A COMPARATIVE ANALYSIS ON BUSINESS ACTIVITIES OF AGRICULTURAL COOPERATIVES BETWEEN JAPAN AND VIETNAM

Phân tích so sánh các hoạt động kinh doanh của các hợp tác xã nông nghiệp ở Việt Nam và Nhật Bản

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TÓM TÁT

Hợp tác xã nông nghiệp (HTXNN) ở Nhật Bản đã thành công trong các hoạt động kinh doanh phục vụ sản xuất và đối sống cho các hộ nông dân trong khi ở Việt Nam các hoạt động dịch vụ của HTXNN hiện nay chưa thực sự mang lại hiệu quả. Nhận được như vậy, mục tiêu nhằm so sánh sự khác biệt trong hoạt động kinh doanh dịch vụ của HTXNN giữa Nhật Bản và Việt Nam để rút ra những bài học kinh nghiệm nhằm thúc đẩy sự phát triển của các HTXNN ở Việt Nam. Kết quả nghiên cứu cho thấy, có ba sự khác biệt chủ yếu trong hoạt động kinh doanh của HTXNN ở Nhật Bản và Việt Nam bao gồm sự khác biệt trong chúng loại dịch vụ cung cấp, trong việc tổ chức các hoạt động kinh doanh dịch vụ và trong tính hiệu quả của hoạt động kinh doanh dịch vụ. Những bài học kinh nghiệm trong hoạt động kinh doanh dịch vụ của HTXNN Nhật Bản đối với HTXNN Việt Nam bao gồm: tổ chức cung cấp các dịch vụ hướng dẫn sản xuất nông nghiệp; cẩn thận tổ chức chất chế của HTXNN với các doanh nghiệp; Cẩn thận tổ chức chất chế giữa HTXNN với các tổ chức kinh tế - xã hội; và nâng cao năng lực quản lý HTXNN của đối ngư dân bộ. Ngoài ra, HTXNN cần nhận được sự quan tâm hỗ trợ của Nhà nước thông qua các hoạt động đào tạo nâng cao năng lực quản lý, thông qua việc ban hành các chính sách hỗ trợ dựa vào nhu cầu của HTXNN.

Từ khóa: Hợp tác xã, hoạt động kinh doanh, hoạt động dịch vụ, kinh nghiệm của Nhật Bản, nông nghiệp.

SUMMARY

Agricultural cooperatives in Japan are considered quite successful in providing their service activities while the cooperatives in Vietnam do not function well with their business. This study thus aims to make a comparative analysis on business activities between Japan and Vietnam and draw the relevant lessons of Japan for Vietnam in organizing business activities of agricultural cooperatives. The study results show that three main differences exist in business activities of agricultural cooperatives between Japan and Vietnam. These are the difference in types of business; the difference in the organization of cooperatives’ business activities; and the difference in effectiveness of the business activities. The relevant experiences of Japan to Vietnam in business activities of agricultural cooperatives include cooperatives’ provision of farm guidance activities; the collaboration with private enterprises; amalgamation of agricultural cooperative; ethics and good governance in agricultural cooperatives; enhanced relations of agricultural cooperatives with other associations. In addition, the central government should pay more attention to the development of agricultural cooperatives through providing the training programs on managerial skills to cooperative staff and designing policies based on the demands of cooperatives.

Key words: Agriculture, business activities, cooperatives, service activities; Japanese experience.
1. INTRODUCTION

Agricultural cooperatives in Japan were formally established in 1900 and have contributed the significant part to Japanese economy. It is said that the phenomenal rise of Japanese post-War economy can safely attributed to the hard and systematic work done by agricultural cooperatives in consolidating people, land resources, producing the needed food, and providing the needed services to the communities (Shiro, 1991). Nowadays, Japanese agricultural cooperatives are trying to align their business operations in spite of pressures of open market economy and WTO regulations and also in line with the changing food habit of the people. They have also taken steps to implements new strategy to enter 21st century. Japanese agricultural cooperatives are a good example of integrated framework in the services of farmers. They manage and deliver multipurpose services and operate as multi-function economic institutions directly responding to the felt-needs of the members (Cho, 1999). The success of agricultural cooperative management in Japan could certainly provide the valuable lessons for agricultural cooperative management in developing countries, including Vietnam.

While agricultural cooperatives in Japan are considered quite successful in providing their service activities, the cooperatives in Vietnam do not really function well with their services. Very few cooperatives in Vietnam are found successful in their business while many others operate inefficiently and are shouldered with debts (www.vnnet.vn Sep 2009). Therefore, special attention is currently being paid on how to help agricultural cooperatives in Vietnam provide their services more efficiently. Under such a circumstance, this study is designed with the aims to make a comparison of business activities of agricultural cooperatives between Vietnam and Japan, then to draw the relevant experiences of Japanese agricultural cooperative management to Vietnam.

2. METHODOLOGY

The secondary data on historical development, laws of agricultural cooperatives, current situation of agricultural cooperatives in Vietnam and Japan were gathered from published statistical books, reports by Ministry of Agriculture (MARD), Vietnam and Ministry of Agriculture, Forestry and Fisheries (MAFF), Japan, and previous related researches on agricultural cooperatives. In addition, the research team also organized several focus group discussions with Japanese experts at several Japanese universities to discuss about the organization structures and business activities of Japanese agricultural cooperatives for clear understandings. The descriptive statistics and comparative analysis methods are mainly used in this study for investigating the differences in business activities management of agricultural cooperatives between Vietnam and Japan.

3. RESULTS AND DISCUSSION

3.1. Overview of agricultural cooperatives in Vietnam and Japan

3.1.1. Agricultural cooperatives in Japan

In Japan, the first agricultural cooperative law was promulgated in 1900, marking the formal establishment of agricultural cooperatives. Since then, agricultural cooperatives in Japan have evolved two great stages: Prior and Post World War II. Agricultural Cooperatives in Japan have risen from out of the ashes and contributed the significantly to Japanese economy (Akihisa, 2006). Nowadays, under the midst of transition of the Japanese Economy and society, Japanese agricultural cooperative movement is striving hard to maintain and enhance its presence in the market in spite of the pressures of open market economy and WTO regulations.

There has been a steady decrease in the number of farm households in Japan: 6.06 million in 1960, 3.44 million in 1995, and just 2.52 million in 2008. Due to this decrease and also to the cooperative amalgamation movement, the number of the cooperatives significantly reduced, from 28,800 in 1960 to 4,800 in 1999, and just 844 in 2006. There were two types of agricultural cooperatives at primary level in Japan: multi-purpose and single-purpose cooperatives. Multi-purpose cooperatives held a dominant position and could be found in every city, town, and village, covering all farm households in Japan. Furthermore, almost all members of single-purpose cooperatives simultaneously had membership in multi-purpose cooperatives. The number of the multi-purpose cooperatives declined from 12,000 in 1960 to 1,600 in 1999, and just 779 in 2008 while
the number of single-purpose cooperatives was down from 16,800 in 1960 to 3,250 in 1999 and they almost disappeared in Japan nowadays (Ishida, 2002). In 2008, there were 9.49 million members of multi-purpose cooperatives, including 4.83 million full members and 4.66 million associate members. It means one cooperative had around 11,900 members, including 6,050 full members. The average gross profit of one multi-purpose cooperative increased from 997 million yen in 1995 to 1,387 million yen in 1999 and 2,164 million yen in 2005 (MAFF, 2009).

3.1.2. Agricultural cooperatives in Vietnam

Collectivization in agriculture was carried out since the late 1950s in the North. At the end of 1960, over 41,000 cooperatives were formed by 2.4 million households, representing 84.8% of the rural population and cultivating about 76% of agricultural land. Since the late 1960s, the government encouraged a process of amalgamation of cooperatives, thereby reducing their number from over 40,000 to less than 20,000. By that time, cooperatives comprised, on average, about 300-500 households and an area of 200-300 hectares. By 1975, 95% of northern rural households were members of cooperatives, cultivating 92% of total agricultural output. In the South, after unification in 1975, several attempts were made to introduce collectivization. By 1980, 1,750 agricultural cooperatives were set up as well as 18,800 production teams. These units accounted for 50% of rural families and 36% of the cultivated land in the South. In 1980s, however, due to the stagnancy of agricultural production, the Vietnamese government adopted the contract system under Directive No.100 in 1981, then recognized households as production units under Decree No. 10 in 1988. According to Decree No. 10, the roles and functions of agricultural cooperatives remarkably changed, from controlling and managing production into supplying services for household economy. During the years following the Decree No. 10, some agricultural cooperatives only existed with their title without any activities. Almost all agricultural cooperatives during this period were multipurpose providing technological guidance, credit, irrigation service, electricity and so on. However, as peasant households have been considered as autonomous economic units after the renovation in 1988, a variety of agricultural cooperatives were dissolved. Tien (1999) indicated that during seven years from 1988 to 1995, 2958 cooperatives were liquidated. The remaining agricultural cooperatives were divided into three types: good performance – 2528 cooperatives (15.5%); normal performance – 6562 cooperatives (40.4%); and no or bad performance – 7152 cooperatives (43.3%). In 1999, the numbers of agricultural cooperatives were 10538. In 2009, after many changes of economic policies in general and agricultural policies in particular, the numbers of agricultural cooperatives were 8828 in the whole country (VCA, 2010).

3.2. Fundamental Business Activities of Agricultural Cooperatives in Japan and Vietnam

3.2.1. Agricultural Cooperative in Japan

Agricultural cooperatives in Japan can perform twelve principal activities of business under the Agricultural Cooperative Society Law. Those activities can be categorized into six groups including guidance activities, marketing, purchasing business, credit, mutual-insurance and welfare business.

a. Guidance Activities

The guidance activities are divided into two categories: farm guidance and better living guidance. Farm guidance is not a business that directly produces earnings, but it is an important activity to provide members with guidance to improve farm management, including both technical guidance and knowledge of farm management. It plays important roles in enhancement of agricultural production of the members. Farm guidance activity offers guidance and assistance on the whole process from production to distribution to member farmers, using the entire functions of agricultural cooperatives. It possibly helps to increase farmers’ income, which is hard to be achieved by individuals. In addition, better living guidance is very important because it provides members with guidance on all areas of living in order to better their family life. This business embraces a broad range of everyday life, such as consumption, health, culture and recreation.

b. Marketing Business

Marketing business of agricultural cooperatives has been done through a wide network of agencies involving primary cooperatives in order to market farm products to the best advantage of the growers. The multipurpose cooperatives have settled down to the practice of marketing the members’ produce on the consignment basis. Under
this system, members deliver the produce to the cooperatives without any price guarantees. However, the cooperatives have developed an elaborate system of market information through the market intelligence network linked up to national level. Over the years, the cooperatives have been able to win the trust and confidence of their members about their ability to sell the produce to the best advantage of their members and hence the percentage of cooperative marketing of agricultural products has risen during the last two decades.

The commissions charged by cooperatives at various levels differ by commodities. The commission includes transport charges and other cost charges on the produce include packing, commission in the wholesale market, the wholesaler’s margin and the retailer’s margin. In addition, a unique system of pooling the prices and paying the average price for identical quality and range of products has been evolved within the agricultural cooperative movement in order to minimize the losses due to frequent price fluctuations in the market. Hence, the farmer member is assured of a stable price identical to the price received by another member at given time and for the identical product.

In order to have a direct control on the quantities to be marketed to predetermined markets, it is necessary to organize contract farming through commodity groups so that the demands in the markets could be met at a time when prices and other conditions are most favorable to the producer. Member-farmers’ organizations of farm guidance play a very important part in this process.

c. Purchasing Business

Purchasing business includes activities for jointly purchasing materials needed for agricultural production (fertilizers, feed, agricultural chemicals, farm machines) and farmers’ life and supply them to members. This type of business aims at procuring commodities at lower prices and saving distribution costs by planned mass purchase. Thus, members can buy inputs with cheaper price and better quality.

There are two major systems of purchasing business, which are advance orders and account pooling system. The advance orders are collected on the basis of production plans and household budgets prepared by farm households on the basis of guidance and information supplied by staff members who work for cooperatives. These orders are pooled at various levels according to the availability of products at each level. Some of the farm inputs and household goods may be available from manufacturers at the prefectural level and others may have to be ordered through the national federation which has manufacturing and bulk delivery contracts with various companies. This process of advance ordering facilities the timely negotiations with manufacturers for securing favorable price reductions and preparation of delivery schedules. The countrywide arrangements for delivery inputs and household items required a pricing system which is both rational and fair to the end-user. For this purpose, the ZENNOH (National Federation of Agricultural Cooperative Associations) in cooperation with agricultural cooperatives at all levels, has developed the account pooling system through which a common pricing policy is followed for identical products. While doing so the cooperatives have to ensure that on the whole the members are not required to pay more than what they would have paid if the prices had varied from region to region and from cooperative to cooperative.

d. Credit Business

Credit business is chiefly composed of the acceptance if savings from cooperative members and lending of money to them. It also includes discount of bills, guarantee of obligation and domestic exchange transactions. These activities are called credit business collectively. General financial institutions do not offer low interest loans to individuals. In an agricultural cooperative, mutual financing is realized. In other words, cooperative members deposit their money in and borrow necessary funds from their cooperative. This mutual financing aims to improve and better farm management and farmers’ life.

Similar to other business activities, credit business is a hierarchical system from national to local level as in figure 1. The Norinchukin Bank (Central Cooperative Bank for Agriculture and Forestry) is not actually a federation of credit cooperatives but a statutory body established under the law. All the credit needs of the farm households are channeled through the multipurpose cooperatives even if the sources of their funding are from outside the cooperative credit structure.
Apart from receiving deposits and loaning to members, the primary cooperatives also function as domestic exchange centers for their members as well as non-members. In the system of credit business, primary agricultural cooperatives earn profits from interest on their loans and their deposits in prefectural credit federations, etc. They use these profits for paying interest for the savings of members, expenses of the credit business and salaries to employees. Besides the source from members’ deposits, government funds are also introduced through agricultural cooperatives under the system of institutional banking since farmers should be provided loans with low cost and long-term financing due to low earnings from farming and nature of agricultural production.

**e. Mutual-Insurance Business**

Mutual insurance activities aimed at safeguarding the life and property of cooperative members and their families. Essentially, mutual insurance in the cooperative is the same as business by other insurance companies. However, because of the direct dealings between cooperatives and the members, the premiums are lower compared to other companies. The insurance contract is made.
between the farm household members and the primary cooperative which acts as an agent of the insurance organization at the higher level. As the primary cooperative cannot conduct mutual insurance, its business is linked with the prefectural mutual insurance federation through a re-insurance contract. The prefectural federations, in turn, enter into a re-insurance contract with the National Mutual Insurance Federation (Fig. 2).

There are two types of insurance conducted by cooperatives in Japan: long-term insurance and short-term insurance. Long-term insurance includes the insurance for life endowment, children, building endowment and construction of residential buildings. Short-term insurance facilities are for fire, car accident liability, etc. Mutual insurance has a close relationship with better living activities - for example, under the insurance plan, medical check-ups are arranged through the multipurpose cooperatives in order to ensure proper healthcare for farm household members and to facilitate early diagnosis of ailments.

f. Welfare Business

The objectives of the welfare business are to build medical and health facilities and employ physicians for the purpose of protecting members’ health. Welfare business includes activities for medical treatment and those for disease prevention. In consideration of their public nature, non-cooperative members can use the medical institutions of agricultural cooperatives at the fees as members.

In short, almost all agricultural cooperatives in Japan conduct business activities which relate to both profitable and non-profitable purposes. However, marketing, purchasing and credit business are more important than other among their six business activities. Although the primary agricultural cooperative is autonomous economic unit, it always link with the organizations at higher levels such as national and prefectural federations in all types of business.

3.2.2 Agricultural Cooperatives in Vietnam

After transformation from old-style into new-style by cooperative laws in 1997, agricultural cooperatives in Vietnam operate different types of services for agricultural production of farmer members. However, the scope of business is determined by the conditions of locality and management capacity of cooperative board. These services could be generally grouped into six following types of business.

a. Irrigation and Field Protection service

It can be said that management of the irrigation systems is the most important activity of all agricultural cooperatives in Vietnam. Without a certain level of cooperation these systems cannot be upheld and they become more or less useless (Wolz, 2000). The provided services include the cleaning of canals and exact distribution of irrigation water. The irrigation team is responsible to provide water to every internal channel. In the past, farmers have to pay irrigation fees and in case the irrigation team is not meeting their commitments the farmers have the right to withhold their payments. However, since 2008, the irrigation fee has been exempted for farm households. The agricultural cooperatives get the expenses from government subsidies (Fig.3).

![Figure 3. System of Irrigating Service of Vietnamese Agricultural Cooperative](Source: Dung & Le, 2007)
Several previous studies indicated that irrigation service is the easiest one to implement and to bring the significant profits for cooperatives if compared to other services. Although under the market economy agricultural cooperatives have to vigorously compete with individuals and others in providing the services, they have the advantages over the individuals in providing the service of irrigation due to the economics of scale.

b. Electricity Supply

The management of the electricity facilities has become the second most popular economic activity after transformation for most of agricultural cooperatives. The electricity team is responsible for supervision, maintenance, and provision of power to each household according to contracts. Actually all households of the commune willing to pay are served by the lines. Since the early 1990s this activity has become more and more important in line with the ongoing electrification of rural areas. Agricultural cooperatives sign contract to electric company in order to supply electricity for farmers, those who are members and non-members, individuals and enterprises. However, after buying electric power from company, agricultural cooperative may either assign task to electricity team or re-contract to an electricity group which does not belong to cooperative in order to provide power to the final consumers (figure 4).

Electricity service played important role in business activities of agricultural cooperatives in Vietnam as this business activity brought remarkable profit for them. However, the system of electricity provision has recently been directly managed by Provincial Department of Electricity in many provinces, thus reducing the significant profits of cooperatives.

c. Land Preparation

Land preparation is one of popular services provided by agricultural cooperatives, especially in Northern Vietnam. Agricultural cooperatives may provide land preparation service to farmers by contracting with individuals or organizations those who have plowing machines. In this case, income of agricultural cooperatives may be considered as commission. Other cooperatives may invest their capital on buying the plowing machines in order to service their members. However, not all the members use the land preparation service of cooperatives. In some communes, farmers can directly contract with service suppliers when they need to plow and to harrow their fields and agricultural cooperatives seem have no role in providing land preparation service.

The mechanism of supplying land preparation service of cooperative can be seen in the figure 5. Land preparation service usually brings significant profits for agricultural cooperatives. In addition, this kind of business helps farmers to reduce costs of land preparation based on the collective bargain. The price of land preparation service provided by agricultural cooperatives is about 10% to 20% cheaper than individual suppliers’ or other organizations’.

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**Figure 4. System of Electricity Service of Vietnamese Agricultural Cooperative**
(Source: Dung & Le, 2007)
d. Input Purchase

The reliable supply of necessary inputs used to be an important activity of the cooperatives. In general, the cooperatives are concentrating on the organisation of the timely supply of fertilisers, pesticides, and seeds to strengthen crop production at their members’ farms. More and more cooperatives, however, diversify the input supply to other production activities of their members, e.g., vegetables and fruit trees growing, even, animal husbandry. Many cooperatives are linked by contract to input producing factories which are supplying the inputs on a credit basis. The cooperatives themselves offer the inputs to those members in need as a credit-in-kind as well. After harvest the farmers pay their cooperatives and in turn these cooperatives repay the companies.

In the context of market-oriented economy, agricultural cooperatives have to face with the competition with individuals, enterprises and economic organisations. As a consequence, in some locations where other suppliers of farm inputs work well, purchasing business of agricultural cooperatives is stagnant. Although input purchasing business does not bring remarkable benefit, almost all agricultural cooperatives in Vietnam operate this kind of business. The reason is that the purposes of purchasing farm inputs are to encourage farmers to apply new technologies and to help them to make correct choices in production process, rather than to make profits. Apart from economic relations with input factories and importers, agricultural cooperatives can buy varieties, especially new rice varieties from research institutes, even from the universities of agriculture.

e. Processing and Marketing of Farm Products

Marketing of the products was currently one of weaknesses of agricultural cooperatives in Vietnam. It is found that only few cooperatives in some provinces had made efforts in marketing and selling the farmers’ products. In addition, the processing service was also weak at this moment. Some studied found that very few cooperatives provided processing services of only vegetables with very simple techniques. The farm households mainly sold directly their products to individuals without the contract signing. Therefore, the selling price was fluctuated and the situation of price compression appeared with high frequency, causing the loss to the farm households. Supporting farmers in marketing their products are of high demand in the coming time.

f. Training and Extension

After transformation, a number of cooperatives are actively supporting extension activities to promote the quality and quantity in farm production for their members. An extension group is responsible to acquire up-to-date information about improvements in production technologies, e.g., adoption of new high-yielding varieties, seed multiplication, plant protection, or animal husbandry. In general, they get update information through Department of Agriculture and Extension Agent at district level and pass on this information about new technologies to their fellow members. Agricultural cooperatives sometimes contract with research institutes in order to access to new techniques of agriculture. So, the mechanism of extension and training services of agricultural cooperatives can be described as in figure 6.
g. Other Business Activities

The credit business was rarely conducted by agricultural cooperatives in the country. However, there were some cooperatives, mostly in the South, organising financial services in a quite efficient manner without any interference of the State Bank of Vietnam. These cooperatives are providing both, savings and credit facilities. While savings can be deposited by non-members as well, credit is available to members only. The repayment rate is very good. Actually, the system works like a local People’s Credit Fund without registration. All financial services are managed on its own as some cooperatives do not even have a bank account itself (Wolz, 2000).

While, in general, agricultural cooperatives do not offer any financial services themselves, they have an important role to play in this respect. Agricultural cooperatives are entitled to provide letters of recommendation for their members if they want to apply for loans at the local branch of banks or a local People’s Credit Fund. In these letters it is certified that the respective farmers own certain property, which is accepted as collateral. For the time being, credit is available to individuals only. Agricultural cooperatives themselves are not eligible for credit, so far.

Aside from credit service, few cooperatives provided their members with consumer goods such as fuels, miscellaneous goods, and others. However, since the time of transformation according to the 1997 Cooperative Law, cooperatives have become economic-oriented organization than ever before. For this reason, the social-oriented activities haven’t been paid attention to anymore.

3.3. Differences of Business Activities of Agricultural Cooperatives between Vietnam and Japan

Through the analyses of business activities of agricultural cooperatives in Vietnam and Japan we can see several clear differences between them. In the scope of this study, the main differences of business activities of agricultural cooperatives between two countries are drawn as follows:

The first difference which is recognized lies in the types of business. Whereas Vietnamese agricultural cooperatives mainly focus on the services of members’ agricultural production, Japanese cooperatives cover the services both for productive improvement and better living of their members. Moreover, while many services were paid much attention to by Japanese cooperatives such as farming and better living guidance, marketing of farm products, credit and mutual insurance, these are absent (better living guidance and mutual insurance services) or weakly operate (marketing and credit services) in Vietnamese case. This situation can be explained by the major reasons, which are: (i) the differences in the social and economic contexts between two countries; (ii) the distances in the levels of development of agriculture in general, for instance, the level of commoditization of agricultural production, and of agricultural cooperatives in particular. While farm production has been developed in the trend of centralization and commoditization with large scale for a long time in Japan, this sector still exists in small farm households with very small plots and in
the trend of self-sufficient in most areas in Vietnam. In this situation, marketing business of agricultural cooperatives cannot work efficiently; (iii) the difference in established purposes of agricultural cooperatives. Whereas Japanese cooperatives have been built for both productive and living purposes, Vietnamese cooperatives have been considered as special economic enterprises which are seeking their profits based on providing services for their members.

The second difference can be easily recognized is the organization of cooperatives’ business activities. All the business activities of Japanese cooperatives are hierarchically organized from central federation (at national level) to the primary cooperatives (at village level). So in addition to their own efforts, Japanese agricultural cooperatives get a lot of supports not only from higher level organizations but also from both central and local governments. Unlike Japanese case, Vietnamese agricultural cooperatives seem have no hierarchical relations to the higher level organizations. They are also not controlled directly by higher level organizations except under the direct guidance of Communal People’s Committee. For this reason, Vietnamese agricultural cooperatives have functional relationship with other stakeholders as well as economic and social institutions, rather than structural relationship. Working in this situation brings Vietnamese cooperatives both advantage and disadvantage. With respect to the advantage, Vietnamese cooperatives can operate as real autonomous economic units. But the disadvantage is the fact that they get very little help from both central and local governments.

The last difference is the effectiveness of business activities. While Japanese cooperatives have attempted to provide their members with really helpful services in both production and everyday life, Vietnamese ones seem not to meet these requirements. Although after transformation Vietnamese cooperatives have provided their members with more practical services for their production than ever before, cooperatives’ business activities are still ineffective. Most of the services provided by Vietnamese cooperatives are based on the pre-existing infrastructures or on the monopoly advantages, rather than on the demand of cooperative members, especially the services of irrigation and electricity. As a consequence, except two these types of service, many cooperatives are in-debt because of their business activities.

3.4. Relevant experiences of Japan to Vietnam in business activities of agricultural cooperatives

Based on the aforementioned analyses, several experiences of Japanese agricultural cooperative in business activities which can be applied to Vietnamese cooperatives are drawn as follows:

- **Provision of Farm Guidance Activities:** This concept is not only to provide technical information to the farmers on cultivation of various crops but also to assist their farmer to increase their income. The farm guidance activity revolves around the total economic business of the farmer as well as of the cooperative. The farmer is guided on technical and economic aspects of particular crops, especially the crops with high profit. The main aim of this service is to enhance the income. Although this service is one of the most important services in Japanese agricultural cooperatives, it seems to be weak in Vietnam’s case. One of the main reasons is the fact that in Vietnam this service has not worked in the good collaboration with other services such as farm planning, provision of farm inputs and others. In addition farm guidance advisors or extension staffs still train farmers what they want rather than what farmers need. Therefore, extension service remains one of the weakest activities of agricultural cooperatives in Vietnam.

- **Collaboration with Private Enterprises:** Several agricultural cooperatives have created good relationships with private enterprises, but only in providing inputs for their members’ production. According to the experience of Japanese case, agricultural cooperatives should use their extra industrial capacities to meet the requirements of other enterprises as stakeholders in joint-production. For example, some of the agricultural cooperatives have been filling bottles for juice makers, coffee processors and even for popular brand companies.

- **Amalgamation of Agricultural Cooperative:** For Japanese experience, in order to strengthen agricultural cooperatives’ capacities in economic activities, they should be merged together with different economic institutions, especially banks, telecommunication companies, transportation companies, and other business houses. However, the concept of “amalgamation” should be understood in specific context. “Amalgamation” does not only mean consolidating agricultural cooperatives to become larger entities, it also means that a small size cooperative can collaborate with other economic and social institutions in
order to enhance their economic strength or to empower itself.

- Ethics and Good Governance in Agricultural Cooperatives: This concept seems rarely heard in Vietnam so far though it has been more or less applied in the process of cooperatives’ operation. This concept implies that besides laws, rules, regulations and principles, there exists moral relationship in the agricultural cooperatives. The good ethics should be created within the agricultural cooperatives, especially within everyone in power. The Board members should think about taking care of the cooperative members. Also, care of the community is one of important factors for the success of agricultural cooperatives in rural areas. The services such as taking care of the aged through welfare homes and supply of their food and household requirements, medical facilities, establishment of child nurseries, and so on are necessary for community in general and for the members in particular. These services will encourage the efficiency of members’ production as well as their contribution to cooperatives’ success. Besides, in order to help their members as well as to enhance their economic activities, agricultural should have good relationship with the local governmental authorities and other non-governmental organizations.

- Enhanced Relations of Agricultural Cooperatives with other Associations: Many previous researches in Northern Vietnam show that agricultural cooperatives have relations to several local associations such as Farmers’ Alliance, Women’s Union, Veterans’ Union and Youth Union. However, these relationships still have very little positive impacts on the cooperatives’ activities. The experience of Japanese agricultural cooperatives indicates that a good relationship with such associations will support cooperative in many ways. These associations supplement and complement the social and economic activities of agricultural cooperatives besides enriching the social aspects at the family level. They also contribute significantly to the operations of the agricultural cooperatives at primary level, especially to the business activities.

In addition, central government should pay more attention to the development of agricultural cooperatives. The effective forms of governmental supports are to provide training programs of managerial skills to cooperative staff and to make policies based on the demands of cooperatives.

4. CONCLUSIONS

Japanese Agricultural Cooperatives manage and deliver multipurpose services and operate as multi-function economic institutions directly responding to the felt-needs of the members. While the cooperatives in Japan are considered quite successful in providing their service activities, the cooperatives in Vietnam do not currently function well with their services. The main differences on business activity between Japanese and Vietnamese cooperatives were found to be the difference in types of business; the difference in the organization of cooperatives’ business activities; and the difference in effectiveness of the business activities. The relevant experiences of Japan to Vietnam in business activities of agricultural cooperatives include cooperatives’ provision of farm guidance activities; the collaboration with private enterprises; amalgamation of agricultural cooperative; ethics and good governance in agricultural cooperatives; enhanced relations of agricultural cooperatives with other associations. In addition, central government should pay more attention to the development of agricultural cooperatives. The effective forms of governmental supports are to provide training programs of managerial skills to cooperative staff and to make policies based on the demands of cooperatives.

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