charges paying services.
20. Health clinics.
21. Barber saloons and beauty parlours.
22. Wedding halls.
23. Life improvement centres which run schools for cooking, sewing, music, etc.
24. Farming guidance services.
25. Life improvement advisory services.
26. Wire communication services.

By virtue of their large size and the consequent ability to achieve economies of scale and to invest large funds, amalgamated societies have been able to expand their services and maintain them efficiently. Many facilities and services that could not be provided by smaller societies have been started. For instance, it may not be possible for a small society to maintain grading and processing centres for fruits, vegetables or other agricultural produce as the volume of production in its area of operation might not be sufficient to warrant the economical maintenance of these facilities. When the areas of societies were enlarged by amalgamation, maintenance of such facilities became possible. The same applies to several other facilities such as artificial insemination centres and pig raising centres.

The large societies have also been able to establish big departmental stores and super markets in central places for supplying their members with modern consumer articles. It had not been possible for small societies to provide such sophisticated shopping facilities.

The establishing of modern shopping facilities by amalgamated societies has resulted in an increase in the proportion of the supply of consumer articles in relation to their total supply business. For example, in the Ashigara Society consumer goods accounted for 52 per cent of the total supply business in 1969. The percentage of the combined supply of consumer goods by the societies that were amalgamated to form this society in the year preceding amalgamation was only 30 per cent of their total supply.

The amalgamated societies have been able to expand and improve farming guidance and life improvement advisory services to members.

In Nagano Prefecture the number of farm advisers has increased by 33.6 per cent during the period between 1965 and 1969 in the amalgamated cooperatives, while the increase in non-amalgamated societies was only 13.2 per cent during the same period. In 1969 there was one farm adviser for every 195 farm households in the amalgamated societies while in non-amalgamated societies 222 farm households had to be covered by a farm adviser.

The farm advisers for vegetable and livestock production increased by 95 per cent and 330 per cent respectively in amalgamated societies while the increase in non-amalgamated societies was 58 per cent and 8.6 per cent respectively. This also indicates the emphasis the large cooperatives could lay on the type of agricultural activities that could meet the new demands for new varieties of food created by the changes in food habits.

Developments similar to those that have taken place in the field of farm guidance in the amalgamated societies in Nagano Prefecture are also seen in the amalgamated societies in other parts of Japan.

The number of farm advisers employed by the cooperatives in Japan has been steadily increasing year after year as shown in table XVII.

TABLE XVII

Year	No. of farm advisers
1962	11,900
1963	12,205
1964	12,620
1965	13,163
1966	13,573
1967	14,523
1968	14,828
1969	15,471

The average number of regular member farm households per farm adviser for all multipurpose societies in 1966 was 392 and the figure decreased to 344 in 1969. In amalgamated societies surveyed by the Central Union of Agricultural Cooperatives in 1970 the average number of regular member farm households per farm adviser in 1966 was 320 and the number decreased to 269 in 1969.

By employing a larger number of farm advisers the amalgamated societies have been able to arrange for them to visit members' farms more often and to guide the farmers in modern methods of agricultural production. The ability of the bigger societies to employ a larger number of farm advisers also enables them to get farm advisers specialised in different crops and livestock so that they can concentrate on the development of their fields of specialisation and give more useful guidance to the farmers.

#### **xii. Farming Complex and Commodity Groups**

The creation of larger societies has made possible the inclusion of a "farming complex" ("Dainchi") in a single society area. Having an area of a "farming complex" covered by a single society has helped the societies to render effective services towards the development of agricultural production and marketing.

Formation of sizeable commodity groups have also been made possible by the creation of large societies. When a sufficient number of farmers producing a particular agricultural commodity is not found in a single block area, farmers from a number of blocks producing that particular commodity have been brought together to form a commodity group.

## **VIII. Problems Faced by Cooperatives after Amalgamation**

### **i. Poor Member and Employer-Employee Relation**

The difficulty of maintaining close contact between the members and the management and between the top managerial and the junior employees is a major problem faced by the amalgamated cooperatives.

#### **Corrective Measures**

Various steps have been taken to overcome this difficulty and to maintain closest possible contact between these various groups and to keep the members informed of the activities of the societies.

Some of these measures are designed to maintain close relations between the members and the management and employees, and among members themselves, while others are intended to maintain contact between management and the junior employees. Some of these measures adopted by the amalgamated societies in this direction are given below.

#### **(a) Representative Meetings**

The society area is divided into a number of blocks. A congress is held once a year to which representatives of members of each of these blocks are invited. There is provision for the representatives to be changed from year to year to give an opportunity to as many members as possible to take part actively in the affairs of the society. The president and other officials explain to the representatives at the congress, in detail, the activities carried out by the society during the previous year and the plans for the forthcoming year. The representatives convey this information to the members at the block level. The members discuss the working of the society and their problems at block level meetings and their views are conveyed to the management

by the representatives. In addition to attending the annual meetings, they visit the society headquarters at least four times a year to obtain information regarding various aspects of the societies, work and to convey the views of the members to the management. This system enables the exchange of information between the members and the management.

**(b) Visits of Employees to Member Homes**

The employees of one of the societies visited by the writer, visit members' homes once a month and supply the members with information regarding the working of the society and discuss their problems with them. If there are questions which cannot be answered by the visiting employees, they convey these questions to the management. Urgent questions are answered through the wire communication system and others through the employees during their subsequent visits. The employees also make use of their visits to collect savings deposits of the members. Every employee is required to use one day of the month for such visits. These visits have proved very successful in building better understanding between the members and the employees as well as keeping the members informed about the activities of the society.

**(c) Commodity Groups**

Commodity groups have been formed among members who are engaged in producing similar agricultural produce (e.g. commodity groups of rice farmers, vegetable producers, hog raisers etc). These groups are formed in each block. If there is not a sufficient number of farmers producing a particular product in a block, farmers of two or several blocks are brought together to form a group. Meetings of these commodity groups are held as often as necessary where common problems are discussed. Some employees from the branch offices or the head office also attend these meetings and inform the members about the activities of the society. Farm guidance advisers and other agricultural experts visit the group meetings and advise the farmers on farm management and techniques of agricultural production. The representatives of the various commodity groups visit the head office of the society and meet the board of directors and the top managerial personnel. Normally they come to the head



office four times a year and more often when necessary. The farmers belonging to commodity groups of similar agricultural produce meet at a congress once a year and discuss their common problems.

The formation of commodity groups in addition to aiding production of various commodities helps in maintaining closer relations between the members and the society and among members who produce similar commodities.

**(d) Wire Communication**

The wire communication system which connects members with the society and with each other telephonically, helps a great deal in maintaining contact between the society and members and among members themselves. Daily news bulletins containing news regarding daily prices of agricultural produce are announced through the wire communication system. Instruction on agricultural activities is also conveyed through wire communication.

**(e) Publications**

Societies bring out publications, some regularly and others occasionally, to keep the members informed regarding the activities of the society, to supply them with agricultural news and to provide instruction on agricultural production and marketing.

**(f) Employees' Meetings**

Meetings of branch managers are held once a month at the head office of the society where they discuss their common problems and receive instructions regarding the activities of the branches.

Meetings of the employees attached to different branches are held regularly at the branch office. Representatives of the head office also attend these meetings.

Regular meetings of the employees of the different departments such as agricultural production department, credit department, life insurance department, are held for evaluating and planning the activities of the respective departments. The department managers meet the board of directors once a week and discuss with them the working of their departments.

## **ii. Greater Demands on Managerial Skills**

The enlargement of the areas covered and the consequent increase in the volume of business and the number of employees, make greater demands on the managerial skills of the persons occupying top management positions in the amalgamated societies. When large size societies are formed by amalgamation they have to be managed through an indirect management system. Indirect management also calls for managerial talents of a very high degree not only from top management personnel but also from the middle level persons. These positions have to be filled for obvious reasons from among the management personnel of the small societies that have been amalgamated. They have the experience of managing small societies only. This calls for the utmost care in the selection of personnel to fill especially the top and the middle level management positions.

People with potential for development should be selected. If persons with sufficient experience and abilities are not available the amalgamated society, should seek the assistance of a higher level organisation to obtain persons on secondment to fill the top positions so that their own employees can be trained to occupy these positions subsequently.

The management guidance from higher level organisations is of great importance to the amalgamated cooperatives especially in the initial stages. Training of management personnel has to be undertaken diligently to prepare them to shoulder larger responsibilities.

Detailed business plans have to be drawn up and concrete targets should be set for each business activity. Effective control should be exercised to ensure that the plans are carried out and targets achieved and to find out the causes for failure if any and to take remedial action.

## **iii. Pressure of Work on Full-time Directors**

Because of the larger volume of work in the amalgamated societies the full-time directors have to devote more time compared to the full-time directors of small cooperative societies. They find it difficult to spend sufficient time for society work as they have to attend to their own personal affairs also. To overcome this problem, managers may have to be delegated with

more powers and responsibilities. Gradually a system where elected directors confine themselves to policy-making and supervision and employed management executes the policies and handles the day-to-day management should be developed.

**iv. Tendency to Concentrate More Capable Employees at Head Office.**

A tendency to concentrate the more capable employees at the head office has been noticed. The work of the branches will suffer if this continues and will affect the whole society. Steps must therefore be taken to spread out the talented employees evenly in the head office and the branches and more attention should be paid to the development of less efficient employees that the efficiency of the total cadre may be improved.

**v. Difficulty of Auditing by Elected Auditors**

As the societies become larger, the business becomes more and more complicated, and so does the auditing. The elected auditors normally do not have the auditing knowledge necessary to undertake an internal audit of an amalgamated society with large and complex business. Therefore, most of the societies have established auditing departments functioning directly under the board of directors whose officers inspect the accounts of the society jointly with the elected auditors.

**vi. Problem of Salary Equalization**

Different societies that have been amalgamated have been paying different scales of salaries to their employees. It is not possible for the amalgamated society to continue to pay the employees of similar categories different scales of salaries once they become employees of a single society. They also cannot lower the salaries to the level of the lowest paid society included in the amalgamated society, nor is it desirable to do so. Therefore, the only way to equalise the salary scales and to keep the employees satisfied is to raise the scales to the level of the highest paid society that has been included in the amalgamation. This increases the salary bill of the amalgamated society initially. According to the figures presented by the Nagano Prefectural Union, the net income per employee in the amalgamated society went down by 4.5 per cent immediately after amalgamation. One

factor that has contributed to this is the enhanced salary bill of the society. Unless the society takes quick steps to increase its business volume and obtain improved work from its employees, this can be detrimental to the growth of the society.

#### **vii. Problem of Equalization of Commission Rates**

Another problem faced by the amalgamated society is the difficulty of equalising the commission rate charged for marketing and supply. Different societies that have been amalgamated have been charging different rates of commission. If the amalgamated societies equalise the commission rate by lowering them to the lowest rate that has been charged by the amalgamated societies, it might face difficulties in collecting sufficient funds to meet the expenses and might even have to face losses. If the equalisation is done by raising the rate to the level of the societies which have been charging the highest rate, it might be objected to by the members of the societies who have been paying less. Therefore, the equalising has to be done in consultation with the members especially those who have been paying lesser rates and after convincing them of the desirability of upward revision of rates so that the amalgamated society can provide the members better and adequate services. Experience has shown that this initial difficulty, of convincing members to agree to pay higher rates of commission eases out as the society progresses and continues to provide them with improved and increased services.

The amalgamated societies, as pointed out earlier, have expanded their facilities and services. The costs of maintaining these facilities have to be kept as low as possible so that the cost to farmer members for using them can be kept low. Payment for the facilities should not be a burden to the farmers by their having to pay a large slice of their income for these services. It is therefore important to calculate reasonable charges for the use of facilities based on the cost of their maintenance.

#### **viii. Demands from Members to Maintain Uneconomical Facilities**

Sometimes it has become necessary to establish facilities even when their maintenance was not economical. For instance, a society has established a centre for raising piglings on the demand of the farmers when the number of farmers rearing pigs in the society area did not warrant the economical maintenance

of such a centre. In this case the society should have either convinced more farmers to rear pigs before the centre was established or should have established the centre jointly with an adjoining society or societies if that would make it possible to serve a large number of farmers. If both these were not possible the society should not have established the centre. The establishment of a centre might have been undertaken because of the desire to provide whatever services are demanded by the society and over-enthusiasm to show that an amalgamated society can provide many services to the members. Such tendencies should be curbed if the amalgamated societies are to succeed.

#### **ix. Liquidation of Reserves**

The system of paying back of reserves other than the statutory reserve to members by the amalgamating societies coupled with the large investment the amalgamated societies have to make in the initial stages to create better and more facilities can result in tight financial positions which affect their ability to handle business effectively. This is a problem to which the societies have to pay adequate attention and must find solutions if they are to expand their business activities.

Most societies have tried, with considerable success, to convince the members who have received funds by way of reserve distribution to invest them in shares. They have also successfully carried out campaigns to attract more deposits to strengthen the societies' finances.

The paying back of reserves such as price fluctuating reserves, share appropriation reserves and common welfare reserves would also result in the amalgamated societies not being able to undertake, at the initial stage of amalgamation, the functions for which these reserves were created in case the necessity arises. Therefore, a system of maintaining these reserves on a limited scale should be considered. Each amalgamating society may be required to contribute towards each reserve an amount proportionate to its membership.

#### **x. Confining Business to Normal Shopping Hours**

The large societies are open for business only during normal shopping hours. The farmer members work in their fields during the day time. They have been used to the practice of

coming to their societies to transact business in the evenings and the small village societies used to accommodate them by keeping the society open till late in the evening. Confining of business hours to normal shopping time by large societies causes inconvenience to the farmers. A system of staggering the working hours of employees should be devised so that some employees can keep the society open for business till late in the evening. Such an arrangement would help the members especially of the societies in the rural areas.

#### **xi. Utilisation of the Services of the Societies by Non-Members**

Another problem faced by the amalgamated cooperatives, especially by the societies which have within their areas of operation, urban and semi-urban localities, is the increasing demand for utilization of their services by non-members. The demand is mostly for utilization of consumer services. The amalgamated societies have improved their consumer services by opening new super-markets and departmental stores. Most of the societies also run barber saloons and beauty parlours. The present cooperative law prohibits business with non-members and therefore this demand from non-members has created a problem, to overcome which, they are being encouraged to become associate members of the societies.

There again the desirability of continuing the system of associate membership in the present form according to which the associate members are not entitled to voting rights is being debated currently in Japan. A strong section of the cooperators feels that it is not fair or justifiable to deny voting rights to persons making use of the societies' services. They feel that the associate members should also have the right to participate in the formulation of policies and plans and the management of the societies.

#### **xii. Investment of Life Improvement Facilities**

One of the important areas of activity of the agricultural cooperatives in Japan is in the field of life improvement. The cooperatives seek to do this by providing life improvement advisory services and various other facilities like wedding halls, cooking and sewing classes, health clinics etc. The members expect amalgamated societies to provide such facilities adequately and

therefore they have to invest large funds on these activities. The investment in these facilities normally does not bring adequate direct returns by way of charges levied for their use. These facilities therefore have to be subsidised from the incomes the societies receive from other activities.

Both the regular and associate members derive benefits from these services. The major portion of the income of the societies is derived from the agricultural business. The regular members therefore consider it unfair to subsidise these activities from the total income, the major portion of which comes from the earnings from agricultural activities.

It would be more appropriate to subsidise these activities from incomes derived from consumer supply activities, as the surplus here would belong to both regular and associate members. The consumer supply activities also can be logically grouped together with the life improvement activities of the agricultural cooperatives. These life improvement activities are intended and designed to supply the members with facilities and services for better living.

The cooperative consumer activities seek to provide the total consumer needs, to supply the consumer the best for what he spends and enable him to spend his earnings rationally. Thus, both the life improvement activity and the consumer supply activity have the common goal of enabling the members to lead a fuller life. Consumer education and the provision of other life improvement facilities therefore should be the concern of both the activities. Both should strive not only to supply the members continuously with information regarding the quality of different brands of consumer goods, information on new products and their uses, and knowledge of family budgeting to help the members to improve their living standards, but also to enhance members' loyalty to the society and increase their participation in the society's business and its income, and consequently its ability to invest more in the activities for the life improvement of the members.

### **xiii. Duplication of Activities of Federations by Primaries**

There has been a tendency on the part of the large amalgamated societies to undertake activities which hitherto have been performed by the prefectural federations. This has resulted in

duplication of efforts causing problems and friction between primaries and federations. The survey made by the Central Union of Agricultural Cooperatives found that the ratio of utilization by the primaries of the marketing services of the federations decreased as the societies grew larger. It was revealed that the societies with a membership of between one thousand and two thousand did 92 per cent of their marketing through the prefectural federations, while those societies having membership between two to three thousand did only 87 percent and societies with over three thousand membership did 85.1 per cent of their marketing through the federations. This shows that the larger societies do some of their marketing independently of the prefectural federations. In the field of purchasing, the average rate of utilization of the federations was 71.2 per cent. The large societies also showed a willingness to deal with the national level cooperative organisations directly, without going through the prefectural federations. This tendency for the present larger societies to work independently of the prefectural federations will become stronger when they become still larger through secondary mergers. This situation has posed the question whether the existence of prefectural federations is desirable and necessary. The desirability of changing the present three-tier system to that of a two-tier system eliminating the middle level prefectural federations and the primaries directly becoming members of the national level organisations is being debated. The Central Union of Agricultural Cooperatives has earlier accepted the policy of continuing the three-tier structure. However, in the light of the latest developments the policy is being reconsidered. If the present three-tier system is to continue there should be a clear-cut functional division between the prefectural federations and the primaries. It is in the best interest of the Movement to examine the present situation thoroughly in order to decide on the appropriate structure.



## **Conclusion**

Planned and systematic work on amalgamation of primary agricultural cooperatives has been carried out in Japan during the last 10 years. This has resulted in the creation of large cooperatives sufficiently strong to undertake different functions necessary to provide the members with various facilities and services they need in pursuance of their occupations and leading a fuller life.

It is a known fact that when a society becomes larger, as much as it provides a strong base for achieving economies of scale, it also makes greater demands on managerial skills. A tendency to widen the relations with members also creeps in. The societies which have enlarged their size through amalgamation therefore should pay concentrated attention to the improvement of managerial skills and maintenance of close member relations, if they are to reap the full benefits of amalgamation in order to provide effective services to the members whom they seek to serve.

## APPENDIX 1

### THE SURVEY ON MANAGEMENT OF AMALGAMATED AGRICULTURAL COOPERATIVES CONDUCTED BY THE CENTRAL UNION OF AGRICULTURAL COOPERATIVES OF JAPAN IN 1970

239 amalgamated multipurpose cooperative societies were included in the survey.

The following two tables give the region-wise and size-wise distribution of these societies and their membership figures.

**Number of Societies Surveyed—Tabulated Region-wise and Size-wise**

Items	1000-2000		2000-3000		over 3000		Total	
	No. of socys.	Ratio	No. of socys.	Ratio	No. of socys.	Ratio	No. of socys.	Ratio
Paddy field	24	27.3	9	14.8	9	12.9	42	19.2
Paddy and farm	21	23.9	23	37.7	27	38.6	71	32.4
Farm	9	10.2	5	8.2	5	7.1	19	8.7
Urban	17	19.3	16	26.2	24	34.3	57	26
Rural	17	19.3	8	13.1	5	7.1	30	13.7
<b>Total</b>	<b>88</b>	<b>100</b>	<b>61</b>	<b>100</b>	<b>70</b>	<b>100</b>	<b>219</b>	<b>100</b>

**MEMBERSHIP IN AMALGAMATED SOCIETIES**

Particulars	Average			1000—			2000—			3000—		
	Before Amalgamation	1966	1969	Before Amalgamation	1966	1969	Before Amalgamation	1966	1969	Before Amalgamation	1966	1969
No. of qualified farm households	2784	2718	2646	1533	1542	1504	2590	2491	2432	4528	4395	4274
No. of regular farm households (Ratio)	2665	2644	2614	1455	1478	1460	2482	2437	2378	4289	4289	4200
	100.9	100.0	98.9	98.4	100.0	98.8	101.8	100.0	97.6	101.4	100.0	97.9
No of Associates (Ratio)	387	472	596	176	196	239	332	443	547	701	846	1086
	82.0	100.0	126.3	89.8		121.9	74.9	100.0	123.5	82.9	100.0	128.4
No. of regular members												
(A) Individual	2712	2742	2792	1504	1631	1635	2382	2326	2517	4519	4502	4487
Group	0.2	0.5	0.8	0	0	0.7	0	0.5	0.6	0.5	1	1.2
No. of Associates												
(B) Individual	401	485	614	185	207	254	343	457	567	725	859	1108
Group	143	153	218	8	10	121	140	195	242	226	195	319
(A)+(B)	31275	32428	34286	1697	1848	19018	2729	2801	31088	52671	53815	56281
(Ratio)	96.4	100.0	102.7	105.7	91.8	100.0	97.8	100.0	111.0	97.9	100.0	104.6

## APPENDIX 2

THE SURVEY ON MANAGEMENT OF AGRICULTURAL COOPERATIVES  
CONDUCTED BY THE MINISTRY OF AGRICULTURE & FORESTRY,  
GOVERNMENT OF JAPAN AND THE CENTRAL UNION OF AGRICULTURAL  
COOPERATIVES OF JAPAN (FOR FISCAL YEAR 1969)

342 multipurpose cooperative societies were included in this survey.

The following table shows the size-wise distribution of the societies included in the survey.

Size	No. of societies	Out of which amalgamated societies
Less than 500 members	89	2
500-999 members	103	13
1000-1999 members	73	44
2000-2999 members	39	39
Over 3000 members	38	38

For the purpose of comparison, the 89 small societies is taken as one group and the amalgamated societies which have more than 1000 members (121 societies) as one group.



## **Case Studies**





## Azumi (Multipurpose) Agricultural Cooperative Society

### 1. Amalgamation

Azumi Agricultural Cooperative Society is situated about 400 kilometres north-west of Tokyo in Azumi county in Nagano Prefecture.

Prior to 1966 there were eighteen multipurpose cooperative societies in the Azumi county. On the 1st March 1966 the Azumi Agricultural Cooperative Society was formed by amalgamating fifteen of these cooperative societies.

The amalgamation of cooperative societies in Azumi county was first considered by the cooperative leaders of the county in 1961, and a study group was formed in August 1962, composed of the Presidents, some directors and representatives of the employees of the eighteen cooperative societies of the county. After studying the various aspects and implications of amalgamation, fifteen societies expressed willingness to amalgamate into one society, and three societies opted to function separately.

The societies that agreed to amalgamation covered predominantly rice growing areas. The names of the societies that were amalgamated and their membership are given below:

Name of the Society	No. of Members
1. KITAHODAKA Agricultural Cooperative Society	366
2. MODAKA	1052
3. NISHI HODAKA	701
4. KARASUGAWA	827
5. MITA	468
6. TOYOSHINA	754
7. MINAMI MIHODA	670
8. KAMIKAWATE	415
9. TAKIBE	919
10. AKEMORI	773
11. KOKURA	466
12. YAMATO	711
13. AZUSA	1123
14. SHIMAJIMA	226
15. OHNOGAWA	174

The names of the three societies that did not amalgamate and their membership are given below:

Name of the Society	Member-ship
1. ARIAKE Agricultural Cooperative Society	1100
2. UTAKA                    "            "            "	800
3. NAGAWA                 "            "            "	200

Two of the three societies that were not willing to amalgamate (1 & 2 in the above table) were also situated in predominantly rice growing areas, where the farm land was more equally divided among the farmers than in the areas covered by the societies that were amalgamated. The farmers belonging to these two societies also had been engaged in silk cocoon production for a long time, and were therefore economically stronger than the farmers in the societies that were amalgamated. The comparatively stronger economic position of these societies and their members, as also their larger reserves were the main factors for their unwillingness to amalgamate.

The third society was situated in a mountainous region and timber was the main product in its area. The farmers of this society had received large sums of money in the way of compensation from the government for land acquired by it for building a dam, and had deposited this in the society which therefore had adequate funds for its business. The President of this society, who had been in that position for a long time was also personally reluctant to see his society go out of existence. These were the main factors that made this society oppose amalgamation.

In January 1965 an amalgamation promotional committee was formed by the societies that were agreeable to amalgamate. This committee was composed of the full-time directors including the presidents and the senior employees of the amalgamating societies and the representative of the Prefectural Union and Prefectural Federations. It took a little over a year to complete the preliminary arrangements.

Amalgamation was effected on 1st March 1966 by cancelling the registrations of all the 15 societies and registering a new one in their place.

## 2. The Farmland Area Covered by the Society

The society covers an area of over 6500 hectares of cultivated land bounded by the Azusa river in the east and the Japan Alps on the west.

The following table shows areas under various crops.

Items	1965	1970	
Paddy	4,762	4,715	hectares
Upland Crops	999	1,013	„
Mullberry	665	539	„
Fruits & vegetables	271	211	„
Others	113	112	„

## 3. Population and Households

Particulars	1965	1970
1. Total population	61,466	61,456
2. Agricultural population	41,217	37,585
3. Total households	13,127	14,188
4. Farm households	8,527	8,407
full-time	1,857	1,045
part-time (mainly agrl.)	2,947	3,961

## 4. Agricultural Production

The total value of annual agricultural production in the area covered by the society is nearly six billion yen.

The production of rice has been decreasing during recent years. The value of the total production of rice in the area in 1968 was 4215 million yen. In 1969 the figure decreased to 3916 million yen and in 1970 to 3529 million yen.

The rice is bought by the government at a guaranteed price. Earlier the government maintained a complete monopoly on the purchase and sale of rice. Recently the control has been relaxed and now 5 per cent of the rice produced has to be sold in the open market. The purchase of rice at a guaranteed price involves a heavy financial burden on the government. During the period prior to 1969 production of rice had been increasing.

The consumption of rice by the Japanese people however is decreasing as their food habits are changing with the rising standards of living. Due to these factors and with a view to lowering the production of rice the government is encouraging farmers to take to other crops. The government pays compensation to farmers who discontinue rice cultivation and leave the land fallow or convert it for cultivation of other crops.

The fall in the production of rice is mainly a result of the government policy of encouraging farmers to restrict the production of rice and the farmers fear that in future an increasing portion of the rice production may be kept out of the guaranteed price scheme. The price paid for rice by the government has been stagnant for the last two or three years in spite of increasing production costs. Because of this also farmers have discontinued rice cultivation to a certain extent. In the society area, however, the decrease in the area under rice is only slight. The other reasons for the decrease of production are:

**i. The use of heavy machinery for agricultural operation**

Earlier, manual labour was used for most of the cultural operations and the methods of cultivation were very intensive. Labour is scarce and costly now. Due to the rise in labour costs and due to the stagnation of the price that the government pays for rice it has become uneconomical to employ manual labour and practice intensive methods of cultivation. The cultivation of paddy therefore has been mechanized to a great extent.

**ii. Growing of better quality rice**

The government buys all varieties of rice. Therefore farmers used to cultivate mostly the coarse varieties which have a high yield. After the partial decontrol a portion of the rice has to be sold in the open market. The farmers fear that further decontrol might be effected in future. To fetch a better price in the open market they have to produce superior quality rice which usually has lower yields than the coarse varieties.

Unfavourable climatic conditions in the area have also contributed to the decrease in production.

The production of wheat, barley and other grains has also been decreasing during the period between 1966 and 1970. The

value of livestock production has increased from 966 million yen to 1223 million yen during this period.

#### Value of Agricultural Production in 1966 and 1970

(Unit : yen)

Commodity	1966	1970
Rice	3,415,583	3,529,301
Wheat & barley	46,482	11,632
Other grains	28,479	20,660
Seeds	27,836	40,541
Vegetables, horticultural, forestry and other products	378,020	749,542
Livestock products (including milk)	733,355	1,223,892
Silk cocoon	329,116	409,840
<b>Total</b>	<b>4,959,871</b>	<b>5,985,408</b>

#### 5. Membership

The following table shows the number of members and the number of member households in the Azumi Agricultural Society and in the small societies before amalgamation:

Items	1965	1971
	(Before Amalgamation)	
Total membership	10,560	9,878
Regular members	9,935	8,895
Associate members	625	983
Total member households	9,148	9,517
Regular members	8,623	8,537
Associate member households	525	980

It may be seen from the above figures that the present total membership of the society is less than the total membership of the societies that were amalgamated in 1965. In the small socie-

ties more than one person from some households had acquired membership. When the amalgamated society was formed this practice was discouraged and each household was requested to retain the membership of only one person. The decrease in the total membership was a result of this policy.

It may also be seen from the above figures that while the number of regular members decreased, the number of associate members has increased. This is due to the fact that some households which were earlier eligible for regular membership being mainly or partly engaged in agriculture have given up agriculture and taken to non-agricultural pursuits and have thus become ineligible for regular membership. Consequently they acquired associate membership.

#### **6. Block Level Meetings**

Meeting of the members of each branch area are held to elect delegates to the representative meeting. Roughly one representative is elected for every 50 members. The manager of the branch and representatives of Head Office attend these meetings and explain to members the working of the society.

#### **7. Representative Meetings**

The representative meeting is composed of 195 delegates elected at block level meetings. The Board of Directors including the president is elected by the representative meeting. Other business normally transacted at general meetings is also transacted at these meetings.

#### **8. Officials**

In 1966 there were 31 directors. The society now has 33 directors including the President, the Managing Director and two standing directors.

The directors are elected to represent different areas which has separate societies earlier and now have branches of the amalgamated society. The large branch areas are represented by 3 directors, medium size areas by 2 directors and small areas by one director. Due to this system of electing directors, it became necessary to increase the number of directors by two.

## 9. Employees

At the time of amalgamation the society had 520 employees. The number was gradually reduced by rationalisation of work distribution and in 1968 the figure went down to 426. However due to the increase in the activities of the society the number of employees has risen since then and is now 487.

At the beginning, the former presidents of the dissolved societies were appointed as managers of the branches of the society, generally, as managers of the branches which covered the areas of their former societies. All of them later vacated these posts and were elected to the Board of Directors.

### Number of Employees of the Society

Position	1968	1971
Permanent	400 (267 male 133 female)	457 (330 male 127 female)
Temporary	26	30
Total	426	487

## 10. Organisational Structure

The society has the following departments:

1. Supply Department
2. Production Department
3. Banking Department
4. Administration Department
5. Development Department

### Supply Department

The Supply Department handles the supply of consumer goods, building material and machinery.

### Production Department

The Production Department handles the supply of agricultural inputs, marketing of agricultural produce and provision of farming guidance. These activities are combined in one department with a view to carrying out the functions effectively.

**Banking Department**

This Department handles insurance and credit functions.

**Administration Department**

This Department handles accounting, supervision and other administrative matters.

**Development Department**

This Department handles planning of future developmental work. It also assists the members to plan and carry out new ventures to augment their incomes.

**Main Office and Branches**

The main office of the society is located at Azumi which is the main town of the Azumi County.

The society has 15 branches and 3 sub-branches. The branches are located at the places where the former societies had their main offices. The former branches of the small societies were made sub-branches of the amalgamated society.

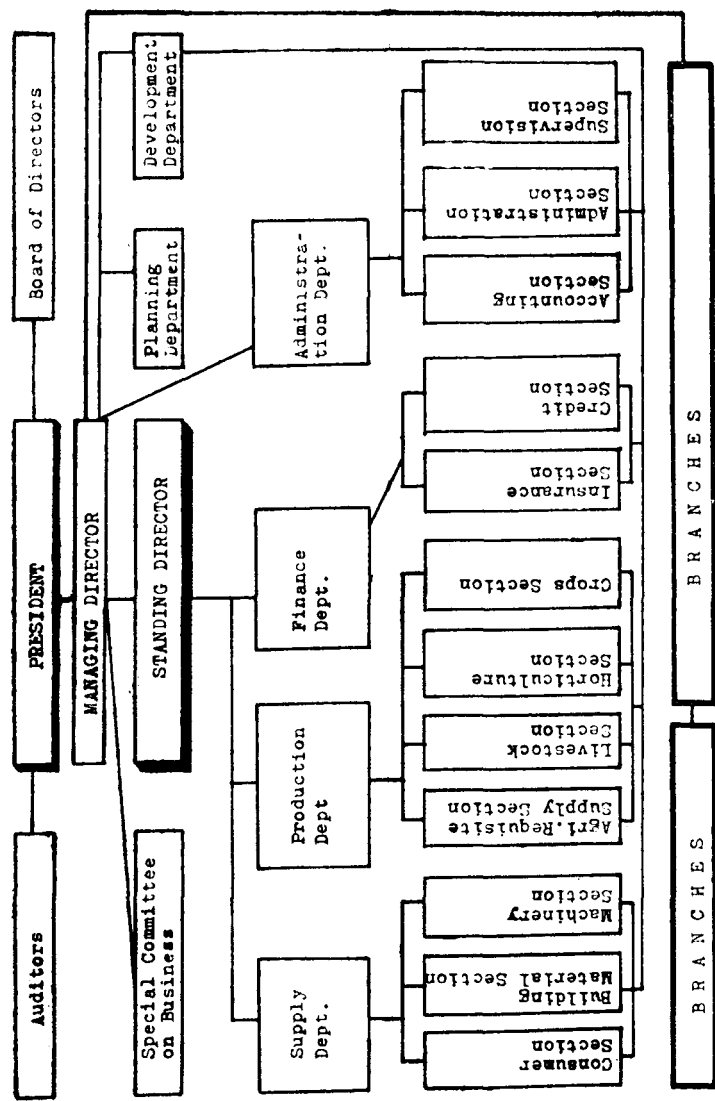
**11. Facilities and Services**

The facilities and services of the society include the following:

1. Farm machinery and automobile repair shops (four)
2. Show-room for farm machinery, automobiles and durable consumer goods such as refrigerators, electric fans (one)
3. Warehouses for consumer goods and production material (five)
4. Mobile shops (five)
5. Consumer shops (nineteen)
6. Propane gas supply stations (six)
7. Gasoline stations (eight)
8. Rice mills (five)
9. Country elevator (paddy drying, rice milling and storage) (one)
10. Vegetable and fruit grading centres (apple, tomatoes, yam, peaches, melon, onion) (four)
11. Broiler chicken dressing centre (one)
12. Seed (rice) supply centre (one)



ORGANISATIONAL STRUCTURE.



13. Cattle farm (one)
14. Rice seedling centre (one)
15. Milk cow nursery (one)
16. Low temperature rice warehouse (three)
17. Nursery for silk worms (five)
18. Agriculture warehouses (fifty-two)
19. Pig breeding centre (one)

### **Other Services**

#### **Improving Cattle Breeds**

The society also owns 15 imported cows, which are being kept for introducing better milch cows in the area. The calves are provided to member-farmers.

#### **Entrusted Cattle**

The society has a scheme for giving calves to members on loan. The scheme is called "Entrusted Cattle Scheme". The farmers are also provided with cattle feed on loan. Both the cost of the calves and of the feed are recovered from members when the cattle are sold.

#### **Land Consolidation**

The society takes an active interest and participates in the land consolidation programme in the area. Most farmers own fragments of land in different places. Under the consolidation programme exchange of land is arranged between various farmers so that they can own a larger unit in one place. The fragments of land are pooled, improved by constructing bunds, drainage, roads etc., and then divided among the farmers according to the exchange programme.

The farmers share the expenses involved, and the society provides loans for this purpose. The Central and Prefectural Governments also give a subsidy to meet the expenses, (partly).

### **12. Business Activities**

#### **Savings**

The total amount of savings at the end of fiscal year 1965 in all the 15 societies that were amalgamated was 236.7 million

yen. The total amount of savings in the amalgamated society at the end of fiscal year 1970 was 6,179 million yen, representing an increase of 161 per cent.

The average amount of savings per member household in the small societies in 1965 was 258,700 yen. The corresponding figure in the Azumi Society for 1970 was 649,300 yen, an increase of 150 per cent.

The society operates various types of deposits. They are:

#### **1. Farm Operation Account**

A member having a farm operation account with the society is obliged to credit all the income he derives by marketing his farm produce to this account. The members can withdraw the money when required. Overdraft facilities are granted through these accounts. The security for these overdrafts is the members future farm produce and their obligation to credit their income to these accounts.

#### **2. Special Purpose Deposits**

These deposits are maintained for saving money for purposes such as tax payment, rehabilitation of homes etc. The society pays the taxes due from members to the government on behalf of the members and the amounts are debited to their accounts. The rate of interest paid on these deposits is 2.55 per cent

#### **3 Time Deposits**

These deposits are made for a fixed period of time. The interest rate varies from 4.1 to 6.1 depending on the period.

#### **4. Instalment Deposits**

Deposits are made at regular intervals at fixed dates.

#### **5. Current Accounts**

This is similar to the current account in banks. Members are given overdraft facilities through these accounts.

### **Loans**

The total amount of loans outstanding at the end of fiscal year 1965 in all the 15 small societies was 1,131 million yen. The outstanding balance of loans in the Azumi Society at the end of

the fiscal year 1970 was 3,724 million yen, an increase of 229 per cent.

The average amount of loans extended by small societies in 1965 per member household was 123,700 yen. The corresponding figure in the Azumi Society for 1970 was 391,300 yen. This is an increase of 216 per cent.

Loans are provided for agricultural production purposes as well as for consumption purposes.

Special low interest loans are given to meet expenditure on modernization of agriculture, including loans for land improvement, purchase of heavy farm machinery etc. The funds for these loans are cooperatively owned but the government subsidises the interest. The rate of interest charged from the members for these loans which are called "privilege loans" is about 6 per cent.

The Azumi Society has been able to reduce the rate of interest charged for loans to members. The maximum rate charged is 0.025 per cent per diem (or 9.125 per cent per annum) and the minimum rate is 0.021 per diem (or 0.7665 per cent per annum).

(Unit : 1000 yen)

Loans	1970
On Personal Security	7,291
Mortgages	3,407,026
Overdraft (Farm Operation Account)	310,133
<b>Total</b>	<b>3,724,450</b>
Insurance Policy Loans	214,304

### Insurance

The total value of long-term insurance policy holdings of the 15 small societies at the end of fiscal year 1965 was 588 million yen. The value of long-term policy holdings of the Azumi Society at the end of fiscal year 1970 was 1,881 million yen. This is an increase of 219.6 per cent.

The average value of policy holding per regular member house hold in the small societies in 1965 was 643,700 yen. The

corresponding figure in the Azumi Society at the end of 1970 was 1,881,900 yen, which is an increase of 207 per cent.

#### Insurance

(Unit : 10,000 yen)

Type of Insurance	1965	1970
1. Life	..	92,597
2. Juvenile	..	9,835
3. Building	..	857,556
Total	588,859	1,881,928
Ratio	100	319

#### Marketing

The total value of agricultural produce marketed by the 15 small societies in 1965 was 3,151 million yen. The corresponding figure in the Azumi Society for 1970 was 4,711 million yen. This is an increase of 50.5 per cent.

The value of rice and other grains marketed by the Azumi Society in 1970 has exceeded the total value of rice marketed by the small societies in 1965 only by 34.9 per cent. When allowance is made for the increase in price of rice (the price of rice has increased annually by 6 per cent during the period between 1965-69) the actual increase in the amount marketed is small.

On the other hand the value of fruits and vegetables marketed by the Azumi Society has risen by 130.8 per cent and the livestock products by 82.3 per cent over the value of these respective items marketed by the 15 small societies in 1965.

The average value of agricultural produce marketed per regular member household by the small societies in 1965 was 3,654,300 yen. The corresponding average in the Azumi Society for 1970 was 5,544,700 yen, representing an increase of 52 per cent.

The rice is collected from the farmers on "an advance selling system". Farmers conclude sale agreements with the government through the cooperative society and National Agricultural

Cooperative Federation ZEN NOH. On conclusion of the sale agreement they receive an advance payment amounting to about 10 per cent of the purchase price. When the rice is harvested the society collects predetermined amounts from the farmers in the form of brown rice and stores it in the society's warehouses.

The society receives a handling commission and also warehousing charges from the government. The brown rice is milled into polished rice and delivered to various consuming centres on the orders of the government.

Since the partial decontrol of rice the decontrolled portion is collected and sold in the open market.

The major portion of the fruits and vegetables and livestock is marketed through the Prefectural Economic Federation and National Agricultural Cooperative Federation, and is delivered to various wholesale markets as directed by the Federation, where it is marketed on consignment basis.

The payment for produce marketed is received by the society through the cooperative banking channel. The producers receive payment within about 7 days. The society charges a handling commission.

#### Marketing

Items	1965	1970
Rice	215,904	2,883,175
Fruits & Vegetables	22,809	52,634
Livestock	47,868	87,237
Sericulture	28,532	42,952
Total	315,113	3,065,998

#### Supply

The value of goods supplied by the 15 societies in 1965 was 1,426 million yen. The value of goods supplied by the Azumi Society in 1970 was 3,026 million yen, which is an increase of 112 per cent.

The largest increase was in the supply of agricultural machinery which is an indication of the degree of mechanization of

agriculture that has taken place during the recent years. The supply of machinery has risen by 271.7 per cent.

The second highest increase is in the supply of building material. It has risen by 166.5 per cent.

The average value of the total supply per regular member household by the small societies in 1965 was 155,900 yen and the corresponding average in the Azumi Society for 1970 was 318,000 yen. This is an increase of 104 per cent.

Most of the supply goods needed by the society are purchased from the National Agricultural Cooperative Federation through the Prefectural Economic Federation. The system of purchasing is as follows:

The society places its orders with the Prefectural Economic Federation which in turn transmits the orders to the National Agricultural Cooperative Federation. The National Federation places orders with the manufacturing companies who deliver the goods direct to the society, and bill the National Federation. The National Federation bills the Prefectural Federation who in turn bills the society. The society remits the amount due for goods purchased to the account of the Prefectural Economic Federation, which in turn remits the amount to the National Federation's account in the Central Cooperative Bank and the National Federation pays the manufacturing company.

#### Supply

Items	1965	1970
Production Material	65,150	117,250
Machinery	13,410	49,842
Building Material	21,448	57,161
Consumer Goods	41,681	78,424
Total	142,689	302,677
Ratio	—	212

#### Farming Guidance and Commodity Groups

The society has 59 farm advisers. The average number of farm households per farm adviser is 132. The advisers are specialists in the production of different crops and livestock.

There are over 450 commodity groups among the members of the society.

The number of different groups and their membership are given below:

Groups	No. of Group	Membership
General Farming	460	9,500
Livestock	5	1,470
Fruits	4	3,000

### 13. Effect of Amalgamation

#### **Economies of Scale**

All business activities of the society have appreciably increased after amalgamation. Due to bulk handling of commodities in marketing and supply the society has been able to achieve economies of scale. Per unit handling cost is kept low. The society has several selling points for consumer and other goods. The goods are supplied to these selling points from central warehouses, thereby avoiding unnecessary stocking of goods.

As a result of the increase in business and the consequent surplus accrued, the society has been able to build-up funds necessary for further expansion of its activities.

#### **Reserves**

Though all the reserves of the small societies were distributed among the members before amalgamation and the society started with no reserves, it has been able to build-up appreciable amounts under various reserve heads. The total amount held in reserves amounted to over 700 million yen at the end of February 1971.



**Amounts in Various Reserves at the End of February 1971**

(Unit : 1000 yen)

Reserve Heads	Amount
Depreciation Reserve	326,585
“Bad Credit Sale” Reserve	186,142
Bad Debt Reserve	81,600
Price Fluctuation Reserve	18,000
“Tax Payment” Reserve	6,338
Retirement Allowance Reserve	80,104
Legal Reserve	9,071
Total	707,840

**New Services to Members**

The society has started several new facilities since amalgamation. The facility for grading provided by the society has enabled the members to get a better price for their produce.

Some facilities provided by the society are intended to save on the time the farmers have to spend on agricultural production operations. The cow and pig rearing centre, rice seedling centre and the country elevator, are some examples. For instance, by getting their paddy dried at the country elevator, the time the farmers have to spend on drying paddy can be saved, thereby enabling them to get part-time employment in non-agricultural sectors to supplement their income.

Various other facilities provided by the society have also helped the farmers to modernize and improve their production methods.

**Employees Visits**

The field employees of the society visit members homes, when they discuss the problems of farmers and communicate them to the management who try to take necessary steps to solve them.

They also promote sale of insurance policies and sale of durable goods, cars, trucks, etc. Once a month all the employees go to members homes for promoting savings.

The Development Department of the society assists the

members in planning their activities in both agricultural and non-agricultural fields.

#### **Farming Guidance**

The farming guidance services have been expanded and improved, thereby assisting the farmers in scientific agricultural production.

#### **More Loans**

The maximum credit limit of members has been increased while the rate of interest on loans has been reduced. The present maximum credit limit is 7.5 million yen, which has enabled the farmers to borrow more funds not only to expand and improve their agricultural activities but also for building homes and acquiring other requisites for comfortable modern living.

#### **Supply of Modern Consumer Goods**

The modern and well-equipped consumer stores supply the members with their daily necessities and all types of goods. The mobile shops supply the consumer goods at their door steps and advisory services are made available to assist the farm families to improve their living conditions. The society has three "better living advisers" among its staff.

The society also assists in planning and constructing homes by the members, and has two qualified building technicians for this purpose.

The society in fact provides all facilities and services necessary for the members to increase their income, to get the maximum benefit from their earnings to lead a fuller life.

#### **Employee Training**

The society continuously releases batches of its employees for training and is able to do so as it has a large number of employees and substitutes can be appointed from among them to do the work of the released employees.

As the society has several branches and facilities it is able to transfer employees periodically from one place to another facilitating proper placement of personnel, with changes in working environments. Nearly one-fifth of the employees are transferred yearly. □□

## **Minakuchi Agricultural Cooperative Society**

### **1. Introduction**

Minakuchi Agricultural Cooperative Society is situated in Shiga Prefecture adjoining Kyoto Prefecture. Minakuchi town in which the society's head office is located is about 50 km, from Kyoto, an ancient capital of Japan.

### **2. Establishment of Minakuchi Cooperative Society**

Prior to 1962 the area covered by the present Minakuchi Agricultural Cooperative Society was served by 4 societies. They were amalgamated to form the present Minakuchi Society in 1965.

The names and the membership of the four societies that were amalgamated are given below:

Particulars	Regular Members	Associate Members
Bantai Agricultural Cooperative Society	465	6
Minakuchi Town Agricultural Cooperative Society	711	934
Kabukawa Town Agricultural Cooperative Society	669	188
Kashiwagi Agricultural Cooperative Society	384	54

The local administration of the above towns and villages was brought under the jurisdiction of one municipality in 1955. The leaders of the cooperatives in these areas thought that if the societies in the new administrative area are amalgamated it would result not only in bringing about economies of scale in business but also the working relations with the municipal administration would become more effective.

Preparatory work for amalgamation was started in 1960. Several meetings were held at local level to explain the advantages of amalgamation. The amalgamation was effected in March 1962. This was the second amalgamation of cooperative societies in Shiga Prefecture.

Bantai Cooperative Society had the lowest assets among the four societies that were amalgamated. Taking this as the base index the surplus assets in the other societies were distributed among their members in the form of shares.

### 3. Area and farm families

The present society covers an area of 6,961 hectares and has 3,370 families within the area.

### 4. Agricultural production

Rice is the major crop grown in the society area followed by vegetables and fruits.

#### Area Under Various Crops and Area Used For Other Purposes

Particulars	Hectare
Paddy	1,726
Upland	239
Forest	4,257
Base land	20
Miscellaneous crops	34
Residential purposes	179
Public utility	184
Others	319

#### Value of Agricultural Production in the Society Area

(Unit : 1 million yen)

Items	1968	1970	1972
Rice	1071 (7840 tons)	1021 (7400 tons)	(7100 tons)
Fruits	145	149	
Livestock products	215	253	—

### **5. Decrease in rice production**

The above figures show that the production of rice is decreasing.

The rice produced in the society area is of good quality and most of it is sold in the free market. Formerly the government encouraged reduction in rice production irrespective of the quality of rice produced. Now, however, the policy is to discourage production only in areas which grow lower quality rice. Therefore the rice production in the society area may not go down in future. Even if it goes down due to farmers taking up to other more profitable crops or livestock raising, the decrease might be slower than before.

### **6. Membership**

The society has 1,978 regular members and 1,544 associate members.

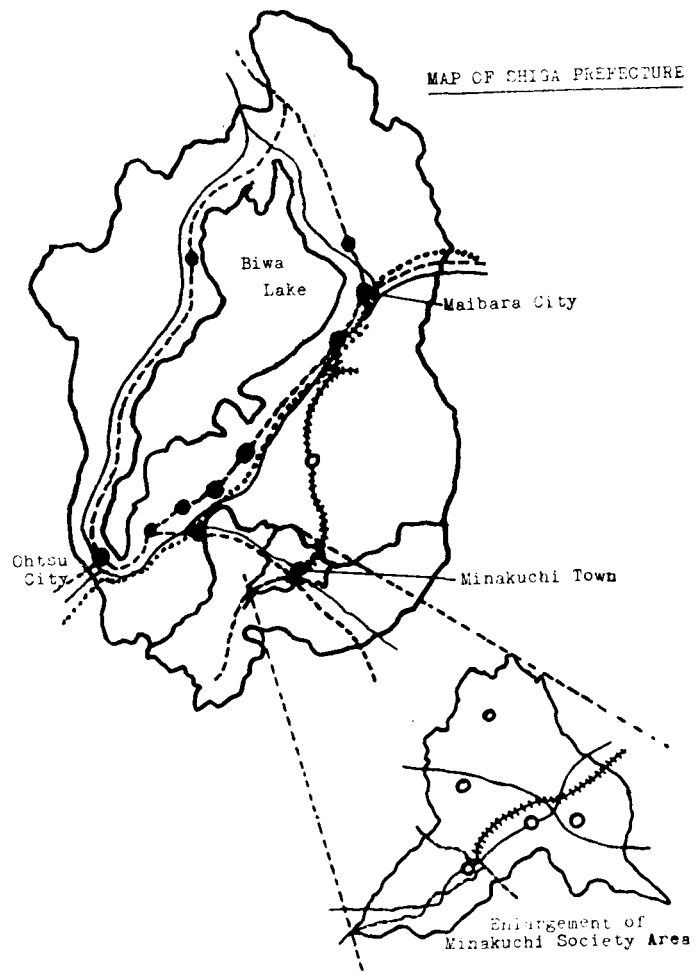
The total number of regular members in all the four amalgamated societies just prior to amalgamation was 2,229 and the total number of associate members was 1,182. The number of regular members have decreased by 251 since amalgamation, while the number of associate members have increased by 362. This is due to more and more people leaving agriculture and getting employment in other economic sectors and also due to increasing number of people engaging themselves in agriculture only on part-time basis while their main occupations are in the industrial sector. This trend has now become a common feature in all Japanese agricultural cooperative societies.

### **7. Qualification for regular membership**

To become a regular member one should be an agriculturist who cultivates an area of at least one-tenth of a hectare or should be engaged in agricultural pursuits for not less than 90 days in a year.

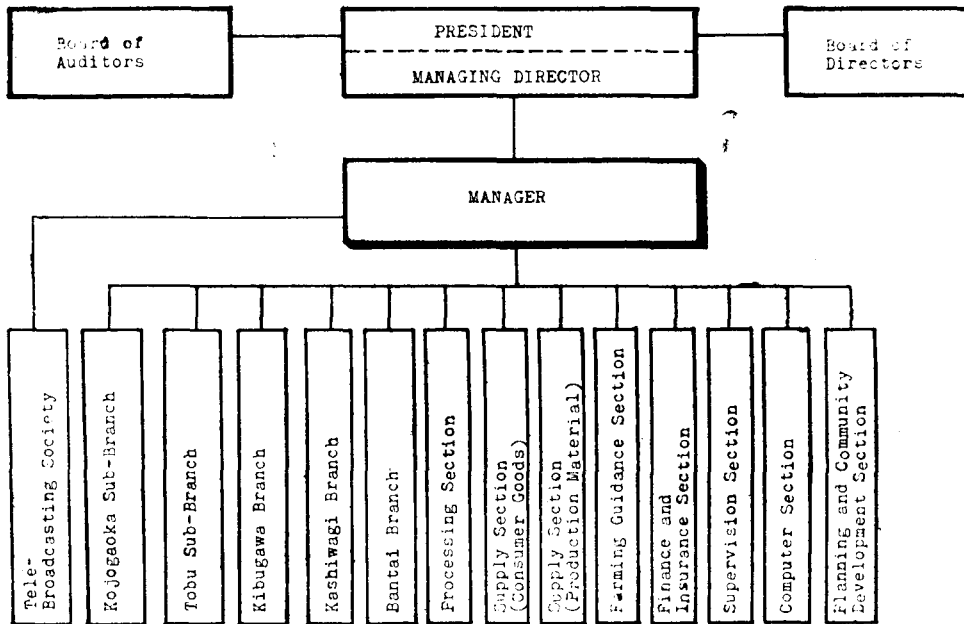
### **8. Block level meetings**

The society area is divided into 38 blocks. Meetings are held in every block to elect representatives to the representative meeting. A representative is elected for every 5 regular members. In addition to these representatives a special represen-



MINAKUCHI AGRICULTURAL COOPERATIVE SOCIETY

23. Internal Organisational Structure



tative selected from each block also attends the representative meetings. He has no voting right. He acts as a special liaison person between the society and the members in the block.

#### 9. Representative meetings

The representative meeting is comprised of delegates elected at the block meetings. The Board of Directors including the President is elected at the representative meeting. Other business normally transacted at general meetings is also transacted at these meetings.

#### 10. Officials

The Board of Directors has 20 members including the President. They are elected so as to represent the different areas covered by the society.

#### 11. Employees

There are 186 employees in the society. 100 of them are male employees while 86 are females.

#### Distribution of Employees in Various Sections and Branches

---

Manager	1
Planning and Community Development Section	5
Computer and Supervision Section	20
Finance and Insurance Section	32
Farm Guidance Section	20
Supply Section (Production Material)	14
Supply Section (Consumer Goods)	23
Processing Section	21
Bantai Branch	9
Kashiwagi Branch	8
Kibugawa Branch	12
Tobu Sub-Branch	3
Kojogaoka Sub-Branch	2
Tele-Broadcasting Society	16

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## **12. Internal Organisational Structure**

A sketch outlining the internal organisational structure of the Society is given on page 103. Some of the details are given below.

### **Planning and Community Development Section**

This handles planning of future developmental activities of the society. It also has a branch responsible for community development work.

### **Computer Section and Supervision Section**

The maintenance of accounts by computer, personnel affairs, general and supply of information to members and to the public are handled by this section.

### **Processing Section**

This section manages a tea processing factory, rice mill, drying and threshing plant, country elevator, workshop for manufacturing wooden material for buildings and a workshop for manufacturing iron accessories for buildings.

### **Planning and Insurance Section**

This has credit and insurance functions.

### **Supply Section (Production Material)**

This section handles the supply of agricultural production material and also runs a gasoline station.

### **Supply Section (Consumer Goods)**

This section handles the supply of consumer goods, better living and guidance work. It also runs a lunch supply service which supplies lunch boxes to office and factory workers.

### **Farming Guidance Section**

This section deals with farm advisory activities. It also has a sub-section for handling marketing of fruits and vegetables.

### **Main office and Branches**

The main office of the society is situated in Minakuchi town. The society has 3 branches and 2 sub-branches.

### **13. Facilities and Services**

The facilities and services of the society include the following :

- (1) Tea Processing Plant. The plant has a capacity to process 450 tons of green leaf per year.
- (2) Rice Mill
- (3) Refrigerated warehouse for tea union etc.
- (4) Drying and threshing plants (Two).
- (5) Auction Market.

The agricultural produce of the members are sold by auction in this market. In addition to auction sales the society brings agricultural and other produce needed by the people of the area from the neighbouring areas and sells them in this market at pre-determined prices.

#### **(6) Pig Breeding Centre.**

The society has 50 breeding pigs. The piglings are raised in the centre till they are 70 days old and then given to the members for rearing. When pigs are 150 days old they are sold by the members to the Economic Federation through the society. The society charges 3 percent of the selling price as commission.

The feed per pig for 70 days cost the society around 2500 yen and the administrative and other expenses comes to about 7000 yen. . The selling price of a pigling to the farmers is 7000 yen. It is seen from the above figures that the society is maintaining this service, at a loss.

The members, however, earn a profit by rearing pigs. The cost of feed per pig to the member (which is taken on credit from the society ) is about 10,000 yen. The selling price of a fattened pig ranges from 20,000 to 25,000 yen.

## (7) Chick Nursery

Day old chicks are bought and raised in the nursery till they are 40 days old. Then they are sold to members. The nursery has a capacity for 1500 chicks.

(8) Country elevator for storage, drying and threshing of paddy.

## (9) Super Market

## (10) Lunch Supply Service

## (11) Gasoline Station

## (12) Large Tractors (Sixteen)

## (13) Wooden Building Material Workshop

Wooden window frames, door frames etc., needed for building houses are manufactured here.

## (14) Iron Building Material Workshop.

Iron accessories needed for building purposes are made here.

## (15) Tele-Broadcasting System.

Tele-Broadcasting Service (wire communication) was formally maintained by the society. Now a separate special society has been established for the purpose. As many persons who were not members of the agricultural society were served by the tele-broadcasting system, the formation of a separate society was found more appropriate.

#### 14. Business Activities

##### Savings

The total amount of savings at the end of fiscal year 1968 in the society was 1,723 million yen and the amount increased to 4,438 million yen by the end of the fiscal year\* 1972, representing an increase of 152 per cent.

The average amount of saving per member at the end of the fiscal year 1968 was 871,041 yen and this amount increased to 2,198,160 yen by the end of the fiscal year 1972. The saving per regular member has increased by 442,373 yen during the four year period ending March 1972.

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\* The society's fiscal year is from 1st April to 31st March.

## Savings

(Unit : 1000 yen)

Particulars	1968	1972
Cheque Account	193,532	202,259
Pass book Account	337,231	796,099
Deposits for tax payment	11,604	9,817
Members' deposit	16,113	308,035
Share purchase deposits	3,150	1,869
Miscellaneous	—	3,386
Sub-Total	561,630	1,321,465
Time Deposits	1,058,484	2,839,202
Instalment time deposits	102,806	187,294
Sub-Total	1,61,290	3,026,496
Total	1,722,920	4,347,961

## Saving programmes

The representative meeting sets targets for savings. The society by various means encourages members to save and reach the target. The society organises "saving days" twice a year as is done by most agricultural cooperative societies in Japan. The staff and officials of the society visit members homes on these days and collect deposits from members.

The members who work part-time or full-time in industrial concerns and receive bonus are encouraged to deposit them with the society. During the period in which the bonus is given the society sends some of its staff to members' homes to collect the money from those who are willing to deposit it in the society.

Due to urbanization some farmers sell a part of their farm land for purposes other than agriculture. The farmers are encouraged to save by depositing the money thus received with the society.

The employees of the society also deposit a certain percentage of their salaries voluntarily in the society.

The society operates various types of deposits for members. They are:

#### **Farm operation account**

A member having a farm operation account with the society is obliged to credit all the income he derives by marketing his farm produce to this account. The members can withdraw the money when required. Overdraft facilities are granted through these accounts. The security for these overdrafts is the members future farm produce and their obligation to credit their income to these accounts.

#### **Special purpose deposits**

These deposits are maintained for saving money for purposes such as tax payment. The society pays the taxes due from members to the government on behalf of the members and the amounts are debited to their accounts. The rate of interest paid for these deposits is 2.75 per cent per annum.

#### **Time deposits**

These deposits are made for a fixed period of time. The interest rate varies from 3.85 to 5.65 per annum depending on the period.

#### **Instalment time deposits**

Instalment deposits are made at regular intervals at fixed dates. The rate of interest paid is 4 per cent per annum.

#### **Current accounts**

This is similar to the current account in banks. Members are given overdraft facilities through these accounts.

#### **Loans**

The total amount of loans outstanding at the end of the fiscal year 1968 was 765 million yen and 455 million of this was short-term loans and 310 million yen was long-term loans.

At the end of the fiscal year 1972 outstanding balance of loans stood at 2,195 million yen. 936 million of this was short-term loans and 1,259 million yen was long-term loans.

The short-term loans have increased by 105 per cent and medium and long-term loans by 306 per cent.

The average amount of loans outstanding per regular member at the end of the fiscal year 1968 was 386,686 yen and the amount increased to 1,109,290 yen at the end of the fiscal year 1972.

Loans are provided for agricultural production purposes as well as for consumption purposes. Short-term loans are given to meet the expenses of agricultural operations and short-term consumption needs. Long-term loans are given for purposes such as purchase of machines, land improvement and building of houses. The Prefectural Government extends interest free loans through the society for starting new activities like poultry raising especially to young farmers. The society charges a handling commission of 0.8 per cent of the loan at the time of lending and another 0.4 per cent at the time of repayment.

#### Loans

(Unit : 1000 yen)

Particulars	1968	1972
Short-term loans:		
Personal security	91,336	371,043
Mortgages	321,493	414,064
Overdrafts	42,069	72,135
Other loans	..	78,277
	454,898	935,519
Medium and Long-term loans:		
Mortgages	223,910	1,075,186
Loans from agricultural, fishery and forestry cooperatives	34,985	108,556
Loans from Pref. Insurance Federation	51,073	74,915
	309,968	1,258,657
Total	764,866	2,194,176

### Individual maximum credit limit

Maximum ceiling for loans to any individual member is fixed by the representative meeting. Within this limit the Board of Directors fixes the individual maximum credit limit of members.

The personal character, the needs of the individuals, expected income, property owned and the loyalty to the society are the factors that are taken into consideration by the Board in fixing the individual maximum credit limits.

The repayment position of the society is extremely good. The percentage of overdues at the end of March 1972 was 0.3 and bad debts 0.02.

### Insurance

The total value of long-term insurance policy holdings in the society at the end of the fiscal year 1968 was 3,178 million yen and the amount increased to 6,431 million yen by the end of the fiscal year 1972. This is an increase of 102 per cent.

The average value of policy holding per regular member at the end of the fiscal year 1968 was 1.6 million yen. The corresponding figure at the end of 1972 was 3.3 million yen which is an increase of 1.7 million yen.

### Insurance

(Unit : 1000 yen)

Particulars	1968	1972
1. Life	2,040,890	5,951,860
2. Juvenile	214,860	214,860
3. Building (fire & rehabilitation)	1,922,250	265,500
Total	3,178,000	6,431,270

### Marketing

The total value of agricultural produce marketed by the society during the fiscal year 1968 was 1,070 million yen. The corres-

ponding figure for 1972 was 985—a decrease of 9 per cent. This decrease is due to the decrease in the production of rice. The value of rice and other grains marketed by the society has decreased by 23 per cent in 1972 compared to the value of rice marketed in 1968. On the other hand, the value of other agricultural produce marketed by the society has been increasing. The value of such produce marketed in 1968 was 288 million yen. The corresponding figure for 1972 was 384 million yen.

#### **Marketing of rice**

The marketing of rice is done in two ways. One is supplying rice to government under the guaranteed price system and the other by selling rice in the open market.

Only a small portion of the rice—about 10 per cent—is marketed by the society under the guaranteed price system. For instance in 1972, the society marketed 4.23 million kg. and out of this amount only 0.64 million kg were marketed under this system.

Most of the rice marketing is done in the open market. The price and other conditions of marketing are negotiated with the merchants through the National Federation of Agricultural Cooperatives (ZEN-NOH). The rice produced in the society area is of very good quality and hence fetches a higher price in the open market than the government guaranteed price. Normally open market rate is about 100 yen more per bag of 60 kilograms.

#### **Auction market**

The society also runs an auction market. Here members produce is sold by auction every morning. When the produce is sold the owner-members are paid immediately by crediting to their accounts with the society. The society however receives payment from the purchasers only at the end of each month. The society charges 8 per cent of the sale price from members as commission.

In addition to auctioning members produce the society also procures other agricultural products that are needed in the area from adjoining areas and sells them in this market at fixed prices.

The buyers at the auction market are normally the local traders. They purchase agricultural produce to be sold in retail



to local residents. The amount sold here is only a minor portion of the total production. Major portion of the fruits and vegetables and livestock is marketed through the Prefectural Economic Federation and National Federation of Agricultural Cooperatives.

### Marketing

(Unit : 1 million yen)

Particulars	1968	1968
1. Rice and other grains	782	601
2. Vegetables and fruits	85	136
3. Livestock products	55	139
4. Milk	42	53
5. Tea	44	53
6. Others	62	3
Total	1,070	985

### Supply

The total value of goods supplied by the society during the fiscal year 1968 was 322 million yen. The figure rose to 502 million yen in 1972, an increase of 55 per cent. Average amount of supplies per regular member in 1968 was 162,891 yen and the corresponding figure for 1972 was 253,894 which is an increase of 91,003 yen.

The percentage of increase in the supply of consumer goods is very high compared to the percentage increase in the supply of agricultural production material and farm machinery. The supply of consumer goods in 1972 is higher than in 1968 by 130 per cent while agricultural production material and farm machinery has increased only by 29 per cent.

Supply of agricultural machinery has increased by 138 per cent which is an indication of the high degree of mechanisation that has taken place during the recent years.

Most of the goods needed by the society are purchased from the National Federation of Agricultural Cooperatives (ZEN-NOH) through the Prefectural Economic Federation.

### Farming Guidance

The society maintains a farm advisory service for its member-farmers. It has a team of eight farm advisers for guiding the farmers in modern methods of agricultural production.

#### Number of Farm Advisers and Their Speciality

Number	Speciality
2	Paddy
3	Livestock
2	Horticulture
1	Tea

Commodity groups have been formed among the producers of various crops and livestock. These groups meet and discuss common problems and collectively receive advice regarding production techniques.

#### 15. Better Living Activities

The society has a "better living adviser" to render advice to farm families on ways of improving their living conditions.

"Health days" are organised where arrangements are made for members and their families to undergo medical check-ups.

Cooking classes are organised to give lessons on nutrition and preparation of balanced diet.

The society also arranges "commodity testing" where new consumer products are tested. Prefectural Government's extension workers help in this work. If any product is found below normal standard it is communicated to members. The communication is done through members of "better living" committees who are invited to be present at the time of testing commodities. The society also refrains from selling those products which are found below standard.

The municipality is planning to develop for residential purpose a certain locality in the society area called "Sinjo". The society has drawn up plans to open a super market in this area to serve

the would-be residents. It also has drawn-up a scheme to provide recreational facilities to attract tourists. There is also provision in the society's plans for a playground for children, a golf course and a park. The members are pooling land belonging to them—400 hectares—for this purpose. The society will pay rent to these members.

The society plans to encourage and assist the members to grow vegetables and flowers to cater to the prospective tourists.

#### **16. Other Services**

The society pays electricity and water charges, various municipal and government taxes on behalf of the members and debit their accounts in the society.

#### **17. Communication with Employees and Their Training**

Every Monday staff meetings are held and the staff is informed of the weekly programme of activities. In these meetings the staff members are encouraged to raise questions regarding any problems they face in their work and to discuss them among themselves and try to find solutions for them. Each section of the society also holds weekly meetings to discuss their working and their problems.

In addition to the constant training imparted to the employees through guidance by their superior officers the employees are sent for training courses organised by the Prefectural Union.

#### **18. Communication with the Members**

##### **Block level meetings**

After the representative meetings, block level meetings are held to inform the members of the business transacted at the representative meetings. The special representative of the block (delegate without voting right) acts as the chairman of these meetings and communicates necessary information to members.

##### **Publications**

The society brings out a monthly publication entitled "Co-operative News" and distributes it free to members. The Annual Report is printed and distributed to members.

**Farmer's groups**

There are 38 farmers groups—one for each block—who function as advisory groups. They exchange views with the society regarding the society's activities and advise them where necessary, thus enabling the society to meet the needs and wishes of the members as far as possible.

When the farm advisers meet members at commodity group meetings they discuss with them the working of the society in addition to rendering advice on agricultural production.

**Business committees and production committees**

Number of committees have been formed among the members to discuss business and production problems and to advise the society on its activities in various fields.

There are business committees on:

1. Insurance
2. Banking
3. Supply
4. Marketing
5. Auction Market
6. Tea Processing
7. Rice Processing, and
8. Tele-Broadcasting

There are production committees on:

1. Dairying
2. Pig Breeding
3. Horticulture
4. Strawberry growing, and
5. Pickle manufacturing.



## THE INTERNATIONAL COOPERATIVE ALLIANCE

is one of the oldest of non-governmental international organisations. It is a world-wide confederation of cooperative organisations of all types. Founded by the International Cooperative Congress held in London in 1895, it now has affiliates in 66 countries, serving over 365 million members at the primary level. It is the only international organisation entirely and exclusively dedicated to the promotion of cooperation in all parts of the world.

Besides the Head Office of the ICA, which is in Geneva, there are three regional offices, viz., the Regional Office & Education Centre for South-East Asia, New Delhi, India started in 1960, the Regional Office for East and Central Africa, Moshi, Tanzania started in 1968 and the Regional Office for West Africa, Abidjan, Ivory Coast, started in 1979.

The main tasks of the Regional Office & Education Centre are to develop the general activities of the Alliance in the Region, to act as a link between the ICA and its affiliated national movements, to represent the Alliance in its consultative relations with the regional establishments of the United Nations and other international organisations, to promote economic relations amongst member-movements, including trading across national boundaries, to organise and conduct technical assistance, to conduct courses, seminars and conferences, surveys and research, to bring out publications on cooperative and allied subjects and to support and supplement the educational activities of national cooperative movements. The Regional Office and Education Centre now operates on behalf of 15 countries, i.e. Afghanistan, Australia, Bangladesh, India, Indonesia, Iran, Japan, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

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