

Characteristics of agricultural cooperatives' self-reform and its challenges: with a special focus on primary cooperatives' efforts to enhance agricultural production

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■ Abstract

The self-reform that agricultural cooperatives or so-called JAs (Japan Agricultural Cooperatives) in Japan are urged by the government to take necessary measures to carry out are composed of (i) marketing members' farm products under the most advantageous conditions for members, (ii) supplying members with production inputs on the most favorable terms for them, and (iii) shifting some of JA's human resources from financial businesses to agriculture related businesses. On the other hand, the self-reform which has been put into practice by the JAs at the grass-root level, naturally aiming at achieving these targets, has a common characteristic feature of being a member-driven reform in the sense that various members not only take part in the process of drafting a reform scheme, but they play a vital role in implementing the scheme. The JA self-reform has another characteristic feature of extensive and diversity, which exists in targets, business activities and other fields to be reformed, as well as in periods of time for implementing a reform program, since respective JAs' self-reforms are being conducted based on actual conditions and changes of both the various members and regional agriculture. It could be said that JAs are making respective efforts to implement their self-reforms by taking their inherent advantages as a cooperative organization.

According to a survey conducted by the Ministry of Agriculture, Forestry and Fisheries (MAFF), however, there appears to be a perception gap about implementation of the self-reform between JAs and core farmers named as certified farmers. It is yet difficult for JAs to have a full grasp of the results of their self-reform in the form of data. Some of these results are hardly evaluated with short-term data because they need to be achieved by taking necessary measures in a long-term project. Nevertheless, the JAs are now required to make further efforts to publicize the measures and tangible achievements of their reform programs to the administration, the people and their members.

■ Introduction

Looking back on Japan's postwar history, we can find out that the Japanese government has not only made proposals on reform of agricultural cooperatives, but also implemented policies for the reform centering on revisions of relevant regulations several times, while agricultural cooperatives have also continuously carried out their reform by themselves. An ongoing reform of agricultural cooperatives is regarded as one of these movements. The

latest reform, however, is considered as a reform that should be placed among historically major ones, because even if we limit our focus on just amendment of the Agricultural Cooperatives Act, which was put into effect in April 2016, significant changes were widely made in related provisions.

Since the Agriculture Working Group of the government's Council for Regulatory Reform submitted "Opinions on Agricultural Reform" in May 2014, a series of movements, including government's proposals and law amendment, have continued to urge agricultural cooperative organizations to do their reform: enforcement of the "amended Agricultural Cooperatives Act" in April 2016, enforcement of the "Agricultural Competitiveness Enhancement Support Act" in August 2017, annual implementation of the "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan", and the like.

In November 2014, the nation-wide organizational network of agricultural cooperatives called the JA Group began to cope with the above-mentioned movements by deciding its basic policy of "Self-reform of the JA Group", which was followed by "JA's Challenge Aimed at Creative Self-reform", a resolution adopted at the National Conference of Agricultural Cooperatives held in October 2015. In September 2016, furthermore, direction of the JA Group's reform was publicly demonstrated with "JA Group's Efforts and Proposals toward Realization of 'Increasingly Attractive Agriculture and Rural Areas'". Based on these policy documents, primary agricultural cooperatives and their federal organizations at prefectural and national levels are now promoting implementation of their self-reforms respectively (See Table 1).

Only less than one and a half years, however, are left before the "JA Reform Intensive Promotion Period" set by the government ends in May 2019.

The purpose of this paper is to discuss challenges faced by primary agricultural cooperatives (hereinafter referred to as "JA" or "JAs" except quotations) in carrying out the JA self-reform, basing on its background and current situation with a special focus on the reform for vitalization of agricultural production in respective regions.

1. JA self-reform desired by the government

1.1 Challenges to be tackled in JA self-reform urged by the government

The section of "JA Reform" of the "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan", revised on December 8, 2017, described the JA self-reform with specific contents, saying "Primary agricultural cooperatives are required to implement their respective business managements by making it the highest priority to offer the most favorable terms to member farmers in the marketing business of their farm products as well as in the supplying business of production inputs". Moreover, this section concludes by stating "Agricultural cooperative organizations are strongly urged to carry out their self-reform over next five years designated as the JA Reform Intensive Promotion Period", which message of the government had been continuously repeated in the revised Vitalization Creation Plan since it was first revised on June 24, 2014.

The similar message is also seen in a document of the government named "Outline of Regulations and Other Policy Measures based on the Relevant Decisions made by the Ruling Parties", which was announced in February 2015. In this document, implementation measures for the "Promotion of Reforms of Agricultural Cooperatives,

Table 1 Initiatives taken by the government on JA reform and those by JAs on their self-reforms

| Month/Year | Initiatives taken by the government on JA reform | Initiatives taken by JAs on their self-reforms |
|------------|---|---|
| Nov. 2013 | "Future Direction of Agricultural Reform" submitted by the Council for Regulatory Reform | |
| Dec. 2013 | "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan" | |
| May 2014 | "Opinions on Agricultural Reform" submitted by the Agriculture Working Group of the Council for Regulatory Reform | |
| June 2014 | "Promotion of Reforms of Agricultural Cooperatives, Agricultural Committees and Other Related Organizations" decided by the ruling | |
| Nov. 2014 | | "Self-reform of the JA Group" decided by JA-ZENCHU |
| Aug. 2015 | Enactment of the Bill for Amendment of the Agricultural Cooperatives Act | |
| Oct. 2015 | | "JA's Challenge Aimed at Creative Self-reform" adopted at the 27th National Conference of Agricultural Cooperatives |
| Apr. 2016 | Enforcement of the amended Agricultural Cooperatives Act | |
| Sep. 2016 | | "JA Group's Efforts and Proposals toward Realization of Increasingly Attractive Agriculture and Rural Areas" decided by JA-ZENCHU |
| Nov. 2016 | "Opinions on Reform of Agricultural Cooperatives" submitted by the Agriculture Working Group of the Council for Promotion of Regulatory Reform (*) Decision on the "Agriculture Competitiveness Reinforcement Program" Revision of the "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan" | |
| Mar. 2017 | | "Business Plan for Fiscal Year 2017" decided by ZEN-NOH "Measures taken by ZEN-NOH to respond to the Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan" publicized by ZEN-NOH |
| July 2017 | Announcement of the result of "Survey on JA Self-reform" | |
| Aug. 2017 | Enforcement of the "Agriculture Competitiveness Reinforcement Support Act" | |

SOURCE: Compiled by the author from information available on websites of the Ministry of Agriculture, Forestry and Fisheries (MAFF), JA-ZENCHU (Central Union of Agricultural Cooperatives), the Cabinet Office of the Government of Japan, and other related organizations.

(*)Note: The Council for Promotion of Regulatory Reform, which is the successor organization of the Council for Regulatory Reform, was launched in September 2016.

"Agricultural Committees and Other Related Organizations", decided in June 2014 by the ruling parties of the Liberal Democratic Party (LDP) and LDP's coalition partner Komeito, were classified into two parts: regulatory reforms including amendment of the Agricultural

Cooperatives Act and other regulations, and self-reform to be carried out by agricultural cooperative organizations themselves. As shown in Table 2, the document of the government tells us that what JAs are required to do for achieving their self-reform covers areas which will not require any amendments of the Agricultural Cooperatives Act and other relevant regulations. Namely, in a part of the document concerning how primary agricultural cooperatives should fulfill their functions, the government clarified its basic stance by urging JAs “(i) to aim at maximizing returns in marketing farm products by undertaking a appropriate risk in the proper ways such as gradual expansion of sales of farmers’ products with a so-called “buy-out” system set with a numerical target, and (ii) to purchase production inputs and other materials for member farmers with a choice of the most advantageous procurement channel from among JA’s organizations such as the ZEN-NOH (National Federation of Agricultural Cooperative Associations) and Keizairen (Prefectural Economic Federation of Agricultural Cooperatives), as well as other private suppliers by fully comparing their offered prices and qualities respectively”. Regarding these two points, the governmental document noted “they will not be subject to amendment of relevant laws and regulations”. The administration, furthermore, added in the document that they would keep an eye also on how the implementation of self-reforms of the entire JA Group organizations ranging from primary JAs to The Norinchukin Bank (Central Cooperative Bank for Agriculture, Fisheries and Forestry), Shinren (Prefectural Credit Federations of Agricultural Cooperatives), and ZENKYOREN (National Mutual Insurance Federation of Agricultural Cooperatives) will make it possible for the JAs to shift some of their human resources from credit and insurance business to agriculture related businesses. Finally, the government’s document concluded that matters other than above-mentioned issue, concerning how primary agricultural cooperatives should fulfill their function, would be subject to amendment of related laws and regulations.

1.2 Administration’s supervision and follow-up

It is also worth noting, in this context, that the “self-reform” by the government is far from independent efforts, implementation of which would be left to the agricultural cooperative sector itself.

With the “Implementation Plan for Regulatory Reform” launched by the Cabinet in June 2014, the government “strongly requested JAs and the JA Group to promote their respective self-reforms with a serious sense of crisis based on the policy direction indicated herewith over the next five years designated as the JA Reform Intensive Promotion Period”. Responding to this, JA ZENCHU (Central Union of Agricultural Cooperatives) decided its position paper of “Self-reform of the JA Group” in November 2014. In the same month, nevertheless, the Council for Regulatory Reform publicly announced its “Views on Overhaul of Agricultural Cooperatives” to make its own proposal on the direction of JA reform, which was different from that of the “Self-reform” launched by JA ZENCHU, meaning that a part of JA ZENCHU’s proposal on the JA self-reform did not follow the policy direction of the administration. As mentioned before, furthermore, the Agricultural Cooperatives Act was amended in August 2015. Namely, it can be considered that JAs and the JA Group have been provided with a framework for implementing their self-reform, in which they are urged to undertake necessary measures other than policy measures taken by the government under the amended Act.

Table 2 An excerpt from “Outline of Regulations and Other Policy Measures based on the Relevant Decisions made by the Ruling Parties”, concerning the way that primary agricultural cooperatives should be

| “Promotion of Reforms of Agricultural Cooperatives, Agricultural Committees, etc.” decided by the ruling parties in June 2014 | Outline of Regulations and Other Policy Measures |
|--|--|
| (1) Primary JAs should be required to implement their respective business managements by making it the highest priority to offer the most advantageous conditions for member farmers in the marketing business of their farm products, which needs to be coordinated with JA’s farm guidance activities, as well as in the supplying business of production inputs. | |
| <ul style="list-style-type: none"> ○ Primary JAs should be required to aim at maximizing returns in marketing their farm products by undertaking a necessary risk by themselves in the proper ways such as gradual expansion of sales of farmers’ products with a so-called “buy-out” system set with a numerical target, in collaboration with the ZEN-NOH(National Federation of Agricultural Cooperative Associations) and Keizairen(Prefectural Economic Federation of Agricultural Cooperatives). ○ Primary JAs should be required to purchase production inputs and other materials with a choice of the most advantageous procurement channel from among JA’s organizations such as ZEN-NOH and Keizairen, as well as other private suppliers by fully comparing their offered prices and qualities respectively. | <ul style="list-style-type: none"> ○ Amendments of relevant laws and regulations are not necessary. Instead, self-reform implementation by primary JAs, ZEN-NOH, and Keizairen should be closely observed. ○ Amendments of relevant laws and regulations are not necessary. Instead, self-reform implementation by primary JAs, ZEN-NOH, and Keizairen should be closely observed. |
| ○ Primary JAs should be required to minimize burdens or risks of financial businesses in their management in collaboration with the Norinchukin Bank, Shinren, and the ZENKYOREN so that agricultural cooperatives can shift their human and other resources from financial businesses to agriculture related business. | ○ Amendments of relevant laws and regulations are not necessary, because the JA Bank Act, enforced in 2001, already incorporated provisions concerning the necessity of collaboration among primary JAs, the Norinchukin Bank and Shinren. Instead, self-reform implementation by primary JAs, the Norinchukin Bank, Shinren, and ZENKYOREN should be closely observed. |

SOURCE: “Outline of Regulations and Other Policy Measures based on the Relevant Decisions made by the Ruling Parties”.
(http://www.maff.go.jp/j/kanbo/saisei/zenkoku_kyogikai/pdf/siryo1_2houseido_kokkaku.pdf)

JA’s direction, progress, and core farmers’ evaluation on performance of the JA self-reform shall be made subject to administrative supervisions such as the inspection. In the “General Guideline of the Supervision over Agricultural Cooperatives, Federations of Agricultural Cooperatives and Agricultural Producers’ Cooperative Corporations (except agricultural cooperatives engaged only in credit business or mutual insurance business) of the Management Improvement Bureau of the Ministry of Agriculture, Forestry and Fisheries (MAFF)”, which was latest revised in April 2016 (hereinafter referred to as the “Supervision Guideline”), “implementation of self-reform” was newly added to a list of evaluation items. As the points of supervision, the Supervision Guideline orders inspectors

to make inspection on the followings: “(i) whether concrete measures necessary for the self-reform have been considered and put into practice after having a thorough dialogue among member farmers, especially core farmers, JA’s executives and staff members? (ii) whether JA has regularly check the progress of its self-reform, have a full grasp on how its core farmers and other farmers evaluate JA’s efforts for the self-reform, and review its approaches to the reform when needed”. The Guideline further provides that “If supervisors’ hearing, based on these points of supervision to grasp actual conditions of JA’s efforts for the self-reform, finds out that concrete measures for the reform have not been yet taken by the JA concerned, the JA should be guided to work on”. The Guideline also states that “the administration authority itself should make a periodical survey on how core farmers and other farmers evaluate their JA’s efforts made for its self-reform, and provide the JA concerned with guidance on improvement of its efforts if the authority finds it necessary”. MAFF already conducted the “Questionnaire Survey on JA Self-reform” targeting at JAs, certified farmers and others in fiscal years of 2016 and 2017, a result of which was publicized in July 2017.

The Council for Promotion of Regulatory Reform, moreover, declared to make a follow up of the progress in the JAs’ self-reform, suggesting that the Council has the potential to submit another proposal when needed.

In addition, the amended Agricultural Cooperatives Act stipulates in its supplementary provision (Article 51) that “actual implementation of the JA reform” shall be surveyed almost within five years since the date of enforcement of the Act or by March 2021, the result of which survey be taken into consideration on whether it is necessary for the administration to take policy measures for the agricultural cooperative system. It also provides that conclusion on the restriction of associate members’ use of the services provided by JAs shall be drawn by the same time.

2. JA Group’s self-reform: “JA’s Challenge Aimed at Creative Self-reform”, resolution adopted at the 27th National Conference of Agricultural Cooperatives

The 27th National Conference of Agricultural Cooperatives held in October 2015 highlighted and focused the self-reform to be pursued by JAs and JA group named “JA’s Challenge Aimed at Creative Self-reform”, which was adopted at the Conference and put into practice in a period from fiscal 2016 to 2018. The Resolution says that the “Creative Self-reform” is a “reform that every JA respectively pursues aiming at developing itself into an organization essential for agriculture and life in the region by actively operating various businesses and organizational activities with its own originality and ingenuity based on diversified conditions of agriculture and societies in the region to fulfill its purpose of realizing members’ wishes”. The future model that the JA Group should pursue was demonstrated in the Resolution with the following targets: (i) realization of sustainable agriculture, (ii) realization of affluent and resident-friendly regional societies, and (iii) fulfillment of its role as a cooperative organization.

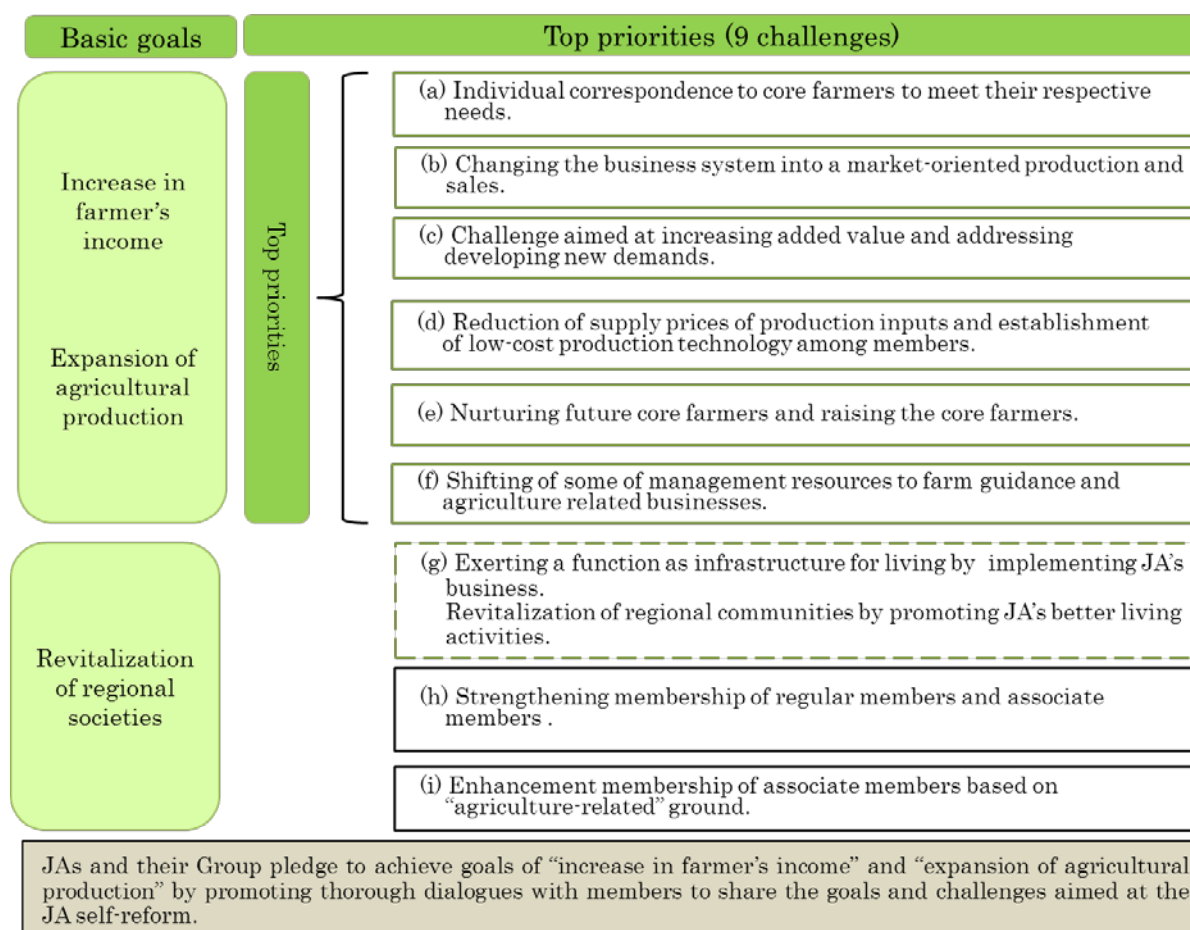
The Creative Self-reform set forth basic goals of achieving “increase in farmer’s income”, “expansion of agricultural production”, and “revitalization of regional societies”. All the JAs in the country committed themselves to take their respective measures particularly to tackle their “top priority challenges” of “increase in farmer’s income” and “expansion of agricultural production”, recognizing that the former is what member farmers most highly expect JA to pursue, while the latter is a challenge aimed at securing stable supplies of

safe and reliable products of agriculture and livestock farming in response to expectations of local residents.

Regarding the increase in farmer's income, JAs pledged that they would take necessary measures to raise sales prices of member farmers' products by promoting advantageous marketing, expand demand-oriented agricultural production, and reduce farmers' production costs.

Concerning the challenge of how to carry out the self-reform, the Creative Self-reform stated that JAs would steadily put into practice their respective action programs of the self-reform based on members' needs that the JAs grasp through thorough dialogues with the members. The self-reform further stated that measures for the self-reform should be incorporated into JA's mid-term management plan, and a process chart of self-reform be made for steady implementation of these measures. Moreover, JAs' federations and unions at prefectural and national levels also pledged to provide strong supports to JAs promoting their respective self-reforms (See Figure 1).

Figure 1 Three basic goals and top priorities of the JA self-reform



SOURCE: Compiled from the "JA's Challenge Aimed at Creative Self-reform" decided by JA-ZENCHU in October 2015.

As seen from the above, the direction of the self-reform announced with the Resolution of the 27th National Conference of Agricultural Cooperatives was what the JA Group tried to make a response to the "JA reform" urged by the government, amendment of the

Agricultural Cooperatives Act, and the strong request made by the administration to the JA Group for implementation of its self-reform. In addition, recognizing increasingly severe conditions surrounding agriculture and distressed economy in rural areas, JA Group resolved to aim not only at meeting members' expectations and demands regarding reinforcement of JAs' services such as farm guidance, marketing and supply businesses, but also at addressing challenges faced by members in their life. At the same time, they pledged to aim at meeting the people's expectation for stable supplies of safe and reliable products of agriculture and livestock farming as well as for an increase in food self-sufficiency ratio of the country. Therefore, the self-reform decided at the JAs' Conference became a challenge seeking to cope with a wider range of areas than what was urged by the administration. Namely, JAs committed themselves to fulfil the hopes of not only core farmers, but also their whole members and the residents in their respective regions. This basic concept of the reform has become a basis of the self-reform that was worked out by every JA throughout the country.

3. On-site reports on JA self-reform

3.1 Reports made from three perspectives

Every region has its own agriculture, economic conditions, and history, which are respectively diversified. Since every JA has worked out its self-reform scheme based on the "Creative Self-reform", we may say, "As many JAs, as many self-reforms" in the country. In this section, on-site reports on self-reform promoted by four JAs and three prefectural JA Groups will be made from the following three perspectives.

The first perspective is that JA should seek members' opinions and reflect them in its self-reform. "A thorough dialogue between members and JA" is what the government urged for the self-reform and was also emphasized in the Resolution of JAs' National Conference. From this perspective, self-reform of the JA Nagano Prefectural Group, which most significantly took members' views and wishes into consideration, as well as that of JA Matsumoto Highland, which made advanced efforts to ask for members' opinions, will be outlined in this section.

The second perspective is that member farmers should play a leading part in JA self-reform. Farmers are required to play the major role in achieving the basic goals of the Creative Self-reform, "increasing farmer's income" and "expanding agricultural production". It is only natural that farmers should aim for their income growth and realize increases in their farm income and agricultural production with supports provided by the JA Group including JAs. Activities of JA Miyazaki Prefectural Group and JA Miyazaki-Chuoh will be reported with special reference to their remarkable results achieved in the income growth and production increase by encouraging commodity groups of producers to play a central role as core organizations in the JA self-reform.

The final perspective is that JA self-reform should cope with changes. Agriculture and farmers have been changing. That is why JAs are required to implement their own reform. Especially in rice producing areas, structural change of agriculture has been taking place at grass-root level: (i) Scale expansion of agricultural management entities and incorporation have been accelerated along with a decrease in aged and small-scale farm households, including retired farmers belonging to so-called "Showa single-digit generation" who were born between 1926 and 1934, and (ii) Production of rice for staple food has been partly shifting to cultivations of feed rice and horticultural commodities. Focusing on the self-reforms swiftly coping with these changes in the rice producing areas, activities of JA Green-Ohmi in Shiga prefecture, JA Niigata Prefectural Group and JA Echigo-Nagaoka in the Niigata prefecture will be introduced.

Based on the above-mentioned perspectives, the JA Nagano Prefectural Group, JA Matsumoto Highland, the JA Miyazaki Prefectural Group and JA Miyazaki-Chuoh will be introduced respectively, focusing on reflection of members' opinions in the JA self-reform and initiatives taken to realize farmer's income growth. Activities promoted by the JA Green-Ohmi, the JA Niigata Prefectural Group and JA Echigo-Nagaoka will be generally sketched out, focusing their respective self-reform for regional agricultural development.

3.2 Reflection of members' opinions in JA self-reforms

(a) JA Nagano Prefectural Group

In the self-reform carried out by the JA Nagano Prefectural Group, a great deal of importance has been attached to dialogues with members, who are regarded as leading partners constituting an agricultural cooperative. The on-site report on the Group will focus on this point which is considered as one of its characteristic features.

At the 69th Nagano Prefectural Conference of Agricultural Cooperatives held in November 2016, priority for the self-reform of the JA Nagano Group was given to achievement of two goals of "increase in farmer's income" and "development of member-driven JAs' activities". With a view to achieving the former goal, JAs in the prefecture set forth a common target figure of "10 percent farmer's income growth" and committed themselves to (i) increase members' production of farm commodities and their sales turnover by 5 percent respectively, (ii) reduce farmers' total production costs by 5 percent, and (iii) activate door-to-door visit activities for facilitating better communication with leading core farmers with an up-to-date list of those farmers. To attain the latter goal of the "revitalization of member-driven JAs' activities", the JAs also committed themselves to "improve their organizational system of receiving opinions and complains from members as well as to increase JA's opportunities to listen to those of members".

Progress of all the efforts made by JAs and federations in the prefecture has been checked every half year with a "summary table of implementation management of self-reform action programs". According to the progress review for the fiscal year of 2016, it was reiterated that all the JAs of the prefectural Group would be further required to work as one to strengthen their activities to promote dialogues with members, and thereby to achieve improvement of members' satisfaction with JA's services, although there were some evident signs of improvement in the organizational system of receiving opinions and complains from members as well as in increased opportunities to listen to those of members".

At the Nagano Prefectural Conference of Agricultural Cooperatives held in November 2017, it was reconfirmed that results of JA self-reform should be finally evaluated by members, not by JA itself. It was also reconfirmed necessary for every JA to keep face-to-face communication with members so as to listen to their opinions and requests earnestly, promote mutual understanding between members and JA, and raise their awareness of participation in JA so that every JA can be sustained as an "indispensable organization" for members and a regional society in the future by autonomously achieving full implementation of the JA self-reform. From this viewpoint, the Prefectural Conference adopted the resolution on "strengthening of JA's activities to promote dialogues with members" together with that on "steady implementation of self-reform addressing challenges by looking ahead to the future".

(b) JA Matsumoto Highland

One of JAs in Nagano prefecture, JA Matsumoto Highland, is currently receiving a lot of attention since the JA has been putting a high priority on activities to promote dialogues with members on implementation of its self-reform.

At the Board of Directors meeting held in September 2014, it was confirmed that it was urgent for their JA to launch its self-reform by initiating thorough discussions with members as well as by sharing challenges faced by members and the JA respectively. The board members reached a decision that their JA should organize forums specially for discussions with members and producer's organizations so that the JA could decide its basic direction toward its self-reform.

Based on this decision, the JA first set up a "JA Reform Study Group" which was consisted of all the board members, auditors, managers, deputy managers and branch managers. At a meeting of the Study Group, participants were provided with information related to the government's Council for Regulatory Reform by the staffs of the Nagano Prefectural Union of Agricultural Cooperatives. And, the participants were divided into small groups of six to seven members to concentrate their group works into discussions on a key subject of what would be necessary for their JA to achieve its reform for years to come.

Next, "JA Reform review meeting" followed, membership of which included part-time directors and auditors, representatives of commodity-wise producers' organizations, president of JA youth group, president of JA women's association, and JA's executive staff members including managers, deputy managers and branch manager. After sharing results of the discussion made at the said "JA Reform Study Group", members of the Workshop were put into small groups of six to seven persons to implement a group work of free talks about the JA reform. They joined discussions at these small groups, which were made up by representatives of JA's various organizations, respectively focusing on three topics of "how JA's marketing business should be operated to increase member farmers' income", "how JA's supply business should be operated to improve satisfaction ratings of members and users" and "how JA's businesses and organizations should be functioned and managed". In the sessions of these small groups' meeting, which the JA regarded as key places to listen to opinions of members, JA's staff members devoted themselves to working only as a secretary of each group. By holding the meeting three times, the JA could receive various views and opinions regarding improvement on members' satisfactions for production inputs, facilitation of agricultural development, and strengthening measures for core farmers.

In addition, the JA Matsumoto Highland held meetings of all the JA's organizations of members at 131 places in total, in which 3,076 members participated to join the discussions.

Based on all the results of above-mentioned meetings, a policy paper named "Self-reform of JA Matsumoto Highland" was decided in January 2015. In this document, "self-reform of the independent and autonomous cooperative" was demonstrated as its principle with its basic goals of "increasing farmer's income", "expanding agricultural production", and "regional revitalization". The three pillars of the self-reform were also put force: "Reinforcing Agriculture", "Enhancing Member's Life", and "Reforming JA's Activities". The "Reinforcing Agriculture", for instance, aimed at (i) reforming JA's marketing business by promoting user need-oriented operation, (ii) strengthening measures for development of regional agriculture and for core farmers, and (iii) making efforts to improve members' satisfaction with JA's supply business of farm inputs.

To cite one example of achievements in the fiscal year 2016, a total area of farmlands cultivated by core farmers, which were promoted in the JA's member-support measure named "Agriculture Reinforcement Support Measure Project", reached 4,878.5 hectares. Price cuts of production inputs, including 2.2 percent price reduction of autumn season fertilizers and 3.9 percent reduction of spring season fertilizers, were realized by early procurement, application of joint purchasing systems, and diversification of suppliers.

In this JA, conference reform has been introduced by applying a method of small-group

talks including above-mentioned group working so that the JA can make all the participants of the meetings express their opinions and put those opinions together into a certain direction of improvement. This type of a meeting system has been also applied to meetings where members and JA staffs exchange views as well as to staff general meetings held at each department twice a year. As the result of this reform, atmosphere has been improved at every meeting, in which the participants more increasingly join the discussions. Members have also been increasing their satisfaction in taking part in JA's meetings. It seems that the reform of meetings has already brought about a good result to members' participation in the JA self-reform as well.

3.3 Member-driven reform for growth of farmer's income

(a) JA Group Miyazaki

In fiscal 2010, the JA Group in Miyazaki prefecture called JA Group Miyazaki launched the first three-year campaign named “Go! Go! Ten-percent Income Growth Campaign” with its top priority being given to increase in farmer's income, which was followed by the second three-year campaign carried out from fiscal 2013 to 2015. In these campaigns, the JA Miyazaki Group was successful in making steady achievements, one of which was a farmer's income increase by 25.5 percent over the target set for the three years in the second campaign. When the Group undertook planning of JAs' self-reform, leaders of the Group decided to continuously develop the said campaign by addressing challenges aimed at “increase in farmer's income” and “expansion of agricultural production”, which were adopted in the resolution of the National Conference of Agricultural Cooperatives held in October 2015. At the 23rd Miyazaki Prefectural Conference of Agricultural Cooperatives convened in November 2015, the participants adopted a resolution on implementation of the third “Go! Go! Ten-percent Income Growth Campaign” from fiscal 2016 to 2018.

The third campaign aims at increasing agricultural incomes of member farmers by 10 percent in the three years over the average income during the previous three years of the second campaign by achieving new targets of improving yields and quality of farm products, which targets were established by both members and commodity-wise producer's organizations. The goal of the third campaign, moreover, was not only to realize a 10 percent increase in the agricultural incomes at respective farm management entities, but also to raise an achievement ratio of average income-growth targets to more than 50 percent of all the farmers. For the purpose of supporting farmers' income growth, all the JAs and their federations in the prefecture are now making their united efforts to tackle the challenges aimed at (i) enhancing JA's sales capabilities, (ii) improving farmers' productivity, and (iii) reinforcing agricultural production base by introducing various business systems including contract transactions and so-called cash-in-advance sales of farmer's products, as well as by reducing farmer's total costs. Effect of this campaign has already been spread over the JA Group Miyazaki to private manufacturers of farm inputs. Some of the manufacturers have begun to supply farmers through JA with production materials prepared specially for the “Go! Go! Ten-percent Income Growth Campaign”, and others have offered special prices of inputs for the “Campaign”. At agricultural machinery exhibitions held in the prefecture, a special booth was set up for the “Go! Go! Ten-percent Income Growth Campaign” as well.

One of the key factors supporting successful implementation of the “Go! Go! Campaign” is named production area analyses of farm commodities. In the data analysis papers of this system, data on individual producers are processed into various tables showing not only a scatter chart and his/her data of sales quantity and sales amount of each commodity per unit area of farmland, but also a sales quantity and sales price per unit area of farmland, ratio of “A class-graded” products and their sales prices. Every member farmer can

recognize his/her ranking among members of the commodity group by comparing his/her sales quantity, sales prices and quality of products with those of other member farmers. These data also make it possible for farmers and their commodity groups to find out challenges faced by themselves and to initiate their reform by addressing these challenges. Furthermore, they are also useful for JA's farm advisers to effectively provide farm guidance to individual producers. These uses of the analysis data have brought about a result leading to increases in agricultural incomes of farmers and their producer's groups. The data used for production area analyses are ones on individual farm management entities, which have been continuously stored at the JA Miyazaki Information Center. This data system is also helpful to have an exact grasp on their agricultural income of farmer who submit income tax returns with "blue-return" forms. The data can be regarded as a kind of infrastructure of JA self-reform.

In fiscal 2016, the first year of the third Campaign, achievement ratio of the income growth target reached 125.1 percent in all the sectors of agriculture (108.1 percent for the sector of crop farming, 168.7 percent for livestock farming). Out of 5,835 farm households joining the Campaign, 3,186 households or 55 percent were successful in raising their agricultural income over the target level.

It is also worth noting that the JA Group Miyazaki have been engaged in businesses such as supplies of bulk blended fertilizers or BB fertilizers and fuels by establishing its own company named Miyazaki Petroleum Base to promote reduction of farmer's expenses paid for farm inputs. Average prices of fertilizers, compound feed and fuels supplied by JAs to farmers in the Miyazaki prefecture have been continuously cheaper than national average prices of those commodities since 2008, showing a growing tendency of the difference with the national average prices in recent years.

(b) JA Miyazaki-Chuoh

JA Miyazaki-Chuoh is an agricultural cooperative, a territory of which covers an area of the capital of Miyazaki prefecture, Miyazaki City and its adjacent Kunitomi Town. Agricultural production centering on greenhouse horticultural crops has been developed in the region, which is famous as a major production area of cucumbers, green peppers, cherry tomatoes, mangoes, and kumquats. The JA Miyazaki-Chuoh put forth its "Go! Go! Ten-percent Income Growth Campaign" and "Most warm-hearted JA in Japan" promoting "consumer-oriented agricultural production" as well as "mutual help-oriented activities" as a basic philosophy, and its executives and staff members have been making united efforts with its member farmers to increase farmer's income and revitalize members' cooperation for better living activities, both of which are regarded as a major part of the JA self-reform itself.

The "Go! Go! Ten-percent Income Growth Campaign" has been implemented, in which each producer group plays a leading role to achieve farm income growth of member producers particularly by improving both yields and quality of their products. All the producer groups began from fiscal 2015 to set up their own targets of expanding acreage of their crop as well as improving its average yield and a ratio of "A-graded" products. To support these groups in achieving their respective targets, each of JA's farm advisers has been serving for a few dozens of farmers belonging to the producer groups not only with technical advices on cultivation improvement, but also with farm management guidance based on a management analysis made for individual farmers by using a data sheet by above-mentioned product analysis system of the JA Group Miyazaki. Moreover, these JA's farm advisers provide guidance on soil improvement by analyzing soil in each plot of farmlands every year so that farmers can keep the soil of their farmlands healthy.

Each commodity-wise producer's group has a common policy of "producers should learn from producers" to upgrade agricultural technology. Under this policy, the producer's group

with JA conducts an activity named “Support Program to Pull up Every Farmer to Top-Level”, in which farmers wishing to improve their production techniques are called to participate in a cultivation improvement seminar held with a “blue-chip farmer” invited as a resource person.

In addition, the JA Miyazaki-Chuoh supports member farmers in increasing both of their agricultural production and farm income diversely. JA’s supply business division has taken measures necessary to reduce farmer’s cost of production inputs particularly by streamlining JA’s supply expenses as well as by increasing supplies of low-cost fertilizers and other materials. And JA’s marketing division expand a business of contract sales of farmers’ products, and recommend farmers to produce consumer need-oriented products.

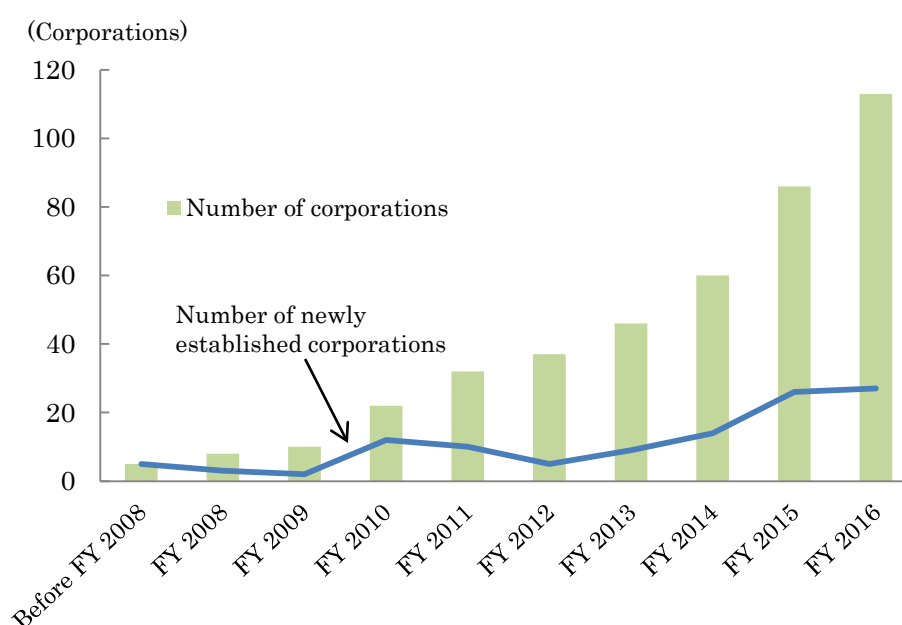
3.4 Response to agricultural structural change in rice producing areas

(a) JA Green-Ohmi

JA Green-Ohmi is located at the Eastern Ohmi region in Shiga prefecture. The territory of the JA Green-Ohmi is known as a rice production area, in which paddy fields occupy as much as 95 percent of its total arable lands counting 13,500 hectares.

For almost ten years, the JA has been supporting farmland consolidation to core farmers playing a leading role in the community-based farm management organizations, as well as nurturing of future core farmers. As a result, the number of certified farmers in the region, who are regarded as core farmers, reached 616, and community-based agricultural producers’ cooperative corporations increased to 111 entities as of August 2016. The JA made investments in most of these corporations which are all affiliated with the Network Council of JA-invested Farm Corporations (See Figure 2).

Figure 2 Increase in community-based agricultural producers’ cooperative corporations established in the region of JA Green-Ohmi



SOURCE: Compiled from the “Sixth Regional Agricultural Development Strategy for Fiscal Years from 2017 to 2019”, Green-Ohmi Agricultural Cooperative.

All the community-based agricultural producers cooperative corporations have been kept in surplus, and member farmers of these organizations, who had been suffering deficit balance in agriculture before participating in the organizations as members, can now receive dividends from the corporations with their farmlands being invested in the organizations. It can be considered from a long-term perspective that JA's support to promote businesses of community-based farm management entities has led to the growth of those members' farm income.

The JA Green-Ohmi deepened its discussions with representatives of members to work out a scheme of its self-reform in three months from December 2014 to February 2015, mainly at meetings of its 15 branch offices' organizations with members and JA staff called the "Branch Communication Committee". These Communication Committees organized at branch office level consist of 158 members in total, including representative members of the JA's general assembly, chairpersons of village, representatives of JA member's organizations such as the JA women's association and the JA youth organization, and members of the JA Business Management Commission. The meeting of the Committee had two sessions, which were followed by three sessions of the "JA Organization Consideration Committee", representing various members' organizations at the head office level of the JA Green-Ohmi. This Committee has 27 members including representatives of JA Branch Offices Communication Committee, the Network Council of JA-invested Farm Corporations, the JA women's association and the JA youth organization, members of the JA Business Management Commission, and JA Board members.

Members' views and opinions expressed at these sessions of the said Committees were summarized mainly into five points requesting their JA to: (i) strengthen JA's farm guidance activities and agriculture related businesses, (ii) provide members with information useful for their life, (iii) autonomously launch JA's original activities, (iv) strengthen relationship with members, and (v) continue being an agricultural cooperative that prizes a close tie with the regional society. Regarding a future direction to be pursued by the JA Green-Ohmi, views and opinions of representative members were integrated into a consensus that the "JA Green-Ohmi should be engaged in activities contributing to enhancement of both agriculture and member's life, and continue to be a necessary organization with its presence in the region". Based on the results of dialogues in members representing JA's various organizations, the JA decided a basic policy paper named "Five targets of JA Green-Ohmi's self-reform to be achieved unitedly with members", addressing the challenges aimed at: (i) maximizing its efforts to facilitate agricultural and social development in the region, (ii) accelerating a shift of the business operation system to meet diversified needs of members, (iii) strengthening JA's business operation system (governance), (iv) reinforcing measures necessary to nurture and increase future core farmers, and (v) strengthening activities to develop human resources for promotion of cooperative activities as well as to forge a closer relationship with members. JA's policy of implementing priority measures required to tackle these challenges was incorporated into its fiscal 2015 and 2016 business plans, and into both of its mid-term management plan and regional agriculture development strategy that started in 2017. "JA Green-Ohmi's Road Map for Self-reform", furthermore, was worked out to clarify specific details of the self-reform, its numerical targets, and the implementation schedule. Information on the Road Map is accessible to JA's staffs, members and residents in the region on the JA's website and at the reception of every JA's office.

For the purpose of increasing farmer's income, the JA Green-Ohmi has been providing various services to farm management entities in such forms as proposals, supports and guidance, depending upon types of the entities. For instance, JA's 11 farm management advisors; called a "Team for Agricultural Coordination" or TAC members, are engaged in providing various proposals to core farmers. Community-based agricultural management

corporations and other types of farm management corporations, particularly, they propose to incorporate a farming business, to upgrade management of agricultural corporations, to introduce new horticultural crops into cultivation of paddy fields, and to cut down production costs by reducing fertilizer usage with application of BB fertilizers. JA's "Support Business for Innovating Core Farmers' Farm Management" called "TAC Challenge Business", to which the JA allocates an annual budget of eleven million yen, is also useful for TAC members particularly to make proposals to core farmers on a new challenge aimed at cultivating vegetables in paddy fields. The Farm Guidance and Agriculture Related Business Section of JA's each branch office, on the other hand, has been providing former rice producers, who leased out their paddy fields to core farmers, with a proposal that they should develop their farming of producing family-consumption crops to establishment of a new small production area of horticultural special crops. JA has selected their new commodity such as carrots, ginger, or Japanese angelica-tree buds, as a key crop of the new production area. In each branch office, the farm advisors are now engaged in works of organizing farmer's seminar on cultivation of respective new crops and field guidance on their farms in collaboration with agricultural improvement and extension offices of prefectural government. In addition, female members and aged members of farm households, and farm management corporations are also provided with a proposal on a new project, in which they are persuaded to start cultivation of flowers in containers at large-scale green-houses operated by community-based farm management organizations to grow rice seedlings during a certain period of a year.

In the marketing business, the JA Green-Ohmi plans to offer a new diversified system of paying sales amounts to member farmers, under which members will be able to make a choice of their favorable way, depending on a kind of crop and use of commodity in the market, from among lump-sum payment upon shipment, early bulk-reimbursement, and existing pool-accounting. In addition, incentives have been additionally paid to producers of high-quality rice.

JA's information on sales prices of members' products as well as on supply prices of production inputs are disclosed to members. This information enables members to compare prices of private stores with JA's prices of production materials, and JA's delivery charges in the current and previous year.

Moreover, the JA was selected as one of the model JAs in the ZEN-NOH's nation-wide project to increase farmer's income in collaboration with the Shiga Prefectural Headquarters of ZEN-NOH. During two fiscal years of 2016 and 2017, as many as 10 types of plans were put into practice in these farm guidance activities, including comparison of high-yield rice, labor saving with high density seedling of paddy rice, labor saving with an onion harvester machine.

(b) JA Group Niigata

The JA Niigata Prefectural Group called JA Group Niigata decided "Farm Guidance and Agriculture Related Business Reform Plan of the JA Niigata Prefectural Group" in October 2015. Before drafting the Reform Plan, the JA Group Niigata conducted surveys of both farmers and JAs with respective questionnaires. Farmers' intentions primarily on their future efforts to increase agricultural income as well as on their requests to be made to their JAs were surveyed for farmers affiliated to the Prefectural Association of Agricultural Management Corporations, the Prefectural Council of Agricultural Production Organizations, and other related organizations. The survey of the JAs in the prefecture were simultaneously carried out to find out what measures JAs need to strengthen to increase agricultural incomes of farmers, and to reduce their production costs and support their farm management (See Table 3). Based on the results of these surveys, a future vision of agriculture in the prefecture, that the JA Group should pursue

to achieve, was designed to (i) establish and promote “agriculture based on market-oriented agriculture”, and (ii) realize regional agriculture which is to be developed in balanced manners by both farm management entities as core farmers and various types of other farmers. The basic direction of its self-reform, furthermore, was decided to aim at (i) expanding agricultural production by drastically strengthening measures to be taken for core farmers, (ii) promoting JA’s marketing and supply businesses contributing to farmer’s income growth, (iii) realizing steady implementation of the reform by JA’s regional agriculture development strategy, and (iv) consolidating JA’s own system of organizational management and governance to facilitate reform of its farm guidance and farm related business operation.

In this context, it is worth noting that the JA Group Niigata decided to aim at realizing balanced development of regional agriculture by providing JA’s supports to both of farm management entities as core farmers and various types of other farmers. To innovate JA’s activities of face-to-face interaction with core farmer’s management entities, JA’s staffs in charge of management guidance began to visit offices of the farm management organizations to provide them with consultant services by using ICT equipment such as a “core farmer support terminal” and so-called “Z-BFM” (Builder of Farming Model), which is a system of programming farm operation, to make a proposal on the most suitable farming program for respective management entities. Those JA group also committed to carry out a prefecture-wide campaign named “Lifelong Active Farming” with participation of various types of farmers such as part-time family farms, aged farmers and female members of farm households. In this campaign, farmers’ markets operated by respective JAs were placed as important bases to facilitate income growth of these farmers.

Moreover, the JA Group Niigata decided that JA would provide farmers with proposals of products on rice, horticultural crops and livestock based on a full grasp of end-user’s needs in respective markets. To meet diversified needs of core farmers’, at the same time, the JAs of the Group also committed themselves to increase handlings of differentiated farm products such as organic rice as well as to introduce new systems in their marketing business such as an individual accounting and so-called “cash-in-advance” sales instead of an existing pool accounting. In addition, the JA Group has a plans to construct new facilities, which are to be jointly used by farmers for drying, precooling, preparation before grading and grading products so that rice producing management entities can shift some of their rice production to vegetable cultivation, in converting their paddy fields into horticultural lands.

(c) JA Echigo-Nagaoka

Echigo-Nagaoka has its territory in a part of Nagaoka city, Niigata prefecture, which is one of the rich rice-producing areas in Japan. In the city, the rice crop has a share of more than 70 percent in its gross agricultural production, as 90 percent of farmers are engaged in rice production. And it is also a production area of soybeans.

Measures taken by the JA in past years to increase farmer’s income and expand agricultural production are highlighted by its efforts to increase production of value-added rice. Since the JA Echigo-Nagaoka began in 2004 to take leadership in promoting production of “Eco.-50&50 Rice” among member farmers, which was authorized as specially cultivated rice since the “Eco.-50&50 Rice” is produced with limited inputs of both agricultural chemicals and fertilizers, less than those in conventional farming by more than 50 percent respectively. The acreage of this rice in the JA’s territory grew to 3,319 hectares in 2015, reaching 60 percent of the total planted area of rice in the region, which occupied as much as nearly 30 percent of the acreage of the specially cultivated rice

Table 3 Results of the survey of farmers' opinions on the "Farm Guidance and Agriculture Related Business Reform Plan of the JA Niigata Prefectural Group"

Q. What do you plan to maximize your efforts to increase your farm income in the future?

| Responses chosen by farmers surveyed (multiple responses) | Farmers' priority ratings (Aggregated points) (See Note) |
|--|--|
| Upgrading cultivation technology to improve quality and yield as well as to reduce production costs. | 487 |
| Developing direct marketing approaches to consumers and end-users. | 415 |
| Securing a successor of my farm and training the successor. | 342 |
| Reviewing choice of procurement channels for production inputs and other materials, as well as saving input resources. | 267 |
| Expanding the farm management scale through farmland consolidation and raising land use efficiency. | 263 |
| Introducing new farm machines and equipment to improve farm work efficiency and replacing old machines with new ones. | 262 |
| Consigning sales of farm products to the JA in such ways as joint grading and joint marketing, individual grading and joint marketing, marketing at JA's farmers market, and contract-marketing. | 235 |

Q. What activities do you want your JA to strengthen in the future?

| Responses chosen by farmers surveyed (multiple responses) | Farmers' priority ratings (Aggregated points) (See Note) |
|--|--|
| Offering various marketing channels including direct sales in the market of farm products, contract-marketing, sales at farmers markets, and others. | 391 |
| Offering price cuts of production inputs based on a large order and an advance order as well as providing members with support services for storage and inspection of farm machinery. | 337 |
| Providing members with technical guidance services to improve quality and yield, as well as to introduce new varieties and new crops. | 327 |
| Providing members with on-demand consultation services integrated from guidance on annual programming of agricultural operations to technical and financial supports, supports for personnel and labor management, paperwork assistance associated with farm management entities, offers of marketing channels for farm products, and management analysis. | 312 |
| Providing financial supports with low-interest loans to members to purchase agricultural machines and equipment, and expand business operation, as well as with offers of a plan of leasing farm machines and the like. | 285 |
| Providing technical guidance services for low-cost production and programming of maximizing fertilizer use efficiency by analyzing soil conditions. | 270 |
| Providing supports to members to secure future core farmers and nurture human resources, as well as guidance on labor management of employed farm workers. | 196 |

SOURCE: Compiled from the "Farm Guidance and Agriculture related Business Reform Plan of the JA Niigata Prefectural Group (October, 2015)".

(Note) Priorities in the multiple responses chosen by farmers surveyed are rated as follows: the first priority 5 points, the second priority 4 points, the third priority 3 points, the fourth priority 2 points, and the fifth priority 1 point. Each figure in the Table shows aggregated points of respective priority ratings. Farmers' responses of top seven priorities only on the two questions are listed respectively in the Table.

in the Niigata prefecture. Production of the “Eco.-50&50 Rice” contributes to growth of farmer’s net income more than the conventional rice farming. As this rice meets the demands of users, moreover, the JA has achieved a high ratio of direct rice sales in its marketing turnover reaching as much as 50 percent. Continuous efforts have been simultaneously made by the JA to improve quality of rice produced by member farmers, for instance, by participating in the national rice quality competition as well as regularly holding farmers training courses on basic technology of rice production.

The JA Echigo-Nagaoka has been also taking various measures to help farmers shift a part of their production from rice to horticultural crops. These measures include (i) construction of a joint grading facility of vegetable soybean called “Edamame”, (ii) opening of two farmers’ markets, (iii) establishment of a special fund to support agricultural producers named “Active Farming Support Reserve Fund”, and (iv) financial support program to enhance agricultural production. The vegetable soybean joint grading facility was set up aiming at reducing farmer’s works to prepare for shipment of the soybeans, which has made contribution to an increase in the planted area of the commodity. The first beneficiary of the “Active Farming Support Reserve Fund” was the Vegetable Soybean Cooperative Cultivation Association in Yamamoto District organized by three young farmers, who effectively utilized this fund not only to expand their planted area of the soybean, but also to purchase farm machines. Among beneficiaries of the JA’s financial support program to enhance agricultural production, horticultural producers have been increasing in recent years since the JA was actively meeting farmers’ requests made at grass-root level.

In fiscal 2014, executives of the JA Echigo-Nagaoka began to hold regular meetings with leaders of the JA Horticultural Producers Group and the Farmers’ Market Shippers Group. These communications led to the openings of farmers’ markets in fiscal 2015 and the construction of horticultural base facilities in fiscal 2017. Since fiscal 2015, the JA invited end-users of rice for business, and started to promote expansion of the rice production for business use among farmers. In addition, JA’s supplies of low-cost production inputs have increased in terms of bag from 14,300 bags in fiscal 2015 to 19,800 bags in fiscal 2016.

According to surveys regarding member’s satisfaction ratings with JA’s activities in fiscal 2014 and 2017, their rating with “JA’s activity to foster and support future core farmers of the regional agriculture” was raised to the highest degree in these three years (plus 0.30 point). This was followed by JA’s activities such as “JA’s marketing of member’s agricultural and livestock products at prices most advantageous to members” (plus 0.26 point), “JA’s activities to enhance the qualitative richness of residents’ lives and the regional society, and carry on the ‘regional agriculture, food and culture’ to the next generation” (plus 0.25 point), and “JA’s management of farmers’ markets” (plus 0.20 point). The survey revealed that members also raised their satisfaction with many of other activities implemented by the JA in its farm guidance and agriculture related businesses. It can be considered that achievements of JA Echigo-Nagaoka by taking the above-mentioned measures for its self-reform along with results of its previous activities have been reflected on these rises of member’s satisfaction ratings (See Table 4).

4. Characteristic features of JA self-reform

The first characteristic feature of the JA self-reform, that is shared by both the “JA’s Challenge Aimed at Creative Self-reform” decided at the 27th National Conference of

Table 4 Members' satisfaction ratings with activities of JA Echigo-Nagaoka
(Changes of satisfaction ratings in the results of surveys conducted
in FY 2014 and FY 2017)

| | Difference in satisfaction ratings (change between FY 2014 and FY 2017) | Satisfaction ratings in FY 2017 |
|---|---|------------------------------------|
| JA's activity to foster and support future core farmers of the regional agriculture. | +0.30 | 2.78 |
| JA's marketing of members' agricultural and livestock products at prices most advantageous to members. | +0.26 | 2.68 |
| JA's activities to enhance the qualitative richness of residents' lives and the regional society, and carry on the "regional agriculture, food and culture" to the next generation. | +0.25 | 3.08 |
| JA's management of farmers' markets. | +0.20 | 3.08 |
| JA's activity to preserve the agriculture and environment in the region as well as to supply the people with safe and reliable farm products in a stable manner. | +0.20 | 3.15 |
| JA's activities to put a high value on the ties of people and expand the human network in the regional society. | +0.20 | 3.03 |

SOURCE: Compiled from the information material of JA Echigo-Nagaoka

(Note) The fiscal 2017 survey was carried out for 1,000 regular members and 1,500 associate members, who were both randomly selected, and the JA received effective responses from 384 regular members and 507 associate members respectively. Member's satisfaction ratings with JA's activities were scaled as follows: (i) satisfied 4 points, (ii) slightly satisfied 3 points, (iii) slightly dissatisfied 2 points, and (iv) dissatisfied 1 point. Figures of the fiscal 2017 in the Table show average satisfaction ratings with respective JA's activities.

Agricultural Cooperatives and examples shown in the previous section, is a member-driven reform in the sense that JA's members took the initiative in considering what should be reformed in JA's activities as well as in tackling a challenge aimed at increasing their income and expanding their farm production by themselves. Moreover, a wide range of members were involved in the process of consideration on the JA self-reform. In the JA Matsumoto Highland, for instance, leaders of various organizations representing communities, producers, young farmers and female members of farm households played a vital role in the consideration on their JA self-reform. In the JA Green-Ohmi, representatives of many organizations of members set up at JA's branch office level, who make up the "Members and JA Branch Offices Communication Committee", played a central role in working out the scheme of the JA self-reform, while farm management corporations were also represented in the plenary session of the forum held at the head office level. In addressing the challenge aimed at increasing farmer's income and expanding agricultural production, farmers themselves were required to play a leading part and a wide range of farmers were involved in tackling the challenge. In the JA Group Miyazaki, for example, the "Go! Go! Ten-percent Income Growth Campaign" has been promoted to increase farm incomes of all the members affiliated with producers' groups organized at every JA in the prefecture. In the JA Group Niigata, JA's efforts to increase

member's farm income have been made, targeting not only farm management organizations, but also various farmers such as part-time farmers and aged producers.

The second characteristic feature of the JA self-reform is diversity which is demonstrated by respective JAs in their targets, activities and periods of the reform. This diversity can be also regarded as an achievement of the member-driven JA self-reform that has been promoted based on real conditions and changes of various members and regional agriculture. Let us consider an example of the diversity. Regarding the duration given to implementation of the JA reform, the government urged JAs in the country to complete their respective self-reform programs by the end of May 2019. On the frontline of a primary agricultural cooperative, however, necessary measures had been already taken by many JAs from a long-term viewpoint to cope with a structural change in their regional agriculture, aiming at achieving such a result as is leading to the JA self-reform required by the administration. The JA Green-Ohmi launched a scheme of nurturing successors of agriculture and to develop them in the region about ten years ago, and to consolidate farmlands to core farmers, mainly community-based farm management organizations. This initiative has made it possible for both of community-based agricultural producers cooperative corporations and farmers who leased their farmlands to the corporations to increase their incomes respectively. In the case of JA Echigo-Nagaoka, the JA began to play a leading role more than ten years back in promoting production of specially cultivated rice. The JA has been successful in providing member farmers with farm guidance to boost their acreage, which has brought about not only the farmer's income growth, but also a rise in the ratio of rice marketed directly by the JA itself.

5. Current challenges faced by JAs in their self-reforms

5.1 Less adequate communication with core farmers

In July 2017, the Ministry of Agriculture, Forestry and Fisheries (MAFF) publicized a report named “The Survey on Self-reform of Agricultural Cooperatives”, showing that there appears to exist a perception gap about implementation of the reform between JAs and core farmers mainly including certified farmers, although the report told a fact that the ratio of JAs in the country carrying out their respective self-reforms was growing especially in a period from fiscal 2016 to 2017. One of the questions listed in the 2017 survey, asked the farmers “Did the latest JA self-reform trigger a thorough dialogue ‘among members centering core farmers’ (‘with core farmers’ in a questionnaire sent to certified farmers), JA’s executives and staff on various issues particularly concerning how to operate JA’s marketing business of agricultural commodities for years to come, and how to elect JA’s executives?” The positive response to this question saying, “The latest JA reform has made the JA start taking specific measures (or strengthens existing activities)” was made by 76.6 percent of JAs surveyed against only by 30.6 percent of certified farmers. Regarding another question of “Did the latest self-reform launched by the JA lead to a trigger for a review of JA’s marketing business of agricultural products aiming at increasing farmer’s income?”, 87.7 percent of JAs replied “The latest JA reform has made the JA start taking concrete measures (or strengthen existing activities)”, while so did only 32.2 percent of the certified farmers.

JAs recognize that they have already begun to advance dialogue on the self-reform with members and review their business activities. On the other hand, however, lots of certified farmers, who are core farmers playing a central role in regional agricultural production, do not understand so. What has caused this perception gap? It should be regarded as the most significant factor behind this gap that JAs’ leaders have not fully communicated with a

group of the certified farmers, counting some 240 thousand management entities in the country as of the end of March 2015, and self-reform schemes of JAs have not been adequately explained to these farmers. The second factor is a high probability that dialogues with member farmers and reviews of JA's business activities have been hardly recognized by the core farmers as new major changes, because they supposedly considered these changes as a mere extension of JA's conventional activities. The third factor is a possibility that such words as "JA reform" or "JA self-reform" have not been necessarily in use at the primary JA level. Namely, it is possibly difficult for some of the core farmers to recognize performance of the self-reform at such JAs that the self-reform has been continuously carried on as a part of their conventional mid-term business plan or in their annual plan (because these JAs usually incorporate their regular reform programs into their mid-term plan).

All the JAs are now required to remove these factors causing the perception gap between JAs and their members of core farmers. Regarding the above-mentioned first factor, they should renew their efforts to make a positive approach to those farmers through better communications with them. The second factor will be removed by further strengthening JA's activities to promote their self-reform. To cope with the third factor, JAs need to make their efforts to send their message to core farmers, emphasizing that JA's latest efforts of the self-reform have been made beyond the scope of JA's conventional activities.

Although the total number of certified farmers reached 240 thousand in the country, they are still a small group of farmers compared with JAs' 4.43 million regular members in the business year of 2015 and 1.38 million agricultural management entities with average cultivated land under management of more than 30 ares (0.3 hectare) as of February 2015. These certified farmers, however, have increasingly played a central role in their regional agriculture. Some of those farmers have been discontented with the current operation of their JA's agricultural related businesses. There are also certified farmers who have little patronage to JA's business services. Under these conditions, it will be vital for JAs to have a full grasp of views and complains of these certified farmers so that their opinions can be reflected in improvement of JA's business activities. It will be more significant for the JA self-reform that those farmers refresh their understanding on JA's efforts by participating in JA's business activities, if possible, independently.

Based on the present conditions with the perception gap existing between some of core farmers and their JAs, the Niigata Prefectural Union of Agricultural Cooperatives decided the "Necessary measures to be taken to strengthen JA self-reform implementation" in April 2017. This policy paper demonstrates a list of necessary measures to be taken immediately by JAs and the JA Group Niigata respectively by the end of May 2019. The list of the measures to be taken by JAs includes major ones such as wide-ranging announcement on latest achievements of the JA self-reform by arranging an opportunity to share the relevant information with members, implementation and complete progress management of necessary measures with members being actively involved, and reinforcement of JA's activity to promote communication with core farmers and regular members by activating thorough dialogues with them. The list also includes necessary measures to be taken for frequent face-to-face interactions with these core farmers and members, effective involvement in meetings of producers' groups and representatives of community farmers' groups, summing-up and feedback of a result of these dialogues, and a full grasp of evaluation made by the core farmers and regular members on JA's achievements of the self-reform.

5.2 Hardly tangible achievements of JA self-reform

In the above-mentioned “Go! Go! Ten-percent Income Growth Campaign” carried on by the JA Miyazaki Prefectural Group, increases in farmers’ incomes during the period of the campaign can be evaluated, because a database on members’ farm incomes maintained by the JA Miyazaki Group is helpful to farmer’s evaluation. All the JAs in the country, however, do not necessarily have a similar database. It is difficult for JAs to collect agricultural income data from member farmers, since farmers’ incomes are a part of their personal data. On the other hand, the resolution adopted at the National Conference of Agricultural Cooperatives set forth expansion of JA’s marketing business turnover as a common target of the JA Group. Figures on the marketing turnover are data stored at every JA, which makes it possible for the JA to have a solid grasp of an amount of sales made by each farmer through JA’s marketing channel. These data are superior in the sense that they not only show a base of the agricultural income of each farmer, but also reflect a level of member’s patronage to the JA. Effectiveness of the data, however, is constrained by fragility of market prices of agricultural commodities. The overall trend of declining demand for farm products due to the aging and decreasing population will also reduce the effectiveness. Namely, careful attention needs to be paid to a fact that member’s farm income and sales of agricultural products cannot be regarded solely as a reflection of results of the JA self-reform.

It should also be noted that the reform program does not necessarily deliver tangible outcomes in a short period. At the JA Green-Ohmi, as mentioned before, promotion of farmland cultivation by community-based agriculture management organizations, which was launched more than ten years ago, recently made it possible for the community-based agricultural producers cooperative corporations to achieve a budget surplus, simultaneously providing improvement of the financial balance from deficit to surplus to farmers who leased their farmlands to the corporations. In the case of the JA Echigo-Nagaoka, its members took several years to raise the level of their satisfaction with JA’s agriculture related activities. Achievements made by these JAs can be regarded as results of long-term efforts jointly made by members and their JAs such as promotion of community-based agriculture management organizations and production of the specially cultivated rice. Continuous achievements of annual farm income targets in Miyazaki prefecture have also been based on long-term efforts for establishment of the data analysis system, capacity building of JA’s farm guidance advisors in collaboration with agricultural extension officers of the prefectural government, and empowerment of producers’ groups which can now address the challenge by themselves aiming at reforming their own commodity production area.

Nevertheless, the JAs and the JA Group are urged to demonstrate their achievements of the self-reform. The achievements should be shared with members above all, while the JAs and their Group are simultaneously required to show those achievements to the government and the people of Japan. It will be vital for these organizations to continue their efforts to have a full grasp of necessary data such as farm incomes, as well as to publish currently existing data as early as possible. Many JAs in the country will find it suggestive to share information regarding the JA Green-Ohmi which has disclosed to members its own data on sales prices of members’ farm products and supply prices of production inputs including price comparisons with other companies as well as comparisons of JA’s prices between the current and previous business years. It will be also useful for the JAs in many prefectures to share information on the JA Group Miyazaki which has been providing member farmers with data showing a long-term trend of JA’s production input prices.

■ Afterword: Self-reform taking JA's advantages as a cooperative organization

A.1 Exit, voice, and loyalty

Lastly, let us consider what the JA self-reform should be, by summarizing basic concepts of both the 'JA reform urged by the government' and the 'JA self-reform promoted by JAs themselves' with referring to a framework of theory introduced in a book of "Exit, Voice, and Loyalty" written by Albert O. Hirschman.

Hirschman (2005) made an analysis of two possible options that would be taken by members or customers when their organization or firm deteriorated respective performance. These options can also be regarded as a signal urging for improvement of the organization or the firm. One option of "exit" is for some customers to stop buying the firm's products or for other members to leave the organization. The other option of "voice" is for the firm's customers or the organization's members to express their dissatisfaction directly to management. In some cases, both these options might be able to contribute to improvement of the performance of the firm or the organization. In other cases, if customers or members have "loyalty", which is characterized by trust, attachment and strong bond to firm's products or organization itself, the "loyalty" will be able to not only reduce the possibility of "exit", but also enhance that of "voice". The "voice" option is taken on an occasion when customers or members find it possible to expect the firm or the organization to improve its products or organizational management if they take an option of "voice", as well as on the other occasion when customers or members can believe that they have possibility of influencing the firm or the organization. The former occasion is closely linked with whether the customers or members have "loyalty" on the firm or the organization, while the degree of "loyalty" will be raised if they confirm the possibility of influence in the latter occasion. In this way, the possibility of "voice" is closely linked to "loyalty".

A.2 Application of Hirschman's theory to Government's JA reform

If above-mentioned Hirschman's theory is applied to the reform of JAs urged by the administration, it could be thought as follows. First, the government has lowered barriers against "exit" or withdrawal of patronage by JA's members as well as by member organizations of JA's business federations. Namely, the Agricultural Cooperatives Act amended in 2015 stipulated that an agricultural cooperative association shall not enforce its membership to use its business services, and abolished the previous provision concerning the exclusive utilization contract. Moreover, the JAs are required to buy production inputs on the most favorable terms of the best procurement source by comparing various supply terms offered by the JA Group's channel of ZEN-NOH and Prefectural Economic Federation of Agricultural Cooperatives or Keizairen as well as by other sources of private companies. And JAs should be able to freely select the market channel.

The government, moreover, has been urging JAs to increase opportunities of "voice" for member farmers, and to actually raise effectiveness of their "voices", pointing out the necessity of thorough dialogues with member farmers.

In addition, the amended Agricultural Cooperatives Act has a new provision that the majority of board members of primary agricultural cooperative shall be certified farmers or professionals at marketing agricultural commodities. Since the certified farmers operate a relatively large size farm, some of them are likely to be affected by using JA's business, or

choose other companies without using JA. Therefore, some of them will feel discontented with the JA, or some will like to take an "exit" option. The above-mentioned provision of the amended Act increases possibility that such members will take a "voice" option. In addition, these members are expected to have another potential to move themselves into a direction that raises their degree of "loyalty" to the JA if their "voices" make contribution to improvement of JA's organization or if they grow their expectation on such improvement.

A.3 Application of Hirschman's theory to JA self-reform

Next, let us consider the JA self-reform by applying the Hirschman's theory to the reform similarly as applied above.

To compare the JA with a profit-making company, we now take into consideration a relationship between the company and its customers in the competitive market. If customers find out that a product of the firm, to which they have previously had patronage, is less excellent in both price and quality than that produced by other firm, an "exit" option seems to occupy a large part of behaviors to be taken by these customers. In other words, those customers purchase a better product of the other firm without taking a "voice" option to urge the previously favorite firm to improve its product. On the other hand, the company, which have received a signal of "exit" from customers, is expected to take measures for a price reduction as well as for improvement of product's quality so that the company will be able to win the competition with other firms.

The JA, meanwhile, seems to have a scenario different from that of private firms. The JA is an organization owned by users who also take part in management. It is only natural that "voices" of members or their representatives are reflected in the management of the JA. Even though the barriers against "exit" from the JA have been lowered, it is rather difficult for agricultural producers to move to other region due to their holding of farmlands, and farmers will find it not so easy for them to use services of other JAs located in different areas. There seems to be not a few regions where proper services provided to farmers by private companies are not available. Under these conditions, we can suppose that most of member farmers will find it an easier and more efficient way in many cases for them to improve their JA by taking a "voice" option. The JA is an organization that has been set up by many farmers aiming at creating more favorable conditions surrounding their agricultural production, sales of their products and purchases of their production inputs by taking an option of cooperation before everything else. An "exit" option could lead to weakening of both JA's organization and members' farm management itself. In the organization of the JA, furthermore, the members seem to have "loyalty" to their own JA in most cases compared to the relationship between a profit-making company and its customers.

The question then arises as to what is JA self-reform taking its advantages as a farmers' cooperative organization, not as a profit-making company. The following three points are author's observations regarding an answer to this question.

First, members' "voices" should be increased in terms of both quality and quantity and should be reflected in JA's activities, business operation and management. Namely, it is most significant for the JA to provide itself with a positive circulation in which an increase in members' opportunities to take a "voice" option is reflected in improvement of JA's businesses and management as well as in a rise of members' satisfaction ratings with the JA, leading to further increases in members' "voices".

Secondly, JA's efforts should be made to maintain members' "loyalty" to the JA, and raise the level of their "loyalty". Those efforts can be fruitful only if members' uses of JA's business services lead to rises in members' profit and their rating of satisfaction with the JA. This means, as mentioned above, that members start to raise their expectations that

their JA will be improved if they take a “voice” option, and boost their confidence in exercising influence on their JA. This type of “loyalty” is based on day-to-day relationship among members and between members and JA’s executives and staffs, which relationship members can consolidate by affiliating with member’s organizations such as commodity-wise producers’ groups as well as by being involved in their activities, while JA’s executives and staffs simultaneously need to continue their efforts to provide members with better products and more favorable services. This day-to-day relationship, moreover, should be regarded highly useful by members for their farm management, which is most expected to lead to member’s “loyalty”.

Thirdly, the JA should respond sensitively to member’s behavior or signal of an “exit” option, and combine its response with implementation of the JA reform. If large-scale farm management entities or corporations have an increasing tendency of “exit” from their JA than ordinary member farmers, the JA has to maximize its efforts to positively have a good grasp of their needs, as well as to take every measure to stop their “exit” tendency and persuade them to resume their uses of JA’s services. The JA, at the same time, is required to gain a competitive advantage over other private firms.

In conclusion, JAs should carry out the self-reform taking its inherent advantages as a cooperative organization. This should be a member-driven reform based on the actual conditions of members and changes of regional agriculture. It will be vital for the JAs to further deepen their dialogue with members to realize the member-driven JA self-reform. The prerequisite for this reform is JA’s full disclosure of information to members on all the measures taken by the JA as well as on their results. It can be conceived that JAs will be more required to not only take specific measures to complete their respective self-reforms, but also maximize efforts to promote publicity on their achievements of the reform.

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