

THE CHANGING ECONOMIC PERFORMANCE AND POLITICAL SIGNIFICANCE OF JAPAN'S AGRICULTURAL COOPERATIVES

Nokyo, the system of agricultural cooperatives in Japan, is one of the most politically powerful organisations in Japanese politics. It is a mammoth economic entity that provides almost every kind of service to rural areas. Nokyo's economic performance has never been properly analysed because of the complexity of its business statistics. This paper fills this gap by compiling data on Nokyo's economic activities over the past three decades. It finds that the mid-1990s was a turning point for Nokyo. Nokyo's strength had been based on its privileged position in financial services, creating stability in its operations in the 1970s and 1980s. In the mid-1990s, as fierce competition began in Japan's financial markets, Nokyo's existence became less secure.

Introduction

The system of agricultural cooperatives known as Nokyo plays a pivotal role in the structure and economics of Japan's agricultural sector. Although there is no legal requirement to join Nokyo, all Japanese farmers belong to the organisation. Nokyo has a hierarchical, nationwide network. It has strong ties with the Liberal Democratic Party, which has been in government for almost the entire postwar period. For its support of the LDP at election time, Nokyo has been able to ensure that farmers' interests are protected.

Nokyo is a mammoth economic entity. It not only provides services to farmers, for instance supplying farm inputs and distributing agricultural products, but sells daily necessities in rural areas. The organisation is also an important source of employment in rural areas.

Information on Nokyo's business performance, for instance on its market share, has been very limited. This has meant that analysts have not known the extent of Nokyo's influence in domestic markets. Some presume that Nokyo still exercises a great deal of monopolistic power and prevents free competition. Others believe that Nokyo's overly bureaucratic and conservative business style has seriously reduced its economic strength. Most of the analysis has been based on observation rather than on strong statistical evidence.

The lack of data on Nokyo can largely be attributed to the complexity of Nokyo's statistics on its activities.¹ There is some useful information on economic performance, but it uses

formulas and terminology particular to Nokyo, and the methodologies and categories sometimes change. Because of these difficulties, even Japanese researchers do not have a very good understanding of Nokyo's business performance.

This paper closely examines Nokyo's statistics and provides consistent data for the first time on Nokyo's business performance, particularly its market share. The data are used to answer four questions: (1) how significant is Nokyo's economic presence and how has its economic power changed over the past three decades; (2) what has Nokyo's business strategy been; (3) how has Nokyo's economic power affected its political activities; and (4) what are the organisation's prospects?

The Nokyo system

A review of the political dynamics among farmers, politicians, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and Nokyo is crucial to an understanding of how Nokyo works.

In common with most East Asian countries before World War II, Japan was predominantly agricultural. Small-scale farming dominated, with farms being on average 1.0 hectares in size, and rice was the main crop.² Rural society was remarkably stable. For example, the number of workers in agriculture remained fairly constant at around 15 million from the early Meiji period to the start of World War II (Yamada 1991).

The rural sector has several characteristics that increase its attractiveness to politicians. Farming communities are close and stable. Many families have farmed the same land for generations and have strong ties with each other. The need to share irrigation water means that farmers are used to cooperating on issues where they have common interests. And, most importantly, the number of registered voters per member of the Diet (Japan's parliament) is small in rural areas and large in urban areas. This imbalance has increased the power of the rural sector.³

It has therefore been in the interests of politicians to maintain the structure of the rural community and the support of farmers. This has been the LDP's main strategy for being elected to office over the postwar period. Politicians have used various preferential policies to help small farming communities stay in farming.

The collusion between politicians and farming communities benefits the administrative organs of agricultural policy, particularly the MAFF, that seek to maintain their personnel and budget.⁴ Even opposition parties have been sympathetic to the rural community. Zen-norin,

the labour union of MAFF officials, has been the major supporter of the Japan Socialist Party, the largest opposition party from 1955 to 1993.⁵

In terms of productivity, small-scale farming became unprofitable in the second half of the 1950s when the economy entered its high-growth period. With the development of new machinery and agricultural chemicals, large-scale farming became far more profitable than small-scale farming. Around 1960 the most efficient farm size was estimated to be 2.5 hectares, but the size of farms had hardly changed since the war.⁶ Technology continued to improve, and in the 1990s the MAFF estimated that the most efficient farm size had increased to between 10 hectares and 20 hectares. If markets for renting and purchasing farmland had been functioning, large-scale farming operations would have pushed out smaller operations.⁷

Small-scale farming is still dominant in Japan today. According to the 1995 *Census of Agriculture*, those farming on less than 1.5 hectares share more than 50 per cent of Japan's farmland and those on farms of less than 3 hectares share nearly 75 per cent of farmland.⁸ Most farmers earn their main living from off-farm employment, and farm on weekends or during other leisure time.

The MAFF's support for small farming communities has been the main reason why traditional farming has persisted. The MAFF has restricted the leasing and trading of farmland to prevent the consolidation of farming.⁹ Huge subsidies given to Nokyo's facilities for joint use benefit smaller farmers because large operators usually have their own facilities. The acreage-control program that is an inevitable consequence of the supported rice price also prevents large-scale farming from emerging.¹⁰

It has been difficult, however, for the MAFF to hold back the consolidation of farming. For example, the MAFF cannot check whether all tenancy contracts between farmers observe its regulations.¹¹ To maintain traditional farming, the MAFF relies on Nokyo to monitor farmers' behaviour. Nokyo not only lobbies politicians and provides services to farmers, but observes and controls members' activities both directly and indirectly, and resolves conflicting interests among farmers.

Nokyo often functions as a de facto sub-governmental body that helps make policy and enforce it. A typical example is the acreage-control program, the rice production cartel organised by the government. The MAFF first sets a national target for the acreage that should be diverted from rice planting, and then allocates this target among the cities, towns and villages. In both setting and allocating the target, the MAFF considers Nokyo's opinions. Nokyo accomplishes the target acreage by drawing up farmland-use plans for these areas and

observing whether rice farmers follow the plans. The acreage-control program is just one example of Nokyo's involvement in agricultural policy. Many MAFF policies would not have been able to be executed without Nokyo's help, and therefore the ministry does not introduce policies without considering Nokyo's reaction.

The political dynamics among Nokyo, farmers, politicians and the MAFF are summarised in Figure 1. The traditional structure of the rural community has benefited these groups at a cost to society overall. For example, the gap in the border price of agricultural products (the difference between domestic and world prices) increased more sharply in Japan than in any other industrialised country in the postwar period (Honma and Hayami 1991). Farmers, the MAFF and politicians have needed to keep their true objectives from consumers. In the 1961 Agricultural Basic Law, the MAFF stated that the promotion of large-scale farming was its top priority. The MAFF has always favoured small farming communities in policymaking and policy enforcement, while simultaneously stating that the promotion of large-scale farming is its 'official' objective. The MAFF's policies are often so complex and dubious that consumers

Figure 1 Political dynamics among farmers, politicians, the MAFF and Nokyo

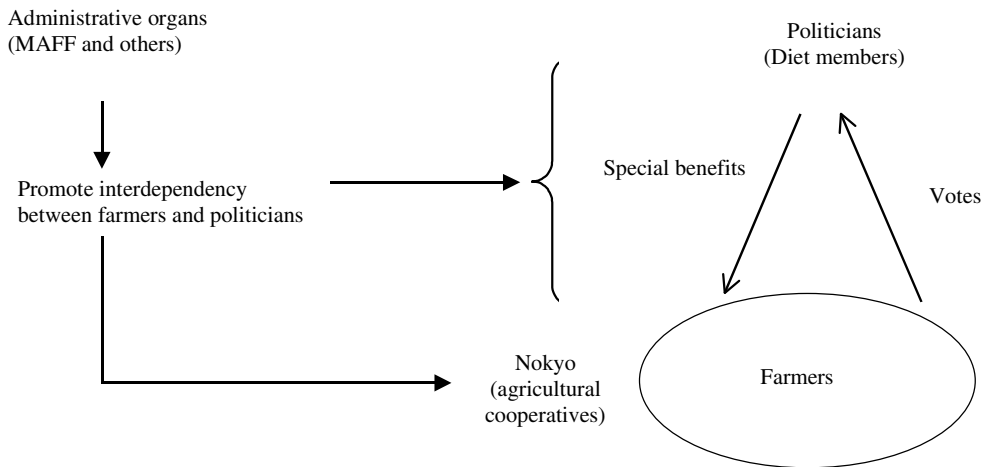
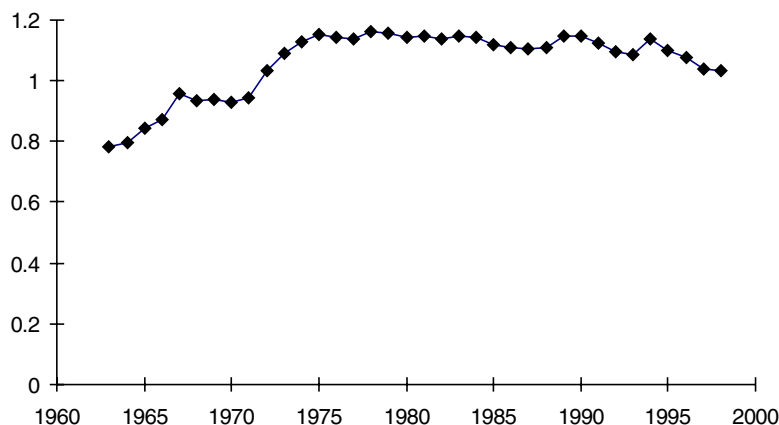


Figure 2 Ratio of farm household to urban household per capita disposable income



Sources: MAFF, *Statistical Research on the Farm Economy*; Management and Coordination Agency, *Family Income and Expenditure Survey*.

(and other outsiders) have not been aware of the true goals and effects. Likewise, Nokyo's complexity has been a way of camouflaging its real functions.

The collusion among the MAFF, politicians, Nokyo and farmers has helped maintain farm incomes. During rapid industrialisation in the 1950s and 1960s, the average income of farm households fell behind that of urban households. As the government increased its protection of farmers, the income gap diminished rapidly in the late 1960s (Figure 2). Since the mid-1970s, when the period of rapid industrialisation came to an end, the average income of farm households has been higher than that of urban households.

Characteristics of the Nokyo system

The Nokyo system has a three-tier structure (Figure 3). Unit cooperatives in the villages, towns and cities make up the first level. The unit cooperatives are in direct contact with farm households.¹² Each unit cooperative has its own jurisdiction and the MAFF has stipulated that jurisdictions should not overlap.¹³ Farmers are regular members of local unit cooperatives, and non-farm residents can join as associate members if they express sympathy with the

principles of the Nokyo movement. Both regular and associate members are able to use all the unit cooperatives' services,¹⁴ but only regular members can vote at the general meeting. The president of a unit cooperative is elected from only among the regular members.

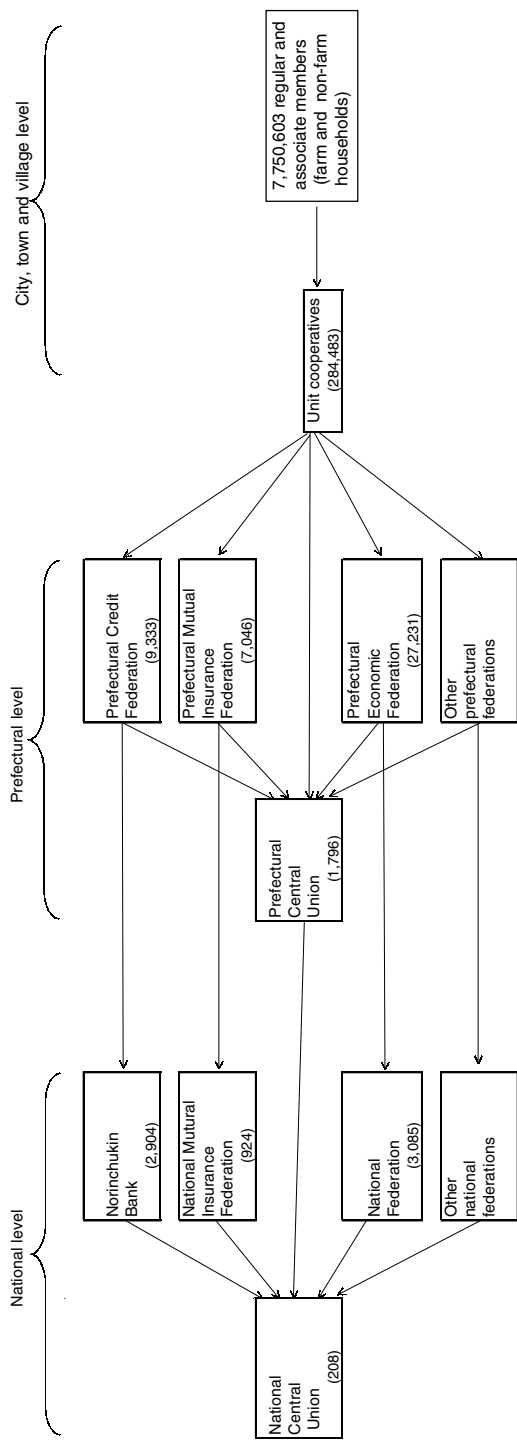
In the 1940s many of the unit cooperatives were organised along municipal borders.¹⁵ The number of municipalities decreased in the 1950s after the government promoted consolidation among municipalities. The MAFF and Nokyo's National Central Union have supported mergers of unit cooperatives along similar lines because many were too small to be efficient. However, unit cooperatives did not merge as fast as the municipalities – farmers preferred the status quo unless they were convinced of the benefits of merging.

Figure 4 shows the structure of a unit cooperative. Cooperatives provide not only agricultural services but almost every service related to daily life.¹⁶ Non-agricultural services are provided for all local residents.¹⁷ Above the unit cooperatives are two tiers of agricultural federations at the prefectural and national levels. The federations provide most of the same services as the unit cooperatives, but for simplicity only three types of federation are depicted in Figure 3, with all other federations grouped together. The prefectural federations belong to and are supervised by the Prefectural Central Union, and the national federations belong to and are supervised by the National Central Union. The National Central Union is Nokyo's political arm – it forms its political agenda in consultation with farmers, negotiates with the LDP, organises demonstrations and participates in MAFF policymaking.

Much of Nokyo's business has been heavily regulated and protected by the government – not only the MAFF but also the Ministry of Finance (MOF). Nokyo has been given a monopoly position in the collection of rice under the Food Control Law¹⁸ and in the sale of fertiliser and farm machinery.¹⁹ The marketing of agricultural products and the sale of inputs were partially deregulated in the 1980s and 1990s. However, because of the lack of statistical evidence, researchers have been unable to decide whether this deregulation was sufficient to undermine Nokyo's monopolistic power.

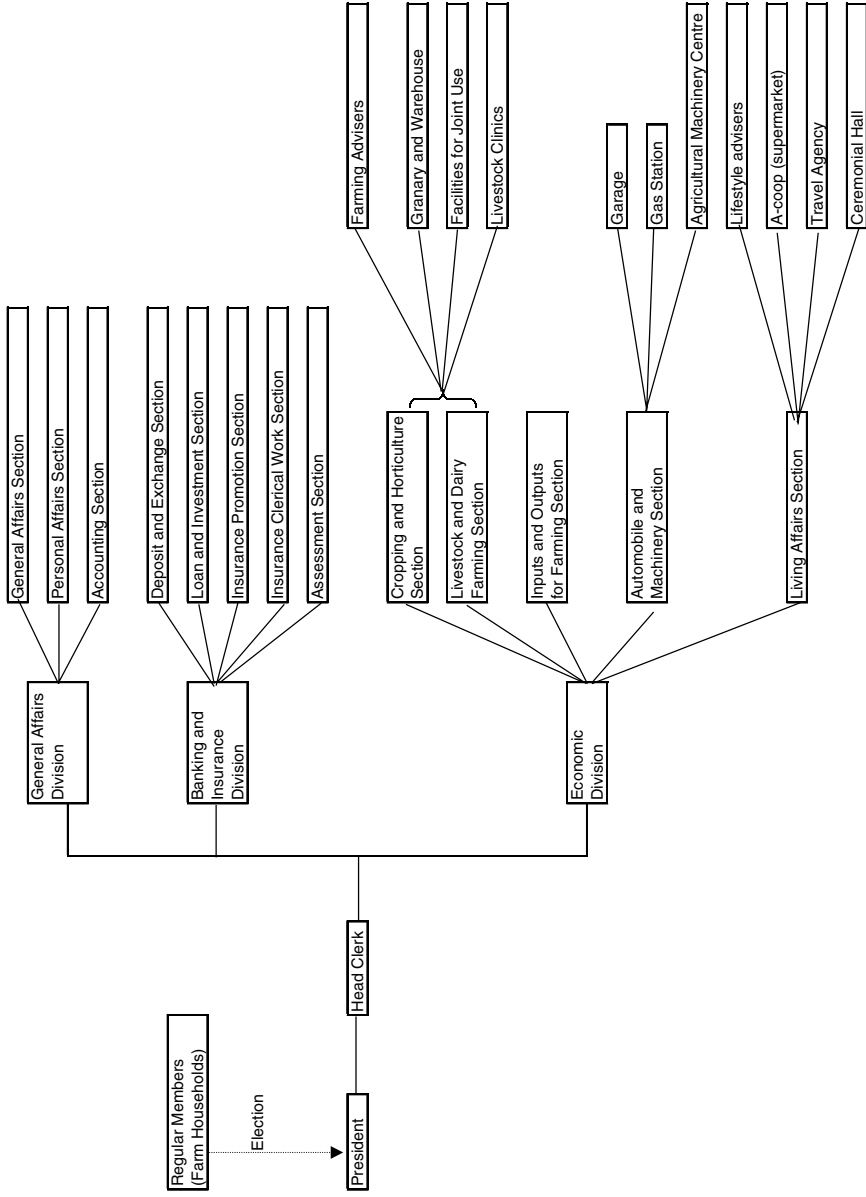
Nokyo's banking and insurance businesses have been the most heavily protected. The MOF's regulation of financial institutions, including Nokyo's financial businesses, was so heavy that Japanese financial institutions were often referred to as 'armed convoys'.²⁰ The MOF's permission was needed for such activities as the location of branches and the creation of new financial instruments. At the same time, interest rates were maintained at below-market levels and the entry of new financial institutions was restricted, which maintained the profits of the existing market participants. Nokyo has been given particularly favourable

Figure 3 Nokyo's three-tier structure in 1997



Notes: 1 Within parentheses are the total number of Nokyo employees, as estimated by the author based on various Nokyo reports.
 2 Arrows indicate business relationships.

Figure 4 Model of a unit cooperative



treatment. For instance, cooperative banks were given more freedom than ordinary commercial banks to set up branches, allowing Nokyo to build up profits by lending through the inter-bank money market to city banks that faced a huge demand from large businesses for finance. In addition, Nokyo's term-deposit interest rate was allowed to be 0.1 percentage points higher than the rate set by the commercial banks, which gave it a clear advantage in attracting business.

Insurance has also been heavily regulated and protected by the MOF. Just as in the banking sector, Nokyo has been allowed greater freedom to set premiums, giving it an advantage over the private insurance companies (Saeki 1989: 264–8).

The unit cooperatives themselves have little ability to manage funds – they consign these operations to the prefectural credit federations, the Norinchukin Bank, the prefectural mutual insurance federations and the National Mutual Insurance Federation. As can be seen in column 4 of Table 1, most of the deposits that unit cooperatives collect from households are redeposited into the upper federations. The profit margin between the redeposit interest rate and the deposit interest rate was high until the early 1990s (column 8 of Table 1). Unit cooperatives have obtained stable profits from commission charges by placing insurance funds into the prefectural mutual insurance federations and the National Mutual Insurance Federation.

The presidents of unit cooperatives, who are respected farming leaders, are better politicians than businesspeople. However, a lack of business experience is no great barrier thanks to the privileges of the banking and insurance businesses. The president simply sets a target amount of deposits and insurance policies, which all the staff work toward. An example of such efforts is the 'deposit promotion week', when all the employees visit farmers to persuade them to deposit money into Nokyo.

As Figure 5 shows, unit cooperatives became more and more dependent on the profits from banking and insurance in the 1970s and 1980s. Ironically these two decades were when the unit cooperatives expanded the scope of their activities under the slogan of 'not only farming but also rural living overall'.²¹ The unit cooperatives started up various new businesses such as housing development companies and travel agencies in the 1970s and 1980s but, as Figure 5 shows, these new businesses were not particularly profitable. However, because unit cooperatives were providing a wider variety of services and offered greater convenience, they became more attractive to farmers. This helped the unit cooperatives attract new deposits and

Table 1 Nokyō's banking business (billion yen; per cent)

	Balance of funds in banking at fiscal-year end				Average interest rate on re-deposits in prefectural credit federations (6)	Average interest rate on deposits in unit cooperatives (7)	Profit margin (8)=(6)-(7)
	deposits (1)	re-deposits to prefectural credit federations (2)	loans (3)	re-deposits/deposits (4)=(2)/(1)			
1965	2,334	1,267	1,043	0.54	5.86	4.06	1.80
1966	2,838	1,499	1,281	0.53	5.58	4.02	1.57
1967	3,465	1,795	1,625	0.52	5.43	3.99	1.43
1968	4,086	2,062	1,984	0.50	5.52	4.04	1.48
1969	5,021	2,539	2,447	0.51	5.39	3.99	1.40
1970	5,934	2,887	3,008	0.49	5.76	4.16	1.60
1971	7,118	3,592	3,439	0.50	5.52	4.20	1.32
1972	9,238	4,947	3,995	0.54	5.18	3.94	1.24
1973	11,301	5,016	5,849	0.44	6.18	4.19	1.99
1974	12,993	5,536	6,850	0.43	6.81	5.20	1.61
1975	15,232	6,972	7,505	0.46	7.02	5.56	1.47
1976	17,303	8,405	8,178	0.49	6.67	5.23	1.44
1977	19,416	10,077	8,626	0.52	6.17	4.79	1.38
1978	21,906	12,224	8,794	0.56	5.05	3.81	1.24
1979	24,425	13,699	9,551	0.56	5.35	3.91	1.44
1980	26,846	15,133	10,469	0.56	6.93	5.49	1.44
1981	29,492	17,287	10,964	0.59	6.85	5.52	1.34
1982	31,710	19,213	11,172	0.61	6.18	4.93	1.25
1983	33,727	21,454	11,356	0.64	5.98	4.78	1.20
1984	36,186	23,965	11,395	0.66	5.87	4.67	1.20
1985	38,736	26,698	11,470	0.69	5.87	4.60	1.27
1986	40,726	28,964	11,335	0.71	5.35	4.14	1.22
1987	43,191	31,480	11,325	0.73	4.37	3.48	0.89
1988	46,492	33,922	11,757	0.73	4.09	3.04	1.05
1989	51,210	36,585	12,364	0.71	4.36	3.03	1.32
1990	56,108	37,999	13,455	0.68	5.94	4.45	1.49

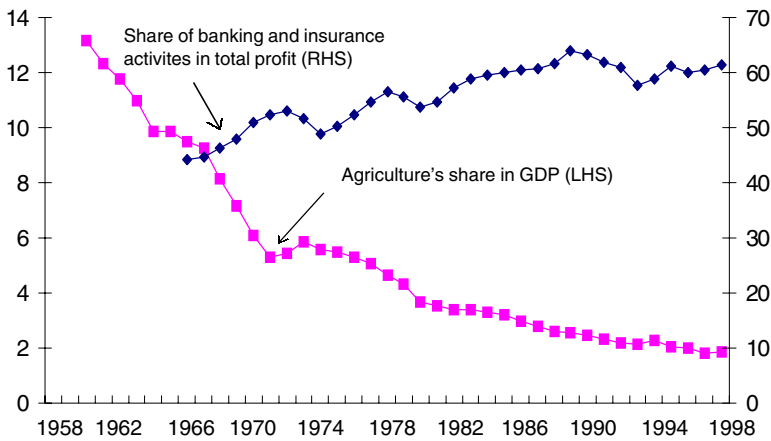
1991	60,625	42,460	15,015	0.70	0.25	6.38	5.07	1.31
1992	62,981	44,163	16,584	0.70	0.26	5.09	4.23	0.86
1993	65,424	45,443	17,602	0.69	0.27	3.73	3.36	0.37
1994	67,656	46,186	18,097	0.68	0.27	2.47	2.18	0.29
1995	67,573	45,061	18,984	0.67	0.28	1.98	1.48	0.50
1996	67,696	44,026	19,952	0.65	0.29	0.96	0.73	0.23
1997	68,439	43,652	20,833	0.64	0.30	0.77	0.50	0.27
1998	68,996	43,563	21,460	0.63	0.31	0.72	0.36	0.36

Notes: 1 A fiscal year is 1 April to 31 March.

2 Average interest rates are the ratio between the interest paid (or received) by unit cooperatives in the fiscal year and the outstanding amount at the end of the fiscal year.

Sources: MOF, Economic Statistics Annual; Norinchukin Research Institute, Financial Statistics of Agriculture, Forestry and Fisheries in Japan; MAFF, Statistics on Agricultural Cooperatives; Takao Yurugi (1997) 'Nokyo shinyo jigyo no seidofeki wakugumi ni kansuru ichikosatsu' (An analysis with the institutional framework of agricultural cooperatives' financial business), Journal of Rural and Food Economics 44(1): 11-21, December.

Figure 5 Structure of Nokyo's business profits (per cent)



Notes: 1 The data have a fiscal-year base (1 April to 31 March).

2 Agriculture includes forestry and fisheries.

Sources: The data on banking and insurance activities are from MAFF, *Statistics on Agricultural Cooperatives*; the data on agriculture are from Economic Planning Agency, *National Accounts*.

sell new insurance policies.²² In other words, the real purpose of these new activities was the promotion of Nokyo's financial services.

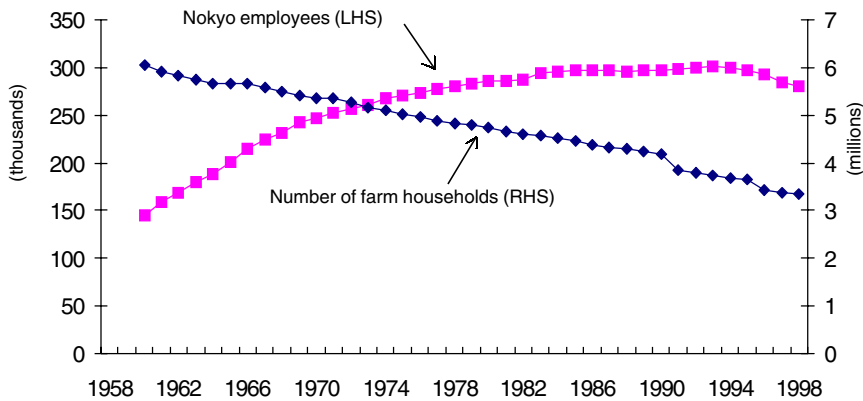
Because Nokyo's scope of business is so wide, and because of its nationwide network and privileged position in banking and insurance, other businesses find it difficult to compete with the organisation. In addition, some of Nokyo's businesses are subsidised by the MAFF, making it even more difficult for private businesses to compete on the basis of price.

Because the president of a unit cooperative is elected by a majority of members, Nokyo policies favour the larger body of traditional, small farmers rather than the smaller number of more innovative, entrepreneurial farmers. Farmers find it difficult not to rely on Nokyo's services. Even those who are critical of Nokyo do not like to defy the organisation for fear of retaliation from Nokyo and other farmers. The only resistance they can make is to reduce their reliance on the organisation.

Nokyo's power has been gradually declining since the mid-1990s, when it became impossible for unit cooperatives to count on stable profits from their banking and insurance businesses. As column 8 in Table 1 indicates, the profit margins from banking fell rapidly in

the 1990s. Although this coincided with the ‘*jusen* problem’ (the bad loans held by the prefectural credit federations, which had lent heavily to the housing finance companies, the *jusen*, in the late 1980s), the more fundamental reason for the reduction in profitability was the government’s program of financial deregulation.²³ In the early 1990s, the MOF started to introduce greater competition into the financial sector and decided to let inefficient banking and insurance institutions fail. Facing a harsher business environment, Nokyo started to cut back its staff (Figure 6). In 1993, with the aim of streamlining Nokyo’s businesses, the National Central Union implemented a plan to demolish the prefectural-level federations and change to a two-tier structure.²⁴ By 2000, 27 prefectural economic federations (there are 47 prefectures in Japan) were merged into the National Federation and all the prefectural mutual insurance federations were merged into the National Mutual Insurance Federation. Restructuring through mergers is expected to increase. The consolidation of the smaller unit cooperatives also sped up (Table 2).²⁵

Figure 6 The rise in Nokyo staff



Notes: 1 From 1991 the number of farm households includes only commercial farm households and therefore does not link with previous years.

Sources: The data on Nokyo employees are from MAFF, *Statistics on Agricultural Cooperatives*; the data on the number of farm households are from MAFF, *Census of Agriculture and Forestry, Annual Sample of Agriculture*.

Table 2 Number of unit cooperatives compared with cities, towns and villages

	Cities, towns and villages	Unit cooperatives	Annual compound percentage decrease
1950	10,414	13,314	
1955	4,813	12,985	-0.5
1960	3,511	12,221	-1.2
1965	3,376	9,135	-5.7
1970	3,276	6,185	-7.5
1975	3,257	4,942	-4.4
1980	3,256	4,546	-1.7
1985	3,254	4,303	-1.1
1990	3,246	3,688	-3.0
1995	3,233	2,635	-6.5
2000		1,618	-9.3

Sources: MAFF, *Statistics on the Number of Existing Agricultural Cooperatives*; Management and Coordination Agency, *Population Census*.

Nokyo's market share

Since the 1970s many analysts and Nokyo executives have repeatedly argued that Nokyo's market share has been undermined by the increasing number of farmers who have been leaving Nokyo and by the rise in competing entities such as discount stores and commercial banks.²⁶ This theory of 'Nokyo pessimism' has been based on intuition rather than fact. Nokyo has often been criticised for its overly bureaucratic and conservative business style. Many researchers and Nokyo executives assume that this has what has been increasing the distance between Nokyo and farmers.²⁷ Yet there has been little evidence provided to support this belief. This paper provides a long-awaited numerical analysis of Nokyo's market shares in five major businesses – the distribution of agricultural products, the sale of farm inputs (including facilities for joint use), banking, insurance and retailing. The first two services are solely for farm households and the other three are also used by non-farm households.

Distribution of agricultural products

A major service provided by unit cooperatives is the collection of agricultural products from members for distribution to markets or other traders (usually through the prefectural

federations and the National Federation). Up until 1994 the Food Control Law gave Nokyo the monopoly over rice collection. In addition, joint-use facilities such as grain storage and selection houses, most of which are heavily subsidised by the MAFF, give Nokyo a competitive advantage in the handling of agricultural products.

Nokyo's share of the agricultural distribution business is shown in column 7 of Table 3 and in Figure 7. Nokyo's share rose until the mid-1980s and remained fairly steady after that.²⁸ This evidence contradicts the popular view of 'Nokyo pessimism'. Considering that Nokyo's share of the rice market, which it previously controlled, has been diminishing, it seems that Nokyo's distribution business has done very well.²⁹

Although entrepreneurial, large-scale farm operations have become less reliant on Nokyo's services, inefficient, smaller operations, which are still in the majority, have become more dependent on Nokyo as a collection agency. Because most of these farmers earn their living mainly by off-farm employment and are retaining farmland in the expectation of future capital gains when it is converted to other uses (Godo 2000), they prefer to rely on Nokyo rather than market their goods themselves. Increasing resistance by the more innovative farmers may be the reason why researchers and Nokyo executives are inclined to advance the theory of 'Nokyo pessimism'. The reality is that the majority of farmers are ensuring that Nokyo maintains its dominant position in the handling of agricultural products.

Supply of inputs

Nokyo supplies inputs for farming such as agricultural chemicals, fertiliser, feed, tools and equipment, and offers access to facilities such as crop dryers and storage. As can be seen in Figure 7 and column 6 of Table 4, Nokyo's share of the farm input market has been high over the past 30 years. Charges for Nokyo facilities have increased dramatically (column 5). The same force has been maintaining Nokyo's position: most larger farm operations have their own facilities, but smaller, less efficient farmers rely on Nokyo rather than trying to save money by searching for more profitable ways of farming.

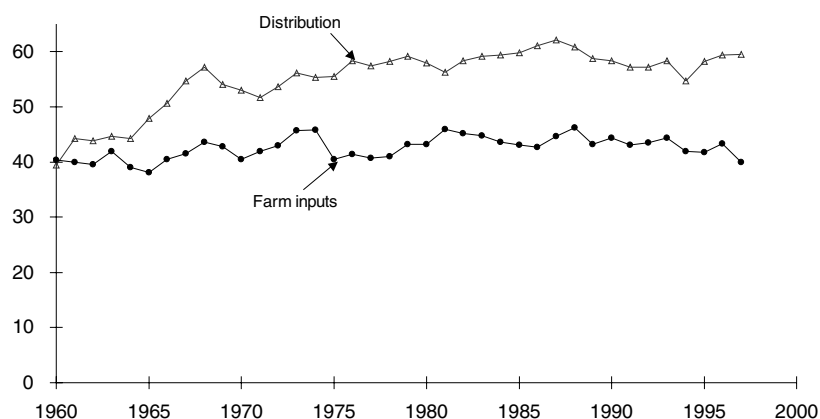
Banking

Nokyo's banking business is aimed at all residents and not just farm households, so this paper focuses on Nokyo's share of the banking business of all households. Less data are available on Nokyo's share of farm banking business, but estimates are given in Table 5.

Table 3 Nokyo's share in distribution of agricultural products (billion yen; per cent)

	Value of agricultural products						Nokyo's share in distribution of agricultural products through Nokyo	Share of rice in agricultural production
	Total production	Of which, rice	For self-consumption		For distribution			
			For re-production	For home consumption	Total sales	Distribution		
(1)	(2)	(3)	(4)	(5)=(1)-(3)-(4)	(6)	(7)=(6)/(5)	(8)=(2)/(1)	
1960	2,133	985	203	477	1,419	560	39.5	46.2
1961	2,374	1,004	217	518	1,598	706	44.2	42.3
1962	2,708	1,152	236	491	1,930	845	43.8	42.5
1963	2,849	1,221	246	491	2,058	918	44.6	42.9
1964	3,151	1,360	259	517	2,314	1,025	44.3	43.2
1965	3,474	1,457	263	580	2,595	1,242	47.9	41.9
1966	3,842	1,625	291	519	2,943	1,490	50.6	42.3
1967	4,461	1,993	332	537	3,480	1,903	54.7	44.7
1968	4,725	2,104	400	518	3,653	2,090	57.2	44.5
1969	5,039	2,053	442	575	3,940	2,131	54.1	40.8
1970	5,082	1,847	444	566	3,975	2,109	53.1	36.3
1971	5,004	1,644	442	499	3,951	2,042	51.7	32.9
1972	5,599	1,895	517	484	4,458	2,391	53.6	33.9
1973	6,717	2,235	581	598	5,375	3,018	56.2	33.3
1974	8,398	2,958	728	689	6,818	3,772	55.3	35.2
1975	9,866	3,608	798	726	8,142	4,517	55.5	36.6
1976	10,284	3,526	942	771	8,368	4,879	58.3	34.3
1977	11,251	4,080	1,055	665	9,264	5,317	57.4	36.3
1978	11,551	3,995	1,127	725	9,498	5,528	58.2	34.6
1979	11,794	3,779	1,192	633	9,749	5,759	59.1	32.0
1980	11,582	3,271	1,255	603	9,485	5,501	58.0	28.2
1981	12,140	3,506	1,333	626	9,960	5,605	56.3	28.9
1982	12,077	3,469	1,309	505	9,956	5,814	58.4	28.7
1983	12,405	3,540	1,314	574	10,268	6,069	59.1	28.5
1984	13,212	4,101	1,392	579	10,978	6,524	59.4	31.0
1985	13,409	4,000	1,368	614	11,195	6,696	59.8	29.8
1986	13,069	3,893	1,382	666	10,770	6,573	61.0	29.8
1987	12,186	3,402	1,404	618	9,976	6,204	62.2	27.9
1988	12,098	3,139	1,357	490	10,081	6,126	60.8	25.9
1989	12,680	3,349	1,420	452	10,601	6,221	58.7	26.4
1990	13,018	3,190	1,359	418	11,001	6,411	58.3	24.5
1991	13,049	3,018	1,291	485	11,102	6,349	57.2	23.1
1992	12,703	3,433	1,211	378	10,860	6,212	57.2	27.0
1993	12,014	2,966	1,254	478	10,168	5,934	58.4	24.7
1994	12,759	4,015	1,227	329	11,004	6,012	54.6	31.5
1995	11,838	3,312	1,237	273	10,148	5,905	58.2	28.0
1996	11,480	3,172	1,040	294	9,964	5,916	59.4	27.6
1997	11,101	2,889	1,063	298	9,588	5,708	59.5	26.0

Note: 1 Columns 1-5 are from MAFF (2000) *Social Accounts for Agricultural and Agriculture-Related Industries*, FY1998. Column 6 is from MAFF, *Statistics on Agricultural Cooperatives*. The data have a fiscal-year base.

Figure 7 Nokyo's shares of services to farm households (per cent)

Note: The data for distribution is taken from column 7 of Table 3; and farm inputs from column 6 of Table 4.

Nokyo's basic strategy is to collect deposits from residents and redeposit them in the upper federations. As shown in column 7 of Table 5 and Figure 8, Nokyo's share of bank deposits was fairly stable till the mid-1990s, when it started to fall.³⁰ Nokyo's share of the outstanding deposits of all households decreased by only 2.7 percentage points between 1970 and 1992. The number of farm households and agriculture's share in GDP declined sharply over this period, so the decline in Nokyo's business has not been particularly large. Although Nokyo has been accused of being slow to introduce ATMs and automatic transfer facilities, it has compensated for these disadvantages by using more traditional ways of collecting deposits (such as the promotions week mentioned above). After 1992 Nokyo's share of the banking market began to rapidly decline, as depositors questioned the solvency of Nokyo's credit federations and as the loosening of MOF regulations gave depositors more choice.

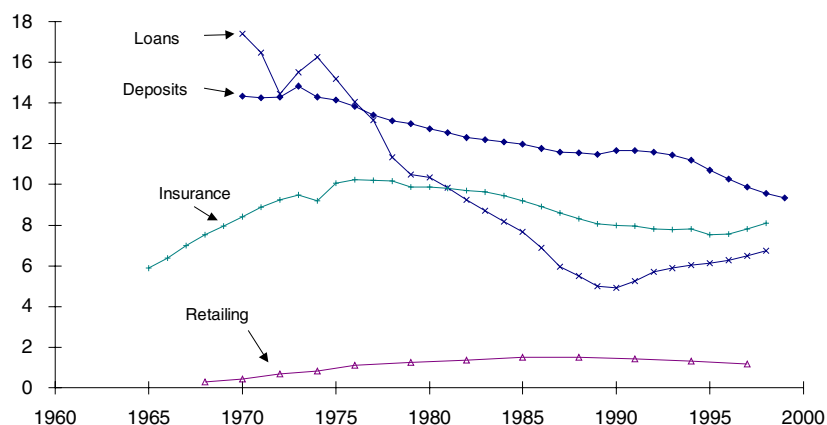
In contrast to the enthusiastic promotion of its deposit facilities, Nokyo has not been particularly concerned about defending its share of the personal loan market (column 9 in Table 6 and Figure 8). Nokyo's share of loans to both farm and non-farm households declined rapidly until 1989. In the 1990s, when Japan was in the midst of financial crisis, Nokyo's share rose again because other financial institutions were extremely reluctant to make personal loans. Because redepositing is its main priority, Nokyo has been less interested in lending.

Table 4 Nokyo's share in inputs purchased for farming (billion yen; per cent)

	Total value of inputs purchased for farming	Self-supplied	Value of inputs			Nokyo's share in value of farm inputs sold	
			Purchased (including service charges)	(of which, from Nokyo)		Including charges for joint-use facilities	Excluding charges for joint-use facilities
				Sale of inputs	Charges for joint-use facilities		
(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=((4)+(5))/(3)	(7)=(4)/(3)	
1960	754	203	551	213	9	40.3	38.7
1961	908	217	691	266	10	39.9	38.5
1962	1,029	236	794	304	10	39.6	38.3
1963	1,107	246	862	350	11	41.9	40.6
1964	1,244	259	985	372	12	39.0	37.8
1965	1,438	263	1,176	434	15	38.2	36.9
1966	1,636	291	1,345	527	17	40.4	39.2
1967	1,818	332	1,485	594	22	41.4	40.0
1968	1,983	400	1,583	663	28	43.6	41.9
1969	2,218	442	1,776	726	34	42.8	40.9
1970	2,541	444	2,097	812	38	40.5	38.7
1971	2,614	442	2,173	873	36	41.9	40.2
1972	2,799	517	2,282	943	37	42.9	41.3
1973	3,435	581	2,854	1,260	42	45.6	44.2
1974	4,540	728	3,812	1,695	54	45.9	44.5
1975	5,407	798	4,609	1,796	70	40.5	39.0
1976	5,910	942	4,968	1,973	83	41.4	39.7
1977	6,534	1,055	5,479	2,133	96	40.7	38.9
1978	6,501	1,127	5,375	2,094	111	41.0	39.0
1979	6,696	1,192	5,504	2,243	132	43.1	40.8
1980	7,256	1,255	6,001	2,450	146	43.3	40.8
1981	7,129	1,333	5,795	2,502	158	45.9	43.2
1982	7,092	1,309	5,783	2,449	166	45.2	42.4
1983	7,252	1,314	5,938	2,494	167	44.8	42.0
1984	7,650	1,392	6,258	2,559	166	43.6	40.9
1985	7,624	1,368	6,256	2,511	182	43.0	40.1
1986	7,394	1,382	6,012	2,373	196	42.7	39.5
1987	6,861	1,404	5,457	2,233	199	44.6	40.9
1988	6,756	1,357	5,399	2,288	209	46.3	42.4
1989	6,939	1,420	5,518	2,171	213	43.2	39.3
1990	6,940	1,359	5,581	2,252	221	44.3	40.3
1991	7,143	1,291	5,853	2,289	229	43.0	39.1
1992	7,010	1,211	5,799	2,277	242	43.4	39.3
1993	6,786	1,254	5,533	2,218	235	44.3	40.1
1994	7,027	1,227	5,801	2,180	252	41.9	37.6
1995	6,949	1,237	5,712	2,117	266	41.7	37.1
1996	6,878	1,040	5,838	2,257	271	43.3	38.7
1997	6,882	1,063	5,819	2,051	270	39.9	35.2

Note: 1 Inputs include service charges and capital formation. However, automobiles and oil products used for farming are not included in column 4 because of data unavailability. For this reason, Nokyo's shares in columns 6 and 7 are slightly too low.

Sources: Columns 1-3 are from MAFF (2000) *Social Accounts for Agriculture and Agriculture-Related Industry*; columns 4 and 5 are from MAFF, *Statistics on Agricultural Cooperatives*.

Figure 8 Nokyo's market shares, all households (per cent)

Note: The data for deposits is taken from column 7 of Table 5; loans from column 9 of Table 6; insurance from the second column of Table 7; and retailing from the last column of Table 8.

Insurance

Nokyo's insurance business is also aimed at all residents. Because of data limitations, this paper only estimates Nokyo's share of the personal life insurance and personal annuity business of a market made up of three types of insurance institutions – commercial life insurance companies, postal life insurance and Nokyo.³¹

It is difficult to measure the volume of insurance services. This paper uses two methods: the total premium paid by households in a fiscal year, and the total of liability reserves and policyholders' reserves held by Nokyo and other institutions at the end of the fiscal year.³² Owing to the lack of data, Nokyo's share of farm household insurance cannot be estimated separately.

The two measures (premium and reserve) reveal similar results on Nokyo's market share (Table 7). Nokyo's share of the insurance market gradually increased until the late 1970s, and then levelled off before declining in the second half of the 1980s, remaining fairly constant thereafter. In the second half of the 1980s, the MOF approved a new type of life insurance (which allowed the premium to be paid in a lump sum). This new type of insurance was sold enthusiastically by commercial life insurance companies, causing a boom in life insurance. Less keen to sell this type of insurance for fear of losing money from its deposit accounts, Nokyo

Table 5 Nokyo's share of outstanding bank deposits (billion yen; per cent)

	Deposits of farm households		Deposits of non-farm households		Deposits of total households		Nokyo's share in deposits of total households (7)=(5)/(5)+(6)	Nokyo's share in deposits of non-farm households (8)=(1)/(1)+(2)	Nokyo's share in deposits of non-farm households (9)=(3)/(3)+(4)	Farm households' share in deposits of total households (10)=(1)/(5)+(6)
	Nokyo (1)	Others (2)	Nokyo (3)	Others (4)	Nokyo (5)=(1)+(3)	Others (6)=(2)+(4)				
1970	4,665	2,824	1,456	33,769	6,121	36,593	14.3	62.3	4.1	76.2
1971	5,379	3,418	1,814	39,809	7,193	43,227	14.3	61.1	4.4	74.8
1972	6,595	4,160	2,445	50,072	9,040	54,231	14.3	61.3	4.7	73.0
1973	8,080	5,385	3,121	58,954	11,201	64,339	14.8	60.0	5.0	72.1
1974	9,407	6,177	3,466	70,913	12,873	77,090	14.3	60.4	4.7	73.1
1975	11,043	7,429	4,038	83,962	15,081	91,391	14.2	59.8	4.6	73.2
1976	12,147	8,778	4,955	97,779	17,102	106,557	13.8	58.1	4.8	71.0
1977	13,455	9,823	5,693	113,982	19,148	123,805	13.4	57.8	4.8	70.3
1978	14,765	10,896	6,845	132,243	21,609	143,138	13.1	57.5	4.9	68.3
1979	16,194	12,099	7,865	149,349	24,059	161,448	13.0	57.2	5.0	67.3
1980	17,315	13,742	9,105	167,709	26,421	181,452	12.7	55.8	5.1	65.5
1981	18,344	15,728	10,687	186,652	29,031	202,380	12.5	53.8	5.4	63.2
1982	19,634	17,336	11,438	204,112	31,072	221,448	12.3	53.1	5.3	63.2
1983	20,708	19,197	12,466	219,871	33,174	239,068	12.2	51.9	5.4	62.4
1984	22,255	20,351	13,315	238,316	35,569	258,667	12.1	52.2	5.3	62.6
1985	23,590	21,956	14,488	257,972	38,078	279,928	12.0	51.8	5.3	62.0
1986	24,639	24,163	15,369	275,992	40,009	300,155	11.8	50.5	5.3	61.6
1987	25,958	25,978	16,411	297,548	42,369	323,526	11.6	50.0	5.2	61.3
1988	27,431	26,012	18,069	322,278	45,499	348,289	11.6	51.3	5.3	60.3
1989	30,624	26,532	19,352	359,576	49,976	386,108	11.5	53.6	5.1	61.3

1990	33,440	27,899	21,189	386,317	54,629	414,216	11.7	54.5	5.2	61.2	13.1
1991	35,769	31,224	23,179	414,839	58,948	446,064	11.7	53.4	5.3	60.7	13.3
1992	37,726	33,310	23,443	433,592	61,169	466,902	11.6	53.1	5.1	61.7	13.5
1993	38,339	34,633	25,162	456,835	63,500	491,469	11.4	52.5	5.2	60.4	13.1
1994	38,496	n.a.	27,219	n.a.	65,715	520,915	11.2	n.a.	n.a.	58.6	n.a.
1995	38,449	n.a.	27,160	n.a.	65,609	547,147	10.7	n.a.	n.a.	58.6	n.a.
1996	38,519	n.a.	27,130	n.a.	65,649	573,445	10.3	n.a.	n.a.	58.7	n.a.
1997	38,942	n.a.	27,461	n.a.	66,403	606,872	9.9	n.a.	n.a.	58.6	n.a.
1998	n.a.	n.a.	n.a.	n.a.	66,853	632,120	9.6	n.a.	n.a.	n.a.	n.a.
1999	n.a.	n.a.	n.a.	n.a.	66,861	649,967	9.3	n.a.	n.a.	n.a.	n.a.

Notes: 1 Data for 1973–99 taken at the end of the fiscal year; and for 1970–72 at the end of the calendar year.

2 Data from MAFF, Social Accounts for Agricultural and Agriculture-Related Industries from the FY 1998 publication for column 1, and from the FY 1993 publication for column 2. There are inconsistencies from FY1994 onward in the data on financial assets and liabilities (see Godo 1998: 34–9), which is why the FY1993 issue (not the latest issue) was used for column 2. Data for column 1 will be available in forthcoming issues of this publication.

3 Column 5 is measured by *ippan chokin* (private deposits) in Norinchukin Research Institute, Financial Statistics of Agriculture, Forestry and Fisheries in Japan. Total deposits of total households (5 + 6) is from Economic Planning Agency (1991) Report on Revised National Accounts on the Basis of 1985 for 1970–72; Bank of Japan, Economic Statistics Annual for 1973–96; and Norinchukin Research Institute, Financial Statistics of Agriculture, Forestry and Fisheries in Japan for 1997–99. Columns 3, 4 and 6 are obtained as residuals.

4 Because Social Accounts for Agricultural and Agriculture-Related Industries employs a fiscal-year base, the author converted the data to a calendar-year base for 1970–73 by assuming column 8 is constant between the calendar-year end and the fiscal-year end.

Table 6 Share of Nokyo loans in outstanding liabilities (billion yen; per cent)

	Liabilities of farm households		Liabilities of non-farm households		Liabilities of all households		Trade credits	Share of Nokyo loans in liabilities of total households	Share of Nokyo loans to total households	Share of Nokyo loans in liabilities of farm households	Share of Nokyo loans in liabilities of non-farm households	Share of farm loans in Nokyo liabilities	Share of farm loans in total liabilities
	(1)	(2)	(3)	(4)	(5)=(1)+(3)	(6)							
1970	2,437	1,228	580	23,316	3,017	14,315	10,228	10.9	17.4	66.5	2.4	80.8	13.3
1971	2,780	1,482	702	27,335	3,482	17,674	11,143	10.8	16.5	65.2	2.5	79.8	13.2
1972	2,988	1,603	851	33,221	3,839	22,761	12,063	9.9	14.4	65.1	2.5	77.8	11.9
1973	3,980	1,848	1,473	41,473	5,453	29,735	13,586	11.2	15.5	68.3	3.4	73.0	11.9
1974	4,823	2,271	1,918	45,640	6,740	34,695	13,215	12.3	16.3	68.0	4.0	71.5	13.0
1975	5,460	2,416	1,977	57,876	7,437	41,501	18,791	11.0	15.2	69.3	3.3	73.4	11.6
1976	5,965	2,934	2,104	67,674	8,069	49,455	21,152	10.3	14.0	67.0	3.0	73.9	11.3
1977	6,479	3,575	2,214	75,993	8,693	57,417	22,150	9.8	13.1	64.4	2.8	74.5	11.4
1978	6,641	4,083	2,218	90,344	8,859	69,201	25,226	8.6	11.3	61.9	2.4	75.0	10.4
1979	7,011	4,573	2,379	101,496	9,390	80,368	25,702	8.1	10.5	60.5	2.3	74.7	10.0
1980	7,767	5,011	2,646	114,954	10,413	90,320	29,645	8.0	10.3	60.8	2.3	74.6	9.8
1981	8,228	5,256	2,766	127,660	10,995	100,662	32,254	7.6	9.8	61.0	2.1	74.8	9.4
1982	8,449	5,508	2,835	139,532	11,284	111,116	33,924	7.2	9.2	60.5	2.0	74.9	8.9
1983	8,627	6,028	2,912	151,251	11,538	121,221	36,058	6.8	8.7	58.9	1.9	74.8	8.7
1984	8,613	6,349	2,979	165,335	11,592	130,486	41,198	6.3	8.2	57.6	1.8	74.3	8.2
1985	8,588	6,222	3,003	178,014	11,591	139,359	44,876	5.9	7.7	58.0	1.7	74.1	7.6
1986	8,528	6,248	3,028	192,921	11,556	156,130	43,039	5.5	6.9	57.7	1.5	73.8	7.0
1987	8,457	6,496	3,039	220,067	11,497	181,680	44,883	4.8	6.0	56.6	1.4	73.6	6.3
1988	8,513	6,517	3,199	247,467	11,711	202,051	51,933	4.4	5.5	56.6	1.3	72.7	5.7
1989	8,827	6,178	3,416	275,880	12,243	232,509	49,549	4.2	5.0	58.8	1.2	72.1	5.1
1990	9,327	5,626	3,872	307,426	13,199	255,937	57,116	4.0	4.9	62.4	1.2	70.7	4.6

1991	10,235	5,572	4,470	322,059	14,704	266,638	60,993	4.3	5.2	64.7	1.4	69.6	4.6
1992	11,328	5,357	5,003	320,289	16,332	270,636	55,011	4.8	5.7	67.9	1.5	69.4	4.9
1993	12,001	4,948	5,439	326,397	17,440	278,976	52,369	5.0	5.9	70.8	1.6	68.8	4.9
1994	12,335	n.a.	5,679	n.a.	18,014	281,856	59,975	5.0	6.0	n.a.	n.a.	68.5	n.a.
1995	12,862	n.a.	5,891	n.a.	18,753	287,714	64,425	5.1	6.1	n.a.	n.a.	68.6	n.a.
1996	13,256	n.a.	6,372	n.a.	19,627	293,537	58,352	5.3	6.3	n.a.	n.a.	67.5	n.a.
1997	13,892	n.a.	6,635	n.a.	20,527	296,351	53,180	5.5	6.5	n.a.	n.a.	67.7	n.a.
1998	14,227	n.a.	6,994	n.a.	21,220	294,515	56,696	5.7	6.7	n.a.	n.a.	67.0	n.a.

Notes: 1 Measured at the end of the calendar year.

2 Liabilities consist of loans and trade credits. Thus, columns 2 and 4 include loans from financial institutions other than Nokyo and trade credits.

3 Nokyo's trade credits through non-financial businesses are not estimated because of a lack of data.

4 Loans from Nokyo to total households (column 5) is calculated from Norinchukin Research Institute, Financial Statistics of Agriculture, Forestry and Fisheries in Japan. Based on MAFF, Statistics on Agricultural Cooperatives, (5) is separated into loans to farm households (i.e. 1) and loans to non-farm households (i.e. 3). Farm households' total liabilities (1 + 2) is available in MAFF (1995) Social Accounts for Agricultural and Agriculture-Related Industries, FY1993 (for the same reason as in footnote 2 of Table 5, the FY1993 data are used instead of more recent data). Total liabilities of total households (i.e. 5+6+7) and total loans to total households (5+6) are available in Economic Planning Agency, Report on Revised National Accounts on the Basis of 1985, Report on National Accounts from 1955 to 1994 and Report on National Accounts (Y2000 version). Columns 2, 4, 6 and 7 are calculated as residuals.

5 For the same reason as in footnote 2 of Table 5, data for columns 2 and 4 are limited to pre-1994 years.

6 Because MAFF data is in fiscal years, the author converted the data to a calendar-year base by assuming column 9 is constant between the calendar-year end and the fiscal-year end.

Table 7 Nokyo's share of the life insurance market (billion yen; per cent)

	Outstanding amount at fiscal-year end				Premium paid in a fiscal year							
	Postal insurance		life insurance		Commercial life insurance		Commercial life insurance					
	Nokyo	companies	Postal life insurance	insurance	Nokyo	companies	insurance					
1965	197	(5.9)	1,938	(58.0)	1,207	(36.1)	n.a.	(n.a.)	707	(n.a.)	246	(n.a.)
1966	256	(6.4)	2,370	(59.0)	1,389	(34.6)	n.a.	(n.a.)	842	(n.a.)	284	(n.a.)
1967	331	(7.0)	2,857	(60.4)	1,545	(32.6)	n.a.	(n.a.)	1,017	(n.a.)	328	(n.a.)
1968	425	(7.5)	3,442	(61.0)	1,779	(31.5)	n.a.	(n.a.)	1,193	(n.a.)	387	(n.a.)
1969	542	(8.0)	4,159	(61.1)	2,108	(31.0)	164	(8.1)	1,394	(68.9)	465	(23.0)
1970	681	(8.4)	4,924	(60.9)	2,480	(30.7)	190	(8.0)	1,616	(67.7)	582	(24.4)
1971	848	(8.9)	5,750	(60.2)	2,958	(31.0)	229	(8.1)	1,850	(65.6)	740	(26.3)
1972	1,054	(9.2)	6,774	(59.3)	3,594	(31.5)	274	(8.2)	2,144	(64.3)	915	(27.5)
1973	1,278	(9.5)	7,805	(57.9)	4,393	(32.6)	332	(8.5)	2,478	(63.4)	1,100	(28.1)
1974	1,550	(9.2)	9,907	(58.7)	5,412	(32.1)	400	(7.8)	3,392	(66.5)	1,309	(25.7)
1975	1,874	(10.0)	10,239	(54.8)	6,558	(35.1)	483	(9.0)	3,359	(62.5)	1,531	(28.5)
1976	2,236	(10.2)	11,631	(53.2)	7,982	(36.5)	565	(9.0)	3,941	(62.9)	1,762	(28.1)
1977	2,584	(10.2)	13,278	(52.4)	9,457	(37.4)	665	(9.1)	4,608	(63.1)	2,027	(27.8)
1978	2,956	(10.2)	15,173	(52.1)	10,990	(37.7)	765	(9.1)	5,311	(63.3)	2,319	(27.6)
1979	3,341	(9.9)	17,375	(51.3)	13,127	(38.8)	869	(9.1)	6,025	(63.3)	2,618	(27.5)
1980	3,804	(9.9)	19,651	(51.1)	15,005	(39.0)	977	(9.2)	6,664	(63.0)	2,935	(27.8)
1981	4,297	(9.8)	22,325	(50.9)	17,197	(39.2)	1,077	(9.1)	7,442	(63.0)	3,286	(27.8)
1982	4,832	(9.7)	25,354	(50.9)	19,630	(39.4)	1,209	(9.2)	8,311	(63.4)	3,596	(27.4)
1983	5,422	(9.6)	28,655	(50.9)	22,246	(39.5)	1,353	(9.3)	9,169	(63.3)	3,959	(27.3)
1984	6,073	(9.4)	32,906	(51.1)	25,426	(39.5)	1,457	(9.0)	10,392	(64.2)	4,338	(26.8)
1985	6,819	(9.2)	38,995	(52.6)	28,278	(38.2)	1,633	(8.6)	12,483	(65.6)	4,900	(25.8)
1986	7,758	(8.9)	47,474	(54.5)	31,859	(36.6)	1,851	(8.3)	14,966	(66.9)	5,557	(24.8)
1987	8,810	(8.6)	57,643	(56.2)	36,122	(35.2)	1,986	(7.7)	17,173	(66.8)	6,561	(25.5)
1988	10,032	(8.3)	70,068	(58.0)	40,739	(33.7)	2,152	(7.4)	19,750	(67.6)	7,318	(25.0)
1989	11,128	(8.1)	81,187	(58.9)	45,563	(33.0)	2,212	(7.5)	19,722	(66.9)	7,541	(25.6)
1990	12,097	(8.0)	88,309	(58.4)	50,902	(33.6)	2,268	(8.0)	17,815	(62.7)	8,312	(29.3)
1991	13,039	(7.9)	94,102	(57.4)	56,916	(34.7)	2,350	(7.8)	18,295	(61.0)	9,340	(31.2)

1992	14,037	(7.8)	101,254	(56.2)	64,736	(36.0)	2,454	(7.4)	19,220	(57.6)	11,696	(35.0)
1993	15,301	(7.8)	107,979	(54.8)	73,924	(37.5)	2,677	(7.5)	19,683	(55.2)	13,280	(37.3)
1994	16,497	(7.8)	112,090	(53.1)	82,546	(39.1)	2,721	(7.7)	18,723	(53.2)	13,758	(39.1)
1995	17,742	(7.5)	118,596	(50.3)	99,275	(42.1)	2,845	(7.7)	20,623	(55.6)	13,639	(36.8)
1996	18,802	(7.6)	123,546	(49.7)	106,175	(42.7)	2,878	(7.7)	20,043	(53.5)	14,509	(38.8)
1997	19,841	(7.8)	122,535	(48.1)	112,268	(44.1)	2,938	(7.8)	20,187	(53.5)	14,604	(38.7)
1998	21,027	(8.1)	122,677	(47.2)	116,316	(44.7)	3,114	(8.4)	20,222	(54.9)	13,532	(36.7)

Notes: 1 Shares in brackets.

2 Outstanding amount is measured by liability reserves + reserves for dividends to policyholders.

3 Values for Nokyō are a total of old-age insurance, children's insurance, long-term fixed insurance and life insurance. Data for Nokyō are taken from National Mutual Insurance Federation, Statistics on Mutual Insurance of Agricultural Cooperatives. Premium data for 1965–77 are adjusted by the author (Godo 1998: 34–9).

4 Values for commercial life insurance companies are the total of personal insurance and personal annuity. Data for commercial life insurance companies are taken from the Life Insurance Association of Japan and Marine and Fire Insurance Association of Japan, The Insurance Yearbook for 1965–95, and reports from the Life Insurance Association of Japan for 1996–98.

5 Postal life insurance includes postal annuity. Data for postal life insurance are from Ministry of Posts and Telecommunications, Annual Statistical Report on Postal Administration.

accepted a lower share of the life insurance market in order to maintain its profits from banking. For Nokyo, collecting deposits is more profitable than selling insurance.

Another interesting finding is that Nokyo's share of the insurance market as measured by reserves was larger than its share as measured by premiums in the 1970s and 1980s. This is consistent with the belief in Japan that Nokyo's cancellation rate is much lower than that of its rivals. This characteristic seemed to disappear in the 1990s.

Retailing of consumer goods

Nokyo operates supermarkets, called A-coops, that are just like ordinary supermarkets and are open to both members and non-members (Figure 4).³³

Supermarkets are Nokyo's least-regulated business, and Nokyo's market share of supermarket sales is very low (Table 8 and Figure 8). This may be further evidence that Nokyo's businesses cannot be competitive unless they are given special privileges.

Table 8 Nokyo's share in retailing of consumer goods (billion yen; per cent)

	Total sales	Nokyo sales	Nokyo's share
1968	11,171	32	0.3
1970	14,480	63	0.4
1972	18,937	128	0.7
1974	27,109	222	0.8
1976	37,075	407	1.1
1979	48,221	605	1.3
1982	59,843	815	1.4
1985	65,159	985	1.5
1988	74,141	1,118	1.5
1991	88,215	1,251	1.4
1994	89,239	1,192	1.3
1997	89,786	1,072	1.2

Notes: 1 Consumer goods include general merchandise, dry goods, apparel and apparel accessories, food and beverages, and furniture, utensils and household appliances in MITI, *Census of Commerce*.

2 Nokyo's sales for 1994 do not include dry goods, apparel and apparel accessories. For this reason, Nokyo's share for 1994 is an underestimate. Nokyo sales of dry goods, apparel and apparel accessories were 3.4 billion yen in 1991 and 2.5 billion yen in 1997.

Another interesting (and possibly counterintuitive) finding is that Nokyo's share of the supermarket business had been increasing until the second half of the 1980s.³⁴ While Nokyo's share dropped slightly between 1988 and 1997, it is still higher than in 1976. 'Nokyo pessimism' is not the case in this sector, either.

Conclusion

This paper presents numerical evidence that disputes the popular view of 'Nokyo pessimism', showing that Nokyo firmly maintained its economic presence until the early 1990s. Up until this time, the government's protection allowed Nokyo to count on stable profits from banking and insurance. Nokyo used these profits to expand its scope and strengthen its organising ability.

Nokyo's economic position became less secure in the mid-1990s. The profitability of its banking and insurance activities was seriously undermined by financial liberalisation. Facing a harsher business environment, Nokyo implemented structural reforms in the 1990s, cutting back employees and accelerating the consolidation of smaller unit cooperatives. Fiercer competition in the financial industry seems inevitable in the near future, and Nokyo may be forced to undertake more drastic restructuring.

Financial liberalisation, not the reform of Nokyo, has been the major factor that has undermined Nokyo's economic power. While financial liberalisation has not affected Nokyo directly, it has seriously diminished Nokyo's economic foundation. The cosy relations among Nokyo, farmers, the LDP and the MAFF will decay if Nokyo loses its economic power and therefore its organising ability. The mid-1990s should therefore be seen as the start of a slow and steady change in Japanese agricultural policy.

Notes

- 1 Another reason for the lack of numerical information on Nokyo is that researchers have been inclined to look at farming, and Nokyo's role in farming, with nostalgia. The author believes that researchers need to take a more rational view of Nokyo's activities.
- 2 Although most tenant farmers became owner farmers in the land reforms that took place between 1947 and 1949 under the Allied Occupation, the size of farms did not

- change significantly because 1.0 hectares was still around the most efficient farm size at that time.
- 3 For further details, see Mulgan (2000: 328–34).
- 4 Various administrative organs are involved in agricultural policymaking. For details, see Mulgan (2000).
- 5 The Japan Socialist Party was renamed the Social Democratic Party in 1991.
- 6 Although one of the objectives of Prime Minister Ikeda’s income-doubling program, announced in 1960, was the expansion in farm size to 2.5 hectares by 1970, the average remained at around 1.0 hectares throughout the 1960s.
- 7 The growth of the economy has created off-farm job opportunities even in rural areas, which would allow small farmers to exit from farming without losing income.
- 8 Calculated for all the prefectures excluding Hokkaido.
- 9 Article 1 of the 1952 Agricultural Land Law states that ‘the government understands that owner farming is the most desirable form of farming’. The aim was to prevent the re-emergence of the large holdings owed by powerful landlords that caused serious income inequality in rural areas before the war. Although fears of a return to a prewar-style tenant farming disappeared in the high-growth era, Article 1 is still in effect. Tenancy is the most practical way of enlarging farm size because the price of land is extremely high in Japan. While the MAFF has slowly decreased its regulations on tenant farming since 1970, its objective is still to protect small-scale farming against large-scale farming (see Godo 2000).
- 10 The MAFF’s price support policy has benefited both small and large farm operations, but the combination of the acreage-control program and the supported rice price has helped small-scale farming the most. Godo (1993) provides numerical evidence on this point. A more comprehensive discussion of the acreage-control program’s economic impact on farm structure is given in Hayami and Godo (forthcoming: ch. 9).
- 11 The Agricultural Land Law states that those who live ‘too far’ from farmland or who are ‘too inexperienced’ in farming cannot become tenants (the municipal office of the Agricultural Committee is in charge of examining the credentials of tenants). However, it is very difficult for the MAFF to uncover an illegal tenancy contract if a farmland is rented by a secret agreement. For further information about the Agricultural Land Law, see Godo (2000).
- 12 There are two types of unit cooperatives – specialised cooperatives (*Senmon Nokyo*) and general cooperatives (*Sogo Nokyo*). The former are similar to Europe’s agricultural cooperatives, which specialise in distributing agricultural products and purchasing inputs for farming. General cooperatives provide a greater variety of services. There are fewer specialised cooperatives than general cooperatives, so this paper discusses only the general cooperatives (the term *Nokyo* is commonly viewed as referring to the general cooperatives).
- 13 The MAFF has been considering deregulating its zoning regulation (*Nokyo* 2000: 12).
- 14 Most of *Nokyo*’s services, except lending and insurance, are accessible to non-members, so unless a non-farm household wants to borrow money from *Nokyo* or buy *Nokyo*’s insurance, there is no special advantage in becoming an associate member.

- 15 In the 1940s Nokyo was in charge of food rationing, which is why establishing unit cooperatives according to municipal borders made sense. As the rationing system came to an end between 1949 and 1951, the average size of unit cooperatives proved to be too small to be competitive with other entities.
- 16 Readers may not understand the term Economic Division in Figure 4, or why the prefectural economic federations and the National Federation are so named. These are vestiges of the 1940s, when the distribution of agricultural products and the sale of fertiliser were Nokyo's most important roles.
- 17 To promote their non-farming-related businesses, unit cooperatives have encouraged non-farm households to join Nokyo as associate members. However, associate members are not allowed to participate in decision-making. Although farmers allow non-farm households to contribute to Nokyo's profits, they keep non-farm households away from the various pork-barrel benefits obtained from LDP politicians.
- 18 The Food Control Law was replaced by the New Staple Food Law in 1995. Although many regulations on rice marketing were removed by the new law, Nokyo is still the main distributor of rice.
- 19 Onodera (1974) discusses Nokyo's dominant position in the sale of fertiliser.
- 20 Teranishi (1994) provides a comprehensive explanation of the government's regulation and protection of the banking industry.
- 21 This slogan appeared in a resolution adopted at the 12th General Meeting of Nokyo in 1970.
- 22 In close-knit rural communities, relationships are important when choosing a financial institution.
- 23 The MOF has been gradually reforming Japan's financial markets since 1979. The liberalisation of interest rates on small deposit accounts began in 1989 and was completed by 1993.
- 24 Nokyo started to discuss such reforms as early as the 1970s but had never put them into effect. In 1998 the National Federation merged three of the prefectural economic federations. More mergers are expected.
- 25 The 18th General Meeting of Nokyo in 1998 resolved to streamline Nokyo businesses by reducing the number of unit cooperatives to less than 1,000. The most drastic reform took place in Nara prefecture in 1998 when all the unit cooperatives were unified into a single cooperative called "JA Nara". The prefectural federation and prefectural credit federation were also merged into JA Nara.
- 26 There are too many articles on 'Nokyo pessimism' to list. A typical example is Kai (1991).
- 27 The news media occasionally report entrepreneurial farmers' criticisms of Nokyo's bureaucratic and inflexible business attitudes. For example, see Asahishimbun Keizai-bu (1994).
- 28 Nokyo's share of the rice market dropped in 1980 and 1993, years of extremely poor rice harvests. Many farmers shipped rice to illegal free traders because rice prices in the

- underground market were much higher than the official trade prices (the Food Control Law regulated rice collection before 1995).
- 29 Although the Food Control Law was effective until 1995, the underground rice market gradually expanded even in the 1980s (see Godo and Hayami forthcoming, fig.7.3).
- 30 Nokyo's share of personal deposits levelled off from 1987 to 1992 (column 7 of Table 5). This period coincided with the land development boom that handed farmers huge profits when they sold farmland for non-agricultural use (Godo 2000).
- 31 The National Accounts also only includes these three types of life insurance institution.
- 32 The Economic Planning Agency uses the reserves measure in the National Accounts.
- 33 The Agricultural Cooperative Law stipulates that the business of non-members must not exceed one-fifth of that of members, but this regulation is not followed in Nokyo's retailing business.
- 34 Nokyo's rising share over this period was partly because of the expansion of purchasing power in rural areas and the change in consumption toward convenience foods.

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