

Central Union of Agricultural Cooperatives: Zenchu

By Michiro Hakozaki

The Central Union of Agricultural Cooperatives (Zenchu) is a national organization which steers Japan's 4,317 multi-purpose agricultural cooperatives and 2,382 single-purpose agricultural cooperatives. The multi-purpose agricultural cooperatives blanket the entire country, including Tokyo. Membership is based on farm households. Households from which one member makes a regular financial contribution enjoy membership status. Cooperative activities include the credit business, which involves receiving savings deposits from members and using the funds to make loans; the insurance business, both life and non-life; the marketing of farm products; and purchasing operations under which the cooperative buys in bulk fertilizers, agricultural chemicals, farm implements and other agricultural supplies, as well as a range of consumer goods extending from daily necessities to cars, for resale to its members. The cooperatives also advise members on how to manage their farm business. Some larger multi-purpose agricultural cooperatives provide health care, including running their own hospitals.

In contrast, the single-purpose agricultural cooperatives are organizations of farmers in specialized fields such as stockbreeding, dairy farming, or chicken farming, who have joined forces to advance their common interests. These cooperatives do not engage in credit or insurance, but concentrate on matters related to production. Members of a single-purpose agricultural cooperative usually belong concurrently to a local multi-purpose cooperative.

The total national regular membership of the multi-purpose cooperatives was some 5,590,000 as of March 31, 1983. Associate members, who are not farmers but still can use cooperative facilities, numbered another 2,360,000.

Serving the needs of the small farmer

The multi-purpose cooperatives are organized into federations at the prefectural and national levels. For instance, a prefectural "Credit Federation of Agricultural Cooperative Associations" might combine the deposits placed with the credit department of multi-purpose cooperatives and manage the operation of funds at the prefectural level. Credit federation funds



Shizuma Iwamochi, president of the Central Union of Agricultural Cooperatives (Zenchu)

are deposited in turn with the Norinchukin Bank (Central Cooperative Bank for Agriculture and Forestry), headquartered in Tokyo. In the insurance field, there is the "Mutual Insurance Federation of Agricultural Cooperative Associations" at the prefectural level, and the "National Mutual Insurance Federation of Agricultural Cooperative Associations (Zenkyoren)" at the national level. Marketing and purchasing activities are handled at the prefectural level by the "Economic Federation of Agricultural Cooperative Associations" and at the national level by the "National Economic Federation of Agricultural Cooperative Associations (Zen-no)."

The credit departments of Japan's multi-purpose agricultural cooperatives as of September 1984 had savings deposits totaling ¥34.64 trillion (\$138.5 billion at the rate of \$1 = ¥250) and loans outstanding of approximately ¥12 trillion (\$48 billion). The greater part of the surplus is deposited in the Norinchukin Bank via the credit federations. The Norinchukin Bank is also authorized to issue bonds, and uses these funds together with deposits for its financial operations.

The insurance policies held by Zenkyoren as of March 31, 1984 came to ¥177 trillion (\$708 billion) in policies of more than one year, and ¥584 trillion (\$2,336 billion) in policies of under one year. These figures far exceed the ¥161 trillion (\$644 billion) in outstanding policies held by Japan's top commercial insurance company, Nippon Life Insurance.

The annual turnover of Zen-no which

handles purchasing and marketing, exceeds ¥7 trillion (\$28 billion). Its current profit in fiscal 1983 was ¥12.5 billion (\$50 million). These enormous businesses sustain the agricultural cooperatives.

Although Zenchu itself does not engage in economic activities, as the guiding organization it reigns supreme over all of Japan's agricultural cooperatives.

The guidance provided by Zenchu ranges from organizational matters to the activities and management of all its member cooperatives. Japan's cooperatives today are confronted by deteriorating conditions unimaginable during the high growth era. There has been a sharp decrease in the number of farming households. Excessive production has led to stagnation in prices for agricultural products, and intensified competition resulting from financial liberalization is squeezing the credit business. In response, Zenchu is working to raise the productivity of member farmers and rationalize the management of farm cooperatives. And because the aging of Japanese society is most conspicuous among the farming class, Zenchu is encouraging multi-purpose agricultural cooperatives to improve health care for elderly members of farming households.

A strong political voice from the farmlands

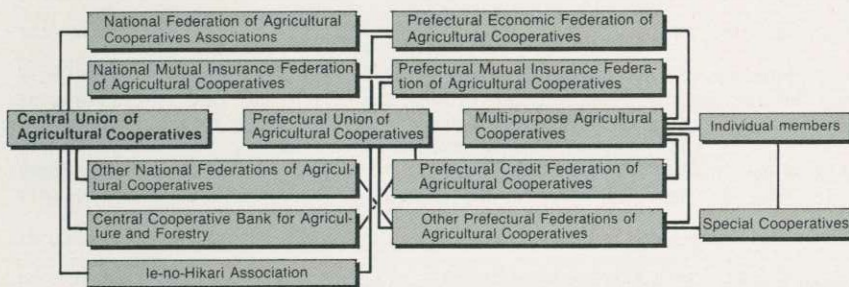
Another feature of Zenchu is that it operates as a pressure group to defend farmers' interests with the government. In Japan there are price supports not only for rice, the national staple, but also for domestically produced barley, soybeans, milk, beef, sugarcane and sugar beets, and silk cocoons. Zenchu stands at the vanguard of the movement for higher price levels. It also submits requests and applies political pressure to have them incorporated in new government agricultural policy. Zenchu has an impressive track record in the political arena.

Behind Zenchu's success lies the organized strength of the agricultural cooperatives, which still retain a powerful voice in agricultural communities. In every election, the cooperatives give their support to candidates, especially Liberal-Democratic Party candidates running for the National Diet (parliament), who pledge to protect the interests of farmers when farm



The Nokyō building, home of Zenchu headquarters

Structure of Agricultural Cooperatives



Number of Agricultural Cooperatives

Number of Societies and Members		Number of Officials and Employees	
Agricultural cooperatives		Officials and staff of multi-purpose agri. coops.	
Multi-purpose agricultural cooperatives	4,317	Elected officials	79,953
Single-purpose agricultural cooperatives	2,382	Directors: full-time	5,998
Federations of Agricultural Cooperatives	731	part-time	56,550
Prefectural Federations	280	Auditors	17,405
Sub-prefectural Federations	427	Employees	286,596
Multi-prefectural Federations	3	General managers	3,245
National Federations	21	Farm advisers	19,045
Prefectural Unions of Agricultural Cooperatives	47	Better living advisers	2,700
Central Union of Agricultural Cooperatives	1	Other employees	261,606
Members of multi-purpose agri. coops.		Employees of Prefectural Federations	65,570
Regular members (individuals)	5,594,878	Employees of Prefectural Unions	4,014
Associate members	2,363,577	Employees of National Federations	6,878

Sources: Various statistics for fiscal years 1982-1983 published by the Ministry of Agriculture, Forestry and Fisheries.

Zenchu Organizational Data

(as of April 1985)

Address:	8-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100
Telephone:	03-245-7500
Establishment:	November 1954
Membership:	Regular members 4,760
	Prefectural members 4,745
	Primary agricultural cooperatives 4,317
	Federations 381
	Unions 47
	National level members 15
	Associate members 11
Number of main officers:	President 1
	Vice presidents 2
	Senior executive director 1
	Executive directors 4
	Directors 154
Secretarial staff:	165
Annual budget:	¥2.97 billion (fiscal 1984)

policies are being decided, including the producer price of rice. With the exception of a handful of prominent politicians, Diet representatives who wish to retain their seats must court the cooperatives. The agricultural cooperatives led by Zenchu have translated this leverage into numerous political victories.

In recent years, however, Zenchu's power as a pressure group has begun to slip. Liberalization of farm product imports is progressing, while consumers have begun to demand a review of farm protection policy. Given the mounting fiscal deficit, it has become increasingly difficult for the government to extend the same

generous subsidies and support to farmers it has in the past.

In the past few years, for instance, the annual increase in the producer price of rice has been held below the increase in the consumer price index. Prices for beef and milk have stayed unchanged for several years.

The current president of Zenchu is Shizuma Iwamochi, a native of Iwate Prefecture. A graduate of Morioka Higher Agricultural College (now Iwate University), he joined the agricultural cooperative movement after World War II. Today he is concurrently president of the Agricultural Cooperative Association of Shizukuishi Town in Iwate Prefecture and of four prefectural agricultural cooperative federations. As a vice president of Zenchu, he won recognition for his forceful leadership in the movement to raise the producer price of rice. He was also an early advocate of strengthening the management of agricultural cooperative associations. His record on these and other issues earned him the presidency.

The average cultivated acreage of a Japanese farming household is exceedingly small. Zenchu insists that these small family farms would not be able to survive if the Japanese market were opened to agricultural imports as demanded by the United States. However, in the face of the internationalization of the overall economy and rising public discontent with the over-protection of agriculture, it is becoming increasingly difficult for Zenchu to prevail in its opposition to opening the market.

President Iwamochi is now urging farmers to prepare for market opening by expanding their land under cultivation to an average of five hectares per family in northern Japan and three hectares in southern Japan. He is also enthusiastic about international exchange. During last year's Japan-U.S. farm products negotiations, he had Zenchu launch *Agri*, an English-language magazine dealing with agricultural problems. Says Iwamochi: "To lead the negotiations to success, it is first necessary to get the U.S. to understand." Zenchu has also sent several missions to the U.S., and this year opened an American representative office. All this underscores the importance which Zenchu under Iwamochi places on international exchange, and especially on strengthened ties with the U.S.

A president of Zenchu must not only display strong leadership within the agricultural cooperative movement but must be able to negotiate forcefully with the government and the ruling Liberal-Democratic Party. Iwamochi is well equipped on both counts. On close terms with party leaders, including former prime minister Zenko Suzuki, who hails from the same Iwate Prefecture, and Shin Kanemaru, the influential secretary general of the party, he is said to have powerful political ties that may strengthen Zenchu's bargaining. ●