

**Co-operatives – A Responsible Civil Society:  
Case Study of the Japanese Co-operative Movement**

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**Introduction**

Japan has 13 nationwide co-operative member organizations in the International Co-operative Alliance. These organizations are forming the Japan Joint Committee of Co-operatives (JJC) as a consultative council.

As a result of active promotional activities by the primary co-operatives belonging to the JJC, approximately one in three Japanese families are members of co-operatives. The success of a co-operative can be measured by the rate of participation of its members; that is, the proportion of families living in a community who are members. It will be apparent from this index that Japan's co-operatives have achieved an important place in the community.

It has now been 30 years since the publication of Alexander Laidlaw's work *Co-operatives in the Year 2000*, that profoundly affected the international co-operative movement. Japanese co-operators learned a great deal and were much encouraged by this work, thus they were able to significantly raise the aspiration level in the co-operative movement.

If I might condense the central theme of the book, it is to explore the conditions by which co-operatives can play a role of a responsible civil society. Especially noteworthy is the fact that today's primary co-operatives are several times larger or even several tens of times larger than in the past, so personal *face-to-face* familiarity can no longer be a necessary condition for setting up a co-operative. As the psychological and physical distance between the co-operatives and its members continues to grow, defining the conditions that promote participation in the operations and governance of co-operatives becomes critically important for conduct as a responsible civil society.

In the following I shall identify and lay out these conditions based on the experience of the co-operative movements in Japan. These conditions are not represented by the number of formal meetings held or by the many types of pamphlets distributed to members, but rather by the quality of activities of members' organizations in participating in the operation and governance of co-operatives in satisfying their aspirations.

### **Community-Based Cooperatives**

As in other countries, Japan has a range of different types of co-operatives such as agriculture, consumer, credit, insurance, health, tourism, housing, fisheries, forestry, labor, small business. All these types of co-operatives are regulated by different statutes under the existing law.

Yet all these different types of co-operatives can trace back to the *Co-operative Society Law* that was enacted in 1900. Given this historical circumstance, many primary co-operatives share common characteristics; in other words, they are not distinguished

based on type of business, but rather have characteristics of a community-based co-operative. In agricultural, for example, co-operatives are organized to serve the interests of farmers, yet non-farmers are also allowed to join as associate members. In fact, in terms of numbers, the agricultural co-operatives currently have more associate members than full members. Essentially, the only difference between an associate member and a full member is that the latter has voting rights.

Another characteristic of community-based co-operatives is that they provide goods and services to satisfy the various needs and aspirations of the community. This means that Japan's co-operatives—whether they are agricultural or consumer co-operatives—function not as single-purpose co-operatives but as multi-purpose co-operatives. In fact, the only thing agricultural co-operatives deal with that consumer co-operatives do not is agricultural marketing. Both agricultural and consumer co-operatives groups can provide a wide range of goods and services including purchasing, credit, insurance, health, elder care, tourism, housing, publishing, and so on through their primary or secondary co-operatives.

In both agricultural and consumer primary co-operatives, the principle of "one man one vote" is strictly requested. There is no system of investor members who only invest in co-operatives. Members receive dividends within the range of restricted interest rate. Use of co-operative businesses by people who are not members is also restricted by law. In other words, Japan's co-operatives as a whole closely adhere to the Co-operative Principles (1995).

## **Future Promising Conduct for Large Co-operatives**

Without fear of being misunderstood, I can say that many Japanese co-operators have been heavily influenced by Laidlaw's work. The co-operative movement that they planned and implemented is frequently referred to and praised as a benchmark for other co-operatives to emulate. Let us summarize some of their good practices:

(1) First, regarding planning whether for a branch or a store, the planning is done based on the members' organization. This means the overall planning is done by a centralized method to improve efficiency, while partial planning is done by a decentralized method to improve effectiveness. In partial planning of branches or stores, members are not only aided by the co-operative, but ways of assisting the community are discussed and actually implemented as much as possible.

(2) Regarding education for the co-operative movement and supporting communication between staffs and members, high-quality learning and communications opportunities are provided. This always requires that staffs and members work together. To motivate and highlight the importance of two-way learning, we often substitute the homophonous term *mutual learning (kyoiku)* for regular *education (kyoiku)*. While utilizing newspapers, books, videos, and other media, co-operators continue their efforts to master the three stages of *sharing information, sharing awareness, and sharing philosophy*. And of course nowadays, we use mobile phones, computers, and other modern means of communication.

(3) In order to gain the full benefits of scale, we not only integrate management but also

consolidate operations. In other words, we adopt an approach in which primary co-operatives that share the same philosophy and goals form secondary co-operatives. This approach has been vigorously adopted particularly in the case of consumer co-ops, thus ensuring the same effectiveness as in management integration. Examples include the Seikatsu Club Consumers Cooperative Union and the Pal System Consumers Cooperative Union.

(4) The co-operative leadership group consists of full-time directors based on mutual trust between exceptional laymen and business professionals. The exceptional laymen are chosen from among activists drawn from members' organizations, and their skills are honed through experience. The business professionals are likewise drawn from co-operative staffs, but they come from the ranks of middle management, and their skills too are honed through experience. The one clear message that this leadership group conveys to co-operative staffs and members alike makes promise to continue to expand and develop co-operatives on a steady basis.

### **Some Evidence**

The success or failure of community-based co-operatives should be measured by the strength and pervasiveness of solidarity of people formed through internal bonds and external bridging. This strength and diffusion are concurrently testament to the confidence of the people toward co-operatives.

#### **■ Okayama Co-op**

As of October 2008, Japan has 47 prefectures and 1,787 municipalities. Typically, primary co-operatives are established by setting up one consumer co-operative in a prefecture and setting up agricultural co-operative in one or more municipal areas in the prefecture.

The nationwide family participation rate in consumer co-operatives is 35.7%. Broken out by prefecture, Miyagi Prefecture has the highest participation rate of 68.7% and Mie Prefecture has the lowest participation of 20.0%. Okayama Prefecture is ranked 11th in terms of participation with 43.0% of families as members. Okayama Co-op is a regional co-operative encompassing all of Okayama Prefecture. Okayama Co-op has 307,000 members, 12 stores, 17 distribution centers for delivery, 462 full-time workers, 1,803 part-time workers, and an annual turnover in excess of ¥40 billion (equivalent to about 400 million USD).

The turnover nationwide for regional co-ops in fiscal 2008 was approximately ¥2.6 trillion, with food products accounting for about 80% of the total. The primary mission of regional co-ops is the stable provisioning of safe, secure food products that maintain health and wellbeing of members at a reasonable cost.

Many food products have been essentially developed and provided as part of the long, rich tradition of *Co-op Sanchoku*. This term *Co-op Sanchoku* refers to "direct transaction or direct buying routes from producers to consumers" through the involvement of regional co-ops. This provides a way for small-scale commercial farmers and gardeners to have a successful, small-scale closed market.

*Co-op Sanchoku* offers a way that regional co-ops can support the development of the local food movement. The idea is to portray a consumer co-operative version of community-supported agriculture (CSA) seeking to create better relationship between producers and consumers. Okayama Co-op offers a notable case in point. Under the strong leadership of Chief Director Yukio Mitsuhashi, Okayama Co-op succeeded in bringing agricultural and livestock products produced in Okayama prefecture directly to consumers by forming strong bonds among farmers, processors, and consumers. The range of products includes everything from rice and other grains, vegetables, fruits, meat products, and dairy products, to various processed foods, frozen foods, seasonings, and rice wine.

In addition to developing these kinds of direct transactions, Okayama Co-op has played a leadership role in introducing a wide range of members' organization activities including "Co-op's Green Life Activities," "Okayama Prefecture Product Learning Exchange," "Dietary Education Activities for Children," and "One Yen Contribution for Every Carton of Eggs."

"Co-op's Green Life Activities" is a program offering members a chance to experience farm life first-hand in order to increase mutual understanding between urban members and farmers, to increase loyalty to *Co-op Sanchoku* products, and to learn what farmers aspire to. In 2009, 14 farming areas participated in the program, and 428 members took advantage of the program.

The "Okayama Prefecture Product Learning Exchange" program gives members

an opportunity to try different dishes and cuisine prepared from prefectural products with the goal of extending the local food movement. This event was held at 7 different venues in 2009, and 633 members took part.

The "Dietary Education Activities for Children" program offers children the opportunity to experience farming and cooking for themselves with the objective of increasing their interest and understanding of the importance of food. This program has been held at various places within Okayama Co-op's territory.

The "One Yen Contribution for Every Carton of Eggs" program gives consumers an opportunity to donate ¥1 for every carton of eggs they buy (ten eggs) to help chicken farmers who were affected or who will be affected by the outbreak of avian influenza (bird flu). By the end of fiscal 2009, some ¥6.5 million had been collected for the farmers through this program.

## ■ JA Izumo

For over a century, Japan's multi-purpose agricultural co-operatives have opened their doors to farm families and non-farm families alike, as clearly expressed in the co-operative philosophy of JA Izumo, declaring to "contribute to a richer community and better quality of life through all our endeavors based on a spirit of cooperation." One can see from this statement that the primary objective of Japan's multi-purpose agricultural co-operatives is development of the community and improving the quality of people's lives, and that promoting farming and advancing the interests of farmers is a secondary goal. As Laidlaw pointed out 30 years ago, this relationship between objectives and



means is a natural consequence of the rapid shift in communities and nations from the farm village to the city as a result of industrialization.

JA Izumo is located in Izumo, Shimane Prefecture, famous for Izumo Taisha, the Izumo Grand Shrine. JA Izumo's area of operation coincides exactly with the borders of Izumo City. Coming before the administrative consolidation of 2005, JA Izumo was established in 1996 through the amalgamation of eight agricultural co-operatives.

As of the end of fiscal 2009, JA Izumo had 12,083 full member families and 29,490 associate member families, for a total of 41,573 members. This is out of a total of 48,826 families that reside in Izumo City. Using these figures to calculate participation in the agricultural co-operative, we find that 29.1% of participating families are full members. Breaking the families out by occupation, we find that 100% of farm families belong, 80.3% of non-farm families belong, for a total of 85.1% participation rate for farm and non-farm families combined. Given the historical origins of the agricultural co-operatives, 100% participation of farmers is not surprising, but the extraordinarily high rate of participation by non-farmers is remarkable.

This very high participation rate can be largely attributed to the immense sense of confidence Izumo citizens have in JA Izumo. This confidence derives from the trust that core-members in farmers have, and this type of trust has been originated from better quality agriculture-related services and significant political clout equivalent to the government.

As an example, we can point to the remarkable leadership exercised by former

Representative Director Nobuo Bandai, now serving as President of the JA Shimane Group. Bandai proposed raising the annual dues (officially called *farming guidance membership fees*) and the agricultural marketing commission, both of which are extremely unpopular among farm family members. Naturally, this stirred strong opposition, but Bandai took it as a golden opportunity to strengthen communication with rank-and-file members. He held meetings repeatedly with the members of different districts until he brought them over to his way of thinking. He was a tough negotiator, and he continued to hold these kinds of small-scale meetings at every turn throughout his entire tenure.

Once Bandai achieved consensus among the members, he focused his leadership skills on the staff. He demanded that they improve the quality of agriculture-related services that the co-operative provides. Here too, Bandai's insistence stirred up strong tensions among the staff, which had the effect of markedly improving operations that had gotten into a rut.

Next, Bandai tacked the agricultural policy of Izumo City. Essentially, he seized political power among farmers, thus JA Izumo was permitted to deal with the government from a position of equality. One thing the JA was able to get through was an agricultural fund called the Frontier Fighting Fund (FFF). The donations to the fund are split evenly between Izumo City and JA Izumo, thus ¥140 million is invested every year to promote regional agriculture. This is the fifth year that these funds have been available. It is very unusual to find a fund of this magnitude for promoting agriculture that does not somehow

involve the national or prefectural government.

It is only natural that farmers should trust the JA, but the same high degree of confidence has now also spread to non-farm families as well. The confidence of non-farm families is shown in trust they have for the Lapita supermarket. The Lapita supermarket, consisting of a flagship main store and seven branches, is the largest chain in the city. The ranks of new members have increased significantly in order to use the supermarket.

JA Izumo is successfully developing community-based co-operative operations centering around its Lapita supermarket business, but also involving credit, insurance, healthcare for the elderly, and a host of other services. Meanwhile, a mileage card called Osaifu Card (point card) has also been introduced in the process, and this too has added to JA Izumo's participation rate. Although the point card provides a kind of dividend on transactions with the co-operative, JA Izumo also executes an original one besides the point card.

JA Izumo has seen its market share increase across the board. Now it services approximately 35% of savings deposits, 32% of loans, 34% of car insurance, 36% of life insurance, 39% of general merchandise, 83% of agricultural products, 70% of funeral arrangements, 41% of pension payment, and 33% of the amount of pension payments. Incidentally, the imbalance between ¥8 billion coming in from sales of agricultural products and ¥18 billion from pension receipts shows the importance of supporting community-based activities for the elderly, as well as co-operative youth and women's organizations.

## ■ Saku Central Hospital

Japan's primary agricultural co-operative establish secondary co-operatives to provide rural medicine in each prefecture. Saku Central Hospital in Nagano Prefecture is one of these hospitals, and has the well-deserved reputation as the best hospital in Japan for serving the medical needs of the rural community.

Starting out as a small clinic in 1944, the hospital has now grown to become the largest hospital in Nagano Prefecture, thanks largely to the efforts of the hospital's former director Dr. Toshikazu Wakatsuki. Through a combination of screening and health education, Dr. Wakatsuki developed a world model of outreach and preventative care program for the elderly that earned him the Ramon Magsaysay Award (the Asian version of the Noble Peace Prize) in 1976.

Dr. Wakatsuki's philosophy for Saku Central Hospital was to "build a community and contribute to international healthcare through medicine and cultural activities based on the spirit of working *together with farmers* to protect the lives of residents and the environment and to make life worth living."

Dr. Wakatsuki's practice was very much embedded in this philosophy. Consider first his notion of working "together with farmers." He always disliked the phrase so frequently used by co-operators of "doing something for someone," and much preferred the idea of "doing something together with someone." He thus pursued rural medicine "together with farmers" rather than "for farmers."

One of the distinctive features of Dr. Wakatsuki's brand of rural medicine was the

idea that Sundays and national holidays provided a chance to get out into the country and visit patients in the remoter parts of the community. And rather than treating patients after they become ill, Dr. Wakatsuki focused health management activities on preventative care based on a combination of screenings and health education.

Dr. Wakatsuki came up with two unique practices in developing his notion of health management activities. First, he came up with the idea of appointing a community leader from among local residents in each elementary school district. These leaders organized *Health and Welfare Learning Sessions* in close collaboration with doctors, and the feedback from screenings during these sessions prompted remarkable changes in dietary habits and in the way rural people think about their health in general.

Second, Dr. Wakatsuki did away with lectures as the primary means of motivating farmers to change their way of thinking about health. He instructed his doctors and nurses "don't give speeches, give performances!" He knew that the most effective way to educate villagers and farmers was not with abstruse talk, but by performing plays through tears and laughter. This is why he wanted to inject cultural activities into health care.

Yachiho Village in particular moved to vigorously implement Dr. Wakatsuki's health management activities based on the strong leadership of its mayor. As a result, medical costs for the elderly in Yachiho Village fell perceptively. While it is hard to make comparisons now after the administrative consolidation, data from before the consolidation reveals that the medical costs for Yachiho Villages's seniors was about 60% of the national average and about 80% of the average for Nagano Prefecture.

Saku Central Hospital has thus become a world model of outreach and prevention program for its rural medicine practices. The hospital has hosted over 1,300 trainees from close to 100 different countries from the 1950s up to the present. The foreign trainees are interested in three particular areas: (1) how to build and operate a regional healthcare system, (2) the role and operation of a regional hospital in regional medicine, and (3) health management activities in the community combining improved quality of life with better healthcare. This last theme has been developed into a program called the *Healthy Village Campaign* that has now been implemented in the Philippines, in Laos, and in Sri Lanka. Saku Central Hospital has set up a special department called the Department of International Health for cooperating in international health-related issues.

## **Conclusions**

The co-operative is a unique organization combining attributes of both association and enterprise. What is distinctive about Japan's co-operatives is their adherence to the associational nature of co-operatives. This reflects the fact that exceptional lay community leaders—activist members who emerge from the activities of members' organizations—form part of the collective leadership of Japan's co-operatives. If this avenue of recruitment were lost, it would bolster the dominance of business technocrats even in Japan's co-operatives.

Co-operatives operate to fulfill the needs and aspirations of their members. Yet that does not mean co-operatives only accept the demands of its members as legitimate, for it also includes helping members understand legitimate claims as a co-operative. In

other words, the co-operative also serves to create the needs and aspirations of its members. It is every co-operator's duty through education to expand their understanding to help achieve the ideal of building co-operative communities.