

The Significance of Non-farmers in Japanese Agricultural Cooperatives

Japan's food self-sufficiency ratio

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INTRODUCTION

Mass media often treat Japanese agricultural cooperatives as organizations of farmers¹. Indeed, almost all farmers in Japan belong to agricultural cooperatives. Article 1 of the Agricultural Cooperative Law (ACL) states that the purpose of the ACL is to promote agricultural production and improve the economic conditions of small-scale agricultural producers by accelerating the development of cooperation among them.

Simultaneously, however, Japanese agricultural cooperatives provide various non-agricultural services to non-farmers². Moreover, non-farmers form the majority of members in Japanese agricultural cooperatives. This paper aims to describe the increasing significance of non-farmers in agricultural cooperatives in Japan.

Memorandums of association of agricultural cooperatives

The ACL requires each agricultural cooperative to have a memorandum of association; the ACL provides only a general framework for cooperatives. Details regarding the management of agricultural cooperatives should be stipulated in their memorandums of association: for example, the area in which the agricultural cooperative provides its services. The Ministry of Agriculture, Forestry and Fisheries (MAFF) further requests agricultural cooperatives not overlap service areas.

Two types of memberships in agricultural cooperatives

There are two types in membership in agricultural cooperatives: regular membership and associate membership. Tables 1 and 2 show how regular and associate membership rates have changed over the past 20 years. Both regular and associate members have an equal right to use services provided by agricultural cooperatives. Only regular membership holders, however, have the right to vote at general meetings, where agricultural cooperatives make the most important decisions about their activities.

If a person joins an agricultural cooperative as a regular or associate member, they must invest money in the agricultural cooperative. The memorandum of association stipulates the minimum amount of investment required for membership. Regular and associate members receive dividends if the agricultural cooperative has a surplus. There are

two types of dividends: dividends on share capital and special patronage dividends. Usually, the former is larger than the latter³.

Regular membership of agricultural cooperatives

The ACL stipulates that persons engaged in agriculture are qualified for regular membership of agricultural cooperatives. Here, “persons,” include not only natural persons (individuals) but also legal persons (corporations). However, legal persons with more than 300 permanent employees and paid-in capital over 3 billion yen are not qualified for regular membership; agricultural cooperatives are designed for small-scale agricultural producers.

The ACL defines two types of natural persons who are engaged in agriculture: managers and laborers. Both are qualified for regular membership in agricultural cooperatives. This means that, if two or more members in a household are engaged in agriculture as a manager and/or a laborer, the household can have two or more regular membership holders. Ordinarily, however, only the heads of farm households apply for regular membership, because a household is the typical unit of traditional rural communities. Recently, more and more agricultural cooperatives encourage other members of farm households to apply for regular membership as well. As a result, the ratio between the total number of persons who have regular membership and the total number of households in which at least one member has regular membership continues to increase (see Table 1).

Qualifications for regular and associate membership differ among agricultural cooperatives according to memorandums of association. MAFF defines a farm household as a household that has cultivated land of 0.1 ha or more. However, agricultural cooperatives do not need to follow this definition for qualifications for regular membership. In fact, nearly 30% of agricultural cooperatives qualify as regular members whose cultivated land is less than 0.1 ha⁴.

The ACL stipulates that, if a regular membership holder comes to fail to satisfy the qualifications for regular membership, their membership should be cancelled. However, the ACL is skeptical whether this stipulation is strictly observed. Villagers often feel that they cannot or ought not to push out their old friends. Additionally, since Japan’s farmland registration system often fails to function properly, the agricultural cooperative may depend on voluntary self-reporting to determine whether a member has become disqualified: for example, by renting out their farmland⁵.

Complicating matters, the ACL provides for exceptional cases. If a regular membership holder quits farming by selling or renting out all of their farmland to others following special programs stipulated by the Act on Promotion of Improvement of Agricultural Management Foundation (APIAMF), it is not necessary for the agricultural cooperative to cancel their regular membership.

As Table 1 shows, there is a significant gap (nearly 1.5 million households as of 2010) between the total number of farm households and those in which at least one member has regular membership in an agricultural cooperative. As discussed above, there are three reasons for this gap. First, memorandums of association qualify households whose cultivated land is less than 0.1 ha; these are not included as farm households in MAFF's classification. Second, those that do not satisfy the qualification for regular membership can keep their regular membership illegally or mistakenly. Finally, retirees from farming can legally keep their regular memberships based on the programs of the APIAMF. In any case, it is problematic that as many as 1.5 million non-farm households have regular membership in agricultural cooperatives. One can argue that this situation does not meet the principle of Article 1 of the ACL.

Associate membership in agricultural cooperatives

Unlike regular membership, associate membership is available not only to natural and legal persons but also to organizations without the status of legal persons. The ACL stipulates that persons and organizations that satisfy at least one of the following two conditions are qualified to be associate members:

- (1) Natural persons who live in the area where the agricultural cooperative provides services.
- (2) Natural and legal persons and organizations without legal personalities who routinely use the services of the agricultural cooperative. This category includes, for example, consumers in urban areas who buy agricultural products shipped by the agricultural cooperative. Unlike regular memberships, associate members include large-size enterprises.

Associate membership status is a unique system in Japanese agricultural cooperatives rarely found in Europe and North America. This status began when the ACL was passed in 1947. At that time, agricultural cooperatives engaged in rationing daily necessities. Thus, it was reasonable to provide associate membership to non-farmers who live in the areas where farmers live, allowing non-farmers to use the service of agricultural cooperatives. While the rationing system was abolished in the 1940s, the system of associate membership remained. For years, associate membership had been limited to those who lived in the area where the agricultural cooperative provided services. In 2001, however, MAFF revised the ACL and expanded associate membership to those who do not live in the area where the agricultural cooperative provided services. The purpose of this revision is to promote partnership between urban dwellers and farmers.

Regulations for non-farmers' use of agricultural cooperatives

The ACL allows those without membership to use services of agricultural cooperatives to a limited extent. In the case of banking businesses, loans to and deposits from those who have no membership should be less than 25% of those provided to regular and associate members. The total amount of medical services to those without membership should be less than those provided to regular and associate membership holders. For other services, the total amount of services provided to non-members should be less than 20 % of that to regular and associate membership holders.

In practice, however, these regulations are not observed strictly. MAFF's special survey reveals that nearly 25% of agricultural cooperatives violate these regulations⁶.

If those who use agricultural cooperatives without memberships take associate membership, ACL's regulation will be satisfied. In that case, however, the percentage of regular members among total members will decrease dramatically from current levels, which are already abnormally low.

REFERENCES/NOTES

1. There are two types of agricultural cooperatives: specialized cooperatives and general cooperatives. The former are similar to agricultural cooperatives in Europe and North America, which specialize in distributing agricultural products and purchasing inputs for farming. General cooperatives provide a greater variety of services. The total number of members of specialized cooperatives (255, 519 in 2011) is far less than that of general cooperatives (9,834,031 in 2011). Thus, this paper discusses only general cooperatives. Indeed, in Japan, the term "agricultural cooperatives" is commonly used only to refer to general cooperatives.
2. Godo, Yoshihisa "The Japanese Agricultural Cooperative System: An Outline," Agricultural Policy Database, 2014. Downloadable at http://ap.fftc.agnet.org/ap_db.php?id=248
3. In 2011, dividends on share capital and special patronage dividends totaled 20,305 million yen and 13,777 million yen respectively (Agricultural Cooperatives Division, Management Improvement Bureau, Ministry of Agriculture Forestry and Fisheries, Government of Japan, *Statistics on Agricultural Cooperatives -2011 Business Year-*, Tokyo: Norin Tokei Kyokai, 2013).
4. Ibid.
5. Godo, Yoshihisa "Non-Agricultural Companies' New Entry to the Agricultural Industry in Japan," FFTC Agricultural Policy Database, 2014. Downloadable at http://ap.fftc.agnet.org/ap_db.php?id=192
6. 'The regulation for non-farmers' use on agricultural cooperatives is violated in 203 agricultural cooperatives,' Asahi Shimbun, morning edition, 25 December 2007.

Table 1. Number of persons who have regular membership of agricultural cooperatives

	Number of persons who have regular membership			Number of households in which at least one member has regular membership	Reference ^{a)}
	Total	Natural persons	Legal persons		Number of farm households
1990	5,543,916	5,537,547	6,369	4,858,831	3,834,732
1995	5,484,145	5,477,004	7,141	4,780,168	3,443,550
2000	5,249,499	5,240,785	8,714	4,573,809	3,120,215
2005	4,997,797	4,988,029	9,768	4,349,898	2,848,166
2010	4,720,274	4,707,348	12,926	4,068,269	2,527,948
2011	4,668,961	4,655,215	13,746	4,007,419	n.a.

Note a. Data from the Agricultural Censuses.

Source: Agricultural Cooperatives Division, Management Improvement Bureau, Ministry of Agriculture, Forestry and Fisheries, Government of Japan, *Statistics on Agricultural Cooperatives*, various issues.

Table 2. Number of persons who have associate membership of agricultural cooperatives

	Number of persons who have associate membership			Number of households in which at least one member has associate membership
	Total	Natural persons	Legal persons	
1990	3,065,230	2,994,871	70,359	2,597,560
1995	3,589,198	3,516,338	72,860	2,972,307
2000	3,859,097	3,783,223	75,874	3,163,107
2005	4,190,356	4,113,281	77,075	3,443,602
2010	4,973,581	4,892,837	80,744	4,060,925
2011	5,165,070	5,085,096	79,974	4,195,486

Source: Agricultural Cooperatives Division, Management Improvement Bureau, Ministry of Agriculture, Forestry and Fisheries, Government of Japan, *Statistics on Agricultural Cooperatives*, various issues.

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