

A COMPARISON OF AGRICULTURAL COOPERATIVES IN JAPAN AND THAILAND: A CASE STUDY OF THE WATJUN AND TAWANGPA AGRICULTURAL COOPERATIVE AND JA AICHI

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Abstract: The primary objective of development is to enhance the quality of live but the preceding development process with the use of the striking technological revolutions and the modernization of extraction industries have not result in well-being of people everywhere. Sustainable development is the main desirable for the world's nation. Cooperatives could form a particularly significant mechanism for the development of the marginalized sections of the society since they have strong ties to local communities.

There are a lot of research reports related to agricultural cooperatives in Thailand and Japan but there are very few studies that compare the performance of the agricultural cooperatives in these two countries especially for case studies. Moreover, this research project went into the field work in Aichi prefecture in Japan. As a descriptive survey research, data collection was done during April, 2008 to June, 2011. In addition, the observation units for quantitative data are annual reports of these cooperatives. The qualitative data are obtained from indebt interview with mangers, board members and government involved. Furthermore, secondary data were used. This comparative study analyzed from the institutional economic perspectives, so the framework starts with the independent variables called institutional factors namely top down orientation, the structure of the board, the government policies, spirit of cooperation. Results of the study show that only the first factor, the top-down policy is alike while the others are different. JA- Aichihigashi run along

different lines to Tawangpha and Watchan agricultural cooperatives. By comparison, the performances of the two agricultural cooperatives in Thailand are less than those in Japan. Cash deposit is the most important business for them. Tawangpa agricultural cooperative in particular create a network with a private company, support a woman group, use a radio station to make a closer relationship with their members. Moreover, the managers was selected to join the international training program. Apart from sale and purchase, the JA do the interesting business and services including banking, insurance – the highest value business, training, funeral, marriage counseling, farm guidance - it is unique. About the significant financial ratio that represent the capital strength, asset quality, earning and liquidity are 1.83, 1.4, 3.96 and 0.987 respectively for Tawangpa agricultural cooperative. As for Watjun agricultural cooperative, those ratios are 0.79, 1.47, 1.37 and 1.49 respectively. Apart from that, the ratios for JA Aichihigashi are **0.91**, 0.18, 17.57 and 1.05 respectively. What this study has suggested are that the agricultural cooperatives in Thailand should provide more activities for members – from the cradle to the grave like in Japan. For example, they should More important, they should apply the principles of the philosophy - Sufficiency Economy, bestowed by His Majesty the King.

Keywords: Agricultural cooperative, financial analysis, Fscal year, Institutional factors, Sufficiency Economy

INTRODUCTION

This paper compares the performance of the agricultural cooperatives in Japan and Thailand by using two cases study of the Watjun and Tawangpa Agricultural Cooperative and JA Aichihigashi as the two distinctive models with a focus on institutional factors. Particular attention is drawn to (1) the policy outline; and (2) the pattern of economic and social activities.

From an institution perspective agricultural cooperatives in these two countries can be contrasted as follows. Japan agricultural cooperatives concerne more locally-led movements to reinforcing effects especially at the community level. Agricultural cooperatives in Thailand, on the other hand are an institution formulated and implemented by the central government.

Agricultural sector has been crucial for Thailand's economy since 1910s. Agricultural cooperatives is a farmer institute with the concept of mutual benefits of their members, self reliance and cooperation. Thailand is still considered as an agronomy as 38% of population work in the farm and 41% of the total land area or 21 million hectares used for agriculture[26].

Tawangpa Agricultural Cooperative is located in Nan Province in northern in Thailand. It has been awarded as the outstanding agricultural cooperatives at national level in 1979,1993,1996,1997,2006 and 2007. Watjun cooperative is the first cooperative organization in Thailand while Tawangpa agricultural cooperative is one of the exceptional one in Thailand as it received many national awards.

JA Aichihigashi is distinguish situated in the northeastern part of Aichi Prefecture not far from Aichi University where has Memoranda of understanding with Naresuan University my work place . So , I could received kind cooperation from them.

OBJECTIVES OF THE STUDY

(1) To investigate the economic activities in the cooperatives business. (2) To compare the main institutional factors of agricultural cooperatives in Japan and Thailand. (3) To analyze financial ratios of the Agricultural Cooperation based on CAMEL Analysis method.

EXPECTED OUTCOME

(1) The Thai agricultural cooperatives could learn how to enlarge their business from that of Japanese experience. (2) The cooperative committee and the management section can increase the efficiency in the cooperative business management and be able to

systematically solve the problem in continual capital losing.

LITERATURE REVIEW

Cooperative organizations throughout the world are so heterogeneous. The new institutional economics perspective verified that institutional factors including legal and administrative system and pervasive practices visibly affects organizational evolution while the historic path has been taken by interaction between institutions and organizations. The new economy, pro competition causes institutional challenging to cooperatives. Their future count on the abilities to adjust to the new environment[12]. Interestingly, institutions are "the rules of the game in a society or the humanly devised constraints that shape human interaction" [7].

New Institutional economics endeavors to describe a theory of institution into economics. There were a lot of restrictions induced by the enforced laws. The significant obstacles of the cooperatives in Thailand are as follows 1) limitation of knowledge and understanding about the cooperative 2) lack of linkage for mutual cooperation 3) absence organization directly taking the role in harmonizing the information technology development system 4) inadequate role of the Cooperative League of Thailand. Currently, the agricultural cooperatives was challenging by changes in various external and internal environment. To be sustainable in that situation, they must adjust their structures and business activities[8]. As well as, there was the possibilities for agricultural (marketing) cooperatives, with a view to their economic substance in New Institutional Economic theory in the Hungarian practice[20]. Similarly, the theories of institution could be used as a guide to economic reform in Africa[9]. In addition the system of agricultural cooperatives in Japan had the influential position in political dynamics in nationwide and strong economic power in rural areas[7]. From the cultural perspective ,the successful cooperatives of the consumer cooperatives in 10 industrialized countries in the late 19th and early 20th centuries could not adapt to the new environment , capitalism focusing on mass production and consumption[6].

MATERIAL AND METHODS

This study was conducted a comparative study of the agricultural cooperatives in Japan and Thailand namely JA Aichihigashi, Watjun and Tawangpa. The purpose of the research project is to obtain a better understanding of the performances of this organization. It will generate insights which a single country-specific research alone could not demonstrate clearly. This research project was based on both secondary and field level data. Primary data

are collected by the survey method in Phitsanulok, Nan province in Thailand and Aichi prefecture in Japan.

Collected data were classified and analyzed in accordance of the objectives set for the study. Both qualitative and quantitative techniques were utilized to compare crucial economic and social activities among relevant variables.

As a descriptive survey research, data collection was done during April, 2010 to June, 2011. In addition, the observation units for quantitative data are annual reports of these cooperatives. The qualitative data are obtained from indebt interview with managers, board members and government involved. Furthermore, secondary data were used. New Institutional economics endeavors to describe a theory of institution into economics.”

PRINCIPLES PERFORMANCE MEASUREMENT

There are several method of evaluating the performance of the cooperatives. But the CAMEL Method was chosen because it measures the performance of the cooperatives from each parameter i.e. Capital, Assets, Management, Earnings and Liquidity. Then the collected annual reports of the consecutive of the year 2008 were used.

The CAMEL rating system was initially approved by North America bank regulators to measure soundness of U.S. commercial lending institutions in 1987. It includes 5 important factors which are represented by the CAMEL [27].

Capital Adequacy

It is the key indicator for cooperative managers to maintain adequate levels of capitalization. It is the key indicator for financial managers to maintain adequate levels of capitalization. Capital adequacy ultimately determines how well financial institutions can cope with unexpected condition to their balance sheets.

A–Asset Quality

Asset quality presents the healthiness of financial institutions against loss of value in the assets.

M – Management Ability

This component rating ensures its safe and sound operations: information systems, segregation of duties, audit program, record keeping, protection of physical assets, education of staff, succession planning. In this study, it represented the percentage of membership increase.

E – Earning

This measurement reports its ability to earn an appropriate return on its assets.

Liquidity

It evaluated on the basis of the agricultural cooperatives' ability to its present and anticipated cash flow needs, such as, funding loan demand, share withdrawals, and the payment of liabilities and expenses. Liquidity risk also indicates poor management of excess funds.

RESULT AND DISCUSSION

This section is organized into two primary subsections. The first a report of general findings with new institutional economics framework the second primary section is the CAMEL analysis.

New institutional economics framework

Notwithstanding the distinctive attributes of the agricultural cooperatives in Japan and Thailand mention above, the policy outline in these two countries are quite different. This is because the precondition to the establishment of them.

Firstly, there was a well-organized arrangement in several parts of Japan. There were village agricultural cooperatives with potential links with the market and a tool of buffering farm revenue against any fluctuation of demand for agricultural products. However, Several of JA's activities were largely regulated and supported by the government. For instance rice control law and rice price support program. These factors resulted in increasing the standard of living of farmers. In addition, the state had crucial roles in developing, supporting and regulating JA. Later JA bore triple natures (Kurimoto, p 111, 2004) as state agency, pressure group and cooperatives.

In Thailand, a clearly contrasting aspect, agricultural cooperatives did not emerge from the rural people. The principle of cooperatives was originally adopted to Thailand through a special support program with the main purpose of assisting the farmers to payback their loans and enhance their standard of living. The Thai government established the first cooperative institution, as a trial, in the small rice farmer village in Phitsanulok province named “ WatJun Cooperative. It was definitely regarded as a “ village credit cooperative “ received main idea from the Raiffen credit cooperative type in Germany. The Raiffen credit cooperative had few members which they had unlimited liability for their own and society's debts. With the success of “ Watjun cooperative in the early stage, it caused in creating such kinds of cooperative over the whole area.

The Minister of Agriculture and Cooperatives in Thailand also makes ministerial regulations, provides financial assistance to cooperatives through the creation of the “Cooperative Development Funds”, empowers the registrar (government agent at

province level) to control the lending, borrowing, or guarantee of loans. Roughly top down orientation applied for both Thai agricultural cooperatives, and JA.

Secondly, focusing on the development of cooperatives in these two countries, 2 factors had significant effects which are as follow.

The government launched the industrial Cooperative Association Law enacted 1900, the land reform law of 1933 and, the government rice control law in 1933. They were considered as significant institutional change that had a positive impact on the progress of this kind of cooperative in Japan.

The following table 1 summarized the institutional factors of the performances of cooperative enterprises in Japan and Thailand.

This comparative study analyzed from the institutional economic perspectives, so the framework starts with the variables called institutional factors namely development strategy, affiliated Organization, law range of activities, administration system, farm scaled, convention and tradition.

All types of cooperatives in Thailand are affiliated to the Cooperative League of Thailand (CLT), the top national apex organization which does not do any business. It performs as a cooperative education promoter. Furthermore, the Agricultural Cooperative Federation of Thailand functions as the center of the agricultural cooperative providing comprehensive services to its members including the promotion of production, supply of inputs, marketing knowledge and welfare to achieve economic and social outcomes. Despite the similarities of establishment of the banks, the actual implementation modalities of them are distinctive in these two countries. The Thai government established the Bank for Agriculture and Agricultural Cooperatives (BAAC) as a state enterprise under the jurisdiction of the Ministry of Finance. The BAAC's mission was to extend credit more widely, directly to individual farmers as well as through farmer institutions. In comparison, JA-ZENCHU is an organization to represent the entire JA Group. Its main activities are 1) to promote better farming and better living activities of JAs, 2) to give guidance to JAs on their management and organization, 3) to audit organizations, 4) education and public relations activities, 5) farm policy legislative activities, and 6) to make liaison and collaboration with international organizations, and so forth. Due to the limitation of cooperative law, JA create other organizations including, ZEN-NOH, ZENKYOREN, Norinchukin Bank, Nokyō Tourist cooperation to do many kinds of business involved. [28]

While Norinchukin Bank was set up with share capital contributions from JAs, fishery cooperatives and forest-owners cooperatives etc., the National Bank Central Cooperative Bank for Agriculture, Forestry, and Fishery, the central bank for Japan's industrial cooperatives contribute to the development of the nation's economy and support the advancement of the agricultural, forestry, and fisheries industries. By comparison, the range performances of the two agricultural cooperatives in Thailand are less than those in Japan. Cash deposit is the most important business.

The difference between Thai agricultural cooperatives and JA can be discerned also in the legislation. Where as the single cooperative laws covering all cooperatives in Thailand, the separate cooperative laws are utilized in Japan.

Although the main business economic activities are similar, the actual range of the activities are so different. Apart from sale and purchase, the JA do the interesting business and services including banking, insurance – the highest value business, training, funeral, marriage counseling, farm guidance - it is unique. Tawangpa agricultural cooperative in particular create a network with a private company, support a woman group, use a radio station to make a closer relationship with their members. Moreover, the managers was selected to join the international training program. Apart from sale and purchase, the JA do the interesting business and services including banking, insurance – the highest value business, training, funeral, marriage counseling, farm guidance - it is unique.

Unlike the Thai cooperatives, JA have the administrative system of full time board committee leading to willingness to work efficiently.

In contrast, regard to the strategy of increasing the number of agricultural cooperatives in Thailand, Japan utilized merging strategy result in decreasing the quantity of JA. From table 2, the number of cooperatives in Thailand was 3,118 and became 4,614 in 2011 [6]. Differently, the quantity of JA was 12,000 and lowered to 894 in 2005 aimed at streamlining and raising the efficiency of their business activities and financial management [28].

Different from Thailand, There were about 20-30 farmers in a farming community, each with 1.0 hectare of farmland. They were the small-scale family farms that lead to the concept of "Joint-Use" including joint purchasing, joint marketing, joint use of capital, and joint use of facilities [19].

Table 1: Summary of the Comparisons of Institutional Factors

Country	Development strategy	Affiliated Organization	Law	Business scope	Administration system	Membership	Farm -size	Convention and tradition
Thailand	Top down	The cooperative ledge of Thailand	Single cooperative law	Limitation range of business	No full time Board members hip	4,614	large farm scaled	Preference for individual choice
Japan	Top down	JA- Zenchu -ZEN-NOH ZENKYOR EN Norinchukin Bank	Separated cooperative law	Services range from the “cradle to the grave”.	Two type of board members hip	894	small farm scaled	Preference for collective action

Source: Conclusion by Author

Table 2: CAMELS rating system

Agriculture Cooperative	C – Capital Strength	A – Asset Quality	M – Management Ability	E – Earning	L – Liquidity
Tawangpha	1.83	1.4	1.21	3.96	0.987
Watjun	0.79	1.47	1.96	1.37	1.61
JA Aichihigashi	0.91	0.18	0.62	17.57	1.05

Source: Calculated by authors

Yet another difference between the Thai agricultural cooperatives and JA was the form of Convention and tradition. Japanese prefer collective action to individual choice. They are good at working as a team work. These values motivate cooperation.

CAMEL Analysis

The analysis indicated the cooperation's financial status by using financial statement during in 2008 as seen table 2.

Table 2 demonstrated CAMELS rating system among three agricultural cooperatives in 2008. About the significant financial ratio that represent the capital strength, asset quality, earning and liquidity are 1.83,1.4,1.21 3.96 and 0.987 respectively for Tawangpha agricultural cooperative. As for Watjun agricultural cooperative, those ratios are 0.79, 1.47,1.96, 1.37 and 1.49 respectively. Apart from that, the ratios for JA Aichihigashi are 0.91, 0.18, 17.57,0.62 and 1.05 respectively.

CONCLUSION

The study demonstrated that Institutional factors such as land reform law and rice control law play a crucial

role to make progress in agricultural cooperative in Japan. By comparison, the agricultural cooperatives in Thailand were negatively influenced by long term rice police, rice premium on export. Furthermore, land reform policy in 1975, an institutional change encountered with several deficiencies for implement. In contrast to Japan, the administrative system, the cooperatives in Thailand could not generate extraordinary activities. In addition, the convention and tradition. Due to the convention and tradition, Japanese have the preference for collective activity to individual choice that are difference from that of Thai people. Importantly, the use of CAMEL measurement reported that agricultural cooperatives, Tawangpha and Watjun had a vast diversity. What this study has suggested are that the agricultural cooperatives in Thailand should provide more activities for members – from the cradle to the grave like in Japan. In particular, they should they should apply the principles of the philosophy - Sufficiency Economy, bestowed by His Majesty the King

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