

The Strategy of Farmer Cooperatives in Marketing and Maintaining the Stability of Prices of Agricultural Products (Lesson Learned from Japan)

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Abstract: Most farmers in Japan have joined in farmer's cooperative that is Japan Agricultural Group (JA Group). The role of JA is very important in improving Japanese farmer well-being. Basically, JA collectively purchase the materials necessary for agricultural production and market agricultural products, also involved in a wide range of business activities. Hence, this study aims to explore the marketing strategies that were conducted in four places of agricultural promotion in Minami-uonuma City Niigata Prefecture and Obuse Town, Nagano Prefecture, Japan. This is descriptive qualitative research, data were collected by field study, interview with key informant and documentation. The key informants are the manager of the organization and official government. Collected data are presented descriptively. The result shows that Japan Government and JA group have good collaboration to market farmer's product regarding four important aspects: first, developing marketing centers that integrated with local resources such as Michino Eki, Agripark Yairo, Obuse Town. In these spots, farmers can sell their products fresh and processed directly to consumers and have strong power to determine the prices of their products. Second, increasing both quality and continuity of products is an important priority (freshness and use of chemicals are very strictly regulated). Third, promoting their product in many aggressive ways such as online, social media, brochure, leaflet, events, and always update information about their product.

Keywords: farmers; marketing; product

1 Introduction

Japan Agricultural Cooperatives or JA Cooperatives are the largest cooperative organization in Japan. Each agriculture cooperative is hierarchically organized under the prefectural union, and each prefectural union is further hierarchically organized under the national union (Central Union of Agricultural Cooperatives, 1991), refers to the 694 regional co-ops in Japan that supply members with input for production, undertake packaging, transportation, and marketing of agricultural products, and provide financial services.

Agricultural cooperatives in Japan differ in many respects to agricultural cooperatives in other parts of the world. One important distinction is that the majority of the farmers in the country are members of the agricultural cooperative movement. Another important aspect is that the scope of the JA is so comprehensive that they cover almost all aspects of economic and welfare activities of the farming as well as non-farming communities operating simultaneously in many areas, including credit, mutual insurance, purchasing, processing, and marketing. JA has played an important part in reviving the post-war Japanese economy through its contribution to the agricultural sector. Agriculture has played a crucial role in the transformation of Japan's economy from mainly rural-based to one of the world's most highly industrialized economies (Hayami and Yamada, 1991 in Esham & Kobayashi, 2013)

As of 2012, there are 4.6 million official members and 5.4 million associate members in JA While "JA" refers to co-ops that operate in respective municipalities, the "JA group" includes administrative bodies that supervise regional co-ops across several prefectures, run wholesale business in food products and production inputs across municipal and prefectural borders (Zen-Noh), manage credit unions (Norinchukin Bank), offer insurance (JA Kyosai), and a national headquarters that controls the entire group and manages government relations (JAZenChu). (Wikipedia, 2018).

Japanese agricultural cooperatives (JA) are considered as one of the best forms of farmer collective action in a small farmer dominated the agricultural sector. The JA, since its inception, has remained as the backbone of the small farmer dominated the agricultural sector (Esham et al., 2012). The JA supported a large number of small-scale farmers, not a small number of large-scale ones. It has secured funds by expanding the associate membership program, and through the weight of numbers thus amassed it now commands considerable political influence. It was high rice prices that allowed the cogs in this machine to keep turning (Kazuhito, 2013).

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The main agriculture-related business activities of the JA comprising of purchasing and marketing. In the term of marketing business according to (Esham et al., 2012): The JA, through its active involvement assures a guaranteed market for member farmers' agriculture produce. One of the major services offered by the JA to its member farmers is to guarantee market access. The JA collects agricultural products from members and distributes it to markets and other traders. Various approaches are used by the JA to ensure market access for members; among them, consignment marketing is the common approach. Consignment marketing is a joint-marketing approach where member produce is delivered to the primary JAs, and they sell the products individually or through their federations at regional and national wholesale markets.

This study aims to explore the marketing strategies that were conducted in five places of agricultural promotion in Minami-Uonuma City Niigata Prefecture and Obuse Town, Nagano Prefecture, Japan.

2 Methods

2.1. Study Area and Time

This study conducted in three core places of agricultural promotion in Minami-uonuma city, which has successfully branded its rice and vegetables in Japan. The first, the Agri Pak Yairo and meet the officials who are engaged in an agricultural promotion. Second, in Japan Agricultural Corporation (JA) to understand its role of promoting agricultural products. Third, Road Station Minami-uonuma (Michi no Eki) to observe how the agricultural product is sold in a tourism spot. Forth, the town of Obuse, which has linked its agriculture and culture with tourism and gain a high reputation as a Japanese tourism spot. Fifth, the public corporation of agricultural promotion "Obuseya". This study was conducted for approximately one month based on findings in the field, literature studies, and discussions with relevant stakeholders.

2.2. Study Design

This is a descriptive study in which information is collected without changing the environment. This study explores a lesson to learn from some agricultural promotion sites in Japan.

2.3. Data Collection Procedures

Data were collected by field study, interview with a key informant, and documentation. The key informants are the manager of the organization and the official government.

2.4. Data Analysis

The collected data, both primary and secondary sources were edited, summarised, and analyzed in order to achieve the various objectives of the study, and data are presented descriptively.

3 Result and Discussion

3.1. Japan Agricultural Cooperatives –Uonoma Minami

JA Uonuma Minami is located at the southern tip of Niigata Prefecture, the Echigo Mountain range, including the Hachihama Mountain in the east, the mountainous area formed by the Uonogawa flowing in the north and south in the center, surrounded by mountains on all sides wishing the Uonuma Hills. It is rich in water resources due to heavy snowfall and mountain range, and it is also known as a high-quality rice production area.

Business contents consist of JA Bank (Credit Business), JA Mutual Aid (Mutual Aid Project), Farming Guidance Project, Sales Warehouse Project, Utilization Project, Mill Rice Retail / Processing Business, Agriculture Related Purchasing Business, Lifestyle Related Business, Welfare Related Business, Management Business. Farmer members consist of 2,781 rice farmers, 108 watermelons farmers, 15 shiitake farmers, nine flower farmers, 14 cauliflower farmers, 11 animal husbandries. The total number of farmer associations is 191. There is 384 number of certified farmers' 384 and 41 corporate form organizations.

JA Uonomaminani produces five main agricultural products, and there are (1) Koshihikari from Uonoma-Minami, which produced by Uonoma-Minami called Nippon Ichi. JA provides safe and secure "Nippon Ichi" rice to consumers and strives to communicate with consumers through rice planting and harvest tours; (2) Shiitake Mushroom, JA develop the technology eight-colour shiitake that called "top surface cultivation", to generate a look shiitake mushrooms from the upper surface, nourishes only in limited shiitake, larger thick shiitake are cultivated. Wall thickness there is a unique crunchy flavor along with the high quality "eight-color shiitake; (3) Watermelons, Uonoma-Minami blessed with soil and climate that suitable for watermelon production. JA sell watermelon from middle July to Middle of August; also JA holds various events such as watermelon festival and, (4) Lily, Casa-Blanca is the oriental lily type that JA is striving to expand and respond high demand, (5) Raw rice cake, no added Miso, JA produce and sell raw rice cake using locally harvested raw materials. It does not use any additives such as synthetic color or no color et al. It is perfect for gift as well as taste.

3.2. JA Agri Park Yairo (Agriculture Related Purchasing Business)

Agri Pak Yairo is one of the businesses that developed by JA Minami-uonuma. This place sells raw and processing product directly from farmers. The profitable of the product is 15 % for raw/fresh products and 40 % processing food. The products are packaged and processed by farmers themselves. The quality of the product is highly competitive, even though they do not sell organic products individually, whereas the farmers have been

implemented a good agricultural practice, such as how to use fertilizer or pesticides effectively. Furthermore, Japan Government has procedures strictly in chemical substances, and JA routinely educated farmers about that. The products, especially for processing food, have good information and labeling, such as nutrition quality, expired date. For unsold products, farmers have three choices. They can bring their product back, sell at a low price or dump. Promotion strategy uses an online website, brochure, food festival.

3.3. Rice Polishing Factory

JA effort to increase the conservation and storage system to further respond to the stable quality and taste of rice with developing new technology of Rice Milling Unit. It located in Minami Numa, Minamiuonuma-shi, Niigata Prefecture 33-3 Tsukunoshita Shinchida. The activities are brown rice and refined rice sales, fine work, packing, shipping, and mochi processing (winter season).

JA Uonuma Minami actively engaged in "farming support system" where farming instructor's visit, to promote efforts towards production that emphasizes "high quality / good taste" and "safe and secure" practices that take into account the natural environment. JA Uonuma Minami's three major brands, "Koshihikari from Minamiuonuma", "Eight colours watermelon" and "Eight colours shiitake mushroom" are expanding sales share all over Japan. Other products are yuri (cut flowers) from the best species of lily 'Casablanca' and additive miso that produce from local harvested raw material. It does not use any additive material, such as synthetic color.

JA positions itself as a premium-scale rice producer, has a transparent target market, especially for the rich. For this reason, JA seeks to continually improve the quantity, quality, and continuity of products, one of which is by increasing the capacity of rice milling machines (2, 5 ton/h). This is cutting edge facilities to control quality, control temperature below 15 degrees, everything is controlled by computer and cameras.

With new facilities, JA Uonuma develops a larger market, especially for foreign markets such as Hong Kong, the USA, Hawaii, French, Germany, Malaysia, Singapore. JA also improve its rice quality to get international standards, especially to meet the Tokyo Olympic. Since 1990, JA rice brand for this area is quite famous and popular. The majority of farmers in this area (60 %) sell their product in JA with directory selling and 40 percent both other industries and consume by themselves. Currently, total production of 10.000 tons.

JA customers can order by phone call, fax, internet. JA will process in one day, so within two days in processing, customers can accept the product. Even though JA office lives in a rural area, JA customers spread a lot in departments store across Japan and outside. JA promote their product in many different ways, online, social media, brochure, leaflet, events. JA always update information about their product.

3.4. Road Station Minami-uonuma (Michi no Eki)

Michi-no-Eki means "Roadside Station" in English. The Michi-no-Eki system was launched 20 years ago to create a safe, comfortable road traffic environment, and unique, lively spaces that showcased the individuality of a region. Each Michi-no-Eki has three distinct features, there are refresh, community and information. Firstly, "Refresh" because they provide rest facilities that include free 24-hour parking and restrooms. Secondly, "Community" means regional cooperation where cultural centers, tourist attractions, recreation and other local development facilities promote interaction with the region. Lastly, "Information" because it is the place where road, tourist, and emergency care information are readily available. <https://www.michi-no-eki.jp/about/english>

The inception of the Michi-no-eki idea derives from the Road Bureau, part of the Japanese Ministry of Infrastructure, Land, and Transport (MILT), and was initially centered on the idea of establishing links between road users, as consumers, and local rural communities (as suppliers or producers). The logic of these road stations was multiple: the central government had noted an increase in female drivers, older drivers, and longer-distance drivers using the roads, and the notion of providing and improving basic facilities for drivers for rest was an important consideration. It was recognised that many routes (normally national roads, called Kokudo, or main regional roads, known as Kendo), should have places for people to stop and rest. Funding may be given to places where no other similar rest facilities exist in the area and where there may be a consequential danger of accidents due to driving fatigue. Currently, the Michi-no-Eki networks are 1145 that spread in all prefecture through Japan.

The Road Station Minami-uonuma located in 855, Shimohitoichi, Minamiuonuma-shi. It is five minutes by car from Ishiuchi Station. Parking capacity is 12 large cars, normal car 152, four possibilities for a person with a physical disability. There is a restroom, souvenir shop with amazing four seasons taste building, restaurant, the Imaizumi Memorial (The first-floor sightseeing information "snowy district interchange hall" and the second-floor art museum "art station") and open space of rest.

We interviewed the manager of Michi no Eki; further, we visited the store, museum, and restaurant. Michi no eki has an integrative concept to promote their local product combine with their local culture. Principally, this market concept is different from the supermarket. Supermarket buys from farmers and sells to consumers. In Michi no eki, farmers bring the product and sell their product by themselves. There are two benefits. First, vegetable product comes from local farmers. Hence it reduces cost and energy for transportation, second, the products are quite fresh. Furthermore, not only sell fresh product, the manager also encourages local farmers to sell their processing products. Michi no eki consist of 12 percent vegetable product, 40 percent processing food, also sells big company product and local handicraft.

The challenge for Michi no eki that they only can buy a small size of the market as long as the farmer brings and sells their product by themselves. Consequently, the system is impossible to develop the market larger. If they want to make the market larger, the management should be change like a supermarket.

Regarding the management, there are many kinds of partnerships, dependent on each Michi no eki. In Minami uonuma, the government provides facilities (infrastructure) and the management run by JA corp. The local

farmer produces all fresh product, and they can sell any kind of agricultural product. The farmer itself determines the price. The farmer can change the price tag twice time/day or if their product already sold out. The management lets the farmers understand the customer's attitude, so the quality of the product absolutely decides by the farmers. The system is very flexible. The farmer can choose the standard by themselves. Farmers get their profit/money each month. For unsold product, farmers can bring back, if farmers choose to destroy, they should pay the additional cost.

Sixty percent of visitors come from the outside region. In order to increase farmer skills and knowledge, training about fertilizer, and how to grow vegetables more efficiently are given. They do not sell organic products because organic regulations/standards are more challenging to obtain. Finally, the most important thing to develop Michi no eki is management and communication.

3.5. *Town Hall of Obuse*

Located at the confluence of the Chikuma and Matsukawa rivers, Obuse is the smallest town in Nagano Prefecture, wholly contained within a two-kilometer radius. As of 1 October 2016, the town had an estimated population of 10,698, and a population density of 560 persons per km². Its total area is 19.12 square kilometers (7.38 sq mi) (Wikipedia, 2018).

Obuse boasts a 600-year tradition of chestnut cultivation that underlies its delicious regional cuisine. Many citizens take part to promote gardening and greenery, creating a towncape with beautiful flowers with all seasons. Obuse has drawn visiting artists and intellectuals since back in the EDO period; both ukiyo-master Katshusika Hokusai and the poet Kobayashi Issa created numerous works in the town (Obuse Tourism Guide). There are many tourism spots in Obuse Town fulfilled by local products.

We interviewed with an official in Obuse Town Office; further we visited tourist areas that sell agricultural products both fresh and processed, also Hokusei museums inside. There is much information that can be learned from Obuse town, especially in how to develop regional branding. Obuse promotes as "A Town of Chestnuts, Hokusai and Flowers. Benefiting from a favorable climate with a dramatic shift from winter and summer, the many fruits grown in Obuse are deliciously sweet and well coloured. Abundant of natural resources especially agricultural products such as apple, grape, cherry, pear, peach, chestnut and eggplant.

Chestnut is quite prevalent that produces for the generation almost 600 years. They sell chestnut in many good products such as kuri okawa (sweet sticky rice with chestnuts), kuri yokan (bars of jellied Chestnut paste), and kuri kanoko (chestnut with chestnut jam). Currently, the higher demand of chestnut, the more significant number of farmers interest in producing chestnut, they also import chestnut to keep production continuity. At present, the chestnut production area in Obuse reach 90 ha, it is almost doubled than 1990 which is only 45 ha. Apples and grapes that produce in Obuse are having unique character, the apples in particular are deep red with plenty of nectar while the kyoho are both vast and flavorful. However, currently, many farmers move to grow grapes because it is easier to handle and lower production input.

Currently, the main problem is the decline in the number of farmers, production and agricultural land. A national symptom that most of the young generation are more interested in working in the industrial sector. Visitors to Obuse town also declined, reaching a peak in the 1990s. Therefore, Obuse faces the challenge of starting rebranding again, this condition requires an effort that is not easy in a short time.

Rebranding strategy, including communication with several stakeholders to improve facilities in Hokusei, to promote promotions such as Obuse spring events; Obuse Art and Craft Fair; Apple Blossom., Chestnut Blossom., Cherry Blossom, etc. Premium apple brand "Bramley apple" and sour cherry are the two products that are currently being actively promoted. The most important thing is the originality of the product, building cooperation between all stakeholders both the government, society, farmers, association, etc. For instance, Obuse also member of British Royal Assembly. There is also JA in Obuse town, meanwhile JA has large number of farmers in three town and villages, so JA focus on other sector such as banking, social banking. Obuse Government manages all program in city branding in Obuse Town.

Sour cherry is rare, "Cherry kiss" is currently being promoted as one of the product brands of Kofu-cho. Sour cherry has unique, it is crispy when eating fresh, when heated it has brilliant scarlet colour because consist of polyphenol substance and good smells. Cherry kiss starts harvesting from the end of June, and it is offered to restaurants and sweets stores in the town. Sour cherry processes to many kind products such as jam or fruits sauce, it can be applied to ice cream, yogurt, cheese cake or tart, dried fruit, fruit jelly, macaroni.

"Bramley apple" known as a blue apple for cooking, grown in Obuse in Shinsu since 1991. It's drawing attention and enthusiasts from chefs. Bramley still holds immovable status as the king of apple cook in UK. It has refreshing sour taste suitable for processing and is characterized by melting immediately. Major use are meat dishes, pies, crumble, grilled apple, sauce. Characteristics of bramley are good compatibility with meat, pungent sourness aroma will persist after deep bowl heating.

3.6. *Obuseya*

The organization trade name is General Foundation Corporation Obuse Town Promotion Corporation. Established on September 7, 1990. Located in 380-0209 Nogano Prefecture. Kamikitai-gun Obuse-machi, Ohashi Nakamatsu 496-1. Currently, corporation basic asset about 20 million yen and net sales approximately 300 million yen. The name of "Obuseya", it is the original brand of Obuse-cho promotion public corporation. They sell processed goods, fruits and vegetables such as juice, jam, honey, chestnuts sweet-deep-fried, fruit jelly, etc. using mainly selected seasonal fruits in Obuse Town. Obuseya has philosophy to contribute economy and society through corporate activities rooted in the community and providing safe food culture.

Business content consist of direct sale and wholesale of vegetables and fruits, direct sale and wholesale processed food, mmanagement of the park (floral garden) and sales of flowers, seedling etc. and greenery, creating a townscape. There are three main site that visitors can visit in Obuseya areas such as aagricultural product direct selling place "Rokusan", Restaurant "Floral Garden", Park and Flowers Seedling Distribution Center "Floral Garden Obuse". Obuseya sells products directly to consumers, also online selling. Address direct selling in 380-0209 Nogano Prefecture. Kamikitai-gun Obuse-machi, Ohashi Nakamatsu 496-1. For online we can visit <http://www.obuse.or.jp/> or <https://www.obuse-ya.jp> (Obuse Culture and Toursm Association, 2018).

Obuseya is corporation that dedicated to encourage farmers to improve their income. Initially, local government established this corporation, however local government cannot always support, so it is directed more independently like a private company. This corporation run with more professional management. Principally Obuseya buy fresh product from farmer with competitive price, they buy farmer product with higher price than other stores. The quality of agricultural products is uncertain, sometimes farmers' products have good quality, but sometimes with low quality. Therefore, Obuseya facilitates all products sold by farmers. Products with poor quality are processed, in order to increasing sales value, processing food also will preserve fresh product up to one year, because in certain seasons some products can be found in abundant quantities, but not in other seasons. Obuseya offers good quality processing food, so customers can consume off-season agricultural products.

All products sell in Obuseya shop, we can see variety seasonal fruits and vegetables such as apple, grapes, vegetable, etc. and various processed products, the product are packaged with good show case, nutrition information and expired date. They concern with the quality of the product and continue to strive to improve quality and safety of processed product. Furthermore, they also sell by online system. In the online system, they design informative website, always update news and price. Direct market still has higher profit than online (40-60%). Meanwhile in the future, the online shop looks more profitable to develop.

Market is highly competitive, so they try to produce unique product such as apple juice that consumers can choose with variety of taste from different kind of apple and sugar content. Develop testing blend for agriculture product, there are two ways to develop testing blend, 1) to increase quality, 2) to develop some new product that cannot produce other, for instance, sour apple "Bremley" and cherry kiss, also processes into a jam etc. The also sell chestnut, because Obuse is very popular place for chestnut, they also educated customers that they not only sell good chestnut also have good apple.

Obuseya develop many promotion strategies with new leaflet, some events, they have big event in October such as grapes event, sometime they sell product in popular area, department store, local business area and social media. They also provide information for farmer about market, in some time farmers also can determine by themselves which products are profitable, such as many farmers who grow apple change to move to other profitable commodity like grape.

4. Conclusion

The result show that basically Japan Government and JA group have good collaboration to market farmer's product regarding four important aspects: first, developing marketing centers that integrated with local resources such as Michino Eki, Agripark Yairo, Obuse Town. In these spots, farmers can sell their products fresh and processed directly to consumers and have strong power to determine the prices of their products. Second, increasing both quality and continuity of products is an important priority (freshness and use of chemicals are very strictly regulated). Third, promoting their product in many aggressive ways such as online, social media, brochure, leaflet, events, and always update information about their product.

Acknowledgment

I would like to say thank you very much for all who contribute to this article, especially for Bappenas that gave me opportunity to join in Staff Enhancement Program in Japan, my supervisor Prof.Yusuke Jinnay, Prof Shugo Shinohara, my peers Erna, Mas Aris and Mas Agus.

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