

### Priority subjects of Co-op activities in 2011

The Japanese Consumers' Co-operative Union (JCCU) held a two-day policy debate and summarized the "priority subject for 2011".

#### Urgent restructuring of co-op store business.

Facing further deterioration of profitability of store business in parallel with stagnation of the home delivery service, business restructuring is an urgent task for consumer cooperatives this time. The November 2010 business summary of the nationwide primary co-operatives revealed an increase of 2.6% in the total membership. However, the total sales turnover and the ordinary surplus recorded 98.6% and 89.3% respectively from the previous year results. The average amount of monthly purchase per member was 11,731 yen, which is 475 yen less than the previous year. The turnover for the store business alone was 97.3% while the ordinary surplus decreased by 3.23% indicating a very severe condition of the store business. At the same period, the home delivery business for 70 primary co-ops revealed a total sales turnover of 99% year-on-year. The individual delivery sales showed an increase of 2.5%, indicating its superiority over the group sales. The ordinary surplus rate of the home delivery business was 2.16%, which is 0.09 point less than the previous year. Presently 13 primary co-ops have their account in red and the difference between consumers' co-ops by the profit and loss structure spreads, which becomes a priority task to solve in 2011.



## On the 60<sup>th</sup> anniversary of the founding of the Japanese Consumers' Co-operative Union (JCCU)



Toshifumi Yamashita  
President of JCCU

What comes to mind is that this year is the 60<sup>th</sup> anniversary of the founding of the Japanese Consumers' Co-operative Union.

The year 2009 was the 100<sup>th</sup> anniversary of Kagawa Toyohiko's self-devotion for the poor in Kobe city that eventually led to the establishment of co-operatives and labor unions nationwide. Kagawa was the founder of JCCU and we have taken advantage of this memorial occasion to review his good works and strive to build a safe community for everyone. Tottori Co-op, which already had its 60<sup>th</sup> anniversary last year, can trace its prewar history back to 1914, the foundation of Kyo-eisha based on the industrial association law. Suikosha on Kyushu Island had 90<sup>th</sup> anniversary last year while Co-op Kobe will have its 90<sup>th</sup> anniversary this year. The foundation of JCCU is with a background of these histories besides the enactment of Consumer Co-op's law in 1948. In 1951, when the Japanese people's life was still in needy circumstances, Kagawa Toyohiko and other pioneers established JCCU with a declaration 'Peace and better life as Co-op's ideal'. They fought against various problems and contradictions each area of Japan faced.

In 1970, JCCU led the store-openings of the primary co-ops. However, it failed in some of its strategies leaving consumer co-ops with both good and bad condition.

While joint purchasing (the home delivery business), as regarded as a suitable democratic business of Co-op, accomplished a large success, the store business suffered from the severe regulations that came from both internal and external obstructive factors.

After some bankruptcy of internationally-led Co-ops and planned economies in the 80s and early 90s, the problems shown in 'the Laidlaw report' was acknowledged and shared as the 'ICA Statement on Co-operative Identity' consisting of the definition, value and principle of Co-op. In the 90s, Co-op Kobe, Co-op Sapporo and Co-op Kanagawa led the establishment of COMO Japan in JCCU. Although COMO Japan was to modernize and chain-organize some of the poorly performing stores, its strategic deficiency in store planning resulted in the dissolution of the organization.

JCCU, member Co-ops and some Regional Business Federations share the Regional SM Chain Strategy, which is to collaborate to plan for the home delivery business and the product assortment in the store business.

Looking back at 60 years of JCCU, the most notable accomplishment is the amendment of the Co-op Law. The outdated old Co-op law was just an excuse to control Co-op. The first relaxation of regulation in the past 60 years ordains Co-op's social role and governance. Under the newly amended law, Co-op Mutual Insurance and Health & Welfare Co-op separated. I am so glad that we can have our 60<sup>th</sup> anniversary under the amended law. I hope Japanese Co-ops exert their roles by taking advantage of the new law; while positively promoting further amendment of the law, which is coming in the immediate future.

### this issue

JCCU's 60<sup>th</sup> anniversary **P.1**

Co-op's business restructuring **P.2**

2020 vision for consumer co-op's **P.3**

News in brief **P.4**

## Green Co-op provides financial incentive for the production of rapeseed oil

On January 13, Green Co-op Business Federation (HQ in Fukuoka), which has been promoting the development and sale of domestic agricultural food products, gave financial incentive to the Rapeseed Oil Production Co-operative in Oki town for agricultural production.

The federation uses domestic agricultural products, (with some exception), as ingredients of its processed food, purposing to promote food safety and security, as well as to reduce environmental burden caused by shipping and to support Japanese agriculture.

For some products with low self-sufficiency rate, the federation gives some financial incentive.

Oki town started its rapeseed production in 2008, using liquid fertilizer produced in a waste recycle facility. Now three farming household grow 3.73 tons of rapeseed (in 2010). 2 tons of the seed are used to produce the local rapeseed oil and 1.73 tons are shipped for the production of the federation's rapeseed oil.

According to the federation, the self-sufficiency rate of rapeseed is 0.02%. The federation decided to give the financial incentive to four rapeseed producers in Miyazaki prefecture. The amount is 2,000 yen per 50 kg of trading and Oki town received 69,000 yen.

The presentation ceremony held in Oki Recycle Center had 14 Green Co-op Business Federation representatives from Kyushu, Chugoku and Kansai area.

It was mentioned that the incentive represents member's concern for safe and secure rapeseed.

## Co-op's business restructuring



Kazuhiro Yano  
Managing Director (General Affairs)

Japanese Co-ops are discussing 'The Co-op 2020 Vision' and one of the topics raised in the two-day policy debate is the 'change in the environment surrounding store business and the restructuring of the business expansion'.

In the discussion, the changes in the environment are acknowledged; 'Advancing a severe oligopoly competition in the retail industry in which only a few major businesses can take part. Vertical integration is also escalating. Reformation into SM business is in process. Intensifying race of new-store-opening is a result of this excess severe competition with too many stores in a region'.

The current condition of Co-op store has failed to establish a competitive and profitable SM business and development of store chain. More than 30 % of co-op stores are unable to realize direct surplus and are experiencing deficit in their operation. Depending on the regional situation, it is time for each Co-op to decide whether to withdraw from business, close unprofitable stores and/or execute scrap-and-build concept.

Challenges are ongoing, including establishing partnership with regional SM chains other than merger and acquisition, along with development of stores emphasizing low prices.

The vision incorporates an action plan that requires Co-op to increase their membership base with at least more than 50% of the regional households patronizing the store business. Establish a business judgment rule including closure and withdrawal of unprofitable stores parallel with new store opening. Establish a competitive store business, while enhancing operational management and quality of product to build a stronger store chain'.

Again the vision requires the establishment of business and services that would meet each member's needs in life. Increase members who spend more than half of one's living expense on Co-op (royal customer).

Reform the products business to satisfy people with various lifestyles (child-raising generation, senior citizen, double income, single and others), in respect of quality, price, quantity, and menu suggestion.

The most primary factors of the store business are location and size. The extent of appraisal customers/members can give on the product comes next. When a store runs a persistent deficit without any future prospects, as a result of location condition and the changes in the market, it should be decided to withdraw from operation or reorient the proper market and store size to make another challenge with a compassable enhancement plan.

Priority subject for recovery include:

1. Strengthen the management constitution
2. Consider necessary quality and price
3. Tackle cost reduction and productivity improvement
4. Improve the profit and loss structure, and
5. Continue to exercise co-op's social influence

The vision stipulates that Co-op is a 'supermarket providing food'. The principal of SM is 'everybody, everyday, high density in a small market'. The most needed is stores to support 'ordinary life'.

For this reason Co-op is embarking on its original way of doing business such as the introduction of Co-op \**sanchoku* products and increasing member's participation in management to compete in the market.

In addition, its strategy focuses on the establishment of a store chain based on the principles of facilitation, standardization and specialization. The base products applicable to many stores permit each store to be suitable for its regional demand. Better teamwork and originality can be created under a concrete standard (manual) and support system.

JCCU is not able to create a nationally common standard model. Effective store strategy depends on local conditions and the individual Co-op's regional position, as well as its power to attain goals in the prevailing environment. JCCU's role is to support each Co-op to develop own strategy and model specific to the region.

\* *Sanchoku*, translated as direct transaction or direct buying routes from producers to consumers. It is a means to provide safer and more reliable products and to promote sustainable production and eco-friendly business.

## Co-op Italian spaghetti

~Building a confidential partnership between the Italian manufacturer for over 30 years~

'Co-op Italian Spaghetti' developed in 1979 is a long-seller product containing durum wheat, which was uncommon in Japanese market at the time.

Successive staffs in charge of development have contributed to making this product so popular with their persistent negotiations between the Italian manufacturers, though sometimes they experienced some hardship caused by perceptual differences about commodity management.

Co-op Italian Spaghetti was developed in 1979 at the time international trading between Co-ops has just started.

Japanese Co-ops started dealing with Italian spaghetti using 100% durum wheat (hard type), which was developed by an Italian Co-op affiliated to Legacoop with which Japanese Co-ops had established a friendly relationship through ICA.

Other than the Italian spaghetti, Scotch whiskies from the UK, Spanish wines and other products were also imported at the same time.

During this time, semolina (cracked durum wheat) was expensive in Japan, and the original spaghetti made in Japan had soft texture as it was made from normal wheat. Thus this futuristic Italian Spaghetti was well received by Co-op members.

For 30 years, we've made great effort (though we still do) to make the spaghetti suitable for Japan.



Co-op Italian Spaghetti  
Pasta Di Semola (Di grano Duro)

## "2020 Vision" for Consumer Co-operatives



Managing Director  
(Organization & Operation)

In June 2011 General Assembly I would seek the endorsement of the first bill detailing co-op vision for 2020.

Presently, the tentative vision is receiving comments and recommendations from member co-ops and the final version would be passed at the General Assembly. The vision would define the business direction of co-op for the next twenty years.

### Co-op's social approach for food safety

Co-op members pay great attention to both safety and security of food. Which means that, food has to be 'secured' while 'safety' is confirmed.

'Safety' can be guaranteed with the objective assessments obtained from scientific verifications. Since the assessment of the 'safety' depends on scientific standards of the time, it cannot be absolute, but can be variable as the assessment may be changed in the future according to the advancement of science and technology.

The 'secure' standard relies on each person's feeling. Therefore, even if a food product is scientifically assessed as 'safe', it may not earn a reputation as 'secure' in case some anxiety and discredit remains.

Then, how the feelings of anxiety and discredit arise?

This is attributed to the following facts:

- Lack of necessary or desired information
- Provision of too much information
- Selection of essential information is too difficult

JCCU pursues the scientific 'safety', while supplying 'safe foods'. To achieve creditability (=security) of members and consumers, we provide appropriate information in appropriate time through members' activities to develop a trustworthy relationship between members and Co-op. We regard transparency and honesty as the most important principle.

Since June 2010 a web site has been launched under the theme "the 2020 Japanese Consumer Co-operative"

Through this website JCCU discusses with member co-ops, individual members, staffs and stakeholders their expectations for co-op for the next twenty years.

The first summary of the opinions was compiled into a first tentative bill in November 2010.

Thereafter, study sessions were organized at the primary level through co-op committee meetings where further discussions were made and new ideas/comments were given. Among the staffs also there were series of study sessions enlightening them about co-op business direction in the next twenty years.

The second tentative bill has just been released and just as before it would be subjected into further discussions.

In June 2011, it is expected that the vision committee would be able to submit the final draft for approval at the next General Assembly. It is hoped that the new vision would have impact on the people and the community through the services that co-op would provide.

JCCU has long been focusing on issues related to food safety, such as food additives and residues of agricultural chemicals, in order to protect the health of members.

Co-op has also been independently active in encouraging development of social regulations by reviewing scientific documents concerning chemicals used or present in food and conducting analytical examinations in its own laboratories in co-operation with experts.

The JCCU is of the opinion that when managing risk associated with the use of chemicals, or with the existence of contaminations from the environment, risk assessment should be performed before any action is taken and all legitimate factors should be taken into consideration.

By separating risk assessment from risk management, it should be possible to concentrate only on scientific issues, with other factors such as relative risks, cost effectiveness of control measures, and socio-economic factors coming into play at a later stage.

Overall, the JCCU supports the procedures and principles adopted by the Codex Alimentarius Commission and its related expert committees, like JECFA (Joint FAO/WHO Expert Committee on Food Additives) and JMPR (Joint FAO/WHO Meeting on Pesticide Residues), in addressing the safety issues of chemicals in food.

## Follow-up program in the Philippines

Since 2001, JCCU has been receiving participants from CoopMart in the Philippines for an intensive training program in store operation and management.

On January 24 – 28, 2011 a follow-up seminar was organized by JCCU to ascertain the progress of the participants since they returned home from the training program and further give advice regarding further advancement in their job.

The seminar was organized in Bangued, Abra where ADEMPCO CoopMart is located. The theme for the seminar was "Practical approach in store management (Enhancing store efficiency by waste elimination)

It was attended by thirteen young staffs, ten from ADEMPTCO- CoopMart and three from NATCCO-CoopMart. All the participants were full of expectations and thanks to Mr. Sugawara, the resource person from Miyagi Co-op, Sendai, who gave a well-deserved presentation coupled with practical illustrations that left the participants with memorable experience.

A meeting with the ex-trainees and a visit to their workplace was organized. The general manager, Ms. Irene Bringas mentioned that during her training at Miyagi Co-op she learned the co-op way of managing a consumer store, the involvement of members in management and this knowledge is helping her so much.

Ms. Belinda Palecpec mentioned that she's been able to motivate shoppers to use or bring grocery bags anytime they visit the store.

Ms. Eva Sequerra also mentioned that she has become more responsible in her work since she returned from the Miyagi course.

## News in Brief

### Cross Country Skiing for Disabled



Japanese Consumers' Co-operative Union has been supporting the Japanese handicapped team for the cross-country skiing since November 2005.

During the Vancouver Paralympics games held in March 2010, eight representatives from Japan took part. Out of the eight, five were men and the remaining three women.

The team won two gold medals and one bronze. To extend recognition to the teams achievement, JCCU presented them with Co-op brand miso soup produced from local ingredient.

#### The team's expectation:

- To demonstrate the pleasure in the cross-country skiing to handicap people and the children.
- To help handicap people who are interested in Paralympics to realize their dream.
- To motivate people aiming at offering Paralympics support.

The expectations of the team are summarized and put on JCCU website requesting for support and assistance for the future games.

The cross country team is managed by the national cross country association which is responsible for selecting team members from the handicapped association, plans and promote the team on both national and international tournaments.

Sponsoring this event forms part of JCCU's social contribution

### New staff dispatched to the ICA-AP Singapore Business Office.

Hello everyone, my name is Kanako Miyazawa. I took office as the new special advisor to the ICA-AP Singapore Business Office from January 21, succeeding Mr. Yoshimitsu Nakamura.

The Singapore office was established to promote business operation between co-operatives in the Asia Pacific Region. My duty in this office is to serve as a special adviser in supporting the activities of consumer co-operatives as well as the health and medical co-operative. I act as a secretariat to the ICA Committee on Consumer Cooperation for Asia and the Pacific, and the Asia Pacific Health Co-operative Organization (APHCO).

The office is located in the premises of the association of Singaporean Cooperative Society (Singapore National Co-operative Federation).

My previous working experience with JCCU include, working as a merchandiser at the co-op product development department for eight years. Between 1990-1995, I also worked as a staff of the International Affairs Department. I had the privilege to work as a secretariat to the holding of the ICA Tokyo Congress in 1992 and also participated in the Manchester Congress in 1995.

It is my first time to be in charge of the Asia / Pacific region and my term of office is three years. I hope my previous working experience will help in my effort to contribute to the development of consumer co-operative in the region.



Co-op Plaza  
3-29-8, Shibuya, Shibuya-ku  
Tokyo, Japan 150-8913  
+81(3)5778-8103 tel  
+81(3)5778-8104 fax  
<http://jccu.coop/eng/>  
email:kokusai@jccu.coop

JCCUNews is published by the International Department.  
For inquiries contact the address on the left:

Download the previous issues from:  
<http://jccu.coop/eng/jccunews/index.phd>