

Interview with Hiromichi Takahashi, Public Relations, Executive Director of Pal System

# Agricultural Reform as Envisaged by the Japanese Consumers' Co-operative Union

By Japan SPOTLIGHT

The Japanese Consumers' Co-operative Union, a distributor of agricultural products in Japan, is thinking about a possible reform of agriculture for the interests of both consumers and farmers, acting as a mediator between the two. One of its members, Pal System, has published a blueprint for regional development in Japan towards 2020 to be achieved by a renovated agriculture and food distribution system. They are engaged in not only distribution of agricultural products but also cooperative insurance and social welfare business for consumers and their activities cover Tokyo and 11 prefectures. We held an interview with Hiromichi Takahashi, executive director of Pal System responsible for public relations, to get his views on how local economies in Japan could be revived by agriculture and related industries, one of the topics of this issue's cover story.

## The Essence of Their Blueprint

**JS:** Could you please briefly explain to us about your proposed blueprint for regional development based on a reform of agriculture?

**Takahashi:** In terms of commercial relations, the interests of distributors are contradictory to those of agriculture. Farmers want to sell their products at the highest price possible, while distributors want to get those products at the cheapest price possible for the benefit of consumers. However, we believe we should consider the diversity of roles in agriculture, not just a product's market value. Farmers should provide the food that consumers truly want to eat and promote their good health, and do their best to achieve a good understanding of the value of their products. This would lead to the sustainability of their business, since it would be key to achieving the stable growth of a farm that consumers buy their products steadily regardless of the price. If they are merely making efforts to sell their products at the cheapest price possible, they will fail to gain stability in their farming management.

At Pal System we are trying to help them achieve this goal and ensure farming business stability and consumers' good health. It is



*Hiromichi Takahashi, Public Relations, Executive Director of Pal System*

easy to say, but difficult to achieve. There would be more merit for us in buying our goods in markets, as we could in many cases buy them at cheaper prices there. But we consider this mediation work between producers and consumers to be our mission and we continue to work on creating the best distribution system directly from farms to consumers. It is crucial for our business as a distributor from farms to consumers that we have a system in which consumers can see the producers' efforts to minimize the use of agricultural chemicals for promotion of food safety and the authentic quality of a product regardless of its appearance. Farmers should do their best to produce goods which consumers truly want to have and have them understand their value as much as possible.

For example, consumers may want to buy a piece of cabbage at 80 yen instead of 100 yen. But with a better understanding of

the production process, whether agricultural chemicals have been used or not, as well as its taste, they would prefer to buy it for 100 yen. It is not enough simply to have producers and consumers change: we must create a system to achieve better understanding of a product by changing retailing distribution. We cannot stabilize agriculture as a business only by pursuing lower prices.

For example, in Oita or Kumamoto prefecture, they have their own special brand of tomatoes. The large distributors are mostly engaged

Photo: Pal System



Beautiful view of rice terraces in Hanamaki, Iwate Prefecture

in dealing with such brand products and in their cases they buy the tomatoes only from some specific areas and cabbages from other specific places. In accordance with this business model, producers of those products occasionally specialize in only those brand products all year long. However, in these cases, the farm land is truly exhausted. It would be far better for farm land to produce numerous products each year. If distributors continue to buy only a few products that they want, farmers would have difficulty in selling their other products. We often see only good-looking tomatoes in markets, but there are many that are not so good looking but nonetheless very delicious.

At Pal System we are not buying only good-looking ones always in favor of the producer's interests but all the products of the farms in a whole region, and we have consumers buy them after they have gained an understanding of the authentic value of those products. This is essentially what we are doing and we believe this will be a model for the reform of agriculture promoting regional development in Japan in the future.

### JS: How about your other contributions to regional development through agriculture?

**Takahashi:** Our business covers not only arable farms but also stock-raising farms and fisheries. Stock-raising farms need to find ways of getting rid of the waste produced by livestock like pigs and chickens, while arable farms need this as fertilizer. We are working on connecting them through networking. This would lead to the recycling of natural resources in the region and their effective use. In the past, farmers used chicken or pig waste as fertilizer for their farming land, and a fraction of the vegetables they grew in their fields was used as feed for these livestock. This recycling will not really be possible anymore in an individual farm, but as a whole region we could still achieve it.

### JS: How long have you been doing this?

**Takahashi:** We have been doing this since we started our business.

More than 20 years ago, in one of the rice crop producing areas in Niigata Prefecture, they had to reap rice plants to meet the needs of the rice rationing policy. They should have been abandoned, but thinking that would be a waste of resources, we asked the workers planning to leave their home village temporarily during the winter and go somewhere else to work for supplementary income to use them to make the traditional decorative straw ropes used to decorate the gates and doors of houses with festoons on New Year's Day. Such recycling of resources can lead to the creation of jobs and continuation of traditional culture.

This is our oldest example of the reutilization of abandoned resources, and we have been doing this more frequently since 2008 when we started to consider alliances and cooperation among agriculture, manufacturing and commerce as crucial for regional development.

## Views on Government Reform of Agriculture

### JS: So you have been trying to give more added value to our agriculture even before the argument about strengthening the competitiveness of Japanese agriculture arose when Japan entered into the TPP negotiations?

**Takahashi:** Yes. We have been making efforts to achieve the most efficient use of resources for agriculture in any given region. However, our view on reform of Japanese agriculture is slightly different from the national government reform plan revised in 2015 to achieve what we call "strong agriculture". We believe that with the TPP implemented, it will be difficult to raise the self-sufficiency rate of food provision in Japan. But the government policy to create "strong agriculture" seems to regard efficiency in agriculture too highly for its survival. Thus, it concentrates subsidies on the large farm land owners. The key in our efforts so far is to promote agriculture for environmental protection and organic farming. It is difficult for large farms to achieve this and thus they would not be the most efficient. An efficiency-oriented reform policy to increase the number of large farms involving the new entries of corporate business firms would end up neglecting small farms and agriculture in mountainous areas.

### JS: Japanese farmers are aging and many of the aging small farmers are exiting from agriculture without any successors, and there are also lots of farmers who earn more money from other jobs than farming. Do these farmers deserve to be protected by subsidies?

**Takahashi:** Rice can be produced by the farmers as a side business. However, for vegetables such as tomatoes and cucumbers, it would be difficult to do so, since it requires full-time commitment and energy. Although the number of rice-growing farmers with side businesses has increased today, producers whom we know have to work on their rice fields or plant farms almost every day and they

cannot have a side business. As for stock or dairy farmers, they would have to care for the livestock even at night. Even among farmers with side businesses, there are farms where the fathers or mothers have to go somewhere else to work during the winter to supplement their revenue, since they cannot live well with only the limited revenue from farming. So I guess we cannot say they would not deserve any support from the government in such cases.

The introduction of large-farm Western farming methods aiming to raise the efficiency of production may not necessarily lead to the survival of Japanese agriculture. I think such a reform could end up in the collapse of rural areas. In a symposium, one businessman told us that only the three largest and most competent farms could sustain the amount of agricultural products that a whole village of 300 farmers produce. With large farms only, agriculture itself may survive, but life in rural areas cannot be sustained. Maintaining and accommodating farming roads, cleaning rivers, and running fire-fighting forces or schools would be impossible with only a small number of large farms. Depopulation would then increase in these areas.

At Pal System, we are of course working with large and active farms as well and also supporting them. We sometimes even introduce retiring farmers quitting agriculture because of their age to large farms that can integrate these smaller ones into their holdings. But I believe we should pursue co-prosperity between small ones and large ones in the same region.

### **JS: You mean we should not pursue a uniform reform but have more diversity?**

**Takahashi:** Yes. I think diversity is an important concept. Agriculture is not only producing food but also a variety of values. Even small farmers contribute to maintaining the function of water preservation in a region by keeping their terraced rice fields.

In the European Union they provide direct subsidies to maintain the diversified roles of agriculture. For example, if water gets polluted upstream, the water downstream will be polluted as well. In many cases, agriculture farms upstream prevent the water downstream from getting polluted. But in Japan, the positive value to the public created by agriculture is not yet considered for pecuniary rewards. I think the beneficiaries of agriculture's contribution to the public value, namely consumers, should pay at least for a part of it. Agricultural products would become more expensive, but Pal System would need to persuade consumers to understand and accept this.

For example, in the eastern part of Hokkaido, there is the Notsuke Peninsula, a producing center for scallops from the Sea of Japan. Here we need to maintain a good forest in order to get good fishery products. If the forest is damaged, the good nutrition from the forest would not flow into the sea and the fishery resources would be exhausted. Unfortunately, today forestry has declined there. As the forest declines, the wild animals will go down to the town and possibly cause damage to agricultural products or attack residents. So we went there with our union members and did tree planting together to help maintain the forest.

### **JS: So agriculture is an important part of an ecological system?**

**Takahashi:** Yes. We must be aware of the many other values of agriculture than just provision of food. If you go to a farm, you can learn about the importance of creatures and food. It is an invaluable opportunity for education for our union members to visit a farm in a local region. "Strong agriculture" in our thinking is one in which farms can firmly survive in a region, whether they are large or small. If we don't have agriculture, we consumers cannot eat. Therefore, as consumers, we would pay to sustain agriculture. Even without government subsidies, we believe that close cooperation between farmers and consumers based upon a confirmed mutual understanding would enable them to work on a system to sustain the management of agriculture.

On the question of aging and successors in agriculture, the key to this question is whether the people currently engaged in agriculture are truly thinking about asking their children to succeed them or not. There will not be any successors if they think the hard work and painful tasks of agriculture should not be left to their children. On the part of the children, the key question is whether they truly want to succeed their parents after having seen them toil for a long time. It will be important to create an environment in which they both feel it will be valuable to continue with agriculture. Economic stability and spiritual motivation will be necessary for this.

The weakness of young farmers is their lack of knowledge of technology and experience. Pal System, working as a mediator between consumers and farmers, provides them with such knowledge and also gives them lessons in organic agriculture or environmental agriculture, if they do not have any experience of it. With such lessons, they will have a better view of their future. This is the most important point.

Even though farmers work so hard and produce, for example, high-quality cabbages, they are not guaranteed to get revenue for them. This is essentially different from an industrial worker in general. They will know how much they can earn from their products only after they have been shipped to market and bought by consumers. After all, if they could grow abundant crops, their market price would fall and they would have to sell their produce at lower prices and in the end fail to earn much profit. Given this aspect of agriculture, we need to create a system enabling them to predict the future to a certain extent. Otherwise, their revenue would not be stable. For example, if consumers promise in advance to farmers to buy their rice harvest at the time of cropping, that would give the farmers a strong motivation to work hard.

In this regard, we have adopted a "system for registration of reserved rice harvest". In this system, our Union members commit to purchasing the rice harvest in advance before rice planting. With this commitment, producers can work on rice production in a stable manner.

When natural disasters, such as heavy snow, cause damage to farmers, we also have a system of providing gifts of money to them as a token of sympathy. We provide this money from each



Photo: Pal System



A rice farmer of JA Sasakami, Niigata Prefecture

cooperative union or call upon our union members for donations.

This is the first step in encouraging the survival of agriculture in local regions — making agriculture a predictable business. The second step, in our view, is to make agriculture a “sextary sector” through optimal utilization of regional resources and the variety of values created by agriculture.

### JS: Could you please explain the details of this?

**Takahashi:** This means that primary industry people should not only produce food and raw materials but also be involved in the processing and distribution of their products.

Let me give the example of tea processed in a PET bottle. Farmers having produced only the material of tea contained in the bottle would also be engaged in processing the tea and in the distribution of these bottles directly to consumers. Thus they would provide consumers with more value-added products by such a multilateral business engagement. In this case though, if their goods do not sell well, their production facilities for processing would remain unused.

At Pal System, we believe that regional resources that would usually be ignored or abandoned because nobody can discover their value are important for regional development, as with the straw ropes example I gave earlier. If you produce something that consumers truly want to have by using local resources effectively, even though it is not available at this moment, it would sell very well. Pal System mediates between the interests of agriculture, commerce, industry and consumers, and tries to organize good partnerships. This is what we call collaboration between agriculture, commerce, industry and consumers.

One most recent example is that lots of fowl droppings not efficiently reused in Iwate Prefecture, a region well known for producing a brand of chickens, are now used in Hokkaido as a snow-melting agent thanks to our efforts. We also asked the rice growing farmers in Iwate to use them as fertilizer for rice crops. They produce rice as feed for chickens or pigs. This is how we can achieve a regional recycling of resources. This is how we aim to achieve local

prosperity in which all the members of a region can benefit, rather than having specific winners and losers.

## Other Topics

### JS: On a different topic, how are you working on achieving food safety?

**Takahashi:** Consumers would believe that everything they eat is safe if it meets the nation's food safety standards. But some would prefer a higher level of safety, while others may not. So I believe it will be important for consumers to be guaranteed a choice of safety level. However, we cannot today judge whether food is safe or not only by food labelling. There are also some companies reluctant to show consumers the reality of their production process. I think producers should know best how safe their products are — the key question being whether they want to eat it themselves or recommend it to their relatives. While consumers can change the origin of the products they buy, producers cannot leave the region of their farms. So the farmers must be clear in producing food they believe is safe and distributing it among consumers.

We provided millions of yen for the reduction of radioactivity to producers following the Fukushima nuclear disaster. But thanks also to the farmers' efforts in Fukushima and its neighboring regions to explain to consumers about decontamination efforts and the measures they have adopted to reduce radioactivity, they could maintain their sales.

### JS: I have heard that Pal System is also working for world peace and the elimination of poverty. What are you doing in these fields?

**Takahashi:** With regard to world peace, we are publishing our views from the standpoint of our members' livelihoods and health. On the question of poverty, we are working on reducing food waste by distributing unsold food items among poor households and food banks. We also get our goods for sale by fair trade. For example, when Philippine sugarcane farmers suffered tremendous business losses caused by an unexpected plunge in prices, which even resulted in some people starving to death, Pal System imported Philippine bananas by fair trade to help them. Since then, we have been working on fair trade as well with other countries, such as bananas from Thailand and Colombia, and shrimps from Indonesia.

JS

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