

Japanese Agricultural Cooperatives and our Experience on Am



April 2023

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(Central Union of Agricultural Cooperatives)

1. What is JA?

(1) Cooperatives vs. Business Corporations

	Cooperatives	Corporations
Purpose	Not for Profit	To make profit
Founder	Farmers, Fishers, Consumers, SME business owners, etc	Investors
Membership	Members (limited)	Stock holders (unlimited)
Business Area	Limited by law	Unlimited
User	Members	Customers (unlimited)
Decision	One vote for one member	One vote for one stock
Legislation	Individual cooperative laws or Basic cooperative law	Corporation law

1. What is JA?

(2) JA (Japanese Agricultural Cooperatives)

“JA” is the nickname of Agricultural Cooperatives.

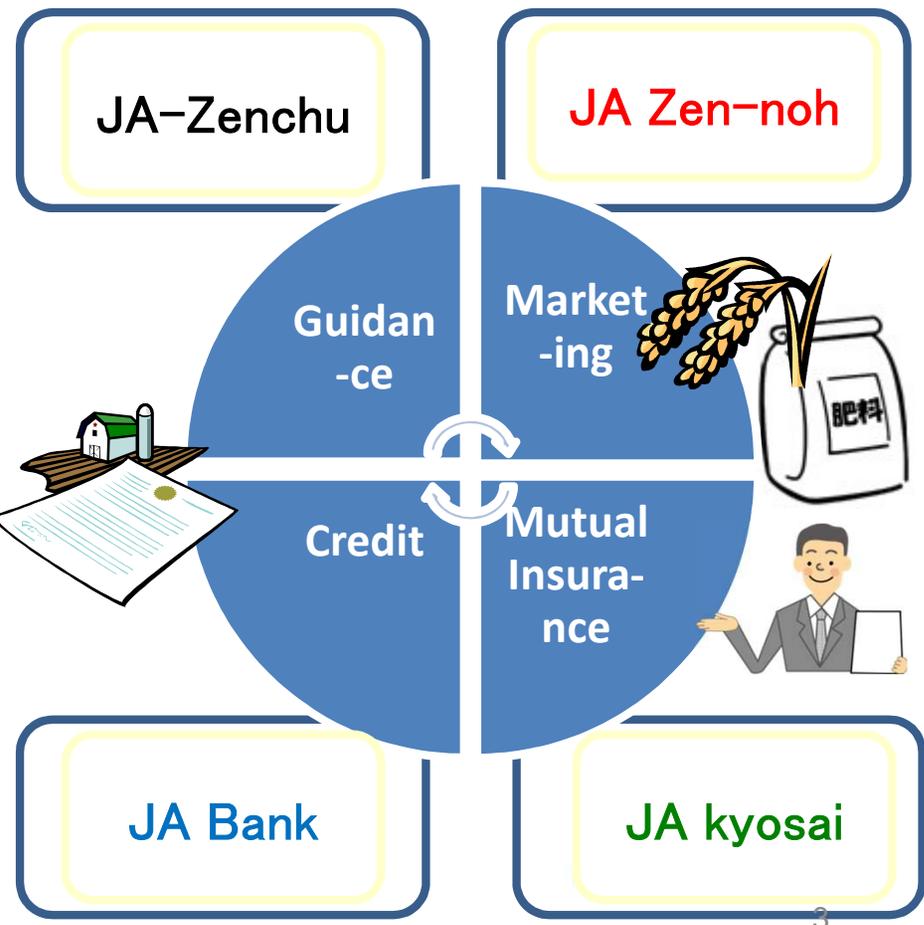
Purpose of JA

- ◆ Empower small-scale farmers
- ◆ Improve farm management
- ◆ Better living for rural communities

JA is:

- ◆ Multi-purpose (Multi-functional)
- ◆ Supported by Business-specific federations (e.g. JA Zennoh, Norinchukin-Bank)

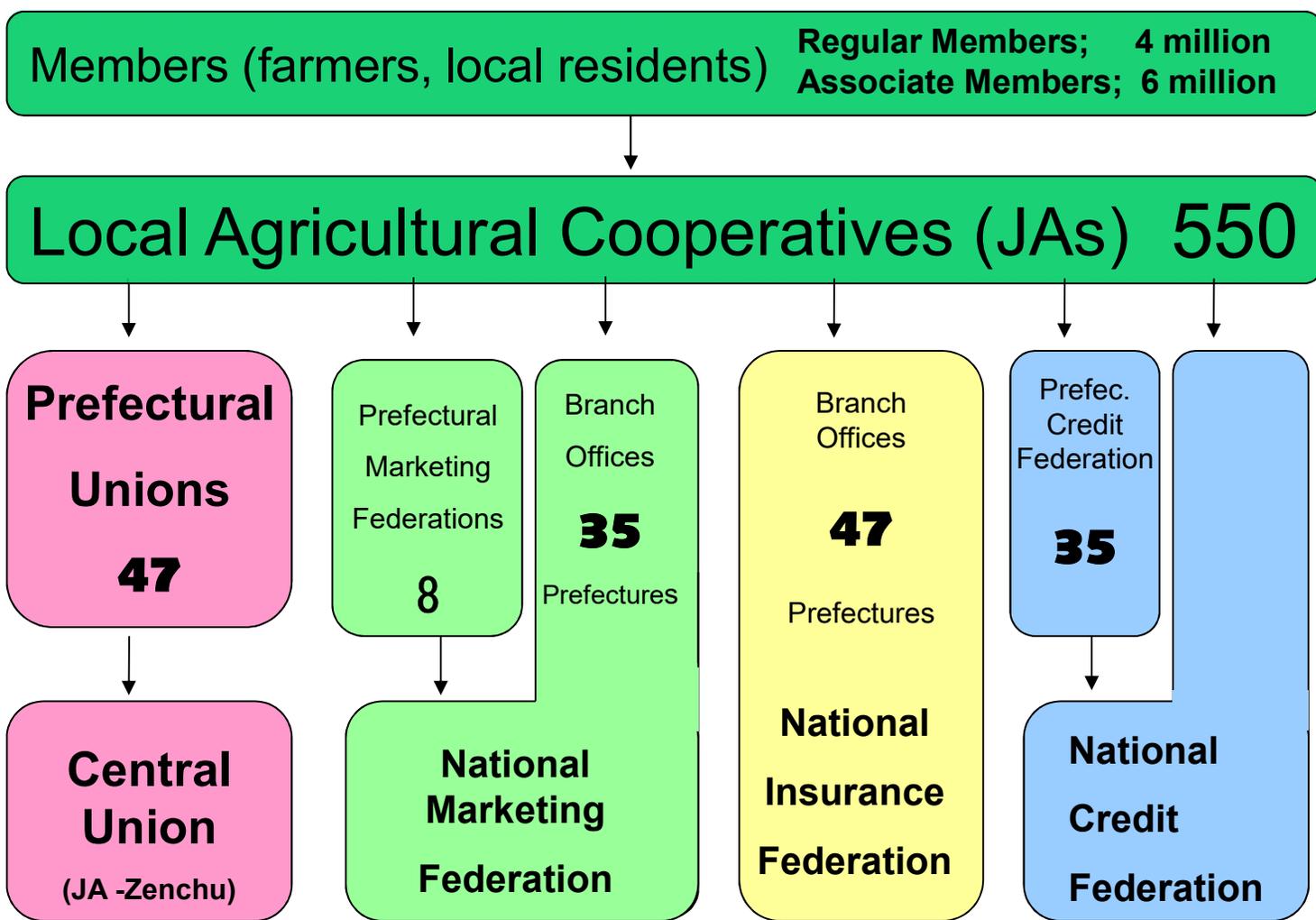
Local Cooperatives: 550
Members: 10,600,000
Employees: 200,000



1. What is JA?

(3) Organization Structure of JA Group

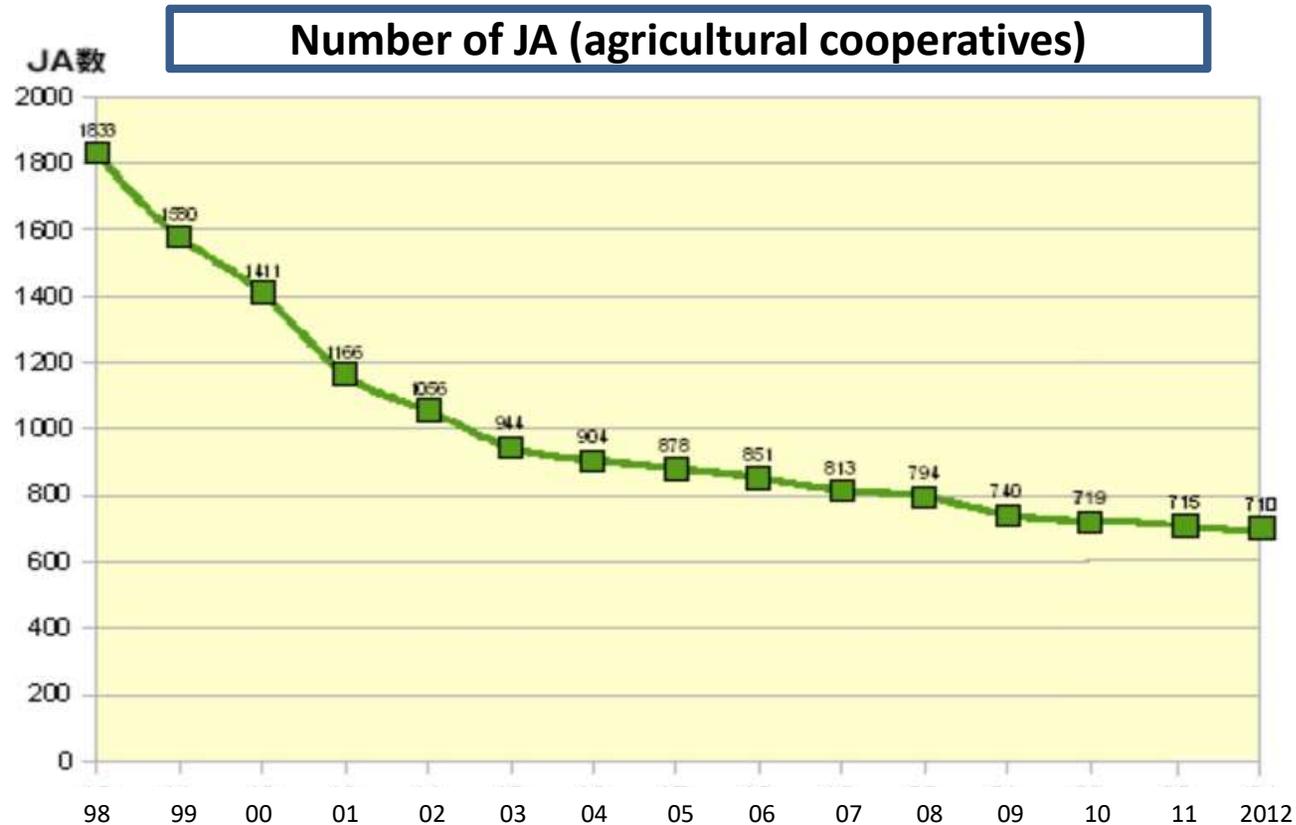
● **Guidance**
 ● **Marketing**
 ● **Mutual insurance**
 ● **Credit**



1. What is JA?

(4) Amalgamations of cooperatives

- Numbers of JAs have decreased from over 13,000 in the 1950's to 550 as of October 2022.
- These amalgamations are aimed to strengthen their market power and improve efficient management.



1. What is JA?



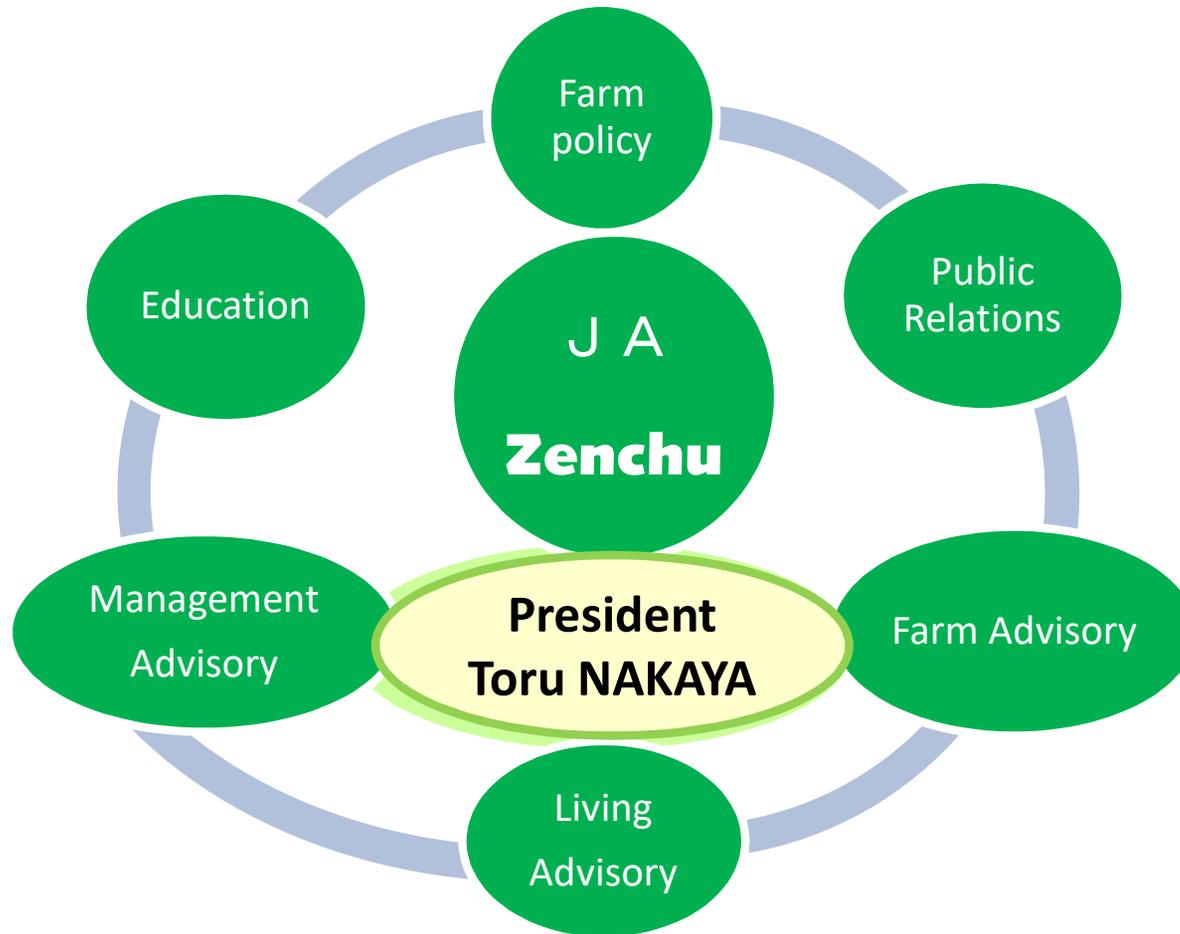
As Japan promotes amalgamation, average size of agricultural cooperatives get larger in terms of number of members as well as employees.

【Number of Agricultural Coops and its average size】

	1970	1980	1990	2000	2005	2022
Number of Coops	6,000	4,500	3,500	1,300	900	550
Members (per coop)	1,200	1,700	2,400	6,400	10,000	19,000
Employees (per coop)	40	64	83	190	260	360

1. What is JA?

(5) JA Zenchu and its roles



2. Experience on Amalgamation

(1) Abstract and Executive Summary

1. Japanese agricultural cooperatives have promoted amalgamation, to improve marketing/business/finance of the cooperatives.
2. Amalgamation is being promoted voluntarily through democratic process.
3. Government supported the amalgamation mainly with tax incentives.
4. Role of “the unions of agricultural cooperatives” is unique in Japan.
5. There is no numeric indicators on ideal amalgamation, while some prefectures have established one cooperative as an end.
6. Amalgamation should be well-prepared for a brand-new, sustainable and financially-sound cooperative.

2. Experience on Amalgamation

(2) Amalgamation and Development of Cooperatives

- **Agricultural Cooperatives in Japan have promoted amalgamation since its establishment in 1950s.**
- **Amalgamation aims to strengthen marketing power and improve business efficiency and finance condition of the cooperatives.**

【Purpose/advantage of amalgamation】

- ✓ **Advantage of scale (production/marketing/finance)**
- ✓ **Sustainability**
- ✓ **Branding**
- ✓ **Expertise in business**
- ✓ **Sound and strong finance**
- ✓ **Efficiency**
- ✓ **Better management and governance, etc.**

2. Experience on Amalgamation

(3) Government Policy and Law for Coop Amalgamation

- Approval by the government is necessary for every amalgamation.
- Japanese government supported amalgamation of agricultural cooperatives since 1950s.
- Tax incentives were the main measure to support amalgamation.

【Government Policy to support amalgamation of Agricultural Coops】

- ◆ Incentive payments for capital increase and interest subsidy for debt reduction upon amalgamation (in 1950-1960s)
- ◆ Tax incentives upon amalgamation (in 1960-2010s)
- ◆ Main purpose of the government policy
 - A) To promote sound and efficient business operation of coops
 - B) To help small coops in bad business condition(in 1950s)
 - C) To strengthen business and finance of coops under financial liberalization (in 1990s)

2. Experience on Amalgamation

(4) Principles and Process of Coop Amalgamation

- Japanese agricultural cooperatives decide its basic policy at the JA National Congress every three years.
- Principles and targets for amalgamation were also resolved.

【Resolutions at the JA National Congress】

■ 1967 Congress

- Promote **voluntary amalgamation** to decrease small coops

■ 1970 Congress

- Promote amalgamation **to facilitate a farming complex** in each coop

■ 1982 Congress

- Promote amalgamation **to cover the same area of local government**

■ 1988 Congress

- Promote amalgamation **to realize 1,000 coops in total by 2000**

2. Experience on Amalgamation



**Typical process of coop
amalgamation
(takes 2-3 years)**

Research/discuss purpose of amalgamation



Establishment of amalgamation council



Review finance/business plan/contract



Amalgamation contract for a new coop

2. Experience on Amalgamation

Case Study

JA TOPIA Hamamatsu (amalgamated in 1995)

- Number of participating cooperative; 14
- Total annual farm sales; 170 million US dollars
- Total savings; 50 billion US dollars
- Number of Cooperative Members; 70,000



2. Experience on Amalgamation

Case Study

JA TOPIA Hamamatsu

- Reorganization/amalgamation of producer groups
- Joint sales with a single brand name
- Consolidation of small farming/business facilities
- Strengthening functions of headquarters



2. Experience on Amalgamation

Case Study

JA TOPIA Hamamatsu

- New opening of several large Farmers Markets
- Reuse of unprofitable facilities



2. Experience on Amalgamation

(5) Role of Coop Movement in Coop Amalgamation

- Amalgamation should be **voluntary**, not mandatory
- Amalgamation should be done through **democratic** procedure
- **Role of prefectural union of agricultural cooperatives** is important

【Role of Prefectural Union at amalgamation】

- ◆ Local agricultural cooperatives are members of the union
- ◆ The union plays as a mediator, a consultant, or an adviser
- ◆ Participating cooperatives of an amalgamation get necessary information and advice from the union
- ◆ The union also provides guidance on business/finance/governance after the amalgamation

2. Experience on Amalgamation

(6) Indicators of large and well-governed Cooperatives

- There is no numerical indicators on the ideal amalgamation
- The Maximum amalgamation of agricultural cooperative in Japan covers a whole prefecture (province)
- JA Zenchu provides an “amalgamation handbook” to support proper amalgamation for its member cooperatives

【Contents of JA Zenchu “Amalgamation Handbook”】

- ✓ Full understanding of the purpose/significance of amalgamation
- ✓ Scrutinization of the amalgamation plan (business/**finance**/governance)
- ✓ Agreement on the amalgamation contract
- ✓ General assembly on amalgamation
- ✓ Registration of amalgamation

2. Experience on Amalgamation

(7) Conclusion and Recommendation

- Amalgamation should **not** be just “binding of the same old cooperatives”.
- Amalgamation should be well-prepared for a brand-new, sustainable and financially-sound cooperative.

【Priority considerations on cooperative amalgamation】

- ✓ What are **advantages/disadvantages** of amalgamation?
- ✓ Does the amalgamation reconstruct old **business model**?
- ✓ Does the new cooperative continue to get **enough revenue**?
- ✓ Do all participants **disclose financial data** properly?
- ✓ Do participants dissolve **bad debt** before amalgamation?
- ✓ What is the **philosophy** of a new cooperative (for the business, region, cooperative members, management, employees)?
- ✓ How do they establish a good **governance, internal control, and human resource management**?

Amalgamation is not an end.
It is a start
for further development.