

Consumer Cooperatives and Agro-food Safety : Experience and Lessons from Japan

Zhixuan LYU¹ and Lily KIMINAMI^{2*}

(Received December 2, 2016)

Summary

With its increasing engagement in global agriculture markets, food safety of agricultural products in China is becoming more and more important, which requires China to catch up urgently with international safety standards, as well as a global approach to secure food safety. Generally, consumer cooperative is considered to be one of the social organizations to rebuild consumer confidence in agro-food industry and government by strengthening the interaction among different stakeholders. Focusing on the issues of agro-food safety in China, the purposes of this paper are set as follows. Firstly it will clarify the agro-food system and food-safety governance structure in China. Secondly, it will research the development of Japanese consumer cooperative and its role in food safety management through two case studies. Finally, it will propose suggestions to the development of Chinese consumer cooperative based on the analytical results.

Bull.Facul.Agric.Niigata Univ., 69:1-6, 2017

Key words : agro-food safety, consumer cooperative, China, Japan

Introduction

The problem of agro-food safety in China has resulted in widespread social distrust of agro-food producers as a whole as well as a deeply felt sense of insecurity (Yan, 2012). With its increasing engagement in global agriculture markets, food safety of agricultural products in China is becoming more and more important. Such a shift requires China to catch up urgently with international safety standards, as well as a global approach to secure food safety.

Generally, consumer cooperative is considered to be one of the social organizations to rebuild consumer confidence in agro-food industry and government by strengthening the interaction among different stakeholders such as government, producers, distributors, and consumers, etc. However, some scholars argue that there is no appropriate condition for the establishment of consumer cooperative in contemporary China (Liu, An, & Nakashima, 2011), and some others think it is necessary to implement the mature experience of consumer cooperative existing in foreign countries based on the comparative studies on consumer cooperative, consumer awareness, and consumer behavior in different countries combined with Chinese specific national conditions (Wang & Miao, 2012).

Focusing on the issues of agro-food safety in China, the purposes of this paper are set as follows. Firstly it will clarify the agro-food system and food-safety governance structure in China. Secondly, it will research the development

of Japanese consumer cooperative and its role in food safety management through two case studies. Finally, it will propose suggestions to the development of Chinese consumer cooperative based on the analytical results.

Agro-food system and food-safety governance structure in China

The agro-food system may involve various stakeholders, in China for example, which mainly involves government, producers/farmers, food corporations (manufacturers, processors, transporters, wholesalers, and retailers), consumers and consumers association. The governance structure in Chinese agro-food system can be showed as Figure 1.

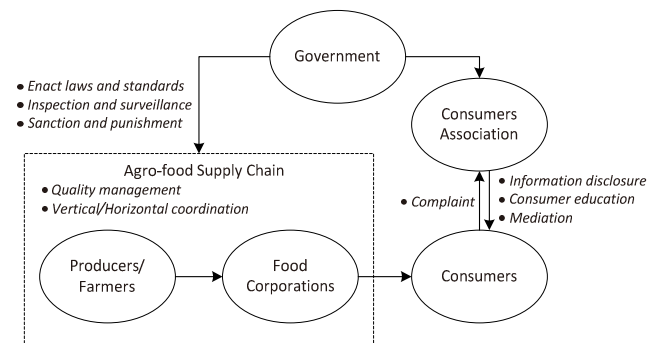


Fig 1. Chinese agro-food system and governance structure

¹ Dezhou University, Dezhou City, China, 253023.

² Niigata University, Niigata City, Japan, 9502118.

* Corresponding author: kiminami@agr.niigata-u.ac.jp

Government regulation

The Chinese government has made tremendous efforts to reform food safety laws as part of a long evolving process (Lam, Remais, Fung, Xu, & Sun, 2013). In particular, the Food Safety Law of China (FSL) came into effect on June 2009^① to restore confidence in the government's ability to ensure food safety and address the lack of relevant standards/procedures (Chen, Wang, & Song, 2015). The FSL has made significant changes on the integration of inspection and surveillance system, the construction of unified national food safety standards, the enhancement of legal sanction and punishment (Jia & Jukes, 2013). With the major agencies reform of the State Council of China in 2013, the new China Food and Drug Administration (CFDA) is set up, and responsible for the overall supervision and management of food safety at all stages from production to consumption as a centralized authority (Chen et al., 2015; Lam et al., 2013). This major overhaul signifies China's determination to build a high-level, unified system to handle food safety issues (Lam et al., 2013).

Supply chain coordination

Chinese agro-food supply chain consists of the millions of small scale farmers/producers (X. Zhang & Aramyan, 2009), who find it is difficult to meet quality standards in consideration of the increasing food safety concerns (Zhou, Li, & Liang, 2015). Numerous institutional innovations were consequently implemented to promote smallholders' power in agro-food markets, including family farms, farmer cooperatives, agricultural companies, associations, and others (Huang and Yu, 2010).

Consumer organization

At the other end of Chinese agro-food supply chain, consumer associations^② state that they are on behalf of consumers. The China Consumers Association publishes consumer warning, compiles consumer handbooks, organizes food safety education campaigns in campuses and communities, and carries out annual "315"-themed events. In turn, consumers can complaint to consumers association when they are suffered from unsafe food and other products/services. Usually, mediation will be taken as one of the important relief channels by consumers association.

However, China Consumer Association is "semi-official" and partially under the government (the Administration for Industry and Commerce) supervision (M. Zhang et al., 2015). Meanwhile, the function of mediation is contrary to the purpose of consumer associations to protect the legitimate interests of consumers (Ren, 2011). It is an administration relationship between consumer associations and consumers,

which cannot respond effectively to consumers' needs. In addition, mediation is an ex post remedial action, and the product management is not involved in the role of consumer associations.

Consumer cooperative in agro-food system

According to the International Co-operative Alliance (ICA), a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Based on the primary business activity, cooperatives are often categorized as production, marketing, purchasing, consumer, or service (Zeuli & Cropp, 2004).

According to Blomqvist (1984), what the consumer cooperative does is to offer democratic channels for extensive, direct consumer influence on production, administration, and distribution. Firstly, the preferences of the members are satisfied through the constant dialogue that goes on in the cooperative. Secondly, by controlling their own laboratories, means of production, purchasing and distribution organizations, cooperators can adjust supply to demand, with the equitable conditions for each partner of the supply chain. Thirdly, decisions about products, assortment, and price are more conscious acts which are based on information about the economic and other consequences that choice of a product has for the individual household, the cooperative organization, and the society at large.

Although cooperatives had their origin in Europe and have been organized with varying degrees of success in virtually every country over the 20th century, some successful consumer cooperatives in Japan are worthy of consideration for their efforts to build a new institution with a grass roots focus, and offer valuable case studies (Grubel, 2004).

Japanese consumer cooperatives and agro-food safety

Although, the Japanese consumer cooperatives movement developed lately in comparison with western countries, it rapidly grew especially after the 1970s with the purpose of ensuring consumers have access to safe and natural foods and provided Japanese consumers with a more direct voice in the types of food that supplied to them (Riethmuller, 1994). Today, it has become very significant in the Japanese society as consumer organizations (Saito, 2010), which is an integral part of communities with 30% of all households belonging to a consumer cooperative (ICA, 2012).

^① With the process of reform, the FSL is followed by three rounds of revision and the final amendment is finished and enacted in 2015, which is seen as the toughest yet, in terms of civil, administrative, and criminal penalties for producers, their supervisors, and government officials (Chen et al., 2015).

^② By the year 2012, the number of consumer associations above the county level has reached 3,270, including 31 provincial-level consumer associations (M. Zhang et al., 2015).

As per the data of FY2014, there were 571 consumer cooperatives with a total membership of 27.8 million people in Japan and the total business turnover amounted to JPY 3,365 billion (JCCU, 2015). Amongst, community based retail cooperatives are the largest-scale in terms of membership (20.6 million people, 74.0%) and turnover (JPY 2,704 billion, 80.4%) (JCCU, 2015).

In spite of learning much from the leading cooperatives overseas, Japanese consumer cooperatives created their original operational and business systems such as the “HAN” group and collective purchase, which have contributed to their development (Saito, 2010). In order to illustrate some of variations among Japanese consumer cooperatives, this paper will first introduce a case study of Co-op Kobe, a classical consumer cooperative with a longest history. A second case study will focus on the Seikatsu Club, a noteworthy of consumer cooperative with more political characteristics.

Co-op Kobe

Kobe Consumer Cooperative and Nada Consumer Cooperative (which were both originally founded in 1921 in Hyogo Prefecture) merged in 1962, and renamed to Co-op Kobe in 1991. The total turnover of Co-op Kobe amounted to JPY 243.8 billion in 2014, with the 1.68 million membership (membership ratio is 50.4%). It is the third biggest Japanese consumer cooperative.

The main business of Co-op Kobe is home delivery service and store operation. Home Delivery System^③ is a joint buying business using the HAN^④ groups (ICA, 2012). Usually, HAN is a group of more than 3 members from a neighborhood. Each member of a HAN group individually selects goods from the distributed catalog (which today can be computer scanned). One HAN member is chosen as the leader to coordinate the orders and send them to cooperative. One week later, the ordered products are delivered to the HAN.

The HAN group has been recognized for a long time as the basis of member participation and an effective channel to promote communication between cooperative and members, which in turn improved co-op's operations and business (Connelly, 2010). It is through conversation at the HAN meeting that it is determined what and how many products to order, which provides the opportunity for members to

intervene in the market through sharing knowledge. Each HAN sends a representative to participate on various committees^⑤ to reflect members' voice in the administration of the cooperative. Some active members are involved in cooperative's administration activities as committee members, delegates to annual general assembly, and even as board members (ICA, 2012).

Co-op Kobe takes many initiatives to ensure product quality and safety, such as product development and improvement, investigation of producing area, inspection of raw materials, independent product standards etc. Co-op Kobe owns its private brand products – “Co-op's” and Food Plan products. “Co-op's” products are developed according to the opinions and ideas of members, and are processed by cooperative's own factory. Co-op Kobe adopts Sanchoku (direct from the producer)^⑥ from the beginning to supply Food Plan goods to its members. This system creates a relationship of interdependence between producers and consumers for the production of fresh food based on consumer cooperative's specification (Marimuthu, Marlene, Seo, & Esther, 2006). Consequently, consumers (cooperative members) are supplied with quality products at a fair price while producers are assured of a secure livelihood and a reasonable income (Marimuthu et al., 2006). Co-op Kobe has also its own Food Safety Testing Center to be responsible for product detection, quality control, diet guidance and food tasting-testing, and has independent food standards which are stricter than the government's by at least a factor of 10.

Seikatsu Club

Unlike Co-op Kobe, which had its origin between the world wars, the Seikatsu Club started in 1965, when a group of 200 housewives in Tokyo formed a collective purchase organization to purchase “real” milk^⑦ at lower prices (Kimura, 2010; Marimuthu et al., 2006). In 1968, Seikatsu Club was incorporated as Seikatsu Club Consumer Cooperative (SCCC), which is a federated cooperative that was organized nationally as the SCCC Union in 1990 (Connelly, 2010; Marimuthu et al., 2006). Nowadays, the SCCC Union consists of an association of 32 consumer cooperatives^⑧ active in 21 prefectures of Japan, has altogether over 344 thousands members. Annual turnover reaches 86.1 billion JPY and approximate 1,300 full-time staff are employed. Although it

^③ The system is especially popular with mothers of young children and households who live near the local cooperative stores.

^④ HAN is a Japanese word literally means group.

^⑤ Such as “Group” Liaison Committee, Store “Friends” Liaison Committee, Regional Co-op Committee etc.

^⑥ The Sanchoku is a unique movement as well as a cooperative business originally developed by the Japanese consumer cooperatives (Asiedu & Hayashi, 2012).

^⑦ In Japan, all milk in the post-war years was heavily processed through ultra-high temperatures and substituted with additives (Asiedu & Hayashi, 2012). Consumers then believed that the companies which dominated the milk market in Japan were offering an inferior product and manipulating prices (Marimuthu et al., 2006).

^⑧ The Each individual local SCCC is independent and autonomous from the SCCC Union and the relationship between individual SCCC and the Union are of a horizontal rather than pyramid-type nature. In addition, there are 6 associated companies, including a milk factory, which is the first and still the only consumers' milk cooperatives in Japan.

has not become the huge cooperative like Co-op Kobe, Seikatsu (lifestyle/living) Club is one of the most noteworthy of consumer cooperatives in Japan with more political characteristics, such as the active participation of members, the anti-GMO movement, the women's worker cooperatives, the influence of Seikatsusya Nettowaku⁹ (Grubel, 2004; Kimura, 2010).

The most unique activities of the Seikatsu Club is the Independent Control and Auditing System, which is an open system where any Seikatsu Club member (laypeople) can help suppliers (farms/factories) to improve their food quality (Kimura, 2010). Based upon the Seikatsu Club principles, members of the Independent Control Committee, consisting of both members and producers, form sub-committees for agriculture, fishery, livestock raising, processed foods, daily commodities, packaging materials, etc. and set independent standards. The producers are supposed to disclose information as to whether their products meet the Committee's production standards. "Mass independent control" gives the committee members an opportunity to actually check whether independent standards are truly realized through study session and on-spot inspection. Once a producer achieves the independent standards objectives, a higher level of standards is set. Up to 2006, about 500 independent audits by about 4,000 members were conducted.

Summary

The above 2 cases studies show that the Japanese consumer cooperatives effectively contribute to the mutual communication, checks and balances among consumers, producers (cooperative), market and government (Figure 2). First of all, the Japanese consumer cooperatives are the initiatively joint organizations of consumers. The initiatives are appeared not only among consumers but also between consumers and producers, as well as among local consumer cooperatives. Secondly, the Japanese consumer cooperatives make their members and farmers communicate face-to-face

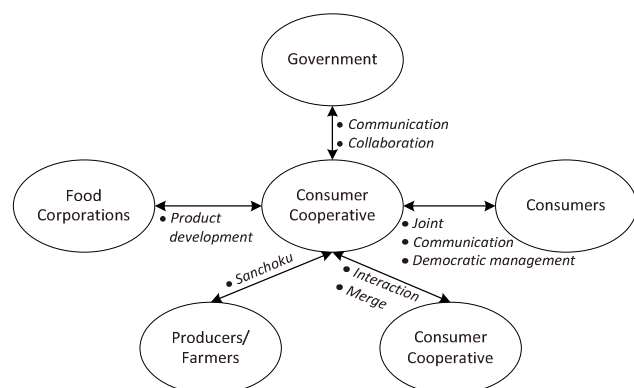


Fig 2. The role of Japanese consumer cooperatives

to deepen their mutual understanding, and hence build a trust between the producers and consumers (Riethmuller, 1994). Thirdly, the Japanese consumer cooperatives usually meet their members' needs through the participation in the process of production and product development, which even may scale up the transformation of agro-food system. The Japanese consumer cooperatives are usually characterized by their strong support for natural and organic foods and local food systems, which are considered to be an alternative business model as reflexive responses to the industrialization of the food sector (Katchova & Timothy A. Woods, 2011). Fourthly, some active consumer cooperatives, such as Seikatsu Club, can give their impact on food policy. Moreover, many consumer cooperatives not only pay their attention to the food safety, but also think deeply about the relationship between people and people, people and food, people and environment, people and nature. They commit themselves to a mutual aid, environmental friendly, and sustainable civic society.

However, there are also some problems in Japanese consumer cooperatives, which are mainly concluded as follows: 1) Profitability of store business. Due to the intensive competition with general supermarkets and grocery stores, Japanese consumer cooperatives are facing difficulties in earning profits in store operation. From 2000 to 2014, the decrease in store sales is 75.34% (from 1.16 trillion yen to 874 billion yen). 2) Decrease of group purchase. Nowadays, with the increase of women's workforce ratio, members prefer to be more independent in the co-ops' participation. This aspect is stronger among younger generations, who put more emphasis on "convenience", i.e. eating out and eating fast foods, delicatessens and lunch boxes. Therefore, the number of total "HAN" members and the number of members per "HAN" are declining year by year. Correspondingly, group purchase falls by 51.98% (from 1.11 trillion yen in 2000 to 577 billion yen in 2014). 3) Purchasing gap between member and customer. While the membership and organizational rates have been increasing, the retail market share by consumer cooperatives has remained stable at around 2.5% (Yamazaki, 2012). This gap means that consumer cooperatives have not been able to achieve the sales they actually deserve.

Pressurized by this situation, the JCCU and member co-ops call for business and management reforms to increase organization efficiency, such as expansion of individual delivery, standardization of store operation systems, reduction of labor costs, integration of regional consumer cooperatives, business consolidation (joint development of COOP brand products, integration of physical distribution facilities, co-developed information systems) and so on. Japanese consumer cooperatives are evolving constantly with the change of Japanese socioeconomic context.

⁹ The Seikatsu Club entered formal politics by creating the Seikatsusya Nettowaku, sending more than 140 women into local-level public offices as the "proxy" of "ordinary people".

Conclusion and discussion

The prevention of agro-food safety is a shared responsibility of all producers, regulators, and consumers (The Lancet, 2014). Consumer cooperatives are social enterprises owned by members, managed democratically, aiming at fulfilling the needs and aspirations of the members. Japanese consumer cooperatives provide an example of how consumers are organized and what the role they play in the management of agro-food safety.

However, there is no one-fit-all remedy for solving the agro-food safety issue and consumer cooperatives might be one of the approaches for China. The special conditions of China should be considered when adopt the system of consumer cooperatives in China. This will be our future research agenda.

References

- Asiedu, I. Y., & Hayashi, K. (2012). *Co-op Sanchoku: A unique business practice developed by the Japanese Consumer Co-operatives*. Tokyo: Japanese Consumer Co-operative Union (JCCU).
- Blomqvist, K. (1984). Cooperatives and Consumer Research. *Journal of Consumer Policy*, 7, 323-341.
- Chen, K., Wang, X., & Song, H. (2015). Food Safety Regulatory Systems in Europe and China: A Study of How Co-regulation Can Improve Regulatory Effectiveness. *Journal of Integrative Agriculture*, 14(11), 2203-2217.
- Connelly, S. (2010). *Seikatsu Consumer Coop: Scaling-up Food System Transformation*. Port Alberni.
- Grubel, R. (2004). *Internationalization in Everyday Life: The role of Consumer Co-ops in Japan* (Minutes of School of Sociology and Social Work No. 96).
- ICA. (2012). *The Present Status of Consumer Co-operatives in Asia and the Pacific: 2012*. Kobe.
- JCCU. (2015). *The Co-op Facts and Figures* (2014). Tokyo.
- Jia, C., & Jukes, D. (2013). The National Food Safety Control System of China - A Systematic Review. *Food Control*, 32, 236-245.
- Katchova, A. L., & Timothy A. Woods. (2011). The Effectiveness of Local Food Marketing Strategies of Food Cooperatives. In *Agricultural and Applied Economics Association's 2011 AAEA & NAREA Joint Annual Meeting*. Pittsburgh.
- Kimura, A. H. (2010). Between Technocracy and Democracy: An Experimental Approach to Certification of Food Products by Japanese Consumer Cooperative Women. *Journal of Rural Studies*, 26, 130-140.
- Lam, H. M., Remais, J., Fung, M. C., Xu, L., & Sun, S. S. M. (2013). Food Supply and Food Safety Issues in China. *Lancet*, 381(8), 2044-2053.
- Liu, C., An, Y., & Nakashima, Y. (2011). Ri Ben Sheng Xie Sheng Xian Nong Chan Pin Gong Ying Lian de Bian Ge ji Qi Dui Zhong Guo de Qi Shi. *Modern Economic Research*, (10), 88-92.
- Marimuthu, N., Marlene, R., Seo, J. E., & Esther, P. (2006). *Initiatives on Pro-Small Farmer Trade. AsiaDHRR and AFA*. Manila.
- Ren, C. (2011). Mei Guo Xiao Fei Zhe Lian Meng yu Wo Guo Xiao Fei Zhe Xie Hui zhi Bi Jiao. *The Journal of Shandong Agriculture and Engineering University*, 28(2), 56-58.
- Riethmuller, P. (1994). Consumer Cooperatives: A Neglected Part of the Japanese Distribution Industry. *Review of Marketing and Agricultural Economics*, 62(3), 389-398.
- Saito, Y. (2010). *A Brief Chronicle of the Modern Japanese Consumer Cooperative Movement*. Tokyo.
- The Lancet. (2014). China's food safety: a continuing global problem. *The Lancet*, 384(8), 377.
- Wang, H., & Miao, L. (2012). Japan Co-op's Assurance Policy on Food Safety and Its Implications. *Journal of Longyan University*, 30(6), 90-97.
- Yamazaki, Y. (2012). Recent History of Citizen Co-operatives and Japanese Consumers' Co-operatives Union JCCU's "2020 Vision." *The Amazing Power of Cooperatives*, 43-59.
- Yan, Y. (2012). Food Safety and Social Risk in Contemporary China. *The Journal of Asian Studies*, 71(3), 705-729.
- Zeuli, K. A., & Cropp, R. (2004). *Cooperatives : Principles and Practices in the 21st Century. Cooperative Extension of the University of Wisconsin-Extension*. Madison: Cooperative Extension Publishing.
- Zhang, M., Qiao, H., Wang, X., Pu, M., Yu, Z., & Zheng, F. (2015). The Third-party Regulation on Food Safety in China: A Review. *Journal of Integrative Agriculture*, 14(11), 2176-2188.
- Zhang, X., & Aramyan, L. H. (2009). A Conceptual Framework for Supply Chain Governance: An Application to Agri-food Chains in China. *China Agricultural Economic Review*, 1(2), 136-154.
- Zhou, J., Li, K., & Liang, Q. (2015). Food Safety Controls in Different Governance Structures in China's Vegetable and Fruit Industry. *Journal of Integrative Agriculture*, 14(11), 2189-2202.

生協と農産物・食品の安全—日本の経験と教訓を焦点に—

呂 志軒¹・木南莉莉^{*2}

(平成28年12月2日受付)

要 約

農産物市場のグローバル化に伴い、中国の農産物や食品の安全性の問題は益々重要になっている。このことは中国の農産物や食品の安全性を国際基準にキャッチアップする緊急性を示すと同時に国際的な食品安全性アプローチへの導入も求められている。一般的に、生協は異なる利害関係者の連携を強めることを通じて消費者と食品業者及び政府との信頼関係を新たに構築する社会的組織の一つと考えられている。

本論文は中国の食品安全問題を焦点に、中国の農産物及び食品安全管理体制を整理した上、日本の生協が食品安全管理に果たす役割を2つの事例を通して明らかにする。最後に、以上の分析結果を踏まえて中国における生活協同組合の可能性にも触れる。

新大農研報, 69:1-6, 2017

キーワード：食料品の安全、生協、中国、日本

¹徳州学院

²新潟大学農学部

*代表著者：kiminami@agr.niigata-u.ac.jp