Agricultural cooperatives in Asia: innovations and opportunities for the 21st century

Agricultural cooperatives have played an important role in the Asian rural landscape for decades, and has become an integral part of its social structure. Cooperatives have contributed greatly to the development of modern national and systematized agricultural production-base, helped enhance self-sufficiency of major staple foods, and strengthened farmers’ household economy by facilitating market access and competitiveness, adapting their operations to agricultural technological innovations and encouraging democratic decision-making processes, leadership development and education.

However, at the dawn of the 21st century, new issues and forces have been influencing the external and internal environment of agricultural cooperatives worldwide. Some of these forces include: the restructuring of the agricultural sector such as demographic changes and diversification of member-farmers; highly-advanced technological innovations; large-scale marketing and changing consumer preferences; shifting international agricultural trade regime; and globalization of the financial market. All these factors have left many agricultural cooperatives, particularly in the Asian region, groping to find more efficient business models in an increasingly harsh economy, and leaving resource-poor small-scale farmers with no option but to realign their economic activities and meager resources to external signals.

Specifically, the emergence of the World Trade Organization (WTO) and other regional trade organizations has defined the areas and rules of the game for trade in agricultural commodities and processed produce, which are simply not easy to follow by developing countries. The agriculture and rural development in Asian countries, in which a large majority of the total population live in rural areas and depend upon agriculture for their livelihood, is far from being viable and sustainable. In this sense, the rules of trade liberalization are aggravating the adverse livelihood conditions of the rural poor who are mostly small and medium producers, without much market-oriented organizational and management capacities.

The primary goal of the international seminar on Agricultural Cooperatives in Asia: Innovations and Opportunities in the 21st Century, was to serve as a venue to promote the exchange of knowledge and information on successful innovative cooperative practices in view of this critical transition period. Issues and lessons specific to Asian rural farmers and based on the experiences of cooperative practitioners and policy makers were shared and discussed.
Status of agricultural cooperativism in Asia

The role of cooperatives amid the new global environment must be assessed as a critical dimension of the market structure in agriculture, in order to determine their future viability in enhancing rural economies in Asia. However, it must be noted that some Asian countries have yet to have an efficient agricultural cooperative system to attain such basic goals as food self-sufficiency and the economic well-being of small-scale farmers.

There is no unique system or model of agricultural cooperative applicable to all countries in Asia, as each country’s cooperative mission, structure and practices very much depend on the social, economic, and political condition and realities, as well as on the needs and requirements of the agricultural farming sector, the dynamic environment influencing changes in agricultural production and marketing trends, and the existing public policies.

In some developing countries, there is a strong government-cooperative relationship. This cooperative type is expected to serve as a tool for improving the economic well-being of the farming community and help boost the rural quality of life. Also, the main goal of cooperatives here is poverty alleviation, where the organization is seen as a means to protect the economically weak, resource-poor farmers. However, the strong government presence sometimes translates to political interference and government misuse, impeding the growth of cooperativism.

In more developed countries, a cooperative is a business operation owned and controlled by the people who use its services, such as credit and banking, marketing, processing, and welfare, and whose benefits are shared by the users whose memberships are voluntary. These cooperatives are user-driven businesses that have contributed greatly to the development of productive and scientific-based agricultural systems.

Building an enabling environment

There are external and internal forces now influencing the farm economy in many Asian countries that cooperatives must address in order to meet their members’ needs. These forces, and recommendations on how to adjust and respond to them, constitute a major part of the deliberations during the seminar.

Changing farm demographics is one internal factor affecting the dynamics of current cooperativism, as they need to adapt to a more diverse membership that requires different services, products, and structures. Meanwhile, consumer preference is one external factor, which is now driving today’s market for wholesome, convenient and safe food products at the lowest possible price. The market competition leads to new business practices such as value-addition, branding/packaging, and strategic export channels. At the same time, there is the issue of changing food supply, where food processors and retailers are extending their influence over market channel, assuring product quality and customer satisfaction, low prices, and minimizing food risks. In view of the globalizing market, cooperatives must also position themselves to help producers compete globally under the highly competitive international conditions.

Some other internal factors associated with cooperativism are organizational and financial status and policies, such as: limited ability to accumulate equity; diverging member characteristics and needs (heterogeneity);
effectiveness of the Board; lack of cooperative focus of management; and growing emphasis on value-added activity. Following are some measures toward addressing these internal factors:

- strengthening cooperative leadership; growth and cooperation among cooperatives; management improvement (equity accumulation, improving membership equity, etc.);
- structural alternatives (new generation cooperatives, alliances and joint ventures, etc.);
- market innovations; and promotion of education, extension and public policies.

**Shaping a new cooperative principle**

In the context of a globalizing economy, there should be domestic support policy options in favor of small farmers and other rural producers. Public investment in agriculture and rural development as well as an enabling policy framework, is of crucial importance for:

- local agricultural cooperative development and diversification of production and services;
- training to enhance entrepreneurial management capacities; improved access to product and market information; and implementation of adequate small-scale producer technology and access to credit that will enhance profitability of their produce at national and even export markets.

One urgent aspect is to rehabilitate and re-establish a viable agricultural extension system based upon a holistic concept of rural enterprise development.

While the impact of trade liberalization on small-scale producers is serious, the most immediate concerns are domestic policies and programs in support of rural enterprises and related external development assistance. Hence, every country must recognize the critical importance of cooperative development policies, legislation, and support programs. Development in terms of fair trade starts with every nation having domestic policies that give equal opportunities and incentives to small-scale rural producers on local, national and export markets.

**International Seminar on Agricultural Cooperatives in Asia: Innovations and Opportunities in the 21st Century**

Held at the National Agricultural Cooperative Federation (NACF), Seoul, Korea on Sept 11-15

- No. of countries participating: 8 (Indonesia, Japan, Korea, Malaysia, Philippines, Taiwan ROC, Thailand, and Vietnam)
- No. of papers presented: 13
- No. of participants: 30
- Co-sponsor: NACF, Seoul, Korea

---

**List of papers**

**Keynote paper**

1. Cooperative movements in the Asian and Pacific region
   - Shil-Kwan Lee, Regional Office for Asia and the Pacific, International Cooperative Alliance

**Resource papers**

2. The changing consumer and food system in Japan
   - Katsuya Takahashi, Food System Laboratory, Policy Research Institute, Japan

3. Issues and strategies of agricultural cooperatives in adapting to a changing food system
   - Sung-Yong Kim, Gyeongsang National University, Korea

4. Roles of farmers’ associations on promoting non-farm income sources in Taiwan
   - Hong-Chin Tsai, Asia University, Taiwan ROC

5. Progress of the NACF and its member cooperatives in retailing: an analysis on the effects of customer satisfaction
   - Sam-Seob Lee, NACF Research Institute, Korea

**Country papers**

6. Agricultural cooperative in Indonesia
   - Kedi Suradisastra, Indonesian Center for Agriculture, Socio Economics and Policy Studies

7. The agricultural structure and agricultural co-ops in Japan
   - Akihisa Nonaka, NARC for Tohoku region, Japan

8. Agricultural cooperatives in Korea
   - Jae-Hak Choi, NACF Research Institute, Korea

9. Agricultural cooperatives in Malaysia: innovations and opportunities in the process of transition towards the 21st century model
   - Dato’ Abd. Rahim bin Haji Ahmad, Farmers’ Organization Authority, Malaysia

10. Agricultural cooperatives in the Philippines
    - Dennis B. Araullo, Dept. of Agriculture, Philippines

11. Agricultural cooperatives in Taiwan
    - David Lin, NTIFO, Taiwan ROC

12. Agricultural cooperatives in Thailand
    - Suwanna Thuvachote, Kasetsart University, Thailand

13. Agricultural cooperatives in Vietnam
    - Nguyen Van Nghiem, Dept. of Co-ops and Rural Development, MARD, Vietnam

---

For further information, contact:
Mr. In-Woo Lee, FFTC Agricultural Economist