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The agricultural co-operative movement in Japan

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Agricultural adviser Gil George, the author of this article, returned earlier this year from 21 years' study in Japan, where he gained a Diploma in Japanese Language from the Osaka Institute of Foreign Studies and a Master's Degree in Economics from Hitotsubashi University, one of Japan's foremost economic institutions.

In Japan he examined the post-war development of the Japanese agricultural co-operative movement, and some aspects of marketing of agricultural products.

He also participated in the Japan-Australia Project (a committee studying the interdependence of the two economies), carried out some work for the Japan Economic Research Centre and edited papers for the Mexican session of PAFTA (the Pacific Free Trade Area) held in 1975.

Rising costs of inputs; fluctuating demand; supply at the mercy of the elements; a sector declining in relative economic importance. These are problems faced not only by Australian farmers, but by farmers all over the world.

Australian farmers try to improve their economic position through marketing boards, rural reconstruction schemes, expansion of acreage, management improvements, and concessions obtained through representatives to Federal and State Governments. Some of the remedies are implemented because of farmers' political action, but many are based on encouraging the individual farmer to help himself.

Our agricultural system is composed of many independent, farm owner-operators, and usually only serious problems bring united action. Japanese farmers face the same basic problems, but the method of tackling problems of a declining agricultural sector are completely different.

Co-operatives (or rather, one huge co-operative system) with a very strong physical, economic and political base, are the means employed by the Japanese farmer to maintain and improve his position in the economy. The Japanese agricultural co-operative movement (Nokyo)1 is unique in the world for its diversity of functions reaching into every facet of farm work and life, deriving its strength from a 99-9 per cent membership rate.

This article deals with a brief history of the movement, and some indications of the scope and scale of Nokyo.

Historical background

The 300 years before the Meiji Revolution of 1868 was a period of isolation and feudal rule in Japan, with rigid discipline, high taxes, and lack of occupational mobility for farmers. Coupled with restrictions on travel between villages these conditions led to the formation of tightly-knit village groups, with villages co-operating to pay or avoid taxes and to work on the lord's land.

The villagers were allowed to run their own affairs as long as they paid their taxes, and this led to a long tradition of co-operation.

The 1868 Meiji Revolution paved the way for a modern form of Government in Japan, and the Meiji Government (named after the Emperor Meiji) was anxious to promote development and close the gap of 300 years of isolation from the West.

Seed exchange societies and agricultural improvement groups sprang up to take advantage of new tax conditions (a flat money rate instead of a percentage of the crop in kind) and cash crops were allowed to be grown.

The rich merchants were now able to buy land, and began to form a new class of landlord/entrepreneurs. They were the leaders in these early (1870-1935) stages of the co-operative movement.

Early examples of co-operatives were those formed to market silk and tea to the large foreign buyers now coming to Japan (from 1880), and credit associations to protect farmers weakened by the 1882 depression.

These trends were officialised in 1899 and 1900, by laws establishing the Agricultural Associations (Nokai), and the Industrial Co-operative Associations (Sangyo Kumiiai).

The agricultural associations (Nokai)
The agricultural associations were established in 1899 to disseminate new agricultural techniques, and to help speed up adoption of government policies. They were organised on village/county/prefectural level, and received a national headquarters in 1910. A Nokai was established by agreement of one-third or more of the farmers in a village, and the remainder automatically became members. Rights to mediate in farmer disputes, and to collect compulsory membership fees were added to the Nokai Charter in 1922.

The industrial (agricultural) co-operative associations (Sangyo Kumiiai)
The industrial agricultural co-operative associations were established in 1900, based on a German formula, and were divided into purchasing, credit, utilisation (joint use of facilities) and marketing cooperatives.

Thus we had the Nokai, taking care of extension functions, and the Sangyo Kumiiai, taking care of business functions, growing in parallel over the 40 years to World War II. Growth was extremely fast (Figure 1) because

- The Russo-Japanese War (1905) left the agricultural sector destitute, and the Government saw these co-operatives as a means of improving conditions quickly. Both types of co-operatives became instruments of government policy.
- The industrial sector in Japan began to expand rapidly, and the familiar rural urban wage gap appeared. The Sangyo Kumiiai were looked to as a remedy to this problem.

1 Co-operatives (or rather, one huge co-operative system)
The organisation of both the Nokai and the Sangyo Kumiai utilised the rural village as a basic unit for co-operative establishment. This tight-knit hamlet dated back to pre-Meiji days, and even today, where the urban sprawl has encroached, these hamlets retain many of their administrative and self-help functions within the larger city/community. One co-operative per hamlet became the norm.

Both types of co-operative grew in power as the Government placed many responsibilities on the shoulders of the movement. Their powers included control of rice transactions, subsidies for land reclamation, and fertilizer distribution.

National and prefectural headquarters were also established over the pre-war period. World War II, saw the two types of movement amalgamated, and come under strict Government control to regulate food production and distribution.

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Post-war legislation re-established the co-operatives on a village/prefecture/national level, but under more democratic principles, and the power of the landlords was broken by land re-distribution procedures. Each member had one vote in electing a board of directors, who in turn appointed a business manager to run the co-operative.

The village level co-operative was audited by the prefectural association and the national and prefectural level associations were audited by Government appointees.

Notable post-war developments include huge increases in size and diversity of co-operative business, and amalgamation of smaller co-operatives to obtain advantages of scale.

Figure 1 shows the trends of the co-operatives numbers and numbers of co-operative members, over the 70 years since the movement's inception, and indicates major influences on the movement.

**The scope and scale of Nokyo**

So what is the structure of Nokyo, what does it actually do, and what is the scale of its operation? The answers are long and involved, and only a brief outline can be presented here.

**Structure and functions**

There is a basic three tier structure: village Nokyo (Tankyo), Prefectural level (Kenren) and National level (Zenkokuren).

The Tankyo have specialist (single enterprise) co-operatives where necessary, but the most important type of co-operation is multi-purpose in nature. The idealised functions include:— credit; savings; supplying farm and living inputs; installation of joint use facilities for business or livelihood of the members; develop-

**Figure 1.**—Total number of co-operatives and co-operative members, 1900-1973.

Source: Forestry and Agriculture Finance Statistics, 1974, pages 3 to 4 (Central Bank of Agriculture and Forestry, Research Section)
ment and improvement of lands (trust business), and redistribution of lands where necessary (real estate business); processing, storing and marketing of members' products; conducting industries related to agriculture; mutual relief insurance; medical facilities; education facilities (extension); facilities for collective agreements; any business incidental to the above.

For each particular function of the multi-purpose co-op, and for each particular specialist co-op, there are corresponding prefectural and national federations. For example, the purchasing and marketing sections of the multi-purpose co-op have a prefectural, and in turn a national, economic federation. A specialist livestock co-op liaises with the prefectural and national livestock federations.

With business activities, the prefectural organisation (Kenren) acts as a convenient intermediary. The 6,000 multi-purpose, and 12,000 specialist co-operatives place their orders with the Kenren, which in turn orders from the Zenkokuren. Thus 18,000 potential individual orders are reduced to 47 large orders (the number of prefectures).

Guiding development and formulating political and extension objectives is the Central Union. This national and prefectural level organisation is the body which draws the diverse movement into a cohesive whole. Figures 2 and 3 show the structure of a multi-purpose Tankyo, and the organisation of the whole movement respectively in diagrammatic form.

The scale of Nokyo

How big is Nokyo? Very big, and some of the following figures indicate how big.

There are 6,000 multi-purpose, and 12,000 specialist co-operatives. In 1971 there were over 7 million members, comprising 5.6 million full members (engaged in agriculture) and 1.4 million associate members (who live in the vicinity of a co-operative).

The credit and savings business of the co-operatives showed a 10 fold increase from 1957 to 1971, and even in the early 1960's the Central Bank of Agriculture and Forestry was regarded as equal to a first class city bank. As of March, 1974, total

![Diagram of General Pattern of Internal Structure of Multi-Purpose Co-Operative](Fig. 2)
Fig. 3.—Overall structure of the co-operative movement in Japan.
deposits stood at 37.6 billion U.S. dollars. This is an average of 7.2 million dollars per co-operative, or about 5,000 dollars per member—a truly remarkable figure. The bank acts as a funnel for subsidies, and the high deposit figures could be explained partly by these direct payments into the system by Government.

Purchasing of farm and living necessities raced from a gross revenue of 54 million in 1957 to over 5 billion dollars in 1972. The co-operatives also marketed over 5 billion dollars worth of agricultural produce in 1971.

Insurance is one area where the co-operatives have really expanded, from 2 million contracts worth 840 million dollars in 1957, to 24 million contracts worth over 96 billion dollars in 1971. Over the last five years, the phenomenal growth of vehicle insurance means that this is now half of the business—76 billion dollars in 1974.

Total assets of the insurance enterprise at the three levels are around 8 billion dollars, with 12 per cent owned by the national level. This makes the Nokyo insurance group the largest in Japan and the third largest in the world.

The National business arm of Nokyo (called Zennoh) has many affiliated companies which can do business outside the scope of the co-operative charter. These include a trading company which deals with import/export business, processing factories for farm products and imported feed, machinery manufacturing, supermarket chains, and even its own travel agency. These “tunnel companies” numbered 142 in early 1975, and are expected to reach 200 by 1980.

A village co-operative

Some figures from a village co-operative give an indication of the scale of these concerns. The Anjo co-operative is near Nagoya, and is the amalgamation of 20 smaller surrounding co-operatives. The amalgamation took place in the late 1960's.

There are 5,000 full members, and 3,000 associate members at Anjo, and the main turnover figures for the April 1974-March 1975 fiscal year were:

- Marketing business 15 million
- Purchasing business 15.5 million
- Savings 5.8 million
- Value of insurance contracts 200 million

Anjo is a comparatively large co-operative.

Co-operatives in the Australian context

The Japanese co-operative system is large and diverse, and because it reaches into almost every facet of farm life, it has a lot of political and economic power.

Nokyo can participate in policy making, and the Government cannot implement its agricultural policies without Nokyo's co-operation. One measure of Nokyo's success is that between 1960 and 1970, agriculture's share of the budget rose from 7.9 per cent to 10.8 per cent, while its share of the Net National Product fell 10.2 per cent to 5.5 per cent.

Australian agriculture's direct share of the budget fluctuates between 2 and 3 per cent from year to year.

In Australia, there are co-operatives for particular single enterprises (such as machinery sharing or wool improvement), and these are only sporadic, with few co-operatives organised on a State-wide or National basis. Some co-operatives established earlier in the century have been reduced to the status of stock firms, with little farmer involvement.

One of the biggest differences between the Japanese and Australian farming structures is the Australian farmers' feeling of independence. This is brought about by an historical independence due to isolation and lack of services, and by the large size of Australian farms (compared with the Japanese average of 1 hectare).

The facts of the present situation are that the farmer is no longer independent, because of his need for large quantities of inputs from outside. Improved services have also reduced isolation-induced independence.

With the farmer being forced to contribute to some marketing schemes on one hand, and suffering from monopoly buyers (e.g. Japan's meat buying authority) on the other hand, it might be time to re-appraise his situation.

Although the Japanese farming system is completely different to that of Australia, there are some aspects of organisation of co-operatives which could be studied and perhaps applied to the Australian situation.

Footnotes
1 Nokyo is the abbreviation of Nogyo Kyodo Kumiai, which means agricultural co-operative association. It is also the general term applied to the movement in its entirety.
2 A prefecture would be equivalent to a state in Australia, and a county to a local shire.
4 Figures for the Anjo co-operative are from a case study done by the author of this article.
5 Budget speech, various issues. (Hansard).