

Amendments of the Agricultural Cooperative Act in 2015

Kunio Nishikawa
College of Agriculture, Ibaraki University, Japan

INTRODUCTION

The Japan Agricultural Cooperative (JA) group has played a pivotal role in Japan's agriculture while it has been criticized as the main factor which prevents the fundamental reform of agricultural structure and the trade liberalization in the era of free trade. The JA has influenced the scene of policy making and formed the agricultural policy community in alignment with the Liberal Democratic Party (LDP) which has been a ruling party for a long time and the Ministry of Agriculture, Forestry and Fisheries (MAFF). It was the JA which turned to the front and strongly opposed the negotiations of the Trans Pacific Partnership (TPP).

The Shinzo Abe administration which regards agricultural reform as the strategy of economic growth aimed at the JA tried to force it to receive the governmental proposal of the JA reform. Its main points are the abolishment of the central union of the JA which has played a leading role in the JA group, and the obligation which cooperatives have to receive account audits by certified public accountants or audit corporations¹. The JA strictly resisted the governmental proposal, but finally received it in exchange for the reconsideration of the introduction of the quantitative restriction on the associate member².

In this article, I will summarize and translate the MAFF's document which was published to explain the outline of the amendment of the Agricultural Cooperatives Act in 2015³. This translation is not the official publication of the MAFF.

¹ If you are interested in the recent system of the audit in the JA group, refer to Dr. Godo's past article on the FFTC website (http://ap.fftc.agnet.org/ap_db.php?id=476). The audit implemented by the national central union of the JA (*JA Zenchu*) can be divided into the account audit and the business audit which confirms cooperatives' compliance with laws.

² The associate member is the type of the JA's membership system who can utilize its business but does not have the right of vote in the members' meeting unlike the general members who have to be farmers. The large part of the associate members only utilize insurance and financial businesses and do not utilize the agricultural business. It is said that the JA can maintain their business size by increasing the number of the associate members in spite of the drop in the number of its general members.

³ If you wish to read by original language, refer to the MAFF's website (<http://www.hourei.mhlw.go.jp/hourei/doc/tsuchi/T160229Q0031.pdf>).

TRANSLATION

Outline of Amendments of the Agricultural Cooperatives Act

September 2015

The Ministry of Agriculture, Forestry and Fisheries

- We have to prepare an environment which economic actors can actively utilize policy schemes in order to get good results from agricultural policy reforms based on “the Plan to Create Dynamism of Agriculture, Forestry, Fisheries and Local Areas,” for example, the adding of value by sixth industries, the development of demand which includes overseas markets, the consideration and optimization of farmland utilization by the Organization for Temporary Farmland Management and so on. So, the government revises the Agricultural Cooperatives Act.
- The mission of agricultural cooperatives and their federations is the supply of the maximum service for their members through their businesses. They have to take into consideration the rise in agricultural income at the maximum. They also have to make efforts to gain profits through their businesses, especially sales of agricultural products, and, for the growth of businesses, to invest again and pay dividends which depends on the amount of utilization by each member.
- Agricultural cooperatives must not force their members to utilize their businesses. The contract of exclusive utilization (the contract which members have to exclusively utilize facilities owned by their cooperatives) will be banned. The revolving investments which members are forced to contribute their received dividends to cooperative’s capital will also be banned. The standard of permission by the MAFF which stipulates the establishment of new cooperatives will be deregulated (This change will facilitate the establishment of plural cooperatives in same regions.).
- In principle, the majority of the board of directors has to be occupied by certified farmers or people who have practical abilities on the sales of agricultural products and the management of corporation(s). If agricultural cooperatives put the committee of management, the majority of them have to be occupied by certified farmers and directors and would have to be people who have practical abilities on the sales of agricultural products and the management of corporation(s).
- Agricultural cooperatives can freely divide their organization and establish new one. And they can change their form of organization from cooperative to joint-stock company, general incorporated association, consumer’s cooperative and social medical corporation.
- The system of the central union of the JA will be abolished. Three years and six months after the revised law is put in force, the prefectural central unions can change their form to the

federation of agricultural cooperatives. The prefectural central union can consult with their members of agricultural cooperatives about their business and management, audit cooperatives' accounts based on their requests, represent their intentions and manage their interests. The national central union can change to general incorporated association. It can represent its members' intentions and manage their interests. The central unions can utilize the name of "the central union" as long as they follow conditions stipulated by the ordinance of the MAFF.

- Agricultural cooperatives which run financial businesses greater than a certain size have to receive the account audit by certified public accountants or audit corporations. The business audit will become voluntary. The government may correctly pay care at the transition to the new system. The government supports certified public accountants who belong to the national central union of the JA to smoothly begin the business of audit⁴, and cooperatives to avoid new burdens from the new system.

Date submitted: April 4, 2016

Reviewed, edited and uploaded: April 6, 2016

⁴ The division of audit will be separated from the central unions and establish a new independent audit corporation to continue audit cooperatives. Each cooperative will be able to choose new cooperative audit corporation or other general ones to receive the account audit.