Challenges of Agricultural Cooperatives in Japan for a Sustainable Future

Takuo ICHIYA
Deputy General Manager, Executive Office & Inter-cooperation Division
JA-ZENCHU (Central Union of Agricultural Cooperatives), Japan
Contents

1. Introduction of JA group

2. Challenges for Japanese farmers and Japanese agricultural cooperatives
   (1) To increase farmers’ income
   (2) To strengthen food security
1. Introduction of JA group
1-1 Outline and activities of JA group

“JA” stands for “Japan Agricultural cooperatives”

Objectives

- Enhance agricultural production
- Improve farmers’ financial and social status
- Establish better local society based on the principle of “mutual cooperation”.

Number of members: 10 million

- Farmers as “Regular Members”
- Non-farmers as “Associate Members” who use JA’s services

“JA-Zenchu” represents JAs

JA-Zenchu (Central Union of Agricultural Cooperatives) is an apex body of Japan’s agricultural cooperative movement, representing the interests of Japanese farmers and their agricultural cooperatives (JAs).
1-1 Outline and activities of JA group

Number of JA : 659
Organized in every prefecture and municipality throughout the country.

Number of Branches and Sub-branches : 17,688

Number of Employees : 209,478
1-2 JAs are in charge of a wide range of services

Farm guidance
Supplying business
Marketing business
Credit
Mutual insurance
Better living guidance
1-2 JAs are in charge of a wide range of services

- Processing agricultural products
- Medical services
- Travel agency

- Book publishing
- Funeral business
- House-renting business
## Size of JA group’s businesses

### Marketing:
- Farm products sales: 40.7 billion US$ (= 60 million USD / JA)

### Supply:
- Production input: 18.7 billion US$ (= 27 million US$ / JA)
- Daily commodity: 7.3 billion US$ (= 10 million US$ / JA)

### Credit:
- Deposit: 878.5 billion US$ (= 1.3 billion US$ / JA)
- Loaned money: 212.8 billion US$ (= 305.3 million US$ / JA)

### Mutual insurance:
- Long-Term Insurance: 2.6 trillion US$ (= 3.8 billion US$ / JA)

### Medical and welfare services:
- Medical services: 110 hospitals, 65 clinics

* FY2014
2. Challenges for Japanese farmers and Japanese agricultural cooperatives
3 Overall situation surrounding agriculture, rural areas, and JAs in Japan

- Decrease of population
- Super aging society

- Population of Japan is expected to be about 86.7 million in 2060.

- Changes in rural population

- In 1960, the percentage of rural communities, where farmers population to the total population had been 80% or more was 50.9%. It has gone down to 5.4% as of 2010.

- Agricultural policy reform
- Globalization

- The new “Basic Plan on Food, Agriculture and Rural Areas was introduced in 2015.
- Globalization such as TPP.
- Review of production adjustment policy of rice from 2018.

- Restoration from the great east Japan earthquake in 2011

- Lingering reputational damage and limited restoration of farming.
Increasing world food demand

- World population is expected to exceed 9 billion in 2050.
- World food demand is expected to be 7 billion tons in 2050.

Weakened production basis caused by aging
- Generation transition of farmers

- The number of farmers has decreased by 80 thousand per year during 2010-13.
- Sixty percent of the total sales of agricultural products are shipped by 8% of farmers whose annual sales are more than 10 million Yen. (US$91,500)

Changes in diets, lifestyle and distribution channels

- Over 40% of rice are consumed as home-meal-replacements or in restaurants.
- Sales outlets are also diversified such as internet.
- Over 50% of vegetables are sold for processing and professional use purpose, of which 30% for these destinations are from overseas.
(1) To increase farmers’ income
In order to increase farmers’ income, it is important to increase marketing volume.

For this objective, it is necessary for agricultural cooperatives to participate in value chains more positively.

To achieve these objectives, the following three approaches are promoted, including cooperation with business sectors.

1. Direct marketing through farmers’ market
2. Expansion of marketing channels through business expo
3. Expansion of export collaborating with other sectors
(1)-2 Direct marketing through farmers’ market

- Farmers’ market is a facility where farmers can sell their agricultural products directly without any middlemen.
- At the same time, consumers can enjoy face-to-face relationships with local farmers who produce fresh local produces.
- Thanks to these merits, sales at farmers’ markets have been expanding.

<table>
<thead>
<tr>
<th>Consumers’ image of farmers’ market (Compared to large retail stores)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freshness</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Price</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Taste</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Safety</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Average sales per a farmers’ market (Million JPY)

*Sales of 2015 was twice as big as that of 2003*
(1)-3 Case study

Farmers’ market “JA agri-town genki-no-Sato” of JA-Aichi Chita (Aichi Prefecture)

- Annual sales: 2.4 billion JPY, Annual visitor: 2.4 million, Farmers: 647

- Aim to establish a whole food system from production to processing, distribution and consumption.
- Form local industry complex based on agriculture in cooperation with business, manufacturing, and tourism sectors.

Direct marketing  
Processing  
Restaurant

Rules of shipment
- Price and shipping amount are determined by farmers.
- Products without confident quality can’t be shipped.
- Promotion by farmers themselves (POP, tasting)
- Collection of unsold products are the farmers’ own responsibility (otherwise disposal cost would be charged)

Consumers can…
- Buy fresh, safe agricultural products.
- Enhance their understanding in agriculture.
(1)-4 Expansion of marketing channels through business expos

- JA-group holds business expos annually and promotes fresh and processed products directly to buyers in order to expand its marketing channels.
- JAs and their federations from all over Japan set up booths and have business discussions during expos open.
- At the Expo in March 2015, there were 175 exhibitors and 5,700 visitors.

<Outline of business expo for Japanese agriculture and livestock products>

- Hosted by: JA Group
- Supported by: MAFF, consumer coops, food industry related organizations etc.

Promotion of agricultural products and processed foods

Business discussion with buyers

Run Booths

Participate

JAs

Retailors, restaurants, etc.
5 Expansion of export collaborating with other sectors

- In collaboration with the Japanese government and industry sector, JA Group has established a structure to expand exports.
  - Supply system capable of maintaining freshness, transportation/storage sharing both domestically and internationally
  - Expansion of sales channels such as Washoku (Japanese cuisine) restaurant overseas

- Although tariffs on agricultural products would be phased out by TPP, there are countries to which Japan is not able to export at this stage, certain agricultural products due to quarantine regulations.

- Since negotiations on quarantine are held between governments, they must address these issues responsively.

**Countries Japan is unable to export to:**

- Rice
  - Mexico, Peru
- Beef
  - Australia*, Malaysia*, Chile*, Peru*, Brunei Darussalam*
- Cheese
  - Canada, Australia, Mexico, Chile, Peru, NZ, Brunei Darussalam
- Apple
  - Mexico, Peru, Chile

*Currently under negotiation

**Case study**

- JA-Zennoh opened a restaurant in Beverly Hills (California, USA), which offers Japanese Wagyu for the affluent residents.
- JA-Zennoh has been also promoting Japanese agricultural products to high-end restaurants and department stores.
(2) To strengthen food security
(2)-1 International comparison of food self-sufficiency rate

Calorie base (2011)

Production Value base (2009)

Source: MAFF Japan
Given that food is indispensable for maintaining human life and important as a basis for a healthy and fulfilling life, high-quality food must be stably supplied into the future at a reasonable price.

Given that the world's food supply and demand balance and food trade involve unstable factors, a stable supply of food to citizens must be ensured by increasing domestic agricultural production as a base and appropriately combining it with imports and stockpiling.
(2)-3 Unexpected contingencies affecting food supply

(1) Domestic causes

- Poor harvest due to abnormal weather etc.
- Disturbance of production/distribution due to incidents, accidents, etc.
- Marketing restrictions on a certain products due to safety concerns.

(2) International causes

- Poor harvest in main production countries.
- Hindrance of transportation due to a strike of dock workers etc.
- Disturbance of production/distribution due to incidents, accidents, conflicts, etc.
- Export restrictions.
- Import restrictions due to food safety concerns.

Source: MAFF Japan, “Basic Plan on Food, Agriculture and Rural Areas” in 2015
(2)-4 Importance of food security at the local level

- It is impossible to eliminate the risk that unexpected contingencies make an effect to food supply.

- In case of unexpected contingencies, infrastructures such as roads, energy supply, storage facilities are not expected to function adequately.

- In order to secure food security even in these cases, local agricultural production plays an important role. Local supply channels such as farmers’ markets are also important.
If maintained well, farmland functions as evacuation space on the occasion of a disaster. This function of farmland is especially important in metropolitan areas such as Tokyo.

- Evacuation space in case of disaster
- Environmental preservation
- Green space in urban area
- Farmers markets as local food supplier

- Promote the understanding of agriculture
- Farm education
- Supplying fresh agricultural products
Thank you very much!

Submitted as a country report for the 26th East Asian Agriculture Organization Council (EAOC) Top Level Meeting on Sept. 28-30, 2016, Taipei, Taiwan