

The results and challenges of Japanese agricultural cooperatives' self-reform: with a special focus on the efforts of primary cooperatives in enhancing agricultural production

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■Abstract

In May 2019, JA Reform Intensive Promotion Period came to an end (JA: Japan agricultural cooperatives, especially referring to multipurpose agricultural cooperatives). During this period, JA self-reform has achieved certain results in “sale of members’ farm products under the most advantageous conditions, and procurement of farm inputs for the members on the most favorable terms,” which was urged by the Japanese government. Additional achievements were also made in the objectives of “creative self-reform” set by the JA Group itself: increase in farmers’ income, agricultural production, and sales transaction amount; and a reform of awareness of JA members and the executives, etc.

The possible key factors that have contributed to these achievements are (i) JAs had acknowledged the situation in stride and dealt with the self-reform positively. (ii) Sale of members’ farm products under the most advantageous conditions (hereinafter referred to as “the advantageous sale of farm products”) and procurement of farm inputs for the members on the most favorable terms (hereinafter referred to as “the favorable procurement of farm inputs”) were part of the core activities of JAs. (iii) The creative self-reform covered a wide range of activities with a high degree of freedom and flexibility. (iv) The self-reform had a nature to strengthen the cooperatives’ identity as it was promoted through dialogue with the members.

Although JAs are faced with pressing challenges, such as establishing their sustainable management, strengthening the agricultural production base, it would be fair to say that JAs have laid the groundwork to realize those challenges with the successful experiences of the self-reform including the strengthened identity as cooperatives.

■Introduction

Started in 2014, the 5-year long JA Reform Intensive Promotion Period ended in May 2019. In this period, JAs were strongly urged to undertake self-reform, and they have made certain progress as positively evaluated in the 5th report by the Council for Promotion of Regulatory Reform in June 2019 as well as in "Progress of the Agricultural Cooperatives Reform" by the Ministry of Agriculture, Forestry and Fisheries (MAFF) in September 2019.

However, at the same time, the 5th report has identified challenges for JAs including further increase in farmers' income, further price reduction for farm inputs, and healthy continuity of their credit business. The MAFF document also stated "JAs have the challenge to secure its sustainable management". Additionally, in the amended Agricultural Cooperatives Act, there is the so-called "five-years-later clause" which stipulates that the progress of self-reform is to be evaluated within 5 years from the enforcement of the Act (March 2021) in order to reach a conclusion on the agricultural cooperative system and the regulation regarding the use of JAs' services by the associate members.

As all these indicate, JA self-reform needs to be continued also after the JA Reform Intensive Promotion Period. All JA Groups have declared to do so by themselves, too.

In other words, it is considered that the self-reform has entered into a new phase since 2019 with the business environment worsened for JAs.

At this timing of transition, the author would like to discuss the results and challenges of the self-reform based on the interviews conducted with 6 JAs and 1 prefectural area. This also serves as a follow-up report of her previous paper "Characteristics of agricultural cooperatives' self-reform and its challenges" issued in February 2018, (SAITO (2018)). As the self-reform is meant for all JA Group of various business sectors, the scope of their efforts is wider than those related to agriculture. The analysis in this report, however, focuses on the reform at primary agricultural cooperatives for the regional agriculture promotion.

1. Background of the self-reform

(1) JA Reform Intensive Promotion Period

Let us begin with a brief background of the self-reform (Table 1).

The substantive discussion of JA reform has started in May 2014 with "Opinions on Agricultural Reform" submitted by the Agriculture Working Group of the Council for Regulatory Reform. The plan called "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan" revised in June 2014 states as follows: "the primary cooperatives are required to put the highest priority on the advantageous sale of farm products and the favorable procurement of farm inputs in the business operations", "a

period of 5 years is designated as JA Reform Intensive Promotion Period in which JAs are strongly urged to undertake the self-reform". Furthermore, the amended Agricultural Cooperatives Act was enacted in August 2015 and enforced in April 2016 to facilitate the agricultural cooperatives reform on the legal side.

Responding to these developments, JA Groups adopted "Challenge for Creative Self-Reform" at the 27th National Conference of Agricultural Cooperatives in October 2015, and fully featured the self-reform as the focal point in their mid-term strategy from FY2016 to 2018. The "creative self-reform" set 3 basic objectives of "increase in farmers' income", "increase in agricultural production", and "revitalization of regional societies", while specifying how to proceed with the efforts, such as "we will thoroughly discuss with the members about the realization of 'increase in farmers' income' and 'increase in agricultural production' sharing the challenges and the objectives".

As mentioned earlier, "Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan" prescribed that "primary cooperatives put the highest priority on the advantageous sale of farm products and the favorable procurement of farm inputs primary cooperatives", but the scope of self-reform was wider than that.

Each JA has undertaken its own self-reform with the 3 basic objectives based on thorough discussion with its members.

In March 2019, the 28th National Conference of Agricultural Cooperatives also adopted "Practice of Creative Self-Reform", in which JAs made a resolution to continuously challenge the 3 basic objectives from the previous conference and, in order to support it, tackle "establishment and reinforcement of JAs' sustainable business foundation" as their priority challenges for the following 3 years.

Table 1 Initiatives of the government and the JA Group for the self-reform

		The government's initiatives for JA's self-reform	JA Group's Initiatives for their own self-reform
2014	May	"Opinions on Agricultural Reform" submitted by the Agriculture Working Group of the Council for Regulatory Reform.	
	June	Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan.	
2015	Oct.		The 27th National Conference of Agricultural Cooperatives adopted "Challenge for Creative Self-Reform".
2016	Apr.	Enforcement of the amended Agricultural Cooperatives Act.	

2019	Mar.		The 28th National Conference of Agricultural Cooperatives adopted “Practice of Creative Self-Reform”.
	May	JA Reform Intensive Promotion Period ended.	
	Jun.	“The 5th report” by the Council for Promotion of Regulatory Reform issued.	
	Aug.		JA-ZENCHU published the intermediate results of “Member Survey on the JA Self-Reform”.
	Sep.	MAFF published “Progress of the Agricultural Cooperatives Reform”, the results of “Survey on the JA self-reform” and those of “Survey on the members’ use of the JAs’ services”.	JA-ZENCHU Chairman announced: “we will define a concrete direction of efforts within this year for establishment and reinforcement of JAs’ sustainable business foundation”
	Dec.	The Council for Promotion of Regulatory Reform determined “the focused follow-up agendas”	
2021	Mar.	Five years since the enforcement of the amended Agricultural Cooperatives Act: the end of the government’s survey on implementation status of the JA’s self-reform.	

Sources: the websites of MAFF [Original; 農林水産省], the Cabinet Office of the Government of Japan [Original; 内閣府], JA-ZENCHU (Central Union of Agricultural Cooperatives) [Original; JA 全中], and others.

(2) After the end of JA Reform Intensive Promotion Period

In May 2019, the JA Reform Intensive Promotion Period ended. In June 2019, the 5th report by the Council for Promotion of Regulatory Reform positively evaluated that the JA self-reform has made certain progress, but commented that JAs need to continuously challenge, in particular, further increase in farmers’ income, further price reduction for farm inputs, and healthy continuity of the credit business. Following this report, the cabinet meeting held in the same month had adopted “Regulatory Reform Implementation Plan” which declared to “continuously encourage the JA’s self-reform efforts also after the Promotion Period while monitoring the implementation status.”

JA-ZENCHU Chairman announced at the press conference on September 5, 2019 that they will “define a concrete direction of the efforts within this year” for “establishment and reinforcement of JAs’ sustainable business foundation” as adopted by the 28th National Conference of Agricultural Cooperatives.

On the next day, MAFF published "Progress of the Agricultural Cooperatives Reform". It stated "During the JA Reform Intensive Promotion Period, the JA Group's self-reform has made progress. They still have to further continue and strengthen the efforts to increase farmers' income. Another challenge is to secure their own sustainable management which should support the regional agriculture especially in the worsening environment for JAs, including those of the credit business. With these challenges kept in mind, MAFF will continuously promote the JA Group's efforts in the self-reform". At the same time, the results of "Survey on the JA self-reform" and "Survey on the members' use of the JAs' services" were published.

On December 2, the new Council for Promotion of Regulatory Reform held the 2nd meeting and elected especially "the focused follow-up agendas". The one relevant to JAs is "for securing healthy continuity of the JA Group's credit business, the implementation status of the self-reform has to be confirmed including further promotion of the agency system adoption".

2. Achievements in the self-reform based on the survey results and statistical data

(1) Practice of the various kinds of self-reform

Although the JA self-reform was undertaken in compliance with the government's demand, it also has an aspect to implement necessary reforms that the members and JAs have devised by themselves. As a matter of fact, the self-reform practiced by each JA is derived from the "creative self-reform" adopted by the National Conference of Agricultural Cooperatives in 2015 and 2019. It covered, as previously mentioned, a wider range of activities than what was urged by the government. This is above all due to various business environments among JAs and is simply impossible not to be diverse since it is based on dialogues with the members at each JA. Hence, achievements in the self-reform are hard to be discussed as a whole. Here follows some data as an example instead.

(2) Survey results

MAFF and JA-ZENCHU have published the survey results on the self-reform.

Let us first take a look at "Survey on the JA self-reform" published by MAFF. The percentage of JAs which initiated a concrete review of their marketing business and production materials purchase business, was 60-70% in 2016 but drastically rose to 91.4% and 91.7% in 2019, respectively. It indicates that almost all JAs took actions. On the other hand, the survey mainly among certified farmers. with the same question showed only a limited increase from 20-30% in 2016 to 40.4% and 43.7% respectively in 2019. It confirmed a big gap between the answers of JAs and the certified farmers (Table 2). Certified farmers

are those who have the motivation and ability to improve their farm management being certified for their agricultural management improvement plans by municipalities etc., and also are subject to intensive supporting measures of the government. In the JA reform, the government attached great importance to the evaluation of JAs by certified farmers.

Secondly, “Intermediate results of ‘Member Survey on the JA Self-Reform’” was published by JA-ZENCHU. As you can see in Table 3, this survey has inquired the level of improvement in the JA farm management service compared to 3 years ago. The responses “improved” and “improving” amount to approximately 60%. In combination with the response “as good as before”, it exceeds 80% among both the regular members and the certified farmers. It is fair to read that the majority of the answered farmers was positive about the improvement during 3 years in the JA farm management service.

As a whole, it is implied that JAs, the regular members, and the certified farmers deemed that the self-reform has been advanced at JAs and the JA farm management service was improved.

Table 2 Survey on the JA self-reform results

(Unit %)

	Respondent	FY2016	FY2017	FY2018	FY2019
For reviewing marketing business of farm products, “concrete efforts are initiated (or the efforts hitherto are enhanced)”	JAs (Multipurpose agricultural cooperatives)	68.0	87.7	93.8	91.4
	Certified farmers etc.	25.6	32.2	38.3	40.4
For reviewing production materials purchase business, “concrete efforts are initiated (or the efforts hitherto are enhanced)”	JAs (idem)	65.5	88.3	93.6	91.7
	Certified farmers etc.	24.0	34.1	42.1	43.7
Especially about how to proceed marketing business of farm products and to elect JA directors, “thorough dialogue with the members is taking place (or the dialogue hitherto are enhanced)”	JAs (idem)	48.9	76.6	90.2	86.3
	Certified farmers etc.	21.9	30.6	35.2	38.1

Source: MAFF [Original; 農林水産省], “Survey on the JA self-reform” [Original; 「農協の自己改革に関するアンケート調査」].

Note 1: The survey among the certified farmers etc. was also targeted at other farmers selected by each prefecture.

Note 2: The respondents in 2019 consist of 626 JAs and 17,977 certified farmers etc.

**Table 3 Level of improvement in the JA farm management service
(in comparison with 3 years ago)**

(Unit %)

	Respondent	As good as before	Improved	Improving	Worsening	Worsen	As poor as before
Farm guidance business	Regular members	23.9	19.6	40.1	11.7	2.5	2.2
	Certified farmers thereof	22.8	19.2	40.9	12.0	2.7	2.4
Marketing business of farm products	Regular members	21.5	20.3	42.4	11.3	2.1	2.4
	Certified farmers thereof	20.4	20.2	43.0	11.4	2.4	2.6
Production materials purchase business	Regular members	24.1	18.9	41.0	11.1	2.3	2.7
	Certified farmers thereof	20.8	18.9	42.9	11.5	2.5	3.4

Source: JA-ZENCHU [Original; 全中], *Intermediate results of "Member Survey on the JA Self-Reform" (detailed version)* [Original; 『JAの自己改革に関する組合員調査』中間集計結果（詳細版）].

Note 1: These results were generated by tallying the responses submitted by the end of May 2019, while the survey period was from December 2018 to December 2019.

Note 2: The number of valid responses by the regular members was 1,815,276, of which 282,217 is by the certified farmers.

(3) Statistical data

The achievements in self-reform can also be evaluated by statistical data.

According to “Statistics on Agricultural Cooperatives” published by MAFF, JAs as a whole had a 8.3% increase in the sales transaction amount of farm products, and a 7.7% decrease in the supply transaction amount of farm inputs in FY2017 in comparison with FY2014 which is the year before that creative self-reform was adopted by the National Conference of Agricultural Cooperatives. It is most likely that the followings are reflected in these results: the sales price increase also as a result of the advantageous sale of farm products, and the price cut of farm inputs and its supply volume decrease due to proper fertilization, for instance. Hence, the farmers who dealt with their JA for these transactions, have enjoyed income increase and cost decrease. It is construed as a contribution to their income increase (Figure 1).

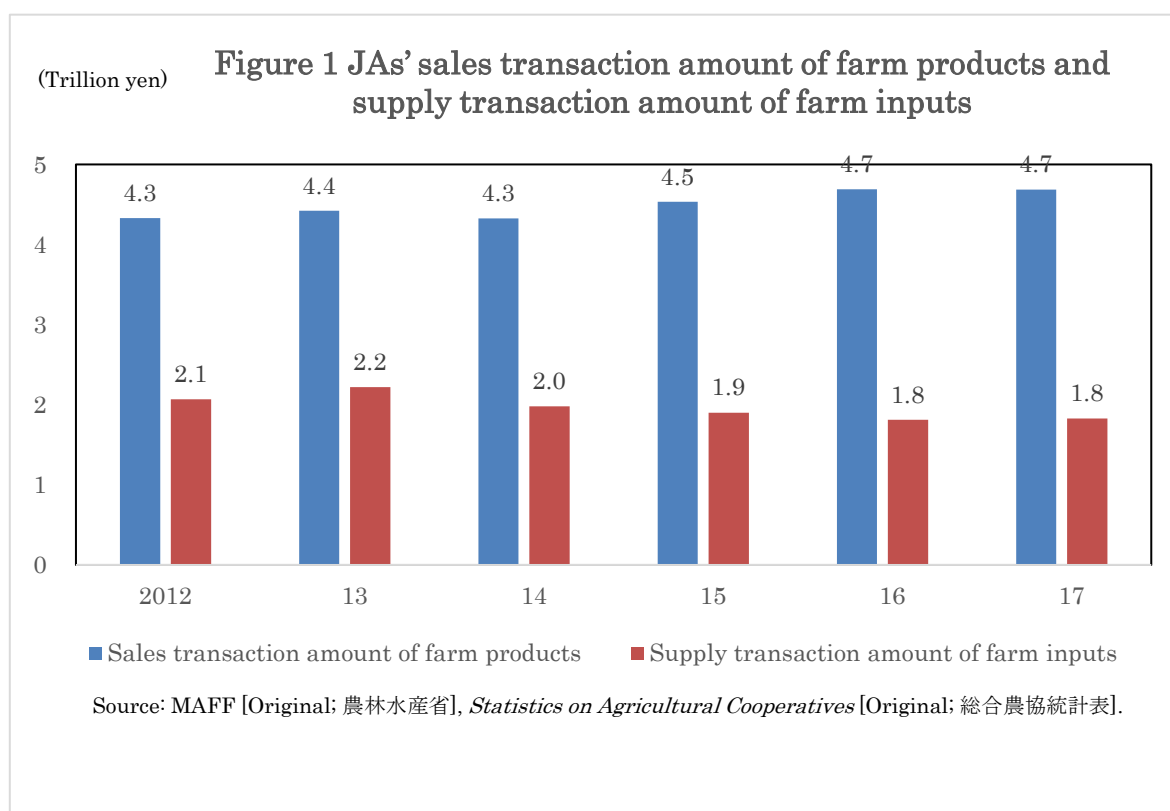
On the other hand, JAs as a whole had an increased deficit of 2.5% in operating profit of its agriculture-related business, of which a primary cause is probably the decrease in the supply transaction amount of farm inputs.

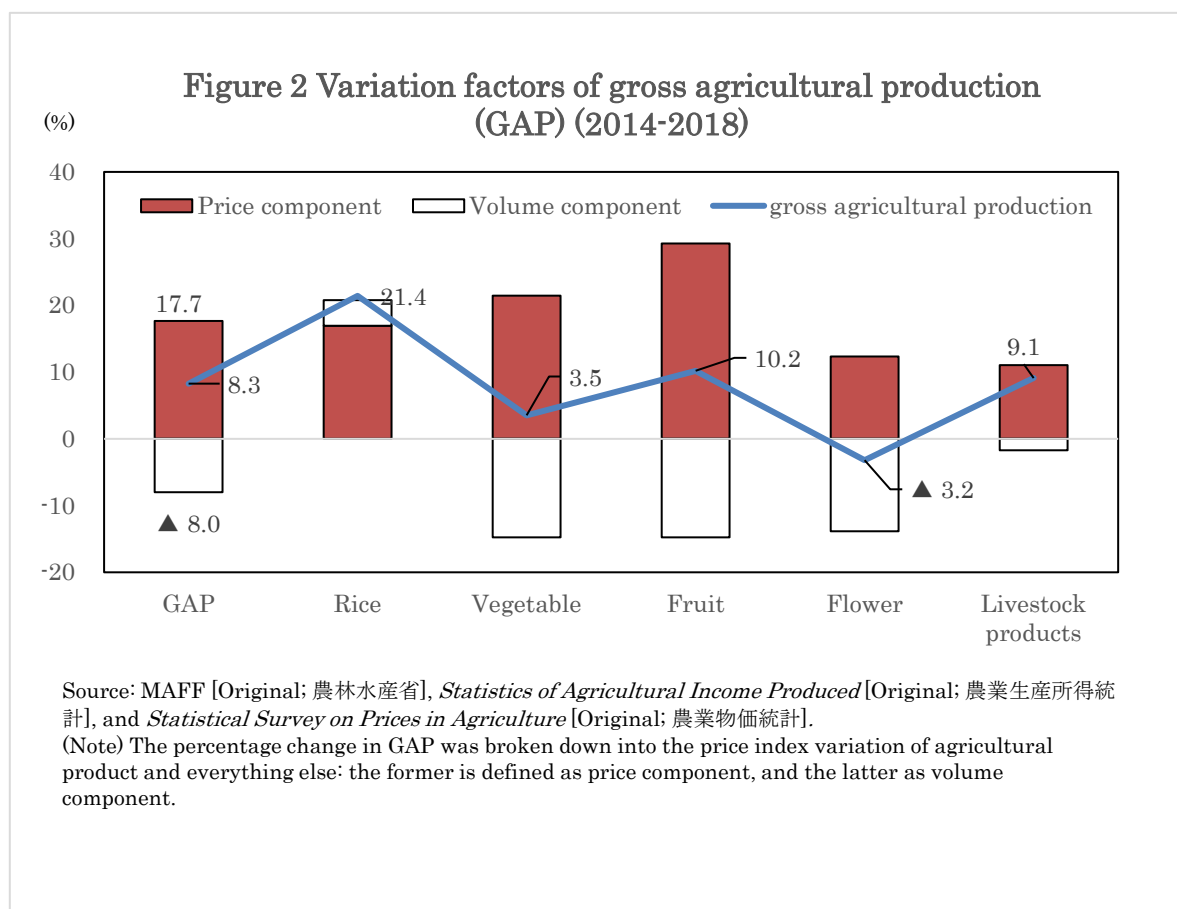
In the period of FY2014 to 2018, Japan’s agricultural production income and gross agricultural production (GAP) have respectively increased by 23.1% and 8.3%. This means that, out of the 3 basic objectives of creative self-reform, 2 objects were met: increase in farmers’ income and agricultural production.

However, when breaking down the 8.3% increase of GAP into price component and

volume component, the price component contributed to the increase with 17.7%, while the volume component brought it down by 8.0% as shown in Figure 2. The price component had a positive impact on GAP with every major categories of farm products, while the volume component had a negative one with all the categories except for rice. It implies that the factors that caused the sales price increase, were not only the advantageous sale of farm products by JAs but also a tight supply-demand balance with decreased production volume owing to the weak production base affected mainly by the aging of farmers, the lack of successors and unseasonable weather.

In the meantime, import of farm products has increased and the food self-sufficiency ratio in 2018 has declined by 1 percentage point from the previous year to hit the all-time low of 37%. This is equivalent to the level in 1993 with extremely poor harvest of rice.





3. Case examples of 6 JAs and 1 prefectural area

(1) Characteristic features of 6 JAs and 1 prefectural area

Now we move on to the case examples of concrete efforts in the JA self-reform, their achievements and future challenges.

Followings are the summary of interviews mainly on these three aspects, which the author has conducted visiting 6 JAs and 1 prefectural area.

These JAs were selected for this occasion not only as they have actively engaged in the self-reform but also each of them represents a different type of JAs.

To begin with, JAs can be globally sorted by their location: rural or urban. Among the interviewed JAs, JA Hagano, JA Kagoshima-Kimotsuki, and JA Iwate-Hanamaki are rural. JA Yokohama and JA Gifu are urban. According to the JA zoning system adopted by our research institute, JA Hagano, JA Kagoshima-Kimotsuki, and JA Iwate-Hanamaki are urban rural, while JA Yokohama is a specified city, and JA Gifu is a regional hub city.

The 3 rural JAs can further be categorized by the main type of farming in their administrative districts: JA Hagano is mainly active in horticulture, JA Kagoshima-Kimotsuki in livestock farming, and JA Iwate-Hanamaki in paddy field farming.

Moreover, one more JA and a prefecture area were included in the interview as they underwent a large-scale merger that coincided with the period of the JA self-reform: JA Yamaguchi prefecture which merged into 1 JA for the whole prefecture, and the prefecture area Fukushima which went through a merger for quick recovery from the nuclear power plant accident and Great East Japan Earthquake and Tsunami.

(2) JA Hagano (Tochigi prefecture)

a. Overview

JA Hagano was established in 1997 through a merger of 6 JAs. As of the end of 2018, it had 20,000 members (of which 16,000 are regular members) with outstanding deposits of 192.5 billion yen and sales transaction amount of 25 billion yen. The sales transaction amount of strawberries of the 2019 season (produced in the period of October 2018 to June 2019) reached to 10.1 billion yen. Tochigi prefecture boasts the largest production of strawberries in Japan, of which JA Hagano accounts for 40%.

b. Continuous reform after the merger

After the merger, the reform efforts were continued in its farm guidance and agriculture related businesses.

The first step was integration of the commodity-wise groups of producers among the 6 former JAs. In 1998, the year after merger, one integrated producer's group for eggplants was established and then the one for strawberries. Almost all the commodity types have now their specialized producer's groups via integration. As the sorting and selling of produce are jointly arranged at each commodity-wise group, this integration brought about quality improvement of produce as well as the establishment of "JA Hagano brand".

For strawberries, they have made a selection from 32 existing trading markets for a better selling price, resulting in the current 5 designated markets. A lot size of strawberry that JA Hagano delivers to each market, then became bigger with a better quality by the group integration, and their market reputation has improved.

Since 2004, 4 packaging centers have been in operation in their JA's administrative district for strawberry, eggplant, onion, asparagus, etc. On behalf of the producers, JA can pack and ship produce in various packaging forms according to the market needs. This approach made it possible to respond to the various demands of mass retailers, and subsequently to achieve the advantageous sale of farm products being supported by stable quality thanks to constant sorting criteria. At the same time, it has reduced the labor of producers and allowed them to focus more on the cultivation with extra acreage, and also helped to attract people to start farming.

Furthermore, 7 collection and shipment stations were consolidated to 4. The abolished

stations, however, still accept farm products brought by their members, which are further transferred to the current location at JA's costs in order to prevent extra burden for the members.

c. Efforts and achievements in the self-reform

— Volume of farm inputs increased due to the price reduction —

JA Hagano's 3-year plan for FY2016 to 2018 has the theme of "3-Year Plan for the Challenge for Creative Self-Reform" along with the subtopic "Do All the Possible to Increase Farmers' Income and to Revitalize Regional Societies". Under these concepts, the JA had been taking various initiatives.

Among other things, the price reduction for farm inputs was pursued through, for example, joint consultation with ZEN-NOH (National Federation of Agricultural Cooperative Associations), a market price research in the shops in the neighborhood (more than 2 times a month), putting pre-orders together. Additionally, chemical fertilizers were offered for a significantly reduced price for a limited period. These initiatives also attracted farm management entities which usually do the purchase outside the JA Group, which led to an overall increase in the sales volume of farm inputs.

In FY2017, aiming to strengthen sales capacity of farm products, the Farm Guidance department at the head office is staffed with a group of 7 sales representatives. They have committed to enhance price negotiation with their customers including markets and supermarkets; to sell the produce at a price set by the JA; to expand direct sales business; and to raise unit selling prices. This is how they strove to increase producers' income.

As a result of all these reform efforts, the sales turnover of strawberries continued to grow. Despite the decrease of strawberry producers due to aging, strawberries of the 2019 season have reached its sales target of 10 billion yen as mentioned above.

d. Future challenges

—Consolidation of facilities—

The theme of their 3-year plan from FY2019 is "3-Year Plan for the Execution of Creative Self-Reform <Together with our members, let's create the future of agriculture and region>". The basic policies are: (i) Work on "increase in farmers' income" and contribute to "increase in agricultural production" in order to realize sustainable agriculture, (ii) Contribute to realize an affluent and livable regional society, and (iii) Respond to the harsh business environment and strive to enhance healthy business and a financial foundation.

In relation to the third policy, the minimum wage is henceforth expected to increase annually by 3% under the Working-Style reform. Agriculture related facilities need to be repaired and the system also has to be renewed for a substantial amount of money. With all these taken into consideration, the JA found more consolidation of facilities necessary

and started looking into the possibilities.

(3) JA Kagoshima-Kimotsuki (Kagoshima prefecture)

a. Overview

JA Kagoshima-Kimotsuki has the administrative district consisting of 2 cities and 4 towns including Kanoya city in the southeast part of Kagoshima prefecture. The administrative district is a major livestock farming area, while the constituting regions have their own other specialties such as sweet potato. As of FY2018, it has 15,000 members (of which 8,000 are the regular members) with outstanding deposits of 102.5 billion yen and sales transaction amount of 29.1 billion yen. 70% of the sales transaction amount comes from livestock products, mainly calves. At the 11th National Competitive Exhibition of Wagyu held in 2017, "Kagoshima Kuro-ushi (Japanese black cow)" became champion. Kagoshima prefecture exhibited 30 cattle in this occasion, and 13 of them were from this administrative district.

b. Heading towards “increase in farmers’ income” and “increase in agricultural production”

In the business environment with aging producers and advanced depopulation, the JA has developed various programs for “increase in farmers’ income” and “increase in agricultural production”. Some are to support the continuity of regional agriculture production and others are to bestow added value to their farm products and producing area.

To support the production base, the JA has directly been involved in agricultural production as well. For instance, in 2009, they established a subsidiary, Kimotsuki Daichi Farm K.K. of a large scale breeding business so as to maintain producing area of breeding beef cattle since the number of farmers have been decreasing. Also in 2018, Kimotsuki Tonton Farm, K.K. was established as an enterprise to maintain and expand the production base for pig breeding by acquiring idle facilities and employing successor candidates to be trained for the future.

As for the added value creation, branding is one of the approaches. Among other things, bell pepper and “Kagoshima Kuro-ushi” have been designated as the prefecture’s Kagoshima Brand Products. In December 2017, “Hetsuka Daidai”, the sour orange produced in the town of Kimotsuki and Minami-Oosumi, was successfully registered in Japan's Geographical Indication (GI) protection system. In 2019, moreover, the JA has opened a ramen noodle shop “Men-ya Kimotsuki”. It is located on the JA’s property where its gas station used to be, and is also staffed with the former gas station workers, who now prepare and serve homemade soup and roasted pork fillet. The fillet is made of local specialty “Chamiton” pig fed with another local specialty, tea leaves. The upcoming plan is to open a farmer’s market of JA agricultural and livestock products in 2020 along with a

farmers restaurant.

Besides, their self-reform efforts have delivered positive results: a JA Kagoshima-Kimotsuki fair is organized at A-Coop KINKI in the southern-central region of Japan in order to enhance sales promotion activities as well as to expand sales channels; and cured hay was purchased in large quantities for a markdown as a measure to reduce the costs of farm inputs.

c. Management reform

—“Kimotsuki the No. 1, Let’s Innovate together” “Team Kimotsuki”—

Coinciding with the JA Reform Intensive Promotion Period in 2015, this JA has started working on its management reform.

“Kimotsuki the No. 1, let’s Innovate” and “Team Kimotsuki” are the mottos put forward in promotion of the reform to become JA in which every single staff is valued and more motivated. The idea behind this is that if the motivation of JA staff is felt by the members, they will also be motivated in their turn being committed to agriculture and regional society.

Strive to be No.1 in various field by making innovation - this is the message of “Kimotsuki the No. 1, let’s Innovate”. To make it happen, it is necessary not only that everyone demonstrates their own capacity but also that those individual capacities are bundled to the one as a team, ergo, “Team Kimotsuki”.

The following concrete actions were taken: (i) The president has maintained regular contact with the members and the staff by sending out messages. (ii) a project of various kinds was constantly launched involving young staff. Those projects have generated many initiatives one after another, such as (i) Issue of “Lighthouse Pocketbook” for the JA’s executives and staff to share the management philosophy, (ii) Restart of the JA’s sports festival, (iii) “Operation Energizer - the ordinary general meeting of representatives”, and (iv) “Operation - the National Competitive Exhibition of Wagyu”.

“Operation Energizer - the ordinary general meeting of representatives” had deployed at the entrance of the meeting venue, an introduction poster of JA businesses, a display of GI registered farm products, and a video screen showing the JA’s initiatives and efforts. All the participating members were also treated with a souvenir lunch box called “Whole of Kimotsuki” that was filled with local produce. In the “Operation - the National Competitive Exhibition of Wagyu”, the staff folded 10,000 paper cranes and sold polo shirts to raise support fund.

On top of this, human resource was further developed through review of the labor conditions, improvement of the education and training system, and increase of the age limit of managerial personnel, for example.

All these efforts to enhance the capacity as “Team Kimotsuki” have resulted in the successful GI registration of “Hetsuka Daidai” orange and the victory at the National

Competitive Exhibition of Wagyu, and are considered contributing to the execution of self-reform.

d. Future challenges

—Next 10—

The general meeting of representatives in FY2018 proposed and approved the business plan for the next 10 years titled "Next 10 (10 year plan)". It illustrates the plan in the agricultural field: become the No.1 producing area of beef cattle in Japan; expand the market share of pig breeding to 50% in the JA Group of the prefecture; become the No.1 greenhouse horticulture area in Japan, etc. The milestone goals towards 10 years later and the path to achieve them for each division of the JA are also described. The visualization of the next 10 years aims to facilitate rallying JA members and constituting regions. For this purpose, it is regarded necessary as well to promote dynamic business alliance beyond various barriers (with other JAs, other types of cooperatives, or companies).

(4) JA Iwate-Hanamaki (Iwate prefecture)

a. Overview

Through the merger in 2008, JA Iwate-Hanamaki obtained the administrative district of 340,000 ha covering west to east of Iwate prefecture and became a large-scale JA with 40,000 members. The district has a cultivation area of 30,000 ha, comprising 24,000 ha of paddy field, which makes it a paddy agriculture area.

b. The members are gathered by farmers' associations and JA branches

This JA's base organization, farmers' associations are properly functioning in such a way that there is active discussion among the members locally and between them and JA. This environment facilitated them to take one of the advanced initiatives in the country, e.g. creating a community-based farm management vision, consolidating farmland, constructing a 3,000 tons dry storage facility for rice.

Every JA branch is, on the other hand, a foothold for cooperative movements of members organizations such as farmers' associations. It respectively organizes an event called "Fureai Plan", a collaborative activity ~~among branches~~, a summer festival, a sports day, etc. in order to serve as a pivot to gather the members and local residents around JA.

c. Efforts and achievements in the self-reform

— Price reduction for farm inputs and horticulture promotion —

The mid-term management plan for FY2016 to 2018 has aimed for increase in farmers' income and agricultural production as its objectives with the highest priority. With respect to increase in farmers' income, all regions have unified the pesticide against paddy rice

panicle blast, and have changed the components of basal fertilizer for paddy rice in order to reduce the farm inputs cost as well as to save labor. These efforts have achieved the respective price reduction target of 11% and 17 to 23% per 10 a.

In an effort to increase agricultural production, it is featured to promote horticulture, especially the planting of asparagus for higher profitability. The number of engaged organizations has grown from 38 in FY2016 to 50 in FY2017.

The JA's farm management support advisors have been visiting farmers including the certified farmers, community-based farm management organizations, farm corporations. Since FY2016, this activity has been enhanced as a part of the self-reform initiatives by setting a target of visit frequency at selected farmers with which the JA should have a stronger tie. Since FY2017, the JA has joined "Listen-to-the-Farmers Movement" organized by JA Iwate Prefecture Central Union, with extra objectives to find out the farmers' future visions, challenges etc. in order to answer them or propose a possible improvement.

d. Future challenges

— Branch reorganization —

The mid-term management plan for FY2019 to 2021 continues to pursue "increase in farmer members' income and expansion of agricultural production" with the highest priority, along with the basic objective of "establish and strengthen its own sustainable management base which supports the practice of self-reform". The latter includes the JA's branch reorganization to be implemented in March 2020.

As the JA expected that its fiscal accounts will deteriorate partly due to asset-impairment accounting, it began to consider branch reorganization in September 2018, prior to the mid-term management plan. Until January 2019, the board of directors discussed the first plan of reducing the branches from 28 to 10 based on a total fund of 50 billion yen per branch. However it was premature and the retention criteria based on the total fund was accordingly revised.

The second plan of reorganization (reduction to 17 branches) was then drawn up based on the total fund of 10 billion yen, applying a branch-in-branch system (multiple branches are collectively marketed in a main branch). The abolished branches are still to be manned with one "Fureai" staff to accommodate visitors, so that it can maintain its function as a foothold for the members organizations. Those branches will carry out no economic activities but will organize a collaborative activity and "Fureai Plan". Furthermore, the JA also plans to introduce mobile banks. All of these were respectfully communicated, with attendance of the president, in several meetings at the branches to be abolished, and could gain their understanding by degrees.

Consequently, there was no objection to the branch reorganization plan at the general meeting of representatives in May 2019 and it was adopted as it is. The forthcoming

challenge will be establishment of a fine operating structure after the reorganization.

(5) JA Gifu (Gifu prefecture)

a. Overview

JA Gifu is founded in 2008 by the merger of 6 JAs in Gifu prefecture, with a business area comprised of 6 cities and 3 towns including Gifu city. In 2015, its administrative district had in total 5,810 ha of the cultivated land under management, of which paddy fields are 4,160 ha. The number of members amounted to 100,000 as of March 2019 (including 40,000 regular members) with outstanding deposits of 1,000 billion yen, which makes it a large-scale agricultural cooperative in Japan.

b. Challenge for active self-reform

For FY2016 to 2018, the 3rd mid-term management plan had the theme of "Challenge for active self-reform" along with the subtopic "Achieve 'Triple 1' to become the JA essential to the regional society".

The target of self-reform "Triple 1" consists of (i) agricultural product sales of 10 billion yen, (ii) 100 new farmers (with product sales higher than 500,000 yen at the JA), (iii) outstanding deposits of 1 trillion yen. It is a simple and clear setting for the staff as well as the members.

The result in FY2017 is 10.13 billion yen for agricultural product sales reaching beyond the target, which was, however, not achieved in FY2018 partly due to the impact of natural disaster. The number of new farmers totaled 140 in three years' time. The outstanding deposits also achieved the target reaching up to 1 trillion and 16 billion yen at the end of FY2018.

Price reduction for farm inputs was highly expected by the members and realized through market price surveys, price negotiations with the suppliers including ZEN-NOH, review of the distribution system, and more. As a matter of fact, all the pre-order pesticides for paddy rice at the JA were lowest priced compared to those at the mass retailers.

For the self-reform, the most efforts were made in the visiting activities at the members including associate members. During FY2016, this initiative took place 3 times where all the staff respectively visited the same members each time. The purpose was to communicate the details of the self-reform for the members' understanding. In preparation of the visits, the staff had 2 study sessions, so that they share unified consciousness and knowledge. Each staff was in charge of 100 members in average, and eventually the visits were made at 82,000 members out of 100,000. The visits were welcomed and appreciated by those members. This experience has changed the perception of the staff in turn.

Since July 2016, antecedent to this initiative, 5 full-time executives of the JA being accompanied by the branch manager, have paid a visit to approx. 320 certified farmers in

the administrative district over 3 times in FY2016 and 1 time in FY2017. The certified farmers were very pleased with the executive visit and felt the JA closer than before. A wide range of opinions was then gathered and accordingly reflected in the JA business. Its positive effect could also be seen in increased customers for the agriculture loan. In addition, an annual discussion meeting has been held mainly with the certified farmers since FY2016.

These initiatives were supported by member surveys conducted 4 times under the 3rd mid-term management plan. The first survey was on their level of expectation, and the second to forth survey were on their level of satisfaction, which allowed the JA to follow the progress of the self-reform with the members' expectation in mind.

Moreover, the objective for the self-reform was defined by each office and allotted a portion of it to each staff, so as to facilitate the staff of all positions to proactively engage in the self-reform with a sense of purpose.

c. Future challenges

— Shift from "for the members" to "together with the members" —

The mid-term management plan for FY2019 to 2021 has the theme of "all to be done together with the members" meaning that they strive for "an affluent and livable regional society" together with the members, rather than the conventional and condescending "for the members" approach, in which the JA gives advice to the members and solve their problems through its multifunctional services. The efforts for increase in farmers' income and revitalization of regional society will be continued, while they commit to it not as an imposed reform but a reform of its own initiative sharing the viewpoint with the members.

In response to the deteriorated balance of the credit business, branch reorganization and rearrangement were already formulated in the mid-term management plan, while the JA works to increase the ratio of loans to savings. As a part of the farm management reform, consolidation/reorganization of country elevators and rice processing facilities has been implemented with the raised usage fee in order to make the agriculture-related business profitable.

(6) JA Yokohama (Kanagawa prefecture)

a. Overview

JA Yokohama's administrative district is Yokohama city where the Kanagawa prefectural office is located. As of FY2018, it had 69,000 members (of which 12,000 are the regular members), outstanding deposits of 1 trillion 700 billion yen and sales transaction amount of 3 billion yen. Yokohama city is a metropolis with a population of 3 million 700 thousand. The farmland is 3,000 ha accounting for 7% of the area of the city, where various farm products are produced for the output of 10 billion yen.

b. Regional Agriculture Promotion Plan "Food de Fudo (Climate by Food)"

In 2005, JA Yokohama drew up "Regional Agriculture Promotion Plan" with the theme of "Food de Fudo". Its key message is that good agriculture makes a good regional society and that agriculture protects the regional society. According to the plan, the JA has engaged in training a wide range of farmers and in expanding the sales channel very close to the customers. On the other hand, it has been involved in agriculture support projects where aged and other farmers are supported in continuation of their farming by the regular members as Farm Management Helper and by the associate members as Farm Support Volunteer.

c. JA Yokohama self-reform implementation plan

To begin its own self-reform, JA Yokohama has formulated "JA Yokohama self-reform implementation plan" and reinforced its farm management support since 2016 aiming to increase farmers' income, one of the themes of the self-reform.

For more active farm management support, the JA has deployed 12 farm management instructors (equivalent to "Team for Agricultural Coordination") in its District Farming Economic Center, who visit the farmers. Additionally, a Farming Technical Advisor and a Farming Instructor organize monthly workshops.

With regard to the price reduction for farm inputs, core items were supplied at a low price through the efforts such as diversification of procurement channels (purchasing outside the JA Group, via competitive bidding, etc.), enhancing incentive programs based on types of transactions (farmers' benefit, self pick-up benefit, purchase volume incentive, etc.). As a result, some farmers started to place orders at the JA, while they used to do the purchase outside the JA.

One of the measures to improve sales ability was to supply farm products to supermarkets. For challenging new fields as the sixth industrialization, workshops have been organized on processed farm products.

A further effort is made for the self-reform with 200 million yen as the reserve fund for measures to strengthen Yokohama agriculture, which is also utilized to support the training of farmers.

d. Achievements in the self-reform

Farmer members value the self-reform conducted at JA Yokohama, especially the lowered price for farm inputs. However, it should be noted that the price reduction is realized by sacrificing the profit of the underperforming Farming Economic department.

The self-reform, at the same time, gave a good opportunity for the JA to review its business operations that heavily depended on the credit business and the mutual insurance business. Through the visits at farmers, the JA considers that it could understand their

needs and be conscious of agriculture and regional society in which the farmers form the starting point.

e. Future challenges

—Everybody's HAPPY! JAmazing Yokohama!—

While the balance of the credit business is expected to worsen, the JA has so far conducted the long-term simulation based on the new deposit refund policy~~bonus program~~ of the Prefectural Credit Federation, and an analysis based on the data of working hours and productivity per branch mostly with the upcoming branch reorganization taken into consideration. It has identified the challenge to strengthen the consultation services such as on investment trust, mutual insurance, testamentary trust; and recognized the necessity to urgently address the challenge for the entire JA Group, "establishment and reinforcement of JAs' sustainable business foundation".

When their 3-year plan for FY2019 to 2021 was prepared in response to the tough environment, a project team was formed consisting of mid-level staff from the head office as well as the branches with consultation of the president. After many rounds of hypothesis and testing over 6 months, and in-person hearings with benchmark enterprises, the team wrote a report of 300 pages and reported it to the president.

The shared vision that is proposed in it, "Everybody's HAPPY! JAmazing Yokohama!" was adopted as it is as the shared vision of the new 3-year plan for the entire JA Yokohama. All the executives and the staff are wearing the button with that text on it. "HAPPY" is coined with the 5 keywords from the principles of executives: Heart (heart/will), Aggressive (aggressive move), Partner (sharing/collaboration/partnership), Profit, Yokohama (the regional society). "JAmazing Yokohama" has a connotation that they aspire to become an organization which the members and the regional society would commend saying "Amazing, JA Yokohama!".

(7) JA Yamaguchi prefecture (Yamaguchi prefecture)

a. Overview

JA Yamaguchi prefecture was established in April 2019 upon a merger of 12 JAs in Yamaguchi prefecture.

As of the end of September 2019, it had 220,000 members as a single JA in the prefecture with outstanding deposits of 1 trillion 200 billion yen, long-term mutual insurance holdings of 4 trillion 300 billion yen and product transaction amount of 10.9 billion yen (1H FY2019). Yamaguchi prefecture is located at the west end of Honshu island (the main island of Japan) with hilly and mountainous areas accounting for 70% of the prefecture. While various farm products are produced including rice, the farm management scale is generally small and the farmers are aging and becoming part-timers.

b. Positioning of the self-reform

Also before the merger, each JA in the prefecture did proceed with their own self-reform. The establishment of JA Yamaguchi prefecture itself is, on the other hand, one of the achievements in the self-reform of JA Group Yamaguchi. Moreover, the merger is considered as means to promote the self-reform further.

c. Steps towards the establishment of a single JA in the prefecture

In the period before the merger, the total business volume of all JAs in Yamaguchi prefecture had been decreasing except the savings of its financial business. The ratio of business administration expenses remained high and it seemed to have reached a limit to secure business income by cutting back the expenses. In 2012, a seminar was held to promote implementation of the adopted resolution at the 38th JA Yamaguchi Prefectural Conference, where an income and expenditure simulation was presented and it was predicted that only 3 JAs will be profitable 10 years later.

Recognizing these situations, the 38th Prefectural Conference defined the next 3 years as "Strengthening period of business structure" and decided to investigate (i) reorganization and reinforcement of the branch office functions, and (ii) organizational consolidation within the prefectural areas. Further in March 2015, the board of Yamaguchi Prefectural Central Union has, in preparation of the merger plan of JAs in the prefectural area, rearranged the basic concept: "aiming for a single JA per prefecture, we need to proceed with the preparation and implementation of a merger plan of JAs in the prefectural areas (prerequisite: each JA has to strive for the saving amount of more than 10 billion yen per branch office)". Subsequently in 2013, the reorganization was carried out and the number of branch offices was decreased from 179 to 107 at the end of FY2018, while the average saving amount has increased from approx. 7 billion yen to 11.7 billion yen. This is how the way is paved to meet the prerequisite for the merger plan of JAs in the prefectural areas.

In November 2015, the 39th Prefectural Conference adopted the preparation and implementation of "the plan for a single JA in the prefecture" in order to support the implementation of self-reform. In November 2017, the merger was approved with 98.3% of the affirmative votes at the extraordinary General Meeting of Representatives of all JAs in the prefecture. Finally in April 2019, JA Yamaguchi prefecture was established.

d. Future challenges

— Take the advantage of scale to realize the reform —

Before the merger in November 2018, the 40th Prefectural Conference was held and its resolution has formed the framework for the mid to long-term management plan of the

prefectural JA. The 4 priorities of the resolution were: (i) protect and carry on agriculture (ii) protect and inherit the regional society (iii) enhance the capability of cooperatives (iv) cultivate a better understanding among the prefecture residents. The numbers (i) and (ii) hereof addresses the self-reform.

JA Yamaguchi prefecture has launched various projects for these implementation. For the centerpiece, "(i) protect and carry on agriculture", with the growth and efficiency strategy that makes use of the position as a single JA in the prefecture, it resolved to achieve more than 70 billion yen of prefectural agricultural output and more than 30 billion yen of JA sales transaction amount in 2023. To expand the production, the followings are mainly considered:

- (i) setting up the division for sales expansion promotion in order to expand the sales channels in various ways and to coordinate the large area shipment;
- (ii) offering subsidies for additional cultivation area or livestock animals in the support system unique to JA Yamaguchi prefecture for production expansion;
- (iii) improving the farm guidance system, for instance, by increasing farm guidance-related staff from 271 to 300, of which 30 highly specialized farm advisors;
- (iv) strengthening the cooperation among producing areas and expanding lot size for the advantageous sale of farm products by reorganizing the joint use facilities, including those for collection and shipment of farm products, and by widening their area coverage.

The efforts to lower the price of farm inputs will also be made by unifying the cultivation calendar of paddy rice, onion, cabbage etc. to consolidate the brand of fertilizers and pesticides as well as to gather pre-orders. The procurement logistics of farm inputs will be out-sourced to ZEN-NOH logistics to build up an efficient distribution system in the prefectural areas/larger "block" areas. The JA also studies the possibility to maximize the advantage of scale through the cooperation in a larger area with JAs in other prefectures.

(8) JA Group Fukushima (Fukushima prefecture)

a. JA Group Fukushima Vision for Reconstruction

Having stricken by Great East Japan Earthquake and Tsunami and the consequent accident at TEPCO's Fukushima Daiichi Nuclear Power Plant in March 2011, JA Group Fukushima prepared "JA Group Fukushima Vision for Reconstruction" in January 2012 and has further endeavored to realize it. The vision comprises especially (i) we engage in agriculture with confidence; (ii) "Fukushima brand" of agricultural and livestock products is established as a top brand; (iii) with diverse farmers involved, agricultural production is recovered and expanded.

b. Positioning of self-reform

The 39th JA Fukushima Prefectural Conference held in November 2015, made a resolution to materialize “JA Group Fukushima Vision for Reconstruction” and to implement “the basic objectives of JA Group’s self-reform (increase in farmers’ income, increase in agricultural production, revitalization of regional societies)”, so that the JA pursues to be the “community-based cooperatives centered on food and agriculture”. It is also determined that new 4 JAs to be launched in March 2016 will steadily implement the merger business plan, and that the Central Union and JA federation will thoroughly support the JA’s initiatives.

As the mission of early recovery from the earthquake disaster and the nuclear power plant accident, the existing 17 JAs spreading in a large area were merged into the new 4 JAs. The scheme employed here is that these new JAs implement further the merger business plan as the self-reform, and their efforts will materialize the recovery.

c. Achievements in self-reform

Here we are going to look at some of the achievements in the self-reform at Fukushima prefecture along with their efforts for it. Firstly, the core farmer support, for which 90 farmer supporters were deployed in 5 JAs and have been visiting the farmers they have selected. Secondly, the strengthening of marketing business, for which the JA made a scheme of buying up & selling and multiple-year contracts for rice, direct selling to users, development of the sixth industrialization products and export. All these efforts have brought 6.4% increase in the JA’s product sales in 2018 as the total of the prefecture, compared to the pre-merger period. For the reduction of the production costs, the procurement process was reviewed and original fertilizers were developed, by which the price of farm inputs has been reduced.

JA Fukushima Mirai has made some achievement by their initiative named “Mirairo Ten! 2-5-10 movement” that aims 10% increase of the farmers’ income through increasing the unit sales price of farm products by 2% and decreasing the production costs by 5%. To take a few examples, a 15% price reduction of farm inputs was realized by development of 14 items of original fertilizers in total, and the consolidation of fertilizer brands. Additionally, JA launched its unique support program which annually allocates 400 million yen to enhance agricultural production. It is subsidizing, for instance, the introduction costs of pipe houses. This program was utilized by 1,368 farmers. In FY2018, the sales turnover was higher than the previous year for 67% of these farmers, and 59% of them had the increase of more than 20%.

d. Future challenges

— With the objective to recover the agricultural output to the level of the period before the earthquake disaster and the nuclear power plant accident —

The 40th JA Fukushima Prefectural Conference in November 2018 has made a resolution to continuously work on "creative self-reform" based on the 3 basic strategies, "regional agriculture promotion strategy", "organizational foundation strengthening strategy" and "management base strengthening strategy" in order to proceed with "building up the JA for future that protects the agriculture of Fukushima prefecture and the regional societies with active participation of the members" in a period of 3 years from FY2019 to 2021.

The current situation of the prefectural agriculture is that the productivity has been deteriorated by the decrease of farmers and other impacts of the great earthquake disaster and the nuclear power plant accident. Taking this into consideration, the "regional agriculture promotion strategy" has identified the following 4 key challenges for the JA to tackle: (i) training and support of diverse farmers who are going to uphold the prefectural agriculture; (ii) development of the JA's multifunctional services and promotion of GAP to increase farmers' income; (iii) a support to resume the farming in the stricken areas, and complete measures to compensate the damages caused by the nuclear power plant accident; (iv) understanding about "food", "agriculture", and "JA" to foster among the prefecture residents. The objective thereby to be achieved over 3 years was set as "recover the agricultural output to the level of the period before the earthquake disaster and the nuclear power plant accident (233 billion yen as of 2010)".

For continuous undertaking of the reform in this approach, it is considered necessary to strengthen the capability of staff in producing, coordinating and organizing through dialogues. It is also their challenge to establish and strengthen the sustainable management base.

4. Discussion about the achievements and the challenges

(1) Achievements in the self-reform

a. Achievements in the self-reform required by the government

The self-reform required by the government was "to put the highest priority on the advantageous sale of farm products and the favorable procurement of farm inputs in the business operations". As the Council for Promotion of Regulatory Reform and MAFF have confirmed, it is fair to say that JA has made a certain level of achievement in the self-reform. It can also be interpreted from the survey results and the case examples respectively referred in Section 2 and 3.

Here is the summary of those achievements. The first achievement is expressed as the actions of JAs. According to the MAFF survey, 90% of JAs has carried out "review of marketing business", "review of production materials purchase business" and "thorough

dialogue with members” in 2019.

Every JA illustrated as the case examples has committed the reform of their marketing business and farm inputs procurement in the form of direct selling, price reduction for farm inputs, etc.

The second achievement is found in the members’ recognition of those actions by JAs. Based on the MAFF survey, 40% of the certified farmers has recognized them in 2019 with a higher rate than 3 years ago.

As implemented at JA Iwate-Hanamaki, JAs have visited the members including the certified farmers, explained their self-reform at various meetings and in the information magazines, exchanged views and opinions among each other. All these efforts have been made to gain the recognition among the members.

The third achievement is based on the members’ evaluation of the results from JA’s actions. JA-ZENCHU survey indicated that 60% of the regular members and the certified farmers have respectively answered that their JA’s marketing business and production materials purchase business were “improved” or “improving” compared to 3 years ago.

Especially, the price reduction for farm inputs has been implemented at many JAs, which was appreciated by the members and the certified farmers. This is achieved through the various efforts including (i) the market price research in the shops in the neighborhood, (ii) the consolidation of product brands, (iii) the expansion of pre-order quantity, (iv) the consultation with ZEN-NOH, (v) the implementation of bidding, (vi) the improvement of distribution system.

In the case of JA Hagano, their advantageous pricing of farm inputs was promoted, and also a bargain item was offered for a limited period to the members. Such a slight change in the sales method has attracted the attention of the members who have been doing the purchase outside of the JA, and successfully converted them to JA shoppers.

b. Achievements in the creative reform

We could also confirm the achievements in the creative reform defined by the JA Group itself, which were beyond the requirements of the government in the self-reform.

Firstly, the objectives of the creative self-reform were achieved. Those with high priority: “increase in farmers’ income” and “increase in agricultural production”, and the common objective shared in the JA Group: “increase in sales transaction amount” were all confirmed as achieved with the statistical data. For instance, the agricultural support program of JA Fukushima Mirai had increased the sales turnover of many of the farmers having been on the program, while the sales transaction amount of the JA had notably grown among all JAs in Fukushima prefecture.

Secondly, the awareness of JA members and its executives was renewed and the relationship between them was changed. To communicate the self-reform and to exchange

views and opinions, JA's executives have visited the members including the certified farmers. This initiative was welcomed by many members, and it should have offered the opportunity for them to understand their JA better and feel it closer than before. Through the experience to hear the voice of members in person and to be welcomed by them, the staff had changed their perception in turn. Although it had been a standard routine for JAs to have the members' feedback in person and respond to it, JAs started to be more aware in these activities. Some see that this initiative was a good trigger to put agriculture promotion higher on the agenda of JA's business administration.

Thirdly, the self-reform initiatives have become the driving force to promote necessary reform for JAs in the harsh business environment. For example, JA Yamaguchi prefecture considers the merger to a single JA in the prefecture as one of the achievements in their self-reform. At the same time, the merger is positioned as means to promote the self-reform continuously. Also in the case of JA Group Fukushima, for early recovery from the earthquake disaster and the nuclear power plant accident, the merger was implemented in the large area. They regard that the practice by the new JAs is the very self-reform for the recovery. These two case examples demonstrate the merger in a larger area can be a driving force of the self-reform.

(2) Achievement factors

What factors have contributed to the achievements in the self-reform required by the government and even the creative self-reform?

The first factor is that JAs had acknowledged the situations in stride and dealt with the self-reform positively. To be more specific, the given situation in and around JAs were: the government imposed JAs the challenge for self-reform; MAFF supervised the efforts and progress of the self-reform; the self-reform is the follow-up agenda of the Council for Promotion of Regulatory Reform; and there was "five-years-later clause" in the amended Agricultural Cooperatives Act. With all these acknowledged, JA took necessary actions.

The second factor is that the advantageous sale of farm products and the favorable procurement of farm inputs were required by the government, but perceived by both the farmers and JAs as part of the core activities of JAs. The reform was, therefore, accepted as valid one which is not to be controverted.

The third factor is that "creative self-reform" being the subject of the resolution adopted two times at the National Conference of Agricultural Cooperatives, was beyond the scope of self-reform required by the government and covered a wide range of activities with a high degree of freedom and flexibility. "The resolution of the 27th National Conference of Agricultural Cooperatives" defined "creative self-reform" is the reform for each JA to realize the members' wishes and to become the organization which is essential to the regional agriculture and life by developing active and varied programs and organizational activities

with originality and creativity in response to diverse circumstances of its agriculture and regional society”.

The fourth factor is that the self-reform had a nature to strengthen the cooperatives’ identity. Dialogue with the members was required by the government, and for developing the creative reform. By explaining to and having feedback from the members, JAs could widen the scope of reform which addresses what is truly necessary.

It is considered that the third and fourth factors have made it possible for JAs not only to deal with the imposed reform but also to implement the reform necessary for the members and the regional agriculture, and even for JAs to fulfill their own potential to take initiative.

This could then also pave the way to the next reform. Taking JA Gifu as an example, the mid-term management plan for FY2019 to 2021 had the main theme of ”all to be done together with the members”. It prescribed to offer consultation to the members and users so as to resolve all of their issues. This has to be carried out not with the condescending “for the members” approach but by sharing the viewpoint “ with the members”. The JA staff had, therefore, visited all the members in the efforts for the self-reform. This experience so far built could lead to strengthening of the consultation work and subsequent business expansion, which should be the strategy for the next generation and even for its own nature as the cooperatives.

(3) Future challenges

a. Establishment of sustainable management

While the extremely low interest rates continue, deterioration of the credit business balance is a concern of JAs. In this situation, “establishment and reinforcement of JAs’ sustainable business foundation” became one of the objectives of and indispensable support for the self-reform. To achieve this objective, the challenges to be urgently addressed are, in particular, the branch reorganization and the improvement of the balance of the agriculture-related business.

JA Iwate-Hanamaki, for instance, has already initiated the process of branch reorganization. The JA had respectfully explained and discussed about the plan with the members, and accordingly amended the plan to reflect the members’ opinions, so that it was unanimously adopted in the general meeting of representatives.

In the case of JA Hagano, the producer’s groups were integrated for each type of commodity after the merger, while the collection and shipment stations were consolidated from 7 to 4. The abolished stations were saved for acceptance and transfer of farm products if brought in by the farmers to ensure their convenience. Nevertheless the JA could reduce its labor cost, repair expense of facilities, and system update cost because the number of

facilities in operation was narrowed down. Also for the coming years, they consider further facility consolidation that is necessary to respond to increase of labor cost due to the raise of minimum wage, system update cost etc., and the discussion has already started.

b. Tackling challenges of regional agriculture

The self-reform required by the government was only a part of the agriculture promotion support that JAs should give. As JAs generally provide it insufficiently, this might be a matter of course that they were asked what they can do especially for the large-scale farmers and the corporations (or typically, the certified farmers) since it is concerned that their business with JA has been decreasing. Direct selling of farm products and the favorable procurement of farm inputs are exactly what the large-scale farmers and the corporations arrange by themselves or via other business enterprise than JA.

Hence, it is significant and also epoch-making for JA business operations that those farmers including the certified farmers valued JA's efforts and expanded their business with JA.

On the other hand, the interviewed rural JAs had the following major challenges of regional agriculture promotion: (i) development and enhancement of the producing area, (ii) response to the aging of farmers and the labor shortage in agriculture.

To tackle these challenges, JA Hagano had been continuously working on (i) integration of the producer's groups, the narrowing of the trading markets, etc. in order to earn a high reputation as a producing area, (ii) making the advantageous sale of farm products possible by introducing the packaging centers, which also relieves the labor of farmers. All these efforts resulted in the sales increase in the period of self-reform. JA Kagoshima-Kimotsuki has its JA subsidiary run a beef cattle breeding business and also realized the sixth industrialization. JA Iwate-Hanamaki has consolidated the farmland. These initiatives were achieved based on the long-term vision and the trust relationship with the members for years. Through the interviews, it was reconfirmed that each JA has been tackling the challenges for regional agriculture from a long-term perspective.

As the statistics pointed out in Section 2, the agricultural production base has been weakened mainly by the aging of farmers, the lack of successors, and unseasonable weather throughout Japan, which led to the decrease of the production volume as well as the lowest food self-sufficiency ratio of all time. As the pressure of imported farm products is expected to be intensified, the efforts for strengthening the production base are further needed more than before. Reinforcing core farmers only does not able to maintain and improve the agricultural production and the food self-sufficiency ratio of the entire country. It is, therefore, required from JAs to support diverse farmers including part-timers and various regional societies along with continuous initiatives from a long-term perspective.

c. Training and use of human resources

— Solutions created by young people —

During the interviews, many JAs named human resource development as one of their future challenges.

JA Kagoshima-Kimotsuki has implemented various reforms since 2015 to become an organization where the staff work actively. As a matter of fact, their various projects are run by young- or mid-level staff. JA Yokohama also formed a project team of mid-level staff with the consultation of the president in preparation of the mid-term management plan. The team wrote a report describing what a JA should be and solutions for the challenges.

These case examples might imply that JA can succeed in human resource development and in finding a promising direction if its young- and mid-level staff carry out the discussion about their future of JAs.

■Afterword

With the extremely low interest rates sustained globally, the business environment becomes increasingly severe. JAs are accordingly required to change the existing business model. Another pressing challenge is to support strengthening the agricultural production base. In order to respond to these challenges, it should be imperative that JAs have the understanding and cooperation of the members to work together, besides acting proactively.

It would be fair to say that the groundwork was laid for resolving the challenges with the successful experiences described above, namely, each JA had positively responded to the self-reform in the JA Reform Intensive Promotion Period and achieved positive results.

Furthermore, the dialogue with the members especially strengthened the cooperatives' identity in the process of self-reform. It will henceforth be even more important to deal with the challenges in an approach that only the cooperatives could take.

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(This reference does not include the websites, the mid-term management plans and the materials at the general meeting of representatives published by the interviewed JAs and the prefectural JA groups)

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