

Cooperative Organizations and Trend of Cooperative Finance

Agricultural, forestry and fisheries industries and individual cooperative organizations take proactive business stances.

Situations in the Agricultural, Forestry and Fisheries Industries and Moves of Individual Cooperative Organizations

Agricultural industry

The domestic agricultural industry faces an increasingly fragile production structure: increased international deregulation due to agricultural talks at the World Trade Organization (WTO), including the elimination of tariffs and other measures under Economic Partnership Agreement (EPA) and Free Trade Agreement (FTA) negotiations; and increased concern about food safety and security. In light of these developments, the Japanese government enacted the “Basic Plan for Food, Agriculture and Rural Areas” in a cabinet meeting in March 2005. The new plan calls for the implementation of three key measures to promote the restructuring of the agricultural industry, and those measures are as follows: (1) the concentration of and a greater focus on assistance to farming leaders; (2) the establishment of a new target for the food self-sufficiency rates; and (3) the preservation of food safety and consumer trust as well as the preservation of a stable food supply.

Specifically, the new plan defines farming leaders as “accredited farmers” and “farmer colonies” that have realities in terms of management body. The plan calls for the introduction of a new revenue stabilization scheme (i.e., direct payments) for these farmers in 2007.

At the WTO, member nations continue to discuss the establishment of new multilateral agricultural trade rules, with the first steps directed at coming to an agreement on modality (i.e., the negotiating framework). Also, supplementary to these negotiations, specific countries and regions are discussing in EPA/FTA negotiations on the elimination of tariffs and other measures. Japan has already concluded agreements with Singapore and Mexico and is in the process of negotiating with the governments of several eastern Asian nations.

In response to the rapid changes in the environments for the agricultural industry, rural areas and JA, the JA Group, under mandate from cooperative members, formulated a basic policy based on the Agricultural Cooperative Association Law of Japan at the general assembly meeting of the Central Union of Agricultural Cooperatives (Zenchu) in March 2005. Aimed at promoting local agricultural industry, the plan calls for (1) measures to assist farming leaders, (2) the reform of JA’s economic function, and (3) the improvement of JA management and greater exercise of JA functions.

Fisheries industry

The fishing industry has been hit by falling catch volumes, low prices for marine products and a diminishing the number of workers. Additionally, WTO negotiations have produced negative impacts on such matters as fisheries industry subsidies and tariffs. Moreover, South Korea filed a WTO case against Japan over its seaweed import quota (IQ) system. As illustrated by these developments, the fishing industry faces an increasingly more difficult operating environment as a result of the greater deregulation of marine products trade.

In response, the government's budget for 2005 contains measures aimed at rejuvenating the rural fisheries industry by establishing a framework for the provision of guidance for business restructuring and establishing targets for fishermen that are working to rebuild their operations. These activities are funded through supplementary financial measures in the budget. In addition, the budget contains measures for providing assistance to the fishing colony on isolated islands based on evaluation of the multifaceted functions provided by the fisheries industry and fishing villages.

Additionally, the fisheries industry is making progress in developing new technologies. Milestones include shipments of the world's first cultured blue fin tuna to market, the testing of fishing boats that use blue light diodes to catch squid and the construction of tuna fishing vessels that use electronic propulsion systems.

Forestry industry

The forestry industry continues to face a harsh environment because of weak demand and low prices for timber. Under these conditions, the government is implementing measures aimed at helping the forestry industry realize the multifaceted functions of forests and at promoting a healthy and sustainable forestry industry. Specifically, the government is strongly promoting the "ten-year plan for combating global warming through forest absorption," implemented in 2003. To realize the objectives of the plan, the government is encouraging proactive thinning and other measures to preserve and improve the nation's diverse and healthy forests.

Forestry cooperative members are working to strengthen their businesses through organizational and operational restructuring under the forestry cooperative restructuring plan implemented in 2003. This plan is aimed at responding to expectations as a leader for preserving and improving rural timberland.

Flow of Funds of the Cooperative Organizations

JA cooperatives

In fiscal 2004, JA deposits rose 2.2% over the previous fiscal year to ¥77,668 billion (US\$723 billion). Deposits were centered on deposits by individuals. This reflects the removal of blanket deposit insurance for bank deposits and measures carried out based on the JA Bank medium-term strategy to provide services geared toward the elderly and pensioners as well as to preserve confidence in the JA Bank.

Business Development in Accordance with the Changing Environments for the Agricultural, Forestry and Fisheries Industries

Total JA loans decreased 0.9% from the previous fiscal year to ¥20,780 billion (US\$193 billion). Although the balance of housing loans has increased in a continuation of brisk growth since last year, this was insufficient to offset weak demand for funds for agricultural and personal loans, reflective of difficult conditions in the agricultural sector and tepid consumer spending. Securities at the fiscal year held at the JA level rose 4.3% in comparison with the previous year to ¥4,217 billion (US\$39 billion).

Deposits with Shinnoren rose in response to the stable trend at the JA level. However, the overall balance of deposits with Shinnoren at the end of the fiscal year declined 1.4% from the previous year to ¥48,638 billion (US\$453 billion). This decline came as a result of the integration of Shinnoren in Fukushima, Toyama and Kumamoto with the Bank, and the resulting transfer of JA deposits from these three prefectures directly into the Bank. The balance of loans in Shinnoren dipped a slight 0.2% from the previous year to ¥4,909 billion (US\$45 billion), as growth in loans to listed corporations outside of their prefectures and rice-related loans to both Prefectural and National Federation of Agricultural Cooperative Associations virtually offset the impact of (1) weak demand for funds from local companies, (2) the recovery and write-off of nonperforming loans and (3) decreases in the loan balance due to the integration of the aforementioned three Shinnoren with the Bank. Securities held at the Shinnoren level at year-end amounted to ¥16,341 billion (US\$152 billion), representing an increase of 8.4% over the previous year.

JF cooperatives

Deposits with JF contracted 3.2% to ¥2,362 billion (US\$22 billion), at the end of the fiscal year, reflecting lower fish hauls, decreased prices for marine products and the cessation/transfer of credit businesses in some prefectures. The balance of loans held at the JF level fell 8.3% to ¥814 billion (US\$7 billion), because of a pullback in demand for funds from new businesses.

