

Japan Agricultural Cooperatives:

Its roles and challenges

Outline

JA (Japan Agricultural Cooperative) is a cooperative established as “a cooperative organized to protect and improve the businesses and lives of farmers and contribute to society based on the spirit of mutual help.” It is named “Nougyo Kyoudou Kumiai” in Japanese.

JA is a cooperative. Cooperatives’ biggest difference from corporations is that their primary goal is the protection and improvement of lives of its members and not the pursuit of profit. By setting up an organization, crops can be collected and sold in large numbers and in relatively standardized quality. Agricultural machineries and fertilizers can be bought at discount. JAs are organized in associations of prefectural and national levels. The group of all such associations and related entities is called JA Group.

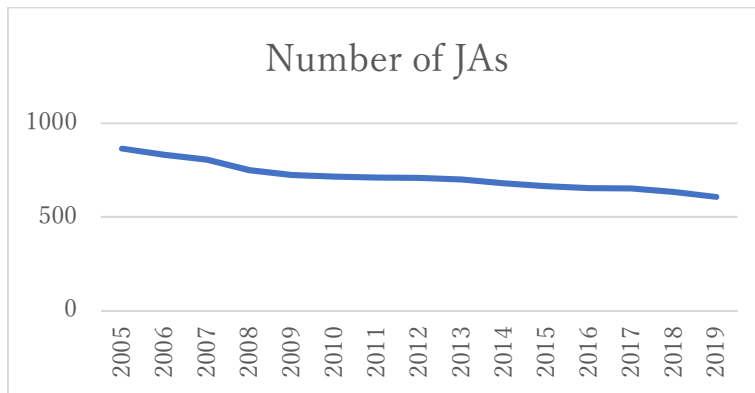
In 1960, there were as many as 12,000 JAs but the number kept on declining and it is 584 as of April 2020. There are less JAs because many of them merged to solidify their management and/or because many villages and cities, too, merged.

(Reference: <https://org.ja-group.jp/about/ja>)

	Cooperatives	Corporation
Objectives	Not pursuit profit, but support the agriculture production and life of the Cooperative members	Pursuit profit
Investors for the organization	Cooperative members who are farmers, fisherman, forestry owner	Investor, shareholder
Person who operates the organization	Cooperative member and its representatives	Managerial person who work for shareholders
Operational methods	1 person one vote (democratic vote)	1 person one vote

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Source: <https://org.ja-group.jp/about/cooperative>

The History of JA Group

In 1945, the General Headquarters of Allied Powers in Japan promoted democracy in Japan and they issued Farmers' Liberation Directive. In 1947, Agricultural Cooperative Law was enacted. The law called for dissolution of Agricultural Associations, the government proxy to exercise government control on farms, within 8 months of enactment. By the time of dissolution, 14,000 JAs were established. Japan at the time was facing serious food shortage and in need to manage food. JAs were set up in a hurry to succeed the role played by Agricultural Associations and thus sometimes were labeled as "the same institutions with different names." Towards 1950s, JAs played an important role in overcoming the food shortage and achieve the economic recovery. It also widened the scope of agriculture and contributed to democratization in Japan. The fragile economy of post-war Japan called for strong leadership and Central Union of Agricultural Cooperatives (JA-Zenchu) was established in 1954 as the special authorized body under the Agricultural Basic Law. All JAs were the member of JA-Zenchu and JA-Zenchu played the role to represent all JAs, coordinate their activities and provide consulting services. In late 1950s, the economy of farmers started to improve. They had excess money and the money was deposited in JAs. The fund in Agricultural Cooperatives Credit Union (Shinren) and The Norinchukin Bank (Norinchukin) was used to balance the excess and shortage of funds among different regions and to lend to the government at favorable interest rate and paid back to the benefit of the regions. The business of financing and dependence on its profit started at this time and remains to this day.

When the rapid economic growth started, the income gap between industry and agricultural sector widened. The Agriculture Basic Law was established in 1961 and government agricultural policies were applied through government bodies of prefectures and cities. JAs, for their part, started the initiative to improve the efficiency of

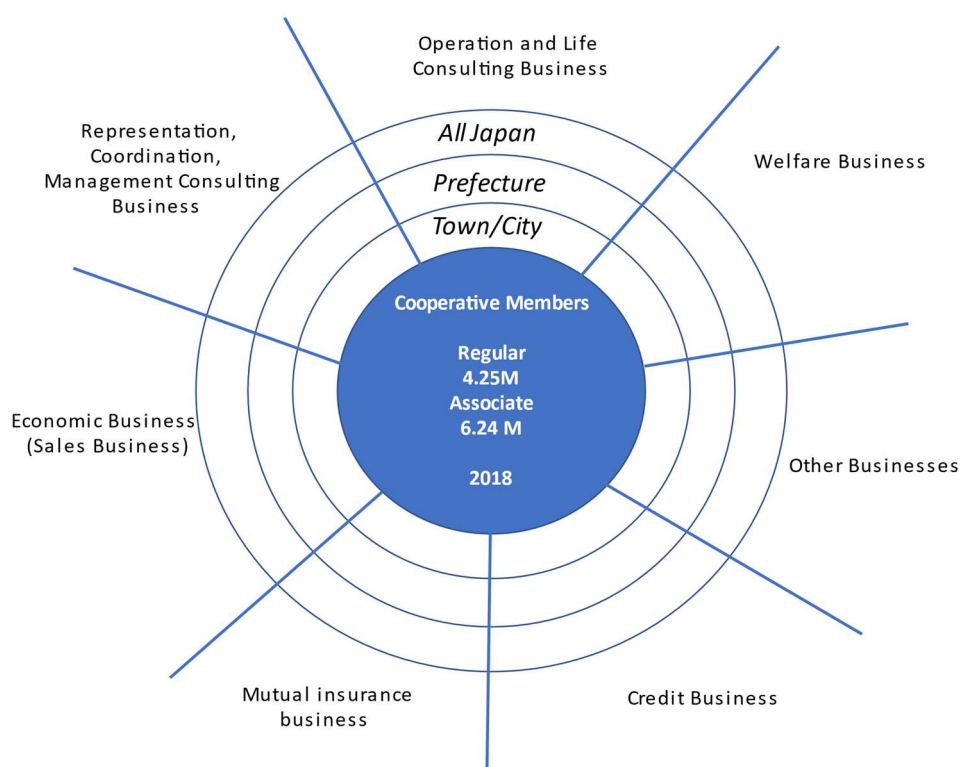
agricultural clusters. In 1970s, the merger of JAs were encouraged and areas designated for production of specified products were enlarged. In 1972, National Federation of Agricultural Cooperatives Sales (Zenhanren) and National Federation of Agricultural Cooperatives Purchasing (Zenkouren) merged to establish National Federation of Agricultural Cooperatives Associations (ZEN-NOH.)

In the 1980s, some ministers started to criticize JAs and mass media also attacked JAs. As the result, the role of JAs changed their priority from trying to influence the government to getting the endorsement of Japanese people. In the late 1980s, the pressure to merge and to streamline organization gained steam and all JAs in a prefecture were started to be organized under one prefectural JA. In the 1990s, JAs initiated “farmer’s market” a new vehicle to support agriculture in remote areas. At the same time, the bubble-economy burst in the mid-90s and the credit business of Shinren and finance business of The Norinchukin Bank started to work as the same system.

In the next decade, the excessive guidance to local farms were criticized and government-led changes of JAs were strengthened. In 2014, the administration of the Prime Minister Shinzo Abe wanted to promote TPP (Trans-Pacific Partnership) and the government decided to reduce the authority of JA-Zenchu to weaken the political clout of JAs that opposed TPP. In 2015, the Abe Administration proposed a reorganization plan to JA-Zenchu, which it accepted and JA-Zenchu was effectively dismantled. In 2016, a restructuring plan to shrink the purchasing unit of ZEN-NOH was proposed with the aim of increasing the income of farmers.

Organization

Within JA Group, JAs and JA Federations have multiple units that engage in the following different businesses.



Source: <https://org.ja-group.jp/about/group/>

1. Representation, Coordination, Management Consulting Business

These businesses are operated by JA-Zenchu, JA Prefectural Central Association and JAs to coordinate and create synergy out of different regions and businesses. They perform the management function of JA Group and oversee agricultural policies, public relations, management support, information systems, strategy planning, organization management, etc. JA-Zenchu was a special authorized body under the Agricultural Basic Law for 65 years but was converted into a general incorporated association in 2019 with the revision of the Agricultural Law.

Reference: <https://www.zenchu-ja.or.jp/outline/>

2. Economic Business (Sales Business)

Economic business is composed of the activities to collect and sell agricultural and livestock products that cooperative members produce and the purchasing and delivery of capital goods and daily goods for cooperative members. JAs, JA Federation of Economic and Agricultural Cooperatives (Keizairen) or ZEN-NOH Prefectural Headquarters of different prefectures, and ZEN-NOH (national body) have different functions and roles to play to implement economic businesses. ZEN-NOH's role is to "support the business and life of cooperative's members, revitalize the agriculture and

local economy, and secure stable supply of safe agricultural and livestock products to consumers.” It is the national body in charge of JA Group’s economic businesses. Prefectural JAs, JA Keizairen, and prefectural headquarters of ZEN-NOH implement the economic businesses on prefectural level. Regarding sales activities, agricultural and livestock products are collected by JA so that profit can be increased through standardization of quality and volume sale.

Regarding purchasing activities, goods are separated between capital goods needed for production and daily goods. Cooperative members place orders to JA and goods are purchased at discount based on the scale merit of the orders.

Reference: <https://www.zennoh.or.jp/about/role/index.html>

3. Mutual insurance business

JA and Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives) are providing “Comprehensive coverage of people, home and car” (life and non-life insurance) based on the business principle of mutual help. JA and Zenkyoren are co-signees of mutual insurance contract and are providing the safety net together. JA works as the point to accept various applications and requests from members and Zenkyoren does the planning, development of products, fund management, management of reserve, etc. The premiums paid by members and users are properly invested and managed in preparation for the events of death, natural disaster, personal accidents, and maturity. In addition to these insurances, Zenkyoren also engages in community contribution activities such as prevention of traffic accident, disaster relief, reconstruction support, and health promotion.

Reference: <https://www.ja-kyosai.or.jp/about/principle/jigyo.html>

4. Credit Business

JA Bank, which is the name for various credit businesses of JA, Federation of Agricultural Cooperatives Credit Union (JA Shinren) and The Norinchukin Bank, operates all financial service activities. JAs pool the deposits from members and users and provide loans to members. JA Shinren use excess funds of JAs and loan them to JA Group and other institutions designated by cabinet order, etc. The Norinchukin Bank leverages the excess fund of JA Shinren and invest them in capital markets or provide loans to fisheries cooperatives, forestry associations, JA Group, etc.

Source: <https://org.ja-group.jp/about/group/bank>

Reference: <https://org.ja-group.jp/about/group/bank>

5. Welfare Business

Federation of Agricultural Cooperatives Welfare Union (JA-Zenkouren), JA Agricultural Cooperatives Welfare Union (JA-Kouseiren) and JAs implement welfare business. JA Group defines welfare business as “establishment and operation of hospitals and clinics, exercise and nutrition guidance, long-term care and medical management for the elderly and support of their families.” The business originated from the needs in remote areas where medical facilities and doctors were not available and physical accidents were not uncommon. They are actively providing insurance, medical care and support for the elderly.

Reference URL : <https://org.ja-group.jp/about/group/medical>

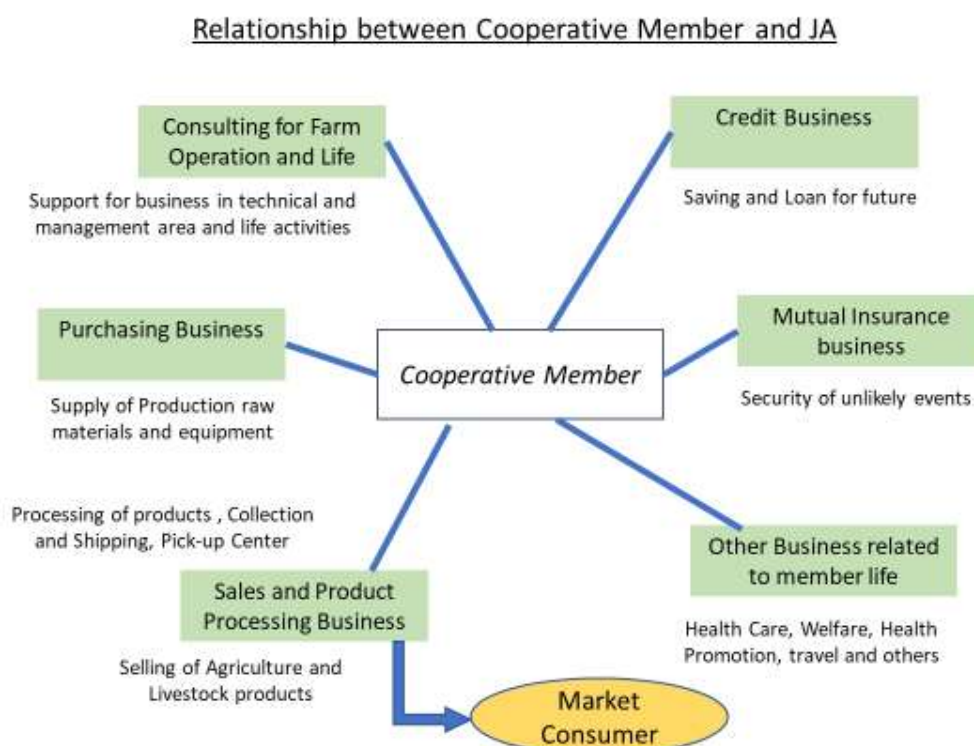
6. Operation and Life Consulting Business

Operation and Life Consulting Business is another critical business of JA. This is a business to harmonize the money that cooperative members borrow to start farming, the equipment that they buy, production and shipment and various services of JA so that satisfaction level of members would be heightened. It also aims to improve the lives of members and the residents. Lifestyle and needs of people keep on changing and JA tries to re-energize the regions by promoting agriculture to improve local employment and income, performing the role of daily life infrastructure, revitalizing local community, etc.

Reference: <https://org.ja-group.jp/about/group/lead>

7. Other Businesses

JA Group is also engaged in other businesses such as welfare to the elderly, travel business, newspaper and publishing, inheritance and succession consultation.



Cooperative Members

There are two ways to become a member. Regular enrollment is for a qualified person. Special enrollment is when someone becomes a member by assuming the share of an existing member. There are also two ways for withdrawal. Voluntary withdrawal is when a member wants to withdraw. Legal withdrawal is when someone lose the membership or when he/she is exiled.

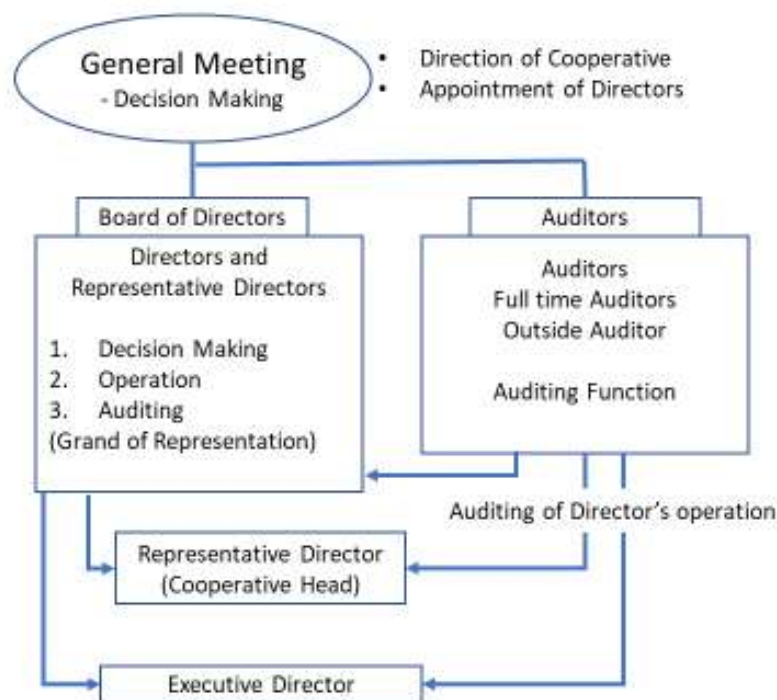
There are two types of member. One is a regular member and the other is an associate member. One has to be a farmer or a company engaged in agriculture to become a regular member. Members are entitled for two types of rights. Common right is the right to participate in the cooperative's operation for the benefit of all members. Self-interest right is the right of a specific member to receive economic benefit from the cooperative. Common right is only given to regular members while self-interest right is given to all members.

Reference: How JA Works – Learning from Cooperatives

(<https://www.ja-esoya.com/wp-content/uploads/2016/07/Jalogic.pdf>)

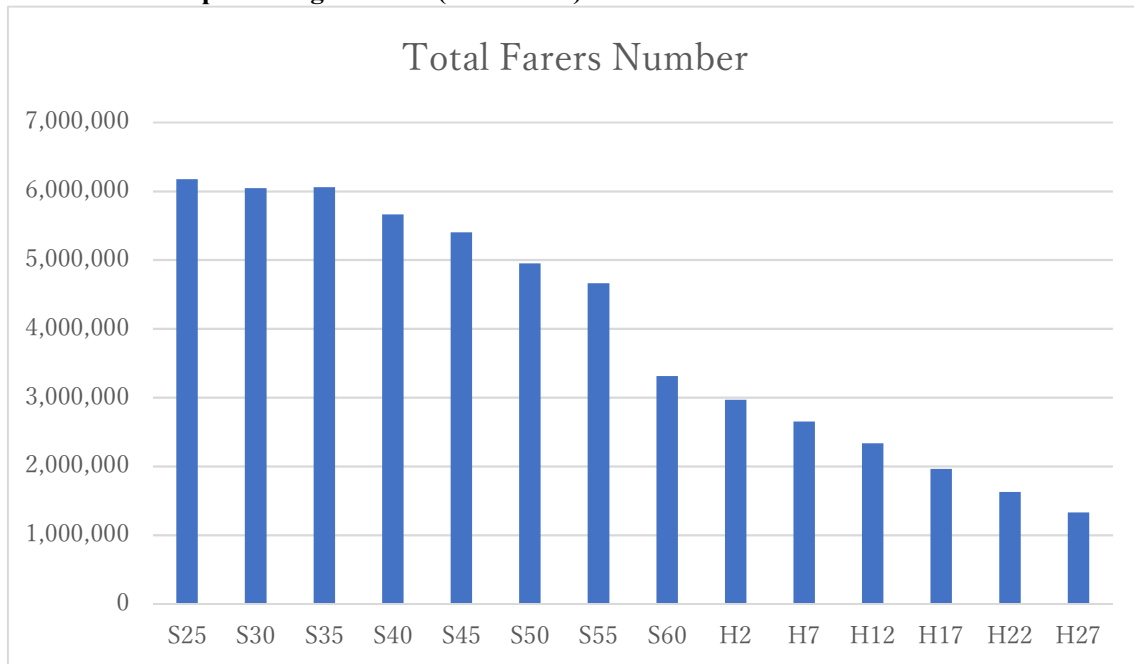
Meetings

The decision of cooperatives, which are legal persons, are to be made through general meetings. Regular general meetings are held once every year, while emergency general meetings are held whenever necessary. The decision is based on the votes held by regular members. There are regular decisions and special decisions.

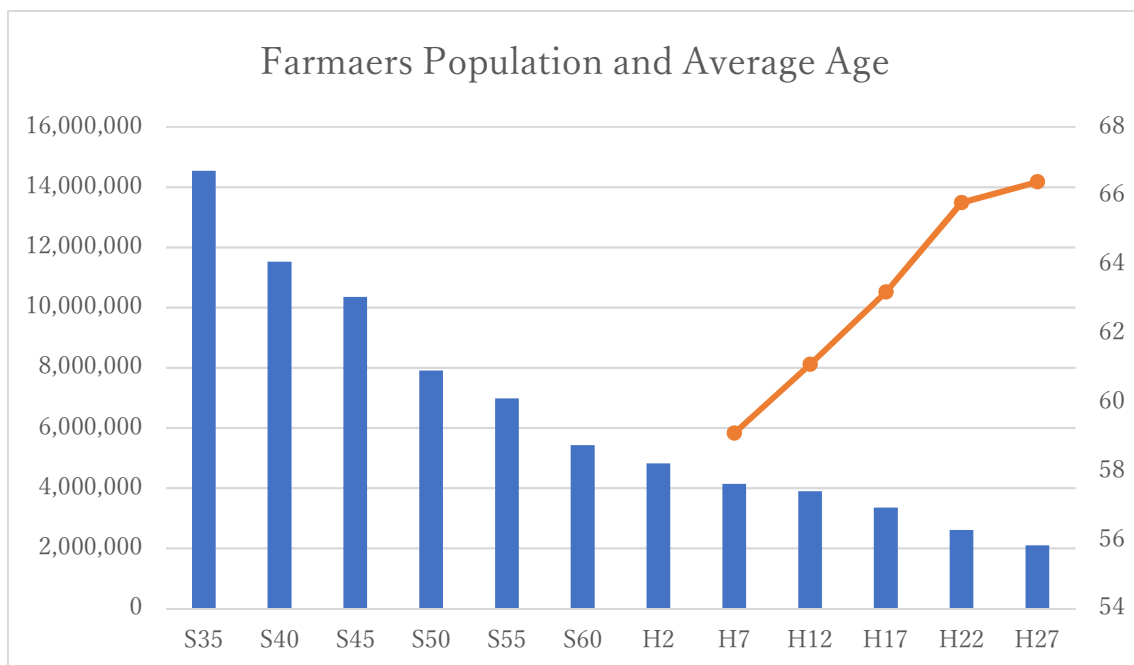


Source: How JA Works – Learning from Cooperatives

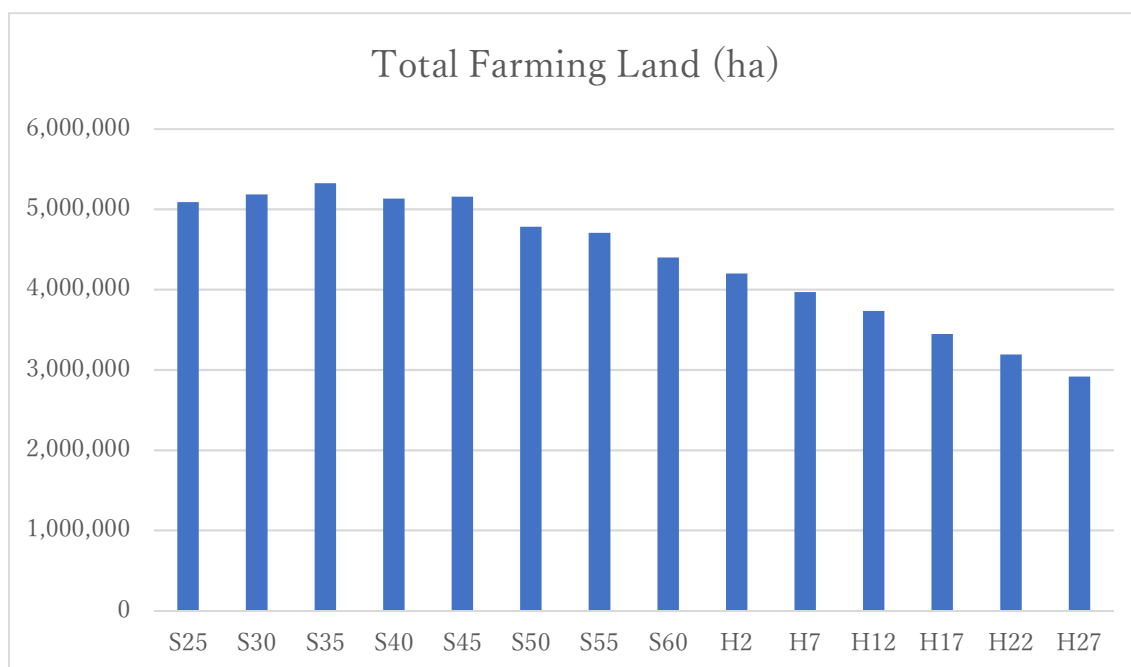
Basic Data of Japanese Agriculture (Since 1950)



S25- Shouwa 25 – 1950 H27-Heisei 27 - 2015



S35- Shouwa 25 – 1960 H27-Heisei 27 - 2015



S25- Shouwa 25 – 1950 H27-Heisei 27 - 2015

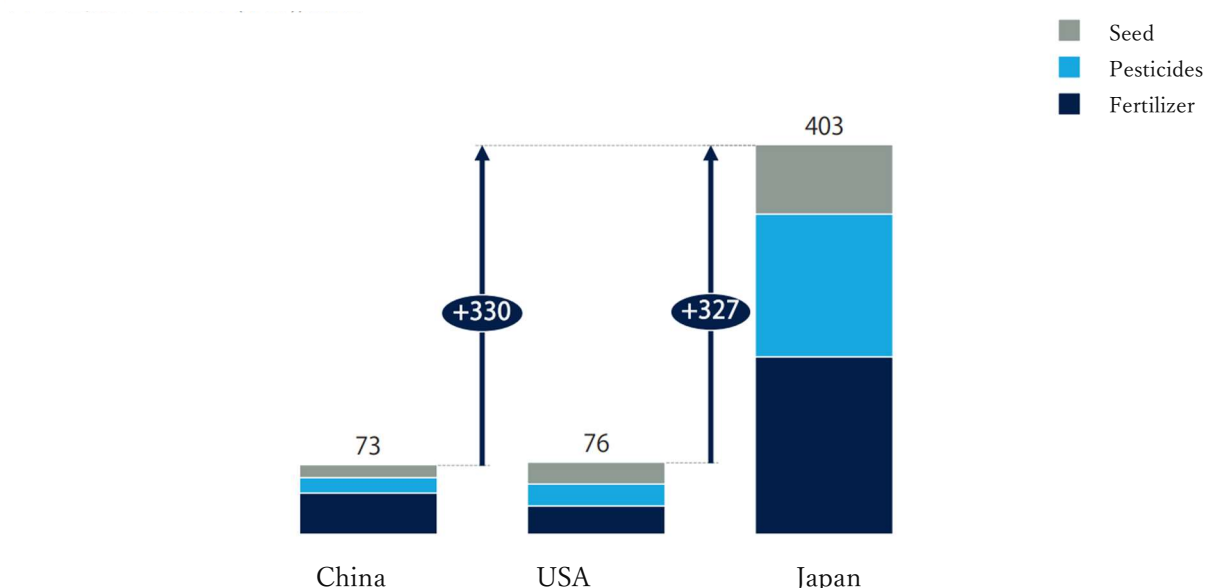
Referene: <https://www.maff.go.jp/j/tokei/index.html>

Material cost of agriculture

The cost of material necessary in producing 1 ton of rice in Japan is about 4 times that of the U. S. or China. The cost of material for soybeans is 5 times higher and the cost of material for wheat is 3 times higher. The material cost of agriculture in Japan is high compared to other countries.

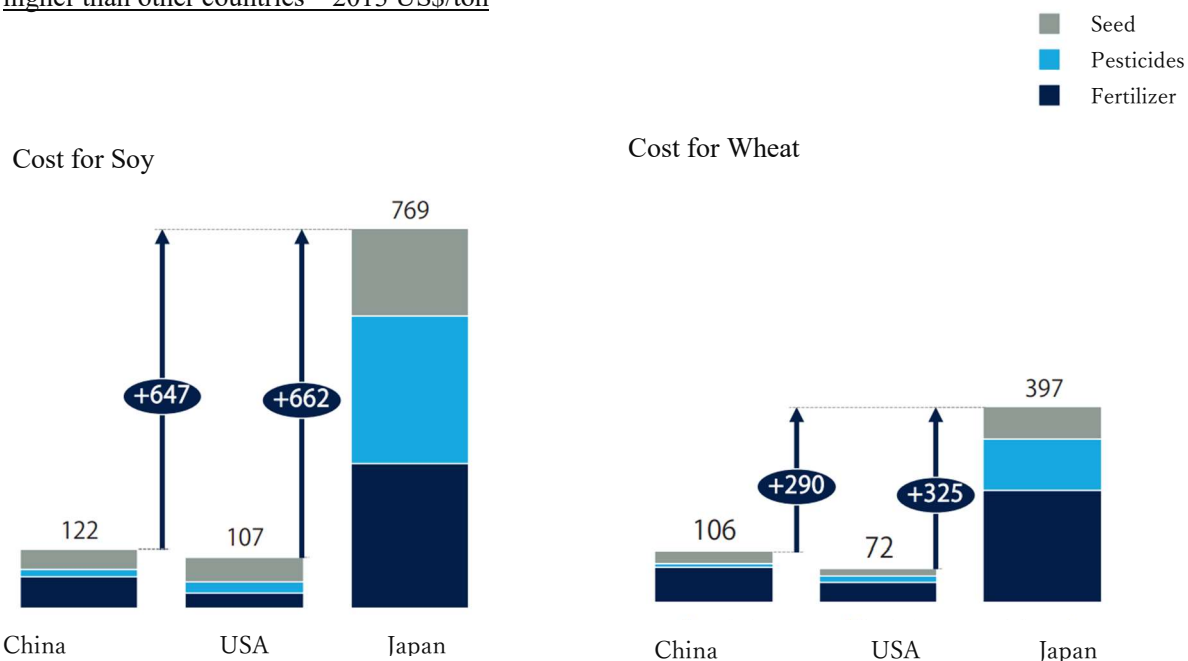
Based on the research made public in March 2016 by Mr. Shinjiro Koizumi, the Chairman of Agriculture Department of the Liberal Democratic Party, there was a price difference of 20% or more between the highest and the lowest prices quoted by agricultural cooperatives in 67 of the 144 pesticide products that were subject of the research.

Total Cost for producing Rice (Fertilizer, Pesticides, Seed) in Japan – higher than other countries – 2013 US\$/ton



資料: 米国農務省、中国NRDC、農林水産省、フィリップス・マクドゥガル、世界銀行、マッキンゼー分析

Total Cost for producing Soy and Wheat (Fertilizer, Pesticides, Seed) in Japan – higher than other countries – 2013 US\$/ton



資料: 米国農務省、中国NRDC、農林水産省、フィリップス・マクドゥガル、世界銀行、マッキンゼー分析

Reference:

<http://www.mckinsey.com/~media/mckinsey/featured%20insights/asia%20pacific/strengthening%20japanese%20agriculture%20to%20maximize%20global%20reach/empowering-japanese-agriculture-report-ja.ashx>

Agriculture Related Laws

Ministry of Agriculture, Forestry and Fisheries oversees most laws related to agriculture. Those laws can be checked in below URL. The laws in below URL are classified into laws about organizations and rules, consumption and safety, food industry, food production, management, rural promotion, food policies, technology, forestry, and fishery. (<https://www.maff.go.jp/j/law/houreichiran.html>)

Food, Agriculture, Rural Area Basic Law: “This law defines the basics principles and how to achieve the goals related to policies on food, agriculture and farms. The law also defines the responsibility of the country and local governments to implement policies regarding food, agriculture, and farms according to the plan and to stabilize and improve the lives of people and to develop national economy in an appropriate way. It defines how to secure stable food supply, develop agriculture in a sustainable way, how the farmers and businesses can contribute, etc.

(<https://elaws.e-gov.go.jp/document?lawid=411AC0000000106>)

This law was revised in 1999, almost 40 years after the old Agriculture Basic Law was set up in 1961. The law’s principle was revised to reflect such trends as decreasing food self-sufficiency rate, aging farmers, reduction of agricultural land area, and less vibrant rural economy. (https://www.maff.go.jp/j/keikaku/k_aratana/pdf/12_keikaku.pdf)

(http://www.greenjapan.co.jp/nose_ho_bg.htm)

Agriculture Land Law: “Agriculture land is the basis of agricultural production in this country. It is also valuable resource in the regions. Also considering the important role the land ownership by farmers plays, this law restricts the usage of land for other purpose than agriculture. This law will also promote the land ownership of farmers that use the lands in efficient way and in harmony with the local community, coordinate how agricultural lands are used, and take measures to secure the use of land for agriculture to stabilize the status of farmers and increase the agricultural production and facilitate the stable supply of food to people.”(<https://elaws.e-gov.go.jp/document?lawid=327AC0000000229>)

This law was revised in 2016 considering the lower significance of agriculture sector in Japan, changing environment surrounding agriculture, transformation of how agriculture create value added, and the need to implement more aggressive agricultural policies. (<https://thefinance.jp/law/160802>)

Agricultural Cooperative Law: “This law aims to contribute to the development of national economy by promoting the cooperatives of farmers, which will result in increase of agricultural production and improvement of farmers’ economic and social status.” The law covers the definition of “farmers”, “agricultural activities,” “agriculture company” and describes the general rules and operations of agricultural cooperatives and federations of agricultural cooperatives.

(<https://elaws.e-gov.go.jp/document?lawid=322AC0000000132>)

Before the war, there were various laws for unions but the system of cooperatives became democratic after the war and the law for cooperatives were simplified. The

agricultural cooperatives after the war were based on the agriculture associations before the war, which the Ministry of Agriculture and Forestry had to change because the General Headquarters of Allied Powers in Japan wanted to democratize the land ownership of farms. (<https://www.nochuri.co.jp/report/pdf/n1202re1.pdf>)

Agricultural Management Infrastructure Enhancement Promotion Law: “This law clarifies the goals of efficient and stable agricultural management to be developed because cultivation of efficient and stable agricultural management and establishing an agricultural structure in which considerable part of agricultural production based on such management is needed for Japanese agriculture to contribute to the development of the national economy and the stability of people's lives. The law will also take measures to promote the integration of agricultural land use by the farmers willing to improve their management in systematic way and to support the streamlining of these farmers’ business management and to strengthen the foundation of agricultural management to contribute to the development of the national economy and the stability of people's lives.” (<https://elaws.e-gov.go.jp/document?lawid=355AC0000000065>)

The Norinchukin Bank Law: “The Norinchukin Bank is the financial institution for agricultural cooperatives, forestry cooperatives, fishery cooperatives and other cooperative organizations of agriculture, forestry and fisheries industry and facilitates their finance to contribute to the development of the industry and hence to the development the national economy. “
(<https://elaws.e-gov.go.jp/document?lawid=413AC0000000093>)

The Law on the reorganization and strengthening of credit business of The Norinchukin Bank and special agriculture, forestry, and fisheries cooperatives, etc.: “This law is to implement necessary measures to reorganize the credit business of The Norinchukin Bank and special agriculture, forestry and fisheries cooperatives, etc. and to strengthen the credit business of special agriculture, forestry, and fisheries cooperatives, etc. with the aim of streamlining financial operation and securing the healthy operation of institutions for agriculture and fishery cooperatives and to contribute to the development of national economy.”
(<https://elaws.e-gov.go.jp/document?lawid=408AC0000000118>)

JA’s role for the farmers

During the high growth period of Japan, people moved from rural area to large cities and farms had to cope with decrease of farmers and effects on agriculture production and life infrastructure. JA provided management support and services related to life infrastructure to the farms. In rural area, many gasoline stations were operated by JA to prevent farmers from having to drive one hour to fill the gasoline. The maintenance shops of JA can fix malfunction of agricultural machines and vehicles and are providing indispensable services.

JA's credit business is used to receive payments for the agricultural products and to pay for the cost of goods necessary for farming. The service is a valuable lifeline for people in agriculture business. For farmers short of cash, JA may have a program to provide them loans and receive their agricultural products to replace the repayment.

JA also provides insurance against natural disasters like fire, typhoon, flood damage and earthquake through their mutual insurance business to protect farms.

Dr. A. F. Laidlaw quoted the agricultural cooperatives in Japan in ICA (International Cooperatives Association) Moscow Meeting in 1980 as an example of cooperative's contribution to local economy. He praised the role and contribution of cooperatives in Japan as "They provide capital goods to members and also sell the members' crops. They are also savings & loans provider and insurance agent and supplier of daily goods. They also provide medical service and in some regions they provide diagnosis and treatment through hospitals...without cooperatives, the lives of farmers and the local communities would have looked quite different." (Japan Cooperative Association, 1989, p175) (<https://www.nochuri.co.jp/report/pdf/n0607re3.pdf>)

Issues of Agricultural Cooperatives

Dependence on financial business:

Banks and credit sales companies are prohibited to provide other type of services by law, but JAs are exception since before the war, when they were called industrial unions. They can do so because their mission is to support farmers, who were in a disadvantageous position. However, more than half of current JA members are associate members who are non-farmers. These days, financial businesses such as credit business and mutual insurance business are the main engine that supports JAs. Current JA, which depend overly on financial business, is not exactly what was expected from them at the time of establishment. The associate members do not have the voting right, so even if they are more than half of the total members, their opinions cannot be reflected in the decision making process. The number of regular member in the fiscal year 2018 was 4,248,000 against 6,243,000 associate members. The gross profit of economic business including agriculture related business and management consulting business was 573 billion Yen (operating profit was -188 billion Yen) while the gross profit of credit business was 764.2 billion Yen (operating profit was 233.8 billion Yen) and the gross profit of mutual insurance business was 464.2 billion Yen (operating profit was 145.5 billion Yen.) Most of the deposit collected from members are invested by JA Shinren and The Norinchukin Bank and the amount of outstanding loans to farms are declining.

Reference:

https://www.maff.go.jp/j/keiei/sosiki/kyosoka/k_tokei/sougou30.html
<https://www.nikkei.com/article/DGXKZO16873110V20C17A5EA1000/>

Government interference to the market:

In Japan, government implemented a policy to reduce the amount of rice production since around 1970s. The policy provided subsidies to farms that reduced the acreage of rice field or when they switched rice to other type of products, maintaining farm income while reducing the amount of rice production. Abe Administration, however, faced increasing number of large-scale farms that depended on subsidies for rice for feed and skyrocketing price of rice for main food, and terminated the said policy in 2018. Until then, government dictated the amount of rice for main food and various subsidies were allocated. Now, prefectures decide the amount of target production on their own and informing the numbers to JA Group. The payment of subsidies are still continuing, however, and this is said to be depriving Japanese rice grower's with their export competitiveness. (<https://www.nhk.or.jp/kaisetsu-blog/100/289153.html>)

The distribution of dairy products is regulated by the designated organization system. Dairy producers must sell all their products to JA, which is the designated organization. Milks are collected by JA and sent to dairy product companies. If dairy producers do not sell to JA, they will have to process the products by themselves and cannot receive a subsidy from government. Practically speaking, government is fully involved in the market and products have to go through JA, which is the designated organization. (<http://100koudou.com/?p=1259>)

Biggest political power after the war:

Many farmers are the members of JA, which can exercise considerable influence to local politicians and can make demands to the government based on their power to control votes. (Local politicians secure budget for agricultural activities and allocate them to farmers and get their votes in return.) The Abe administration went ahead with the first agricultural reform in 60 years with the aim of weakening the political power of JA Group. JA Zenchu was eliminated from the Agricultural Cooperative Law and converted into a general incorporated association to reduce their dominance and political power. On the other hand, incumbent members of ruling Liberal Democratic Party that had the support of agricultural cooperatives worked to forego the regulation to limit the usage of JA by associate members to half that of regular members. (<https://news.yahoo.co.jp/articles/10d32a5bbf2fc049b0e1c2ef30e430297866bdb1?page=2>)

JA's influence was sometimes directed to its members. In 2016, JA Tosa Aki was said to have applied pressure to its members to send the eggplants to the JA. JA Tosa Aki denied such a charge, but Fair Trade Commission determined in 2017 that the JA unlawfully tried to force the farmers to sell their products. It was said that JA Tosa Aki pressured the farmers by suggesting they will not be able to use JA's facilities and they may be subject to penalty payment.

(https://www.nikkei.com/article/DGXLASDG29H4D_Z20C17A3CC1000/)

Convoy System:

Convoy system is a military tactic to move an entire convoy with the speed of the

slowest vessel and can be used to describe political maneuvering to move one industry in certain direction. It is typically used in financial sector in need to stabilize the system or protect the sector from influence of foreign country. It can also be used to protect companies that do not have enough competitiveness to survive.

Agriculture sector, which tends to avoid market forces and JA's policies are also aligned with this system. The government and JA's policy is to protect all farmers, but this policy has the unwanted effect of discouraging self-reliance and innovation of farmers. Under current system, small scale farmers and part-time farmers, of whom productivity tends to be low, are the beneficiaries of the system. For example, 60% of farmers are rice farmers and their output is only 22% and the average revenue is mere 1,400,000 Yen but they are lavished with large subsidies. 60% of rice farmers are part-time and have income other than that from agriculture. Behind the new initiative of the government and JA, the interest of small farmers and part-time farmers without much willingness of self-help was kept intact.

Another example is that the standard amount of crops to be accepted by JA is based on low productivity farms and high quality crops produced by professional farmers end up not being accepted. This is a good system for farmers in the development stage and those without the spirit of self-help, but detrimental to farmers with lots of energy or entrepreneurship and is increasing defections from JA.

As the globalization picks up and import of agricultural products from other countries increase, the total amount of government subsidies increases and competitiveness of Japanese farms decreases. This background led to discussion of agricultural reform and recommendation to liberate and commercialize the sector. The businesses of JA Group is also starting to work less effectively. The need to drastically change convoy system is now forcing JA Group and farmers to change themselves into more competitive industry.

(<https://notera.co.jp/news/1503/>)

Agricultural (Cooperative) Reform

Direction of "agricultural reform" of the government:

1. Objective of agricultural cooperative's business: Advantageous sales of agricultural products and purchase of capital goods are not the only mission of cooperatives. They have to pay maximum consideration to increase farm income, realize high profitability through adequate business and to direct return to members into investments for the future.
2. Service utilization by members: Agricultural cooperatives sometimes engage in monopolistic trade and they should not force the utilization of their services.
3. Board members: In principle, they have to be accredited farmers or professional seller of agricultural products.

(<http://www.nohken.or.jp/30-4morozumi153-224.pdf>)

Agricultural reform under Abenomics (As of May, 2014 Meeting of regulatory reform):

1. Delete clauses about JA Zenchu and federations of prefectures from Agricultural

Cooperative Law (By eliminating the support of the law, JA Zenchu will not be able to force the collection of fees to finance political activities or to control member cooperatives through compulsory audit.)

2. Incorporation of ZEN-NOH and Hokuren (Federation of agricultural cooperatives of Hokkaido region), which engaged in the sales of agricultural products and supply of capital goods. (They were exempt from anti-trust law and subject to low tax rate of 19% against regular rate of 25.5% and exempt from real estate tax, because they were cooperatives.)

3. The number of associate members' cooperative use should be less than half the number of regular members. (Correction of current situation in which there are more associate members than regular members.)

(<https://www.nippon.com/ja/currents/d00169/>)

Issues of Mr. Shinjiro Koizumi, the Chairman of Agriculture Department of the Liberal Democratic Party (As of November, 2016 Meeting of regulatory reform):

Reform of ZEN-NOH:

1. Withdraw from trading of agricultural equipment and focus on helping farmers negotiate with manufacturers and providing information. The purchasing section will be reorganized within one year.

2. Consignment sale of agricultural products will be phased out and changed to outright purchase of all products.

3. If no progress is made towards reform, the government will promote the establishment of farmer-friendly new organization such as "Second ZEN-NOH."

(<https://www.nippon.com/ja/currents/d00277/>)

Reform of banking (savings and loans) operations: Reduce the number of cooperatives that operates banking business in half within 3 years by transferring such operations to The Norinchukin Bank.

The key points of agricultural cooperative reform:

First, it aimed at stopping collection of mandatory fees and political activities by deleting the clauses about JA Zenchu from Agricultural Cooperative Law. In short, the aim was to weaken JA Zenchu.

Second, it aimed at converting ZEN-NOH and Hokuren from agricultural cooperative to corporations to eliminate the advantages they had as cooperatives. If they become subject of anti-trust regulations, they could no longer fix the cost of goods and equipment at high level and overall cost of agriculture will come down. The competitiveness of Japanese agriculture will improve if agricultural cooperatives become less monopolistic.

Third, by limiting the use of cooperatives by associate members to half that of regular members, cooperatives could focus more on its original mission. Currently, more than half of JA members are associate members that are not farmers and they do not have voting rights and their voices are not being heard. This situation makes JA a different institution from what was intended.

(<https://bizgate.nikkei.co.jp/article/DGXMZO3110462029052018000000?channel=DF280520184019>)

Reformists:

In agriculture sector, all of the Ministry of Agriculture, Forestry and Fishery, JA, congressmen backed by farmers' votes, and agronomists share the same interest. JA uses its voting power to elect congressmen, the same congressmen get the budget from the Ministry, and Ministry provides high fixed price of rice and subsidies to JA. Agronomists get honorarium from JA and spread theories favorable for farmers' income.

JA sits in the middle of the huge interest group and gets various benefits. They befriend small-scale farmers and part-time farmers who benefit from policies to keep rice price high as members and, while rice production suffers, retained the deposits and votes of the members to prosper. Because they were cooperatives, they were allowed to operate financial activities and exempt from anti-trust regulations. The price of goods they sell to members are high as compared to the price of general vendors and the high cost increases the price of agricultural products and farmers and consumers suffer. JA, on the other hand, prosper with income from handling fees.

(<https://www.nippon.com/ja/currents/d00277/>)

Mr. Shinjiro Koizumi, the Chairman of Agriculture Department, who promotes reform, once criticized the remarks of Mr. Genichi Ginde, Managing Director of ZEN-NOH. In a meeting, there was an opinion that farmers are being charged the commission of both ZEN-NOH and prefectural JA that reached 9.5% and that it should be lowered. Mr. Jinde rebutted that, "the commission is an income source for (the cooperative's) employees and families and should not be cut easily." Mr. Koizumi then said that "If cooperative employees can make a living because of commission, farmers are in effect working to feed employees of cooperatives, aren't they?" He complained that "I want cooperatives to tackle the reform with the understanding that they are serving farmers and not the way around." The comment by Mr. Ginde seemed to reveal that JA is no longer doing business for the farmers but just for JA itself.

(<https://www.sankeibiz.jp/macro/news/161016/mca1610161600001-n5.htm>)

Mr. Kenichi Ohmae said that "If we look at today's agriculture, it is obvious that the role of agricultural cooperatives is no longer what it used to be." He said that JA is a mutual-help organization and should be able to achieve the goal of productivity improvement of agriculture and better living of farmers as a regional cooperative and questioned the need of a national federation. He said that Mr. Koizumi was quite right to pursue a reform that should benefit farmers. At the same time, he also said that Mr. Koizumi could not realize reform such as the incorporation of JAs due to lack of clout and experience. (<https://president.jp/articles/-/21459?page=2>)

Oppositions:

In order to cope with the government's agricultural cooperative reform, JA Kyoto got

rid of regular member's requirements about cultivation area and agricultural work days and the separation of regular member and associate member and gave voting right to 18,000 new members. JA Kyoto planned to escape from the government's restriction over associate members by eliminating the requirements and blurring the difference between regular members and associate members. JA Kyoto is clearly confronting agricultural cooperative reform and is calling all JAs to loosen the conditions of regular members.

(<https://diamond.jp/articles/-/222822?page=5>)

In opposition to Mr. Koizumi, who promotes reform, Mr. Sentaro Takahashi, the president of JA Iwate Hanamaki questioned if Mr. Koizumi really understands the reality. He thinks that many politicians in the field of agriculture do not understand the drastic reduction of farmers in the mountainous areas and many communities are becoming dysfunctional as more than 50% of the population becomes 65 years or older. As for Mr. Koizumi's comment about the high price of goods in agricultural cooperatives, he said that JA Iwate Hanamaki's branch offices all set up their own action plan and tried to lower the cost. Some fertilizers were expensive, but overall cost of goods and material were not expensive, he said. The cooperative such as JA Iwate Hanamaki is deeply connected with its members and is part of infrastructure of the region. The residents that use JA's sales points and credit services use them because they need the services and JA is protecting the community. Therefore, restraining JA is to restrain the local infrastructure and breach of basic human rights.

(<https://www.jacom.or.jp/nousei/tokusyu/2016/03/160310-29340.php>)

Mr. Mitsuhiro Kobayashi, Managing Director of JA Towada Oirase commented on rather aggressive article about agricultural cooperatives by Weekly Diamond as follows. He said that government and mass media do not have enough understanding about JA and there are many misunderstandings. He said that, "the core problem of the agricultural cooperative reform is the assumption that society needs agricultural cooperative to be a business organization that can win the competition." He said that creation of agricultural cooperative that can survive in the competitive market is the basic direction of the reform. However, agricultural cooperative is a vehicle to save economically and socially weak people rather than a business organization and that is where misunderstanding starts. The sense of valuing cooperation should be the most critical asset for the leader of agricultural cooperative but the reform is seeking management skill and large-scale farm business operators. This initiative is not in line with the very reason of JA's existence.

(<https://www.jacom.or.jp/column/2018/03/180306-34764.php>)

Opinion of farmers:

Mr. Hajime Kobayashi, who is the president of JA Ogata and operates a farm in Ogata village of Akita Prefecture thinks that the government should stop the excessive protection of agriculture sector that was in place for so many years. He is skeptical to both of government and JA. He thinks that government should abolish tariffs on import

that makes them as much as nine times more expensive and is against subsidies and policy of reducing rice production that are spoiling farmers. He thinks that government should give farmers more opportunities to compete. As for JA, he said that many people of senior age is sitting in the management positions spending most of their time in political maneuvering and not doing enough to teach young farmers how to enlarge and diversify their operations.

Mr. Toru Wakui, a farmer promoting reform, left JA to set up a new organization. He said that agricultural cooperatives don't change because there is no alternative. If there is an alternate organization to agricultural cooperatives, then agricultural cooperatives will surely change.

(<https://jp.wsj.com/articles/SB10001424052702304730304579434790761335028>)

State of the progress:

The state of agricultural cooperatives reform is that positive changes are taking place in both cooperatives and farmers although there is wide difference in the numbers between the two.

Answer Category	Respondent	2016	2017	2018	2019
"Yes" for Starting Preparation of Revision in Agriculture Sales System	General JA	68%	87%	93%	91%
	Farmers	25%	32%	38%	40%
"Yes" for Starting Preparation of Revision in Supply of Production Equipment and Materials	General JA	65%	88%	93%	91%
	Farmers	24%	34%	42%	43%
"Yes" for Starting Preparation of Revision in Selecting Directors and Sales System of Agriculture Products	General JA	48%	76%	90%	86%
	Farmers	21%	30%	35%	38%

(https://www.maff.go.jp/j/keiei/sosiki/kyosoka/k_kenkyu/attach/pdf/index-99.pdf)

Future issues of agricultural cooperatives

Initially, JA was “a cooperative organized with the objective of improving and protecting the business and lives of farmers and contribute to the better society” and an institution based on bottom-up initiative. However, institutions such as JA Zenchu and ZEN-NOH, who are coordinators of JAs, are ending up with stronger authority. Also, JA is a descendant organization to Agricultural Association, which was a controlling mechanism for the government during war times. Therefore, implementing government initiative was the core policy and that past facilitates government meddling. Ideally speaking, farms use JA and JA supports the farms. In reality, however, farms cannot do the job without JA. Farmers get loans from JA to buy agricultural equipment, make the payment at the time of harvest. Many farms produce crops encouraged by JA and ship their crops through JA.

JA is a cooperative and cooperative's mission is to protect and improve the lives of farmers and not the pursuit of profit. Actually, there are many cases that seem to put priority on profit of JA, such as spike-up of prices of materials for agriculture and decreasing loans to farms.

When Japan was still a developing country, JA was a helpful organization that can

collect crops and pay for them. Farmers could get stable income and focus on agricultural works. JA also could provide agricultural equipment and their financing were indispensable for farmers that did not have much credit at the time. Today, however, farmers have many alternatives. They can sell their products directly to consumers or through e-commerce sites and buy equipment and get loans from banks through websites. JA Group also became bigger along with Japan's economic growth and organizations such as JA Zenchu, ZEN-NOH, Kyosairen, that were supposed just to coordinate JAs also became big and now look as if their objective is pursuit of profit for themselves.

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