Consumer Cooperatives: A Neglected Part of the Japanese Distribution Industry

P. Riethmuller*

The consumer cooperative movement is the largest mass organisation in Japan, with more members than the agricultural cooperatives and trade unions. With the opening of the Japanese market to food imports, consumer cooperatives will play an increasingly important role. They will form relationships with foreign suppliers that will give these suppliers access to their members - a group of consumers who are perhaps the most affluent and discerning of Japanese consumers. They will require that their foreign suppliers produce products with residue levels lower than those the Japanese government sets. They may also apply pressure to foreign suppliers to adopt practices that are environmentally friendly.

1. Introduction

The Japanese distribution system has several features that sets it apart from those in the United States and Australia. There are large numbers of very small family run shops; relatively few large supermarkets; and products often pass through many intermediaries on their way from the manufacturer to the retailer. This unique feature of the distribution system has been regarded as a nontariff barrier to foreign firms wishing to supply the Japanese market with their goods. Indeed, during the recently completed Structural Impediment Initiative talks involving Japan and the United States, US negotiators singled the distribution system out for particular criticism (Japan-US Working Group 1991). This led to the Japanese government making changes in several of the regulations affecting the industry (Riethmuller 1994a, 1994b; Yamagiwa 1993).

While Japanese policy makers were introducing changes to make the distribution industry more like the industry in the West, there has been growth in consumer cooperatives. Until the end of the second world war, more Japanese lived in rural areas than in urban areas. Many of these rural-living Japanese produced their own food. With outmigration to the cities, Japanese consumers were forced to rely on an increasingly commercialised agriculture that made use of chemical fertilizers and pesticides. A series of health scares lead to a backlash against this form of agriculture. The growth of consumer cooperatives is one reflection of this.

Consumer cooperatives are now an influential part of Japanese society and they fit in well to a society that favours mutual aid and cooperation. Traditionally, farming families cooperated with one another in providing irrigation to paddies, in the growing and the planting of rice seedlings and in pest control. Studies have shown that cooperatives in rural communities are more likely to survive than those in other areas (Stabler 1992). In Japan's rural communities, agricultural cooperatives are still very important (Ogura 1990).

Consumer cooperatives operate retail stores (including department stores), holiday resorts, food processing plants, education facilities, provide house renovation services and sponsor cultural and

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1 The ratio of wholesale sales to retail sales is interpreted as a reflection of the number of layers in the distribution system. Its value has been in the range of 3.5 to 4.5 for the last twenty years.

2 Other examples of mutual aid and cooperation are the agricultural cooperatives and the keiretsu arrangements among Japanese firms. Ogura (1990) provides a good discussion of the development and role of agricultural cooperatives. The keiretsu are discussed in Ito (1992).
community activities. They are active politically, participating in peace marches and displaying a high profile in environmental issues. Longworth (1993) discusses the importance to Australian exporters of understanding the socio-political system in Japan. Consumer cooperatives are very much a part of this system.

This paper will focus on the part the consumer cooperatives play in the food distribution system. Food is the core part of their business and their influence is expanding as their membership increases.

Obtaining an understanding of the role of Japanese consumer cooperatives is vital to food exporting countries such as Australia and New Zealand. This is because they offer a path to the Japanese consumer that does not involve going through the existing distribution system. By linking with consumer cooperatives, food producers will secure a guaranteed market for their product and will gain accurate information on consumer needs and preferences.

2. How Many Cooperatives Are There?

In 1982, there were 648 cooperative societies, with 7,817,000 member households. This represents about 30 per cent of Japanese households. Ten years later, the number of cooperative societies was about the same (662), but their membership had more than doubled to 16,252,000 household members (Figure 1). This makes the consumer cooperatives the largest mass organisation in Japan ahead of trade unions (eight million members) and the agricultural cooperatives (about five million members).

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3 The community activities include helping at hospitals and welfare facilities, translating books into Braille and assisting in the care of elderly Japanese.

4 Coop Kobe, for example, opposes the use of wooden chopsticks because of the damage to forests (Ono 1990). The cooperative has produced pollution free/environmentally friendly products such as soap, tissue paper and stationary for years.

5 Longworth (1993) discusses the importance to Australian industry of understanding the socio-political system in Japan. Consumer cooperatives are a part of this system.
According to officials of the cooperatives, the members of cooperatives tend to be better educated and have higher incomes than average Japanese consumers. Between 55 and 60 per cent of member households are households where there are working women. There are no conditions attached to cooperative membership. The only requirement is that membership fees must be paid to make use of the cooperative facilities. These were about ¥2,000 per family in 1993. Other store owners have criticised the policing by cooperatives of shoppers. They claim that nonmembers use the cooperatives’ facilities. The Ministry of Health and Welfare is evaluating procedures, such as the use of an electromagnetic card system, to improve policing (Nihon Keizai Shimbun, Inc 1992a, 1992b). Spending by members at the cooperative in 1992 averaged ¥217,740. This was on all goods sold by the consumer cooperatives. The average household in Japan spent a little over ¥1 m on food in that year, suggesting that households that are members could be obtaining as much as 20 per cent of their food needs from the cooperatives.

The ten largest cooperatives in terms of turnover in 1982 and 1992 are shown in Table 1. Although the same cooperatives occupied the top positions in both years, there may be a trend away from large

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6 About 50 per cent of married women are in the Japanese workforce.

7 Some cooperatives were “recommending” that households contribute about ¥30,000 for membership in 1993. This is about the amount of money which a household spends each month at the cooperative.

### Table 1: Japan’s Largest Consumer Cooperatives, 1983 and 1992

<table>
<thead>
<tr>
<th>Cooperative</th>
<th>1983 Turnover (¥m)</th>
<th>Cooperative</th>
<th>1992 Turnover (¥m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nada Kobe Coop (Hyogo)</td>
<td>226,664</td>
<td>Coop Kobe</td>
<td>355,566</td>
</tr>
<tr>
<td>Sapporo Citizen Coop (Hokkaido)</td>
<td>112,627</td>
<td>Coop Sapporo</td>
<td>164,030</td>
</tr>
<tr>
<td>Kanagawa Coop (Kanagawa)</td>
<td>93,827</td>
<td>Coop Kanagawa</td>
<td>148,792</td>
</tr>
<tr>
<td>Toyota Coop (Aichi)</td>
<td>49,093</td>
<td>Coop Tokyo</td>
<td>109,796</td>
</tr>
<tr>
<td>Miyagi Coop (Miyagi)</td>
<td>38,153</td>
<td>Saitama Coop</td>
<td>81,350</td>
</tr>
<tr>
<td>Tokyo Citizen Coop (Tokyo)</td>
<td>36,916</td>
<td>Miyagi Coop</td>
<td>80,457</td>
</tr>
<tr>
<td>Saitama Citizen Coop (Saitama)</td>
<td>29,017</td>
<td>Kyoto Coop</td>
<td>68,130</td>
</tr>
<tr>
<td>Kyoto Coop (Kyoto)</td>
<td>26,969</td>
<td>F Coop (Fukuoka)</td>
<td>67,009</td>
</tr>
<tr>
<td>Efu Coop (Fukuoka)</td>
<td>21,769</td>
<td>Toyota Coop</td>
<td>65,499</td>
</tr>
<tr>
<td>Nagoya Citizen Coop (Aichi)</td>
<td>16,970</td>
<td>Osaka Izumi Coop</td>
<td>62,879</td>
</tr>
<tr>
<td>Total</td>
<td>653,988</td>
<td>Total</td>
<td>1,205,000</td>
</tr>
</tbody>
</table>

a Prefecture where cooperative is located.
b Previously Nada Kobe Coop.

Source: Yamagiwa (1993), Japanese Society of Consumers’ Cooperatives (pers. comm.)
cooperatives. In 1982 the largest accounted for 48 per cent of the cooperatives' turnover. By 1992 their share was down to 38 per cent of the turnover by all consumer cooperatives. There are regulations restricting the operations of consumer cooperatives. While details of these regulations are difficult to obtain, it seems that the most restrictive are those which do not allow the cooperative to operate outside its own prefecture. Cooperatives get around this regulation by selling their products to contracting cooperatives located in other prefectures. If this regulation did not exist, there would probably be more competitive rivalry between cooperatives and takeover activity across prefectural boundaries.

The cooperatives have organised Han or neighbourhood groups. These are made up of five to seven households from the same neighbourhood (this may be the same apartment building). Households in a Han group do not necessarily have any other contact with one another, nor do they necessarily have any other common interests. Member households place orders together for products that are delivered directly to the Han group. Usually this is to the home of one of the Han members. The products are then distributed to the other members. According to officials of the cooperatives, this system is particularly popular with full-time mothers of young children not able to get to the local cooperative store. In 1992, the Han groups accounted for about 40 per cent of cooperative members, up from 30 per cent in 1982 (Figure 2).

The cooperatives operate almost 2,400 retail outlets. In the past most of these tended to be small - the average retail area in 1982 was 437 m². This limited the ability of the coop stores to carry a full range of merchandise. Recently, though, the cooperatives have started to build larger stores with sales areas of 1,500 to 2,000 m². Between 1991 and 1992, for example, 19 more stores were added to the cooperative group. Their average area was 3,671 m². This resulted in the average retail area per store expanding to 502 m² by 1992. There are several reasons for the cooperatives moving to-

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Figure 2: The Number of Consumer Cooperative Members, Japan

![Graph showing the number of cooperative members and Han members from 1982 to 1992](image-url)
wards large stores. A larger floor area size means the stores can carry more product lines - sometimes more than 8,000. As well, some newer, larger stores have meeting rooms that enable the cooperative members to get together to discuss the direction the cooperative is taking. This is important because the management of consumer cooperatives claim that they obtain their direction from their rank and file members. Finally, larger cooperative stores will be better able to counter competition from supermarket chains. These have begun building more large supermarkets now that the Japanese government has introduced reforms to the Large Scale Retail Store Law.

3. Sales by Consumer Cooperatives

Retail sales by cooperatives amounted to ¥2,877 billion in 1992, more than double the level of sales in 1982. The share of sales in 1992 was 2.6 per cent of total retail sales in Japan. This was more than double the 1981 share. Cooperatives have been more important in the food market than in the total retail market. Their share of the food market in 1991 was 6.7 per cent, while in the early 1980s, it was about 2.6 per cent. Food has been the mainstay of sales by the cooperatives. For the last ten years at least, it has made up more than 70 per cent of the total retail sales made by cooperatives.

Management returns the profits from the cooperative to members after they have deducted an amount - usually about one per cent of profits - to fund future investment. The distribution to members is in terms of a dividend or is related to the amount the household spends at the cooperative. Table 2 contains some data on the main size characteristics of consumer cooperatives.

The last section described the neighbourhood Han groups and retail stores. Retail stores are the most important outlets for cooperative products, but the Han groups are overtaking their share of cooperative sales. It is not clear whether this trend will continue. As noted earlier, the cooperatives are constructing more stores with large selling areas. Although they are relatively few (2 per cent of

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8 This law restricted the size of Japanese retail stores. The United States criticised the law during the Structural Impediment Initiative talks on the grounds that it was a form of non tariff barrier to the Japanese market. Details of the law are contained in Riethmuller (1994a and 1994b).

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### Table 2: Characteristics of Consumer Cooperatives, Japan

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>'000</td>
<td>56</td>
<td>60</td>
<td>65</td>
<td>44</td>
<td>47</td>
<td>51</td>
<td>53</td>
<td>57</td>
<td>58</td>
</tr>
<tr>
<td>Retail outlets</td>
<td>1,848</td>
<td>2,023</td>
<td>1,987</td>
<td>2,039</td>
<td>2,143</td>
<td>2,330</td>
<td>2,336</td>
<td>2,360</td>
<td>2,379</td>
<td></td>
</tr>
<tr>
<td>Selling area</td>
<td>000m²</td>
<td>809</td>
<td>866</td>
<td>886</td>
<td>904</td>
<td>943</td>
<td>1,049</td>
<td>1,064</td>
<td>1,124</td>
<td>1,194</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>¥b</td>
<td>1,201</td>
<td>1,348</td>
<td>1,511</td>
<td>1,677</td>
<td>1,824</td>
<td>2,275</td>
<td>2,545</td>
<td>2,783</td>
<td>2,877</td>
</tr>
<tr>
<td>Services</td>
<td>¥b</td>
<td>155</td>
<td>167</td>
<td>180</td>
<td>196</td>
<td>193</td>
<td>228</td>
<td>232</td>
<td>254</td>
<td>284</td>
</tr>
<tr>
<td>Sales per Employeea</td>
<td>¥m</td>
<td>21.5</td>
<td>22.5</td>
<td>26.1</td>
<td>27.3</td>
<td>na</td>
<td>48.6</td>
<td>52.6</td>
<td>53.4</td>
<td>54.9</td>
</tr>
<tr>
<td>Total Turnover</td>
<td>¥b</td>
<td>1,356</td>
<td>1,515</td>
<td>1,691</td>
<td>1,873</td>
<td>2,016</td>
<td>2,503</td>
<td>2,777</td>
<td>3,037</td>
<td>3,162</td>
</tr>
</tbody>
</table>

* From 1989, data on sales per employee were available only for full-time employees.

**Source:** Japanese Consumers' Cooperative Union (pers. comm.)
cooperative stores have a selling area of 3,000 m² or more), they hold a large share of the sales made through retail outlets (14.6 per cent in 1992). These retail stores can offer many more food lines (over 2,000) than the Han groups (about 300).

Besides making purchases through Han groups and through retail stores operated by the cooperatives, members can also purchase through catalogues, through commission sales and through exhibitions. The most important of these other purchasing methods is catalogue sales. About 1 per cent of cooperative sales were made through catalogues in 1992 (Table 3). With further increases in the participation rate for females in the workforce, catalogue sales are likely to increase. An innovation in consumer ordering that may become important for the same reason has recently been introduced by F Coop, Fukuoka Prefecture's largest consumer co-operative. Members of the cooperative are permitted to use the computer terminals of the cooperative to place orders directly with manufacturers. The order is generally filled within a week (Nihon Keizai Shimbun, Inc 1992b).

4. What Objectives Do Consumer Cooperatives Have?

There are many consumer cooperatives in Japan and this makes it difficult to generalise as to their objectives. Staber (1992) researched Canadian co-operatives, and argued that the goal of consumer cooperatives is to maximise their members' purchasing power. However, it seems that the main objective of Japanese consumer cooperatives is to ensure that consumers have access to safe foods and natural foods (see for example Co-op Japan 1990; Japanese Consumers’ Cooperative Union 1993). Food safety is an important issue in Japan. It is an argument that has been used by Japanese who oppose freeing up of Japan’s agriculture sector to imports. Its importance may be attributed to several incidents where consumers have died following the eating of contaminated food.

The Minamata incident resulted in the deaths of several hundred people because they ate mercury contaminated fish from the western area of Kyushu. It is perhaps the most famous and is referred to even today in Japan despite having occurred in the 1950s. Another well-known case involved the Morinaga Milk Products Company.

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9 The average size of a Coles supermarket in Australia in the early 1990s was 3,000 m². Woolworth supermarkets averaged about 1,560 m².

10 According to industry sources, food safety is a particularly important issue among women.

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Table 3. Selling Methods Used by Consumer Cooperatives

<table>
<thead>
<tr>
<th>Type of Sale</th>
<th>1983 (%)</th>
<th>1985 (%)</th>
<th>1990 (%)</th>
<th>1992 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Sales</td>
<td>63.1</td>
<td>56.7</td>
<td>48.4</td>
<td>48.0</td>
</tr>
<tr>
<td>Han Sales</td>
<td>27.3</td>
<td>36.9</td>
<td>45.5</td>
<td>46.0</td>
</tr>
<tr>
<td>Commission Sales</td>
<td>1.9</td>
<td>1.7</td>
<td>na⁹</td>
<td>na</td>
</tr>
<tr>
<td>Exhibition Sales</td>
<td>0.4</td>
<td>0.2</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Catalogue Sales</td>
<td>na</td>
<td>0.9</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Other</td>
<td>7.3</td>
<td>3.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

⁹ Not available

Source: Japanese Consumers' Cooperative Union (pers. comm.)
Infants died because of eating contaminated dairy products. Although this incident also took place more than 30 years ago, the Japanese still mention it when they discuss the food safety issue.

Consumer cooperatives have developed their own food standards and these are, according to Jussaume (1989), much stricter than those imposed by the Japanese government. Coop Kobe, for example, has a residue tolerance in imported beef below five parts per million (the Ministry of Health and Welfare standard). Similarly, Japan Consumers’ Cooperative Union will not carry foods that have food colouring. The acceptable residue levels set by the cooperatives are based upon scientific research conducted by the cooperatives in their own laboratories and upon the recommendations of expert advisers. Opportunities for foreign suppliers to the Japanese market, gained through the negotiated removal of an explicit trade barrier, could be wiped out through the imposition of a new residue standard by the cooperatives.

Some cooperatives take a broader view and consider other issues apart from food safety. Seikatsu Club Consumers’ Cooperative Union, a cooperative set up in 1968 to provide cheap, chemical-free drinking milk to its members, considers environmental issues as well as food safety. The cooperative tries to use glass wherever possible because it can easily recycle glass. Also the cooperative prefers not to sell products in aluminium containers to its members because of the higher energy content of aluminium. Seikatsu is headquartered in Tokyo and it made sales of ¥74 billion in 1993 to its 220,000 member households.

5. Links With Producers

Some consumer cooperatives have arrangements with producers that go back for many years. The consumer cooperative will specify to the producers (usually through an agricultural cooperative), the type of product the consumer cooperative requires. Lean beef produced using imported feed grains that have not made use of post harvest chemicals, eggs produced without the use of antibiotics and citrus fruit transported from farm to retailer without post harvest treatment with ascorbic acid are three examples of requirements that the cooperatives may impose. In such cases, the cooperatives may guarantee the farmers’ cost of production if the farmers give a commitment to produce to the cooperative’s specifications. In a way, therefore, the cooperatives are providing a form of price support to farmers not dissimilar to the support the government is under pressure from the international community to dismantle. Prices to consumers are likely to be higher because the requirements imposed upon farmers to reduce spraying may reduce yields. This is not always the case because direct procurement from producers cuts out intermediaries. Apparently, consumers consider price of secondary importance to food safety.

According to the Japanese Consumers’ Cooperative Union (1993), about 20 per cent of total coop sales are products obtained directly from agricultural or fisheries cooperatives by consumer cooperatives. The cooperatives claim that they have been trend setters in that the standards they impose on their suppliers are frequently adopted by others in the industry.

When a cooperative negotiates with a supplier of a commodity, it is never sure how much will be available because of fluctuations in production. If the supplier produces too much, the cooperative will often buy all that the supplier produces and try to dispose of the excess to other cooperatives. When there is a shortfall, the coop will source the commodity from other suppliers.

Some consumer cooperatives sponsor visits by the cooperative members to farmers and to fishers to heighten the members understanding of production processes. Sources in the cooperative movement claim this type of interaction helps build trust between producers and consumers. Similarly, farmers may be invited to a cooperative to explain chemical use on farms to its members. Photographs of the farmer and the farmer’s family may appear where the farm produce is on display. This
is designed to build a relationship of trust between the farmer and the cooperative member.

A feature of agricultural commodities sold in Japan is that the commodity's appearance is usually important\(^\text{11}\). The standards imposed by the traditional retailers often lead to fruit and vegetables being dumped or used in food manufacturing. This raises the price of fruit and vegetables to consumers. Consumer cooperatives may accept commodities that do not have the "right" appearance as a way of keeping their prices down. Cooperative officials report their members would prefer an unusually shaped piece of fruit produced with no chemicals to a perfectly shaped one produced with chemicals.

6. Links With Food Processors

Consumer cooperatives have experienced difficulties in trying to sell national brand items to their members. Manufacturers of branded products are likely to stop supplying to the coop if discounting occurs. Many national brands, including Snow Brand\(^\text{12}\) and Nestle, are carried by the cooperatives. Sometimes, the cooperatives have contracted with manufacturers to produce foods to the coop's specifications and have marketed the product under their own brand. Usually these products have simple packaging to keep costs down. Coop Kobe, which is the largest of Japan's consumer cooperatives with over one million household members in 1992, markets around 200 items under its own brand. The number of these cooperative branded products is set to increase further to over 350 in the future (Consumer Co-operative Kobe 1992). In late 1993, the cooperative carried between 16,000 and 18,000 food items, depending upon the season\(^\text{13}\).

\(^{11}\) According to interviews conducted with Japanese housewives by the Food Industry Centre (nd), cooking programs on television are one of the reasons for the preference of consumers for uniformly shaped vegetables. These show stress the importance of attractive uniformly shaped vegetables. Normally prepacked vegetables and fruit in Japan are the same shape and size, and therefore consumers tend to purchase prepacked fruit and vegetables.

\(^{12}\) Snow Brand Milk Products Co., Ltd. is a major dairy company in Japan. Its share of the ¥892 billion fresh milk market in 1992 was 21.4 per cent. The company also held in excess of 30 per cent of the butter and cheese markets and about 15 per cent of the ice cream market. In 1990, Snow Brand, along with Taiyo Fisheries, was in the top 20 of the world’s food processors, in terms of sales.

\(^{13}\) Agricultural products make up 3,000 to 4,000 items, fishery products 5,000 to 6,000 items, livestock products 1,000 items and delicatessen products 4,000 to 5,000 items.

| Table 4. Examples of Products Imported by Consumer Cooperatives, Japan |
|---------------------------------|------------------------------------------|
| **Country (region)**            | **Commodity Imported**                  |
| Alaska, Canada                  | salmon, trout, herring, cuttlefish, maple syrup |
| United States                   | deep frozen vegetables (corn, mixed vegetables, broccoli) |
| China                           | fresh vegetables, bamboo shoots, frozen vegetables, eel, shrimp |
| South east Asia                 | shrimp, rice crackers, eel, tuna fish, bananas |
| Australia                       | beef, vegetables (onions, pumpkin, asparagus), ice cream |
| New Zealand                     | onions, fruit                            |
| South America                   | coffee, orange juice                     |

Source: Japanese Consumers’ Cooperative Union (pers. comm.)
7. Links With Exporting Countries

Although the general principle of importing food has not yet become established, some consumer cooperatives have purchased produce from agricultural producers in other countries. For example, commodities imported from Australia include asparagus, pumpkins, beef and ice cream. Food products supplied by other countries include orange juice, bananas, rice crackers, beef and dairy products (Table 4). Price and quality are both important factors in the cooperative's decision as to the choice of supplying country.

As usually happens with foods sourced from Japanese farmers, the cooperatives set out specifications concerning the use of chemicals. While these are the same as those applied to domestically produced food, it is not easy for the cooperatives to monitor the practices being followed in the production of the commodity. This is especially true for commodities such as feed grains imported by a supplier for the cooperative. Cooperative officials believe the difficulty of monitoring foreign-produced commodities is likely to keep the foreign sourcing of cooperative requirements at low levels.

However, they admit that the opportunity to offer imported commodities to members at low prices may become impossible to ignore, particularly if the Japanese supermarket chains they compete with were to source more of the commodities they sell off-shore. Entering joint ventures with foreign suppliers is a strategy consumer cooperatives have used to overcome uncertainty about product quality. There have been cases where cooperatives have acquired production facilities in the supplying country to ensure the commodity is produced to the cooperatives' chemical specifications. Bananas from the Philippines and shrimp from Indonesia are two recent examples. There could be scope for the cooperatives to employ firms to monitor product quality and production practices on their behalf. The Swiss customs surveillance firm SGS would be the type of firm that could be used.

A procedure the cooperatives have followed in obtaining beef from Australia is to provide detailed specifications to the producer as to the management practices. Government agencies such as the state departments of agriculture and the quarantine service provide certification as to the quality of the product to the consumer cooperatives.

While some consumer cooperatives favour Japan removing barriers to agricultural imports, there is still a consensus among the cooperatives that domestic agricultural production should be maintained. The reason for this is that they regard agriculture as a vital part of Japan's future and a source of chemical-free food.

8. Concluding Comments

The Japanese distribution system has been dominated by large numbers of small retail outlets and a multilayered system of wholesalers for years. This system served the interests of the manufacturers, the retailers and the intermediaries, but not necessarily the interests of the consumers. It was one reason for the high prices forced upon Japanese consumers for a whole range of products. The system also made it difficult for foreign firms to break into the Japanese market. This was not just due to the more obvious barriers associated with the distribution arrangements, but also being able to match Japanese competitors in providing services to retailers. Negative perceptions formed about the market also kept foreign suppliers out of the market.

The expansion of the consumer cooperative movement, which started in the post-war period, has gathered pace over the last decade. It is now providing Japanese consumers with a more direct

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14 Another factor is the Japanese recession. While it persists, the pressure on cooperatives to import foods products as a way of keeping prices down will increase.

15 The cooperative involved with banana imports is the S Vice Federation while Seikatsu Club Consumer Cooperative Union imported shrimp.
voice in the types of products - including food - that are supplied to them. Consumers are demanding that they are supplied with food products that have been produced without large doses of chemicals. This holds whether the food has been sourced domestically or imported. Japanese farmers are trying to cater to these demands. The same challenge faces foreign suppliers. Increasingly, the consumer cooperatives will look to foreign suppliers for their food needs. This should create further opportunities in Japan’s market for Australian and New Zealand firms able to respond to the requirements of the cooperatives and their members.

Being associated with Japanese cooperatives provides firms with an up-to-date picture of Japanese tastes. This is important because Japan’s food market is notoriously fickle and driven by fads. Involvement with a cooperative would reduce the need for costly consumer research.

The continued growth of the consumer cooperatives will pressure retailing firms in Japan to adopt those cooperative procedures that have proven popular among members. Regulations relating to chemical residue standards in food are the most important of these. To continue to differentiate themselves from their competitors and to retain the loyalty of their members, the cooperatives may impose even stricter limits on acceptable chemical residue levels. Exporters supplying cooperatives may therefore be required to continually tighten standards. This would probably assist their competitive position in other markets as there seems to be a trend for consumers placing more and more importance on chemically clean food.

References


FOOD INDUSTRY CENTRE (nd), *Features of food as a meal at home*, Tokyo, mimeo (in Japanese).


