

# Arguments over associate membership system in the Agricultural Cooperatives Act of Japan and their problems

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## ■ Abstract

From a viewpoint of the legal system, we have already brought about an end to arguments over a question of whether an agricultural cooperative is an organization of farmers for cooperation or not, since the system has provided the regular members of farmers with a right of control over management of their cooperative.

Although an increase in the number of associate members may make contribution to profits of regular members who are farmers, there are not such actual conditions as the increase brings about disadvantages to them. Even supposing that the regular members suffer disadvantages from the increase of the associate members, the regular members, who have the right of control over the management of their cooperative, should make a judgement on how to solve the problem, since the agricultural cooperative has been once approved as an autonomous and self-help organizations controlled by their members. This is the sort of problem totally different by nature from those that the third party should get involved.

Furthermore, a question on what kind of business activities should be implemented by agricultural cooperatives established under the Agricultural Cooperatives Act is dependent upon voluntary intension of the establishers of the respective cooperative. The Act does not require the agricultural cooperative as an essential condition for its legitimate establishment to implement such businesses as marketing and the like. Some advocates, nevertheless, urge that the cooperative should make maximum efforts to increase agricultural income as a farmers' organization for cooperation as if those efforts were the greatest responsibility for the cooperatives under the legal system. We can say, however, they have prepared a false premise on which their argument is based.

From a viewpoint of the theory of legislation, amendment of the Act will be desired to be made in line with the purpose of the Act just toward a direction which removes any possible obstacles to promotion of development of farmers' organization for cooperation by responding to changes of the environment surrounding the organization.

## ■ Introduction

A supplementary provision of the latest Act Partially Amending the Agricultural Cooperatives Act and other related Acts (Act No. 63 of 2015, hereinafter referred to as "Amending Act"), which ordered the government to review the application of the provision of the Act after approximately five years from the enforcement of the Amending Act, states that "investigates on a desirable way of regulating the associate members' patronage of the business services provided by an agricultural cooperative shall be completed to reach a conclusion (partly omitted)" (art.51. para.3 of the supplementary provisions of the Amending Act). The Amending Act stipulates this provision as if the regulation on the associate members' patronage of the

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business services were given as a premise under the cooperative legal system. A question of what a solid basis for this given premise is, nevertheless, has remained unanswered.

According to the Regulatory Reform Implementation Plan decided in the Cabinet on June 24, 2014, which is deemed as a foundation for the amendment of the Agricultural Cooperatives Act, however, “due consideration shall be given to the direction in which a specific rule should be introduced for the associate members’ patronage of business services provided by the agricultural cooperative so that *the character of the agricultural cooperative as a farmers’ organization for their cooperation will not be impaired*” (italics added). The aim of the Plan was quite clear in a certain sense. After the Amending Act was promulgated, furthermore, the Government’s Council for Regulatory Reform revealed its “Opinion on Reviews of Agricultural Cooperatives” on November 12, 2014 pointing out, “The number of associate members, that was equivalent to ten percent of regular members when the Agricultural Cooperatives Act was enacted, has presently surpassed that of regular members. Nevertheless, the drafted self-reform (*of the JA Group*, italics added by the author) did not hammer out a course of action to apply rules for associate members’ patronage of business services, and instead showed a course of action to ‘promote associate members’ participation in businesses and management of the primary cooperative by regarding the associate members as partners supporting development of regional economy and agriculture together with regular members. If this course of action is pursued, agricultural cooperatives will further diverge from their starting point of ‘farmers’ organizations for cooperation’”. The Opinion continued by saying, “If the agricultural cooperative needs to provide associate members with services for regional development, the cooperative should be provided with necessary functions for that purpose by vesting its subsidiary corporations with those functions or by establishing a consumer cooperative playing the said functions, which will enable the cooperative to provide its associate members with more broad-based services in flexible manners rather than it does today. Therefore, regulation on associate members’ patronage should be introduced with a clarified numerical standard as early as possible”. It is clear that the aim of that opinion is to deny the present state of today’s agricultural cooperatives by regulating the associate members’ patronage.

In responding to questions in the Diet, the government has made a statement that the amendment of the Agricultural Cooperatives Act aimed at making agricultural cooperatives show utmost consideration for an increase in agricultural income of member farm households as farmers’ organizations, adding that if all the cooperatives ensure success in doing so, their services provided to non-farmer associate members will not be disadvantageous to farmers in any way, even if the cooperatives are engaged in providing no matter how much services to those associate members. What was responded in this way by the government, however, does not logically lead to implementation of surveys on how the business services of the cooperatives are patronized by regular and associate members, neither to consideration on the introduction of regulation on the associate members’ patronage based on the result of such surveys.

The purpose of this paper is to review arguments over the problems of associate members from a viewpoint of the legal system as well as problems involved in those arguments so that the arguments will not be pursued as if the regulation on associate members’ patronage were a given premise.

## 1. What is an associate membership?

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An associate membership system has been understood as if it were not only peculiar to the Agricultural Cooperatives Act, the Marine Industry Cooperatives Act and Forest Owners Cooperatives Act, which are all administered by the Ministry of Agriculture, Forestry and Fisheries (hereinafter referred to as MAFF) under the current cooperative legislation of Japan, but also it were the system specific to this country. To begin with, however, we will need to find out whether such understanding is correct or not, as well as to consider what the associate membership in the cooperative is.

### 1.1 Associate membership system under the Agricultural Cooperatives Act

Today's problem regarding the associate members stemmed from the birth of an associate membership system in the process of enactment of the Agricultural Cooperatives Act in a post-war period. As for the historical development of the system, readers are requested to refer to a different paper written by the author (Note 1). As is commonly known, the Agricultural Cooperatives Act was enacted as a part of post-war liberation of tenant farmers by the implementation of the farmland reform, aiming not only at discontinuing previous agricultural organizations, but also at promoting development of agricultural cooperatives to be set up and managed only by working farmers so that the cooperatives would be able to avoid being influenced by non-farmer interested parties including government agencies and capitalists such as landowners, etc. (Note 2). In this context, it must be first understood that expansion of agricultural production and enhancement of peasant's (later, farmer's) socio-economic status were an aim of the Act that should be expected to be achieved as the result. It must not be understood in an opposite way.

Next, how should we understand the character of associate members in a framework of the agricultural cooperative that was set up as an organization characterized on the above-mentioned assumption? The associate membership system was introduced to enable non-farmer residents as well to participate in the cooperative for the sake of convenience by taking into consideration the actual situation as well that the cooperative was an organization of the agricultural village (Note 3). Although the system was regarded just as a matter of convenience, the Agricultural Cooperatives Act has adopted an open-membership system without any restrictions on the total number of members of the cooperative in compliance with the purport of the principles of cooperatives, which is a principle of freedom of admission and withdrawal. Therefore, the cooperative cannot refuse to accept application either for regular membership or for associate membership without justifiable reason if the applicant is qualified for respective membership (Note: Provided that this open-membership system has been set forth as a premise, the regulation on the associate members' patronage of business services could also cause a logical contradiction of the legal system). As the result, the number of associate members can exceed that of regular members depending on the circumstances. If the associate members surpass the regular members in number, it might be possible for us to argue the case as a problem from a viewpoint of the theory of cooperative movement. This does not mean, however, that we should need to regard such situation as a problem from a viewpoint of the legal system. Since the character of cooperative of peasants (farmers) was secured by not providing the associate members with voting rights (including the elective franchise), it has already brought about an end to arguments over a question of the organizational character, from a viewpoint of the legal system, regarding whether the agricultural cooperative is a farmers' organization for cooperation or not. Whether profits of regular members are undermined because the number of associate members really exceeds that of the regular members or not is a problem to be judged by the regular members themselves

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who are legally authorized to administer management of their organization. This is the sort of problem totally different by nature from such a problem as the third party should get involved. In any case, this does not belong to the category of problems concerning the legal system.

As is shown clearly by government's responses made to questions in the Diet, meanwhile, it may be needless to add that the government took no thought of providing voting rights to associate members under the Agricultural Cooperatives Act, taking an official position that it is impossible for the farmers' organization for cooperation to grant the voting rights to its associate members. However, as stated in the "Memorandum on Liquidation of Agricultural Associations and New Legislation for Establishment of Agricultural Cooperative Associations issued by the Natural Resources Section of GHQ" on January 15, 1947, (details of which are explained later), we need not consider that the agricultural cooperative will not be theoretically permitted to provide its associate members with voting rights to be exercised at the general assembly because of its character of farmers' organization for cooperation.

In this connection, refer to the Farmer's Associations Act of Taiwan, equivalent to the Agricultural Cooperatives Act of Japan, which was drafted with reference to arguments over enactment of the said Act of Japan. Under the Act of Taiwan, supporting members, corresponding to associate members of the Japanese cooperative, are entitled to have member's rights, equivalent to those given to regular members except a voting right and eligibility for election of officers of their farmer's association (art.13, para.3).

(Note 1) Refer to author's paper (AKEDA, 2015), pp. 42 and followings.

(Note 2) Refer to Agricultural Administration Division of the Ministry for Agriculture and Forestry. ed. (1947), pp. 27 and followings, etc.

(Note 3) Refer to Agricultural Administration Division of the Ministry for Agriculture and Forestry. ed. (1947), p. 21.

## 1.2 Associate membership and other membership systems available in the overseas cooperative systems

The associate membership system is not necessarily peculiar to Japan. We can find out an associate membership system of agricultural cooperatives not only in neighboring countries like Korea and Taiwan, which member is called as a quasi-member in Korea and a supporting member in Taiwan respectively, but also in Western countries.

In some of overseas countries, it is expressly stipulated in the respective acts of cooperatives that cooperatives shall be allowed to establish multiple types of membership, while, in other countries where qualifications of membership are not legally restricted, cooperatives are permitted to autonomously lay down qualifications of members granted with different rights and obligations in the provision of their respective articles of incorporation.

In the following paragraphs of this paper, let us take a closer look at some examples in other countries, where "associate members" are explicitly provided for in the act concerned. At the same time, moreover, let us have a look also at regulation on non-members' patronage of business services provided by cooperatives in those countries, because the associate membership system partly conflicts with the non-members' patronage of the cooperative's businesses in Japan.

The first example is Korea. In the Agricultural Cooperatives Act of Korea, a provision is established to enable every agricultural cooperative to accept as its quasi-member any person who has an address or a place of residence in a territory of the regional agricultural cooperative and is recognized as an appropriate user of the

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cooperative's business services (art.20). Although a term of the quasi-member is used in the Korean Act instead of the associate member, what is different from Japan's associate member is found only in payment of the membership fee. The Korean Act stipulates that agricultural cooperatives shall be able to charge admission fees and expenses to their quasi-members, instead of burdening them with obligation of equity investment, under the provisions of their respective articles of incorporation. Excepting this point, both of Korean quasi-members and Japanese associate members do not have any other difference: they are not given rights to vote or to elect, and they are granted equal rights to use business services of their agricultural cooperative and the like. Regarding the non-members' patronage, the Korean Act has only a general and abstract provision regarding the regulation on their patronage, stipulating that non-members shall be able to use business services of agricultural cooperatives within a range not hindering the patronage of members (including quasi-members) (art.58, para.1). Non-members of Korean agricultural cooperatives are not legally restricted in how much they use their business services, while those members of Japanese agricultural cooperatives have quantitative restriction in their patronage of the business services under the provisions of the Agricultural Cooperatives Act (Note 4). In Korea, furthermore, it is possible for agricultural cooperatives to impose restriction to non-members' patronage under their respective articles of incorporation, although it is not possible for them to restrict the non-members' patronage of specified business services (proviso to para.1 of art.58).

Next example is Taiwan, which has The Farmers Association Act, equivalent to the Agricultural Cooperatives Act of Japan. In the Act, a provision regarding supporting members, which correspond to associate members of the agricultural cooperative in Japan, has been laid down to stipulate that a person of 20 years of age or older who has address in an area of the farmers' association established shall be able to join the association as an individual supporting member, as well as that certain kinds of organizations shall be also able to enter the association as supporting members (art.13, para.1-2). The supporting members are granted with rights equal to those of members except a voting right and eligibility for election of officers of the association (ibid.para.3). Namely, the supporting members of the Taiwanese association have been entitled to have voting rights excluding the voting right or eligibility for election of association's officials. This seems to have been influenced by the GHQ's document dated on January 15, 1947, which is called as "Memorandum on Liquidation of Agricultural Associations and New Legislation for Establishment of Agricultural Cooperative Associations issued by the Natural Resources Section of GHQ" (Note 5), (Note 6).

The said Memorandum stated in the section of "*Voluntary and Free Membership System*" (italics added) not only that "membership qualifications shall be limited only to persons who are directly related with agricultural production", but also that "persons who are not directly involved in the agricultural production shall be authorized to have associate membership qualifications. The associate members shall be provided with all the rights except voting rights and eligibility for election of the association's officials".

GHQ seems to have made this statement in the Memorandum by the following judgement. Namely, GHQ did not suppose that it would be contrary to the idea of exclusion of control by non-farmers' influence to provide the membership qualifications of associate members to individuals (Note 7), who had respective addresses in an area where their patronage of association's business services was regarded appropriate, as well as to grant the associate members with voting rights to be exercised at the general assembly, since liberation of farmers from domination by landlords and other powers had been secured by the land reform measures.

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The Cooperative Code of the Philippines of 2008 has also a provision concerning associate members, which stipulates that a cooperative shall be able to set a qualification of associate members, in addition to regular members, under its articles of incorporation, who are not entitled to have voting rights, but granted with a right to use business services of the cooperative (art.26). If an associate member, who meets the minimum requirements for regular members, continues to use the cooperative's business services for two years and has an intention of continuously remaining as a member, the associate member shall be able to become a regular member (art.26). It can be said that the qualification for becoming the regular member of the cooperative, which is stipulated by the Cooperative Code of the Philippines, is based on a fundamental rule of the open membership system that a cooperative is open to every person who wishes to use business services of the cooperative. Regarding business transactions with non-members, there is not any restriction in the Cooperative Code, while such transaction is handled in a different way under the taxation system (art.61).

Legal institutions of cooperatives have greatly diversified in European countries, and the author is not sure whether a set-up of an associate membership system like that of agricultural cooperatives in Japan is of practical use or not. In many countries of Europe, as a matter of fact, requirements for member qualification are not stipulated by provisions in respective related acts. There are not a few countries where a "one person, one vote" system is not ruled out as a legal requirement for cooperatives, leaving rights and obligations of members to self-governance with the articles of incorporation. Under such legal institutions, it will be possibly permitted even to establish plural kinds of membership qualifications that provide members respectively with different rights and obligations. In this connection, it should be added that the Statute for a European Cooperative Society (SCE) of the European Union (SCE Regulation), which has brought in legal institutions for cooperatives of EU member countries as their greatest common denominator, stipulates that different kinds of membership qualifications as well as those qualifications with different rights and obligations shall be specified under the articles of incorporation when the cooperative society establishes such kinds of membership (art.5, para.4), supposing that different kinds of membership as well as membership with different rights and obligations have been established in accordance to the articles of incorporation of cooperatives in member countries. Meanwhile, the SCE Regulation provides that if the cooperative society allows non-members to have the benefits of its business activities, it shall stipulate this allowance in its articles of incorporation (art.1, para.4), while the Regulation does not have any provision imposing the quantitative restriction on non-members' uses of the business activities. Regarding non-member's patronage of cooperative's business services, cooperatives acts of many member countries in EU have not any related provisions. Some of those acts allow the non-members to use the services provided that the articles of incorporation stipulate their uses, and others allow them to do so provided that the articles of incorporation do not restrict their patronage. In many EU member countries, furthermore, there is no legal regulation on the quantity of non-member's patronage. Even if the quantity of their patronage is legally restricted in some countries, the regulation is imposed only on a specific type of cooperative societies. Provided that transactions with its members do not become a secondary business for cooperatives, a relatively large number of member countries allow non-members to use the business services of the cooperatives, while there is hardly any example like Japan imposing an across-the-board regulation on non-member's patronage of business services provided by every kind of cooperatives.

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Cooperative association acts of respective states in the United States of America may not be considered considerably different from those of EU member countries. In the case of traditional cooperatives, they have a single qualification of membership with the same voting right being granted, while there are different examples of cooperatives. The Uniform Limited Cooperative Association Act (2007) in the United States, which was enacted for the purpose of adjustment of cooperative legislations in respective states, has a provision which has been established on the assumption that patronage members with different rights can be in existence among members of cooperatives (Section 512) (Note 8).

Let us continue to take a look of two other examples which constitute characteristic features of regulations concerning the associate members from among overseas countries that have such regulations under their respective cooperative legislations, although a lot of paragraphs have been already devoted to deal with introduction of overseas examples.

One is an example of South Africa. The Co-operatives Act of South Africa, No. 14 of 2005, has a provision which enables co-operatives to accept as associate members any person, who does not become their members, but wants to provide the co-operatives with supports or share benefits of their activities (art.14A, para.1). The associate members are not entitled to have voting rights (art.14A, para.5). Although the duration of the associate membership is one year, the associate member shall be able to select one from the following two options: to become a regular member with approval of regular members one year later or to remain as the associate member for another year (art.14A, para.2-3). It is provided, meanwhile, that the co-operative shall establish in the articles of incorporation a provision stipulating whether it allows non-members to participate in its business activities or not (art.14, para.1, sub-para. bA), while there is no regulation concerning the amount of business which the co-operative is allowed to do with non-members.

The other is an example of Canada. Cooperatives are regulated under the cooperatives act enacted at state (province) level similarly as in the United States. The Cooperatives Act of Quebec, for instance, states that the cooperative shall be able to establish a membership qualification of auxiliary members who are permitted to use the cooperative services without being granted with voting rights under the by-law of the cooperative (art.52). As far as an agricultural cooperative is concerned, furthermore, the said Act provides that the cooperative may make a provision of the by-law of the cooperative for accepting persons as associate members who wish to use business services offered by the cooperative with voting rights and eligibility for election being both granted, although their rights are restrictive (art.211.2~211.4). What is considered more distinctive, furthermore, is that if, during one fiscal year, the proportion of business done by the agricultural cooperative with its regular members falls below 20 percent of its total business, the Minister having jurisdiction over the cooperatives can exercise his or her authority with a provision for ordering the cooperative to amend its articles of incorporation to become a corporation governed under the different legal form (art.211.5). What this provision aims to state seems that it orders the cooperative to convert its corporate form into a more general one, because the conversion of the corporate form in the case of the Province of Quebec does not have any substantial influence on the cooperative, except the legal form, unlike in the case of Japan. In contrast to the U.S.A., on the other hand, a cooperative which owns its offices and operates its business in more than two states may be set up under the Canada Cooperatives Act. This Canada Cooperatives Act also permits the cooperative to establish membership qualifications of associate members and auxiliary members, leaving their respective rights and obligations, etc. to the provision of the by-law of the cooperative under certain restrictions. Meanwhile,

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there is no provision directly regulating the patronage of non-members. Instead, it is provided that the cooperative shall operate business with non-members on the Cooperative basis, and a guideline of almost 50 percent is being applied as the standard for the proportion of the business operation with non-members.

Examples of the overseas countries have been explained in this section to understand not only that the associate membership system is not necessarily a legal system peculiar to Japan and the system has its own diversity with various ideas being possibly put into practice, but also that an idea like the regulation on associate member's use of cooperative business services cannot be found in any legislation of overseas countries as seen above.

Incidentally, examples regulating the restriction of non-member's patronage under the cooperatives act relatively belong to a minority, while many of the cooperatives acts do not have any provision relating to such regulation, or completely leaving the patronage of non-members to cooperative's self-governance with the articles of incorporation or the by-law in most cases. There are some examples that impose a certain restriction on the non-member's patronage as a requisite for enjoying benefits of the corporate tax act. Other examples are imposing such restriction as one of requisites for exemption from the application of the antitrust act like the Capper-Volstead Act in the United States. Moreover, the reasons for imposing such restriction in the overseas countries are different from those in Japan. Namely, a question of whether an organization is a cooperative or not has no relation with the selection of legal forms in most cases in other countries. What is most influential to this selection seems to be a matter of whether the organization is substantially a cooperative or not.

**(Note 4)** The Agricultural Cooperatives Act of Korea has set up a legal framework, in which non-members may use the business service of agricultural cooperatives without restraint in principle, while the cooperatives may impose a restriction on their patronage based on the rules decided under their respective articles of incorporation. According to the standard articles of incorporation of agricultural cooperatives provided by the Ministry of Agriculture, Food, and Rural Affairs, it is prescribed that the agricultural cooperative may be permitted to do businesses with non-members within a proportion of business not exceeding one half of the respective business turnovers during one fiscal year in principle (other than the businesses that non-members are legally allowed to participate in without any restriction) (art.141, para.2 of the standard articles of incorporation).

**(Note 5)** Refer to Ogura & Uchikoshi (2008), p.111.

**(Note 6)** Refer to Morita (2016) which organized information on how the post-war agricultural Cooperative system of Japan influenced the farmer's association system of Taiwan.

**(Note 7)** In the statute, it was provided that the associate membership should be given to a "person who has an address", which was not expressed in words defining the person as an individual. However, the "person who has an address" was interpreted as an individual from the viewpoint of interpretation of the act, and the standard articles of incorporation drawn up by the then Ministry of Agriculture and Forestry also defined the person as an individual.

**(Note 8)** There are remarks telling that the associate membership system of Japan was brought into Japan from the United States (remarks of Ikeda and Ogura recorded in the report of the study group organized by the then persons concerned, who had made researches on the development of the legislation of the Agricultural Cooperatives Act as well as its problems). Refer to Ogura & Uchikoshi (2008), p.667. We will be able to understand that such remarks are correct if the above-mentioned Memorandum of GHQ prepared in January 1947 is taken into consideration. However, the first proposal on the agricultural cooperative system drafted by the Ministry of Agriculture and Forestry, which was made

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to respond to GHQ's Memorandum on the land reform issued in December 1945, had already stated that "general persons living in towns and villages may be approved to voluntarily join the agricultural cooperative association as quasi-members with their rights and obligations being limited" (Author's note: In the first draft, they did not use the term of "associate members", but that of "quasi-members"). This seems to be because of a background that officials of the Ministry had been conscious of the voluntary members of the war-time agricultural association. It is not in itself a big problem whether the associate membership system was proposed by GHQ or by the Ministry of Japan. This is because existence of members respectively given with different rights and obligations is a common practice among general incorporated organizations, and we do not need to regard the case of cooperatives as an exceptional one. In addition, whether the associate member should be expressly stipulated in the Act or not is probably a matter that was raised mainly in relation with the restriction of non-members' patronage of cooperative business services.

In this connection, it should be added that the standard articles of incorporation of business cooperatives provide that those cooperatives may be approved to establish a qualification of "supporting members", although it is differently named from "associate members". These supporting members are, indeed, fully voluntary members who are not stipulated under the provision of the relevant act. Namely, they are regarded not as legal members, but as non-members in relationship with the patronage of cooperative's business services. In case that restriction of non-member's patronage is not legally regulated, however, cooperatives will be fully justified in establishing membership qualifications of associate members and supporting members besides regular members. In that case, the reasons for becoming such members supposedly include reflection of their wishes through communications with the organization, acquisition of information provided by the organization, as well as their support for the organization.

## 2 Development and current situation of problems concerning associate members

### 2.1 Arguments over problems of associate members

As is commonly known, "problems of associate members" of the agricultural cooperative have their origin in arguments over directions of development to be pursued by agricultural cooperatives located in areas where so-called urbanization progressed. This is because the basic character of cooperatives and the system of membership are like two sides of the same coin.

Since Japan entered a period of high economic growth, the number of part-time farmers increased throughout the country. The number of associate members simultaneously increased along with progressed diversification of residents in rural areas and urbanization in those areas, etc. As the organizational base of agricultural cooperatives underwent such changes, moreover, the cooperatives also experienced an advancement of structural changes in their business operation in a period from the late 1960s to the early 1980s. During this period, there was a growing argument particularly over questions of how agricultural cooperatives should be managed as well as which direction they should pursue for their development. That was an argument of confrontation between the "regional cooperative theory", calling for the pursuit of cooperative's development based on changes in the actual conditions and the "functional cooperative theory" that was put forward as a criticism against the former theory (Note 9).

Reinforcement of the agricultural cooperative's "character as a regional cooperative" in accordance with characteristic changes of its regular members was a

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quite inevitable consequence, not to mention the increase in associate members. There are some advocates urging that agricultural cooperatives should purify themselves into functional cooperatives of farmers. However, it is an unrealistic idea for them to propose that all the cooperatives should become the functional cooperatives of farmers. If some of farmers really need their own functional cooperative, it will be a challenge to be addressed just by setting up an agricultural cooperative only of those farmers. We should rather bring forward arguments on how to develop conditions promoting establishments of this type of cooperative. Since cooperatives are voluntary organizations, it is quite natural to have such arguments. The courses of development of agricultural cooperatives should not become uniform, instead deserve to be provided with diversity. If an argument on development of agricultural cooperatives assumes that the cooperatives should be developed only into a course of “A” or “B” designated as the desirable one under the so-called “system” of those cooperatives, it will be neither useful nor fruitful.

It is expected, as a matter of course, that a question of a drastic revision of the Agricultural Cooperatives Act toward a direction of equally providing associate members with voting rights, which are their rights to participation and management of the cooperative, will be raised beyond the “regional cooperative theory”. To conclude, however, we might be able to consider the following situation as reality: changes in the basis of the existence and business structure of agricultural cooperatives have made progress into a direction which deepened the actual conditions on which the regional cooperative theory has been based, although those changes have sometimes come to a standstill in front of a stubborn wall of the purpose of the legislation for the current Agricultural Cooperatives Act.

**(Note 9)** Refer to author’s paper (AKEDA, (2009)), briefly touching upon the development of these arguments. In addition, the first symposium of the newly organized ‘The Japanese Society for Co-operative Studies’ was held in 1981 with special emphasis to the regional cooperative theory. Opinions expressed by advocates at the symposium were reported in “Journal of Co-operative Studies” (Vol.1, April 1982). Furthermore, refer to Susuki, ed. (1983) summarizing detailed information on developments and contents of the arguments promoted until 1983.

## 2.2 Details of consideration by the government

The administration’s responses to the problems of associate members can be traced back many years with past reports made by some panels of the government such as “Results of Consideration on Problems of Agricultural Cooperatives (Summery)” submitted in July 1966 by the Agricultural Cooperatives’ Problems Study Group set up by the Ministry of Agriculture and Forestry (hereinafter referred to as MAF) in 1966, “The desirable state of financial businesses of agricultural cooperatives’ group in the future” submitted by the Agricultural Policy Council in January 1972, “Report of the Agricultural Cooperative System Study Group” publicized in May 1977 by the MAF, and “Report of the Study Group concerning Agricultural Cooperative System” publicized in February 1992 by the MAFF.

Even though the Study Group of 1966 pointed out that agricultural cooperatives located in urban cities with increasing associate members were facing not a few problems, the Group reached to a consensus that such urban cooperatives were only exceptional ones, judging from the whole of agricultural cooperatives in the country. The Group, furthermore, postponed the consideration on measures that would enable some of such urban cooperatives possibly intending to transform themselves into other types of cooperatives like credit cooperatives, etc., to facilitate their organizational transformation in smooth manners, by stating that it would be necessary for the Group to make consideration on those measures in the future based

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on an accurate grasp of the actual situation surrounding those cooperatives. In 1972, the Agricultural Policy Council newly recognized that urbanization and an increase in associate members were not problems peculiar only to the urban cooperatives, but common problems faced by all the cooperatives in the country. The Council, however, again postponed the consideration on necessary measures by judging that it would be necessary to deal with the measures from a long-term viewpoint. Five years later, the report of the government's panel renewed its recognition by saying that it would be inconsistent with the purpose of the system of agricultural cooperatives for the cooperatives to incline increasingly towards non-agricultural business activities only from the perspective of their management without fully meeting needs of farmer-members in disregard of an increase in those needs in the field of agricultural production, as well as to invite regional residents as associate members without any rules, although the panel admitted in its report that the existing situation and tendency of the cooperatives coping with changing conditions surrounding themselves could be regarded as inevitable. The report also stated that necessary measures should be taken to improve the organizational structure and business management of such cooperatives in view of the purpose and character of the cooperatives. Furthermore, the report continued to make a proposal from the similar viewpoint that cooperatives in urban areas should also restrain themselves not only from the tendency to persuade urban residents without careful consideration to become associate members of their cooperatives, but also from thereby expanding their business activities.

The report of 1992, which made mention of a role to be played by agricultural cooperatives for development of regional agriculture as well as for revitalization of the region, referred to a fundamental character and a desirable state of the cooperatives by stating, "We cannot make a sweeping generalization about agricultural cooperatives in the country, which have an infinite variety of organizations because every cooperative has its own greatly different regional conditions. The roles to be played by the cooperatives also differ respectively depending upon those conditions. Based on these actual circumstances, it is a rather difficult challenge for us to figure out an across-the-board desirable state of the cooperatives at the present stage. It will be basically necessary for us to continue further consideration of their desirable state in response to changes in the surrounding circumstances during years to come". Solution of the problems regarding the associate members were postponed again at this occasion. The panel, however, added a noteworthy statement on an important matter in its report that should require attention when they would continue the said consideration. The statement is quoted as follows: "With a view to ensuring the meaning of the existence as agricultural cooperatives as well as to fully playing their given role, it is vital for the cooperatives to maintain their attitude as before, which puts the basis on farming and living of member farmers, and on top of that makes appropriate responses to diversified needs of members"; and, "Although the cooperatives need to maintain the basics of the legal system by making a clear distinction between regular members and associate members, it is also important for them to pay close attention to management of the cooperative in dealing with differences, etc. in rights and obligations of these two groups of members so that these differences will not cause any hindrances to management of the membership system".

Regarding the associate members of the cooperative, moreover, the report of 1992 stated, "There will be some cases in which the cooperatives will find it useful and necessary in revitalization of agriculture and region to require participation of non-farmers in the cooperative based on intentions of member farmers not only through coping with the actual situation in the respective region, but also by gaining the

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understanding of the non-farmer members on the basic principles of agricultural cooperatives”, while the report iterated, according to the basic principles of agricultural cooperatives, that it was still a problem for them to increase associate members without any rules just from a viewpoint of management-oriented policy, and they should continuously refrain from increasing them in the future”. The report continued saying, “As agriculture and rural societies are expected to be further transformed in the future, they will not be able to avoid being integrated with cities and urban residents. Under such conditions, it will be a future challenge for the cooperatives to consider how to widen a range of participation of the urban residents in their business activities in such manners as opening their organizations to the regional societies, because the cooperatives are supposed to find it necessary for them to improve their management by adjusting themselves to current changes in their socio-economic background while they are keeping their fundamental principles of agricultural cooperatives as the basics”. In this way, the panel of the government made a judgment in the report of 1992 that was expected to enhance the prospect for a possible revision of the membership system, if the judgement was compared with the development in previous statements made by governmental panels.

On the other hand, the group of agricultural cooperative organizations in Japan, or JA Group, made a series of responses to the above-mentioned reports of the governmental panels. First of all, in relationship with the possible amendment of the Agricultural Cooperatives Act based on the report submitted in 1966 by the Agricultural Cooperatives’ Problems Study Group of the MAFF, the JA Zenchu, representing the JA Group, requested the Ministry to preserve the status quo of the cooperatives with its “Opinions regarding the Amendments of the Agricultural Cooperatives Act” saying, “Necessary measures should be taken to make it possible for agricultural cooperatives to renew their self-recognition as substantially farmers-oriented organizations for cooperation, as well as to concurrently play their functions as an organization for the regional community. Thereafter, the JA Zenchu decided the “Basic Plan for Better Living Activities” at the National Conference of Agricultural Cooperatives held in 1970, submitting a policy recommendation stating, “Consideration should be given toward legislation of the general cooperatives act, under which every persons, regardless farmers or non-farmers, may organize their own cooperatives without any restraint and operate management of multi-purpose businesses as well, aiming at developing their respective cooperatives, including agricultural cooperatives, by promoting cooperation among those cooperatives in the future”. This proposal made by the JA Zenchu became a trigger for causing the above-mentioned argument between the “regional cooperative theory” and the “functional cooperative theory”. Consequently, however, the argument could not show any concrete vision for the future of the cooperatives. As Otahara pointed out (Note 10), the argument provided the cooperatives with a convenient cover for their management-oriented business operation. There is no denying that such actual situation has provided ammunition to critics of the agricultural cooperatives”.

(Note 10) Refer to Otahara (2004).

### 2.3 Change in quality of the problems

In the sense that the problems of cooperative membership got linked directly with an argument over the legal system, we may say, the Working Group on Agriculture of the government’s Council for Regulatory Reform was first successful in incorporating its proposal that “the volume of associate members’ patronage of business services offered by agricultural cooperatives should be restricted within one half of that of regular members” into its “Opinions on Agricultural Reform” publicized in May 2014. The Council referred to proposals on the contents of the

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reform of the agricultural cooperative organizations in the Opinions such as (1) abolition of the unions of agricultural cooperatives, (2) conversion of ZENNOH (National Federation of Agricultural Cooperative Associations) to a joint stock corporation, (3) conversion of cooperatives' credit and mutual insurance businesses to agents of their respective national federations, and (4) setting up the board members of the cooperative with its majority of the members being certificated farmers called as "Nintei-nogyosha" or persons who have experiences of managing a corporation. We can understand that such reference made by the Council has led to the Amending Act.

In fact, however, ideas regarding "abolition of the associate membership system" and "separation of credit and mutual insurance businesses from primary agricultural cooperatives" had been already put forward definitely in arguments made by the Working Group for Revitalization of Agriculture, Forestry and Regional Societies of the Government Revitalization Unit set up by the Democratic Party of Japan's administration in 2010.

The argument itself over the reform of the agricultural cooperatives, which is leading to the above-mentioned proposals, is not something new. Although we may understand that it seems to have emerged into a spotlight since the Koizumi administration launched the Structural Reforms based on the concept of neoliberalism, an initial argument over the reform of the cooperatives had already come into bud in the discussions made mainly for privatization of the National Railways and other governmental corporations by the Second Ad Hoc Commission on Administrative Reform in 1981. It may be reasonable for us to understand that, since the Government Revitalization Unit started an argument over this problem of associate members, a type of approach attacking the said problem, rather than the quality of the problem, has been changing.

### **3. Arguments over regulation on associate members' patronage of business services and their problems**

#### **3.1 Increased associate members and character of agricultural cooperatives as farmers' organizations for cooperation**

Before discussing legal matters related with the regulation on associate members' patronage, let us think about the "character" or an underlining issue of the organization act regulating organizations. Because, it has been regarded as a problem for the agricultural cooperative to have more associate members than regular members in view of the character of the cooperative as a farmers' organization for cooperation, but the arguments over the problem of associate members will not overlap at all unless a question of what the "character of farmers' organization for cooperation" means is clarified in the first place.

To begin from the conclusion, the character of farmers' organization for cooperation is nothing more nor less than a fact that the farmers govern decision makings of the organization and manage the organization. As mentioned before, the question regarding the "character of farmers' organization" has been already brought to a legal conclusion by securing the character as a farmers' organization not only with no voting rights provided to the associate members, but also with limited eligibility for election of board members given to non-regular members. The question of the character must be neither more nor less than this conclusion.

There are not such actual conditions as regular members are subject to disadvantages with an increase in associate members and regular members' restriction taking place due to a growing patronage of business services by associate

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members. On the contrary, the fact is that the associate members' patronage is making contribution to management of the cooperative and its farm guidance activities, etc. for regular members not only in practice, but also in theory. Even supposing that the regular members suffer disadvantages with an increase in the number of associate members, the regular members, who have a right of control over the management of their cooperative, should solve and can solve the problem to remedy the situation. This is not such a matter as to be challenged by the third person.

Many advocates in the political and business worlds have criticized the agricultural cooperatives by commonly pointing out, "While the cooperatives devote themselves to their credit and insurance businesses, they are neglecting the business activities for farmers", as well as by regarding an increase in associate members as the "problem of a farmers' organization for cooperation", as if such devotion of the cooperatives were attributable to the increase in those members. What they criticize the cooperatives in this way is not a matter raised from the theory of system. It is not reasonable for us to treat the matter, which should not be discussed based on the theory of system, as if it were a problem of the said theory. Such treatment itself has simultaneously replaced the true nature of the problem with a different thing.

Even though associate members of an agricultural cooperative hold both positions of users and owners of the cooperative, they cannot participate in the management of the organization. It may be said that this is a problem in the theory of cooperatives. Even so, however, it is a matter of the legal system whether the associate members must be equally treated with regular members under the system of the Agricultural Cooperatives Act or not. Since the agricultural cooperative is a farmers' organization for cooperation, there is a limit to associate members' participation in the management of the organization, which, the author believes, will be a challenge to be addressed only by applying its operation rules to their participation in appropriate manners. If the organization finds it necessary to make the associate members participate in its management, it will have plenty of ways available for realizing their participation. In this context, it will be the most important matter how the regular members holding the legal right of control over the management of their cooperative wish to deal with the challenge of associate members' participation in the management.

(Note 11) In addition, the agricultural cooperatives could have secured their character of farmers' organization for cooperation, even if the cooperatives provided their associate members with voting rights within a certain restriction under the conditions that the cooperatives allowed only individual persons to become their associate members, because the post-war legislation of the Cropland Act ensured not only the exclusion of control by non-farmers, particularly by former landlords, etc. at that time of the legislation as above-mentioned, but also the character of organizations for cooperation mainly consisted of working farmers.

### **3.2 Farmers' organization for cooperation and associate members' patronage of its business services**

"Associate members' patronage of business services" is not theoretically unrelated to the "agricultural cooperative being a farmers' organization for cooperation".

"Guideline for Supervision of Agricultural Cooperative Associations" of the MAFF had two statements concerning associate members, which were both deleted when the Guideline was revised in April 2016. One statement had been as follows: "The associate membership system of the agricultural cooperative has been established to find a means of providing also residents living in the region of the cooperative with opportunities of using its business services as its members, not only because it is

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desirable for the cooperative to play roles as an everyday-life support institute necessary for both of farmers and residents in the region for revitalization of rural villages, but also because it is also desirable for the cooperative to increase business turnovers for stabilizing its business management as well as for ensuring and improving its services to be provided to its regular members. In fact, the cooperatives assume the responsibility of playing important functions in the respective regional societies by selling consumer goods necessary for everyday lives of regional residents as well as by providing those residents with medical, nursing and other services". The other statement of the Guideline had continued as follows: "The agricultural cooperatives not only need to make efforts in promoting associate members' understanding on the purpose and objective of the system of the agricultural cooperatives on the occasion of their entrance, but also to aim at promoting mutual exchanges and the like between regular and associate members so that an increase in the associate members of non-farmers will not constitute any hindrance to maximization of regular members' benefits on the business operation aiming at the agricultural development. The cooperatives, at the same time, also need to figure out better ways and means to reflect opinions of the associate members in operation of their businesses". In this way, the previous Guideline had been positive about evaluating the objective and significance of the associate membership system. This evaluation ought to be correct from both systematical and theoretical viewpoints.

The revised Guideline now contains a description based on the supplementary provision of the Amending Act which ordered the government to review the application of the provision of the Act after approximately five years from the enforcement of the Amending Act, newly stating, "The agricultural cooperative is nothing more than an organization of farmers for cooperation, which must not neglect to provide services to regular members of farmers while it is focusing its purpose on provision of services to associate members". This is, however, not a problem of the legal system. If it were a problem of the system, such problem would take place only in a case that the business operation targeting only for regular members of farmers is hindered by uses of members other than the regular members. However, actual conditions and reality in which such cases take place ought not to exist.

Supposing that regular members are suffering disadvantages because the agricultural cooperative neglects services for those members, this is an internal problem of the cooperative as an autonomous organization, because the system of agricultural cooperatives has been originally designed to keep the cooperatives being farmers' organizations for cooperation. It should be regarded as a sort of problem to be first corrected based on the judgement of regular members who grasp control of decision making.

Incidentally, arguments over "agricultural cooperatives" based on the theory of system and those based on the actual conditions of the cooperatives must be evaluated separately. In the arguments based on the theory of system, "multi-purpose agricultural cooperatives", which account for an overall majority of agricultural cooperatives in this country, have been set forth as a premise of those arguments. This premise, however, is a matter of the actual conditions, rather than that of the legal system. We can say, namely, that the legislation does not have anything to do with this matter.

When the agricultural Cooperatives Act was latest amended, the administration also emphasized greatly not only that it should be significant for agricultural cooperatives to show utmost consideration for an increase in agricultural income as a farmers' organization for cooperation, but also that the amendment itself was made aiming just at realizing fulfillment of this significant role. We should think carefully about such emphasis made by the government.

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The Agricultural Cooperatives Act does not go so far as to require the agricultural cooperative as the legal system to operate a specific kind of business activities as an indispensable one, particularly like farm guidance activity as well as marketing business, etc. Regarding a question of which kind of businesses should be implemented by the cooperative (although cooperatives that are not engaged in any businesses listed in the art. 10, para.1 of the Act may not exist), farmers, who have established the cooperative, have been left to deal with the question based on their intentions. Therefore, cooperatives that operate only a part of businesses listed in the art. 10, para.1, such as credit business or supply business, for instance, are permitted to exist under the legal system. Even though such a systematic design has been worked out under the legal system, arguments concerning a “desirable state of the agricultural cooperative” have been promoted only on the assumption of an abstract state of the cooperative that should be supposed to exist under the legal system. These arguments, we would have to say, had a wrong starting point as an argument based on the legal system.

### **3.3 Contradiction between open-membership system and regulation on patronage of associate members**

Since the Agricultural Cooperatives Act initially set up the systematic design for agricultural cooperatives, the Act has adopted an open-membership system for associate members as well, which system is namely one of the principles of cooperatives, keeping gates of the cooperative open to persons without discrimination who wish to accept responsibilities of the associate member of the cooperative and use its business services. Therefore, even though this open-membership system has a problem in relation with the regulation of non-members’ patronage (as stated below, the system of associate members has a function to be played as a receptacle for enabling the cooperative to thereby evade the regulation on the non-members’ patronage), the problem should have been already solved from a viewpoint of the legal system. It is not only unreasonable, but also questionable in the theory of cooperatives to challenge the system of associate members on the ground of a higher ratio of associate members in the total membership.

As mentioned before, moreover, the regulation on the non-members’ patronage is not the sort of an indispensable restriction that the agricultural cooperative should introduce because it is a cooperative organization.

Regarding the system of associate members in the cooperative membership system limiting the kind of members to a single type of regular members, we can say, by judging from an idea of the open-membership system, it is ideal to regard the associate membership system as a temporary measure to be taken until associate members shift to regular members as in the above-mentioned cases of the Philippines and South Africa (In the case of South Africa, meanwhile, the associate member is provided with an option to continue its associate membership instead of becoming a regular member). In the case of a cooperative which qualifies specific businesspersons as members, however, it will be necessary to think about the open-membership system in a different manner. If the cooperative organized by specific businesspersons gave membership qualification to persons other than persons who had proper qualification of membership, it means that the cooperative has newly provided those persons with opportunities to use its business services within a range that did not cause any hindrance to regular members. Both of the number and proportion of those non-regular members ought not to theoretically cause any problem. We should say also that the cooperative can actively give an important position to the non-regular members for the purpose of growing profits of its regular members.

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An advocate that challenges the associate membership system with the theory of cooperatives may be much more nothing other than self-contradiction criticizing a systematic design of the cooperative legal system with the theory even though the system itself was originally established in a non-theoretical way.

If we discuss more about the legal matters, the associate members' right to use the business services of the cooperative, which is different from that of non-members, is the inherent right of those associate members from a viewpoint of the essence of cooperatives. Namely, regulation on their patronage of business services conflicts with the principle of equality between members as well (Note 12). Furthermore, this right is one of member's equity rights which is a kind of property rights. If we restrict the right of member's equity or deprive members of their right without any reason contrary to the public interest, it will be a matter that could also conflict even with the constitution of this country as an infringement of the property right. We should say that this is impermissible from a viewpoint of the principle of the rule of law as well.

(Note 12) Taki (2015, p.89) is quite right in pointing out that the "principle of equality does not have any relationship with different treatments given accordingly to respective kinds of members in a case that the cooperative has multiple kinds of membership". However, if introduction of the regulation on associate member's patronage brings about a situation in which some of the members can use the business services and others cannot do the same without any reasonable reasons, such different treatment of the associate members will become contrary to the principle of equality.

### **3.4 Associate membership system and regulation on non-members' patronage**

Let us now consider a theoretical problem of non-members' patronage as well, since we need to identify the theoretical problem of their patronage which is not only closely related with the associate membership system, but also has a conflict with the said system in terms of uses of cooperative's business services.

The problem of the non-members' patronage will be discussed in this section, because it is related with a new provision introduced by the Amending Act concerning an organizational conversion of an agricultural cooperative into a consumer's cooperative society (consumer cooperative) or a joint-stock company. The government has explained the reason for including this provision as follows: Although it is recognized that the agricultural cooperatives have been really playing a function as a regional infrastructure in respective rural societies, the function is not an indispensable one to be played by the cooperatives. Since the regulation on non-members' patronage has been imposed on the cooperatives, the new provision provided them also with means of playing functions of the consumer cooperative and the joint-stock company as an alternative to be chosen in preparation for the case that participation of associate members and regional residents in the management of the association is considered desirable. Nevertheless, when we examine the alternative that was a systematic design prepared in the Amending Act as an action for reorganization of the cooperative like a split or a conversion, it will be found out that the systematic design is lacking in strategic thinking. We cannot understand why this kind of the design was only approved, because the reason has not been made public. The author could think, however, the measures prepared by the Amending Act for reorganization aim only at separating the non-financial businesses (joint selling, joint procurement of inputs, promoting and providing technical assistant services, etc.) from the credit and insurance businesses, rather than taking measures to proactively respond to environmental changes.

Setting aside a matter of the reorganization, our awareness of the above-mentioned problem of non-members raises a question of whether the regulation on non-members'

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patronage really poses an essential problem to cooperatives or not. From a viewpoint of the theory of legislation, as seen in the examples of overseas countries, examples of the regulation on non-members' patronage based on the cooperatives act are rather limited. We can also say that the regulation is generally imposed instead as a requirement for special treatment by a tax system or a necessary condition for exemption from the application of the competition law as mentioned before. It will be open to criticism for being illogical to make an explanation on the establishment of the new provision concerning the reorganization, etc. with a reason of the regulation on non-members' patronage based on the assumption that we cannot eliminate the existence of the said regulation from the cooperatives act, because it is possible from the viewpoint of the theory of legislation to impose the same regulation in connection with the tax law and the like as mentioned above.

If the characteristic features of cooperatives differing in forms with other corporations are emphasized with its distinctive quality of a trinity that their users are owners as well as operators (managers), both of associate members and non-members' patronage turn to be incompatible with the ideal features of cooperatives. This is, however, only an extraction of cooperative's characteristic features for the purpose of drawing attention to their outstanding quality. There is not necessarily an inevitability that all the real cooperatives must perfectly fall into this ideological framework.

Non-members' patronage of business services of the agricultural cooperative is rather beneficial to the cooperative in the similar way as associate members' patronage unless the non-members' patronage become a hindrance to regular members' uses of the business services. Their patronage should not be unconditionally denied. Rather than that, it should be regarded exactly more important that non-members establish "cooperative-like" relations with the cooperative, which are the "values of cooperatives" like equality, fairness, honesty, openness, etc., through the relationship of using its business services.

Some advocates will criticize that the cooperative will be getting endlessly closer to a joint-stock company to finally transform itself into a profit-making corporation, if the patronage of non-members is expanded. Regarding that point, however, the cooperative will be able to separate the accounts for transactions with the non-members so as not to vest profits generated by those transactions in members of the cooperative. For instance, it will be possible for the cooperative to maintain its character of the cooperative by setting up an indivisible reserve fund with these profits that cannot be used for other than specific purposes like agricultural development as well as maintenance and development of regional societies. Therefore, we should not see the regulation on the quantity of non-members' patronage as more important than anything else by assuming that their patronage is incompatible with cooperatives.

In short, what should be expressly pointed out here is that it is not fundamentally essential for the system of cooperatives to impose a legal regulation on non-members' patronage.

In addition, the associate membership system and the non-members' patronage system have a systematic relationship competing each other in the point of uses of business services. If it is a problem for the cooperative to make these systems with similar functions coexist together in itself, the problem seems to be solved by positioning the non-members' patronage as an exception based on the principle that users of the business services shall be limited to only members of the cooperative as the current Consumer Cooperatives Act does.

## ■ Afterword

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To begin with, it is obviously an impractical theory in itself to formulate an idea of “developing the agricultural cooperative into farmers’ organization for cooperation” with the “regulation on associate members’ patronage”, as long as the idea is based on the premise of an average shape of agriculture found in the national data that about ten percent of regular members of multi-purpose agricultural cooperatives are dependent only on agriculture as a means of livelihood. This idea might be regarded as “putting the cart before the horse”.

An organizational form of the multi-purpose agricultural cooperative has been the mainstream of farmer’s cooperatives, because it suits not only to the agricultural structure and rural societies in Japan including their historical developments, but also to socio-economic conditions of the country. If this organizational form did not suit to these factors, it is reasonable to suppose that agricultural cooperatives could not have maintained and developed the said form. In the process of the high economic growth, the number of part-time farm households increased, which concurrently brought about a considerable change in farmer’s economic structure as well as an increase in associate members of the cooperatives while diversification of residents continued to progress in rural areas. Under these conditions, it was also reasonable that the cooperatives could not avoid a change in their organizational base, but also structural changes in their business operation and financial balance. This is just an outcome of cooperatives’ efforts to adjust themselves to changes of the external environment. The author has no intention of insisting that this organizational form of multi-purpose cooperatives will continue to be an appropriate one for the cooperatives in perpetuity. If the form finds it difficult to adapt itself to a future change in the environment, the cooperatives will be obliged to transform their organization sooner or later.

If today’s agricultural cooperatives cannot fully meet expectations of a part of farmers, it is just a matter of course for them to make efforts to enable themselves to meet those expectations. If some of these member farmers, however, still find it meritless for them to remain as members in spite of the cooperatives’ efforts, it will be rather a natural course of action for them to leave their affiliated cooperative and set up a new cooperative or a corporation as needed. The bottom line is, we should say, that the legislator will be expected to have a law-making approach providing farmers with a system for facilitating such set-ups as well as incentives for establishing a new agricultural cooperative by themselves. Namely, the revision of the legal system will need to aim at a direction of legislation which rather helps farmers so that they will be able to appropriately adjust themselves to environmental changes in the future.

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