

The Seikatsu Club Movement for “Consumers who Produce”

Seikatsu Club Consumers' Co-operative Union
President Koichi Kato

1. Basic Principles Embodied by the “Consumers who Produce” Movement

(1) Facts and Figures of the Seikatsu Club

The Seikatsu Club was born in a town in Setagaya Ward, Tokyo in 1965. Since then, it has grown in the eastern part of Japan, mainly in the areas around Tokyo. I work as President of the Seikatsu Club Consumers' Co-operative Union (hereafter SCCCU), a federation of Seikatsu Clubs in different parts of Japan. SCCCU was launched in 1990.

Currently, SCCCU has 32 member co-operatives representing a total of 341,000 individual members. Annual turnover in 2012 was 82.3 billion yen (USD 823 million), and accumulated members shares totaled 37 billion yen (USD 370 million). SCCCU's main businesses are collective purchase and mutual aid. We have three distribution systems: delivery for groups (30% of members), individual delivery (55%), and small scale shops (15%).

The Seikatsu Club created its own term “consumer materials” for our collective purchase goods instead of calling them “commodities”. Over 90% of our consumer materials are food. We started to develop our consumer materials in 1972 and we now have 1800 regular items. There are few consumers' co-operatives in Japan which sell only their private brand of products. After about 15 years of operation, the Seikatsu Club decided to turn to the current direction. Now we have our own packages, too.

(2) Movement to Create “Consumer Materials” with Producers

When the Seikatsu Club develops “consumer materials”, we focus on the following six requirements: 1) pursuit of “use-value”, 2) fair price to ensure sustainable production, 3) information disclosure of the whole process from raw materials, production process, distribution, to disposal, 4) usefulness for daily lives, safety for human health, and environmental soundness, 5) solidarity among producers and consumers based on equality, mutual benefit and mutual understanding, and 6) self-sufficiency and natural circulation (a sustainable and self-governed food system which does not deprive anybody of food). By working to meet these requirements, the Seikatsu Club has changed its attitude toward commodities.

Based on the basic requirements mentioned above, and with the background of our members' purchasing power, the Seikatsu Club has created original standards for our consumer materials with our producers, such as the agriculture standard, fishery standard, animal standard, processed food standard, packaging standard, and so on. As I mentioned earlier, all of our products are basically our original brands. Our members have compiled these standards on the way to develop our own brand of products together with our producers. The members have created the consumer materials with our producers by themselves instead of buying "safe and secure" commodities from commercial markets. The members create the products by organizing their purchasing power. We have been working continuously on this project. That is our movement to create our consumer materials together with the producers, and the first basic principle of our collective purchase.

(3) Our Main Items—The Driving Force of Our Collective Purchase

Milk, rice, egg, pork, beef, and chicken are positioned as our "main items". They are the six pillars of our collective purchase. In addition to these items, we currently focus on fruits, vegetables and fishery products. The reason why we call these the "main items" is that they are important in our domestic production (in terms of self-sufficiency rates and production cycles) and in our diet (as ingredients). That is why, among all of our products, we have been taking the best possible care regarding their quality, production process, and relations with the producers, and have continuously worked to improve those items. "The main items to drive our collective purchase" is the second basic principle of our collective purchase.

Only when our members share the values of our main items, can the Seikatsu Club be unique. These items should not be buried among a vast range of commodities in the commercial market. We regularly measure our members' sympathy for our main items by the indicator of "percentage of the members using the items". The indicator shows how many members use the item (not the amount of the items they use).

Here I would like to add something about our main items. An average member of a consumers' co-operative in Japan pays 10,000 yen a month to her/his co-operative, which accounts for less than 3,000 yen per week. Several years ago, a co-operative conducted detailed research on their members to try to find out how they could increase members' weekly shopping to 5,000 yen. The result showed that the members who paid 3,000 yen per week mostly bought ready-to-eat products, namely frozen food and confectioneries. When they paid 5,000 yen per week, the key was vegetables.

Taking this into consideration, let me propose a rough hypothesis- a hypothesis on how

much our members should pay for our main items in order to ensure their sustainable production. Here we can take advantage of the hint from the research I have just mentioned, 5,000 yen per a week, and the key was vegetables. A monthly payment per member of 20,000 yen can be an important crossroads. If we cannot maintain our members' consumption level above this, our basic principle of "main items to drive our collective purchase" will be at risk. In 2012, the average monthly consumption of our members was 21,500 yen. We are concerned that it might decrease to 20,000 yen. We feel a sense of crisis on this point.

(4) A Fair Price for Food we Know the Origin of

Among the six requirements I mentioned earlier, there are two key words that we think important in regard to our relations with our producers—information disclosure and fair price. They lead us to the third principle of our collective purchase, "A fair price for food we know the origin of". Japanese mainstream consumers' co-operatives and large scale grocery stores used to say "lower prices for better products". We questioned this statement and critically created our own principle.

What is the difference? "Lower prices for better products", in our opinion, represents a retailers' theory. Our third basic principle reflects our members' characteristics as "the main actor" in our co-operative. Consumers who were passive in the commercial market transformed themselves into members of our co-operative. Our members then investigate by themselves how our consumer materials are made and how fair their prices are. This approach toward production helped our members transform themselves.

"Subjective Consumers" is a term created by the Japanese economic critic Katsuto Uchihashi. It might be better to have cheaper products, but subjective consumers understand why they are cheap. They can objectively evaluate their own consumption behavior and they can manage their consumption based on their values. This is what "subjective consumers" means.

In order to live the lifestyle of "a fair price for food we know the origin of", people have to be subjective consumers as Mr. Uchihashi says. It is inherently challenging. However challenging it is, one of the most important objectives for our movement is to have more such consumers.

In facing the economic downturn after the bankruptcy of Lehman Brothers in 2008, Japanese retailers unanimously say "cheaper prices". As a result, Japanese retailers are forcing domestic producers, especially in the agricultural and fishery sectors, into difficult

situations. In order to bring fundamental solutions to the problem, it is essential for us to organize subjective consumers, even though doing so is tough.

The members who became proactive in our collective purchase movement became active players in their local economy as well. The Seikatsu Club has a workers' collective movement, where members create their own jobs, and invest in and run their own businesses. Since its launch in 1982, the workers' collective movement has created more than 600 organizations and more than 17,000 jobs. Their business categories cover various fields such as the food business (catering and prepared food), and commissioned work for the Seikatsu Club. Above all, they created 12,000 jobs, the largest number for workers collectives, in the social welfare business at a local level (childcare, care for the elderly and disabled) and provide services to about 75,000 people who are in need of support. For your information, the Seikatsu Club-related social welfare businesses provided services to the value of 14 billion yen in 2012.

In addition, independent from the Seikatsu Club's cooperative business, some Seikatsu Club members, mostly women, are active in politics at the local level. They are working to govern their neighborhoods by themselves. As a result, there are substantial numbers of assembly members from their movement.

2. Toward a Sustainable and “Ethical Economy” —Case study of Teikei (Partnership) between the Seikatsu Club and Yuza Town—

(1) Teikei between the Seikatsu Club and Yuza Town

Yuza Town is located in North East Japan, which is one of the most important rice-farming areas. It is a small town at the foot of beautiful Mt. Chokai. Mt. Chokai brings abundant water and prosperity to the town.

The Seikatsu Club and Yuza met in 1971. In the next year, our business got into full swing. We have been through a process of trial and error since then. At that time, the Japanese government introduced a policy of cutting rice production. We had surplus of rice and the government worked to force farmers to reduce rice production and grow other crops in their fields. The government had a specific goal for acreage reduction each year and the goal became higher and higher. Even now, it is challenging for both Yuza and the Seikatsu Club to organize the sustainable production and consumption of rice and other crops.

The farming in Yuza that has been developed with the Seikatsu Club has the following characteristics: 1) promotion of eco-friendly farming (expansion of government-certified

1) specially-cultivated rice, 1,300 hectares), 2) ensuring the sustainable production and consumption of alternative crops such as soybeans, 3) diversifying production by introducing greenhouse horticulture, and 4) partnership between farmers and ranchers, where farmers produce rice for animal feed. These characteristics derived from a long history of the farmers' partnership with the Seikatsu Club.

In Yuza, they produce an average of 10,800 tons of rice for human consumption, out of which members of the Seikatsu Club consume 6,000 tons, mostly based on annual pre-orders. Through annual pre-orders, members of the Seikatsu Club show their willingness (pre-orders) to consume rice from Yuza. Of course this is convenient for a stable supply. We consume a lot of energy organizing the annual pre-orders every year (in 2012, 70% of the total consumption of 6,000 tons was from pre-orders).

The brand of rice which farmers in Yuza produce for the Seikatsu Club is specially-cultivated rice (government-certified eco-friendly rice). Two varieties of rice are blended in the brand, 80% is "Hitomebore" and 20% is "Doman-naka". I will tell you the reason later. They also grow organic (chemical-free) rice, but for the majority of their rice, they use less than half (eight substances) of the average chemical used in their area. The fact that farmers produce this brand of rice on more than half of the total acreage in Yuza Town means that the whole town has turned to eco-friendly farming.

The Seikatsu Club has five more main rice production areas besides Yuza—Nagano, Tochigi, Chiba, Hokkaido, and Iwate. Members of the Seikatsu Club consume 9,000 tons of rice each year, 6,000 tons of which are from Yuza.

By focusing our members' purchasing power on specific areas, we work to change the area (not limited to individual good farmers) and their farming. This is what our collective purchase aims at. It is important not only to ensure the quality, standard, and stable prices of the products, but also to enrich the relations with the farmers we work with, and become more influential in the local government (the principle of "consumers who produce").

We also started our *teikei* (direct purchase) of their fruits and vegetables from the beginning of our partnership. As Yuza Town has been working to diversify their production by introducing greenhouse horticulture in recent years (No.3 of the above-mentioned characteristics), the number of varieties we buy from Yuza Town is increasing as well. Currently we consume about 14% of the products grown in Yuza. In addition, alternative crops such as soybeans are used by our producers to make miso (soy paste) and natto (fermented soybeans). In this way, we consume almost all the soybeans produced in Yuza

Town (347 tons produced on 322 hectares in 2012).

Rice Production in Yuza Town (2012)			
	Acreage (ha)	Amount (1 bag=60kilos)	Notes
total	3,102.3	156,319.0 bags	Total shipment of rice

Rice and alternative products for the Seikatsu Club (not including horticulture crops)

The rice paddy reduction program covers one third of the paddy fields.

Items	Acreage (ha)	Amount (1 bag=60kilos)	N o t e s
Co-developed Rice	1,224.8	105,498.0 bags	6 7 . 5 % o f t o t a l s h i p m e n t
Brewer's Rice	5.0	288.0 bags	S u g g i

			i s a m i B r e w e r
Rice for Processing Uses	16.3	100.0 t	A o k i M i s o , K o j i m a R i c e

				C o n f e c t i o n e r y
Soybeans	322.3		347.0 t	A o k i M i s o , T a i h e i S o y

			S a u c e , K a j i n o y a N a t t o , K y o s e i F o o d s
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			K e i h o k u F o o d s
Rice for Animal Feed	261.1	1423.2 t	H i r a t a S t o c k F a r m
Canola	6.2	4.7 t	Y o n

			e z a w a O i l
Buckwheat	33.5		12.4 t O b i n a t a
Total	1,869.2	60.3% of total rice paddies over 60% of reduced acreage	

Especially in recent years, rice production for animal feed has activated the town. It was introduced in 2004. Our pork producers feed their pigs this variety of rice. Currently, unpolished rice is crushed and used as animal feed. Producers' continuous efforts proved that rice production for animal feed is an effective way to positively change Japanese agriculture. As a result, the government introduced a policy recognizing the importance of rice for animal feed.

(2) Sustainable Farming Aimed at by “Co-developed Rice”

Yuza Town used to be a production base for one of the most popular and relatively highly priced varieties of rice called “Sasanishiki”. (In 1973, they produced this variety on 96.9% of their total acreage.) In addition, farmers in the town tended to dislike farming collectively.

However in the early 80's, many farmers began to question the conventional habits. They said, “Sales are not the only goal. There should be a sustainable way of rice farming which is best suited for Yuza.” “Can we farm more co-operatively and in a community-based way

by utilizing our farms and farm equipment collectively?” they asked themselves.

First of all, they spread the timing for their farm work, such as seeding and harvesting in order to help each other. In order to do so, they had to grow different varieties of rice—early rice, mid-season rice and late-growing rice. In this way, they can also disperse the risks of harvest reduction from climate change.

This is why we co-developed our brand of rice, which is produced by blending two varieties. In the neighboring city of Sakata, the variety of rice sold under the brand name of Haenuki dominates rice paddies. (Currently in Yamagata Prefecture, “Tsuyahime” is drawing many people’s attention.) On the other hand in Yuza Town, farmers have greater biological diversity in rice.

When we decide our rice prices, we first discuss prices with producers from the basic principle of “producer cost guarantee”. In principle, we decide the price depending on the producer’s costs, which are presented by our farmers, to ensure that their farming is sustainable. I said “in principle” because it is easier said than done.

In 2014, we set the price for our main rice that we referred to as eco-friendly rice (eight substances rice) at 15,000 yen per bag (60 kilograms). Production costs presented by farmers were greater than the prices. If our price is much higher than those on the commercial market, consumption of this rice by our members is likely to go down. For the farmers, not only the price but also the amount of consumption is important. That is why our discussions always focus on the balance between price and consumption.

Regarding the price issue, we set up “Co-developed Rice Fund” with farmers in Yuza Town. Both our members and producers save 0.5% of the unpolished rice price (1% in total). The fund is designed to compensate farmers for their losses in cases of bad yields due to natural disasters, and reduced income as a result of new experiments. We aim to save 200 million yen (USD 2 million). From the year of the fund’s launch in 1993, it has been utilized five times. In 2004, rice was damaged by salty winds when a typhoon hit the area. The yield was less than 70% that of average years. The fund was used up to support farmers. When some of our members became concerned that abnormal weather was becoming chronic, they asked our members to make donations. The total amount of donations of 17.82 million yen covered the shortage in the fund.

(3) Toward Future-oriented Farming— Significance and Potential of Rice Production for Animal Feed —

The Japanese government introduced the policy I mentioned earlier of reducing rice production in 1970. An average of 40% of rice paddies are covered by the policy. Farmers in Yuza Town are forced to grow other crops on one third of their fields. If I may repeat, the government policy of cutting rice production means that farmers have to grow crops other than rice on a certain percentage of their rice paddies because Japan has a rice surplus. Even though we understand it to some extent, it is actually a negative agricultural policy. As many people say, "If the world were a town of 100 people," there would be three farmers. Two of these three farmers are over 65 years old and they cannot grow rice even if they want to. When crop prices are low, they do not feel energetic, not to mention anything else.

The BRICs emerging economies, including China and India, are growing rapidly. Especially, Of the whole population of 1.3 billion in China, the 400 million people who live along the coastal line are changing their dietary habits dramatically, as Japanese people did during our economic growth after the Second World War. China has rapidly increased its meat and oil consumption. Now it has turned into a grain-importing country. Of course, I am not saying they are wrong. The scale of the population, and rapid change combined with climate change can swiftly lead to a global food crisis and global competition for food. We launched our production of rice for animal feed based on this kind of awareness.

Japanese animal production depends on other countries, namely the United States, for animal feed. Japanese animal products are not truly domestically grown, because they are fed with imported animal feed. The Seikatsu Club takes a strong attitude against genetically modified organisms (GMOs). We buy non-GM corn and soy meal from the United States, but as the acreage of GM crops becomes larger, it is becoming more difficult to buy non-GM animal feed.

All of the rice grown in Yuza Town for animal feed is consumed by pork grown on the Hirata Stock Farm based in the neighboring town. The Seikatsu Club has had a partnership with Hirata Stock Farm since 1974. Hirata ships out 170,000 pigs annually. They replaced some of the imported corn from the United States with rice grown in Yuza. Japan pays 400-500 billion yen annually to the United States for corn. If we pay the same amount of money for animal feed rice, the money will circulate domestically, especially in our local area. Members of the Seikatsu Club consume a little less than 80,000 pigs out of the farm's total shipment of 170,000 pigs.

Hirata Stock Farm ships out pigs when they are 200 days old. By the time they become 200 days old, they have been fed with 362 kilograms of feed, including 211 kilograms of corn. Currently they are replacing 10% of the corn with rice from the age of 77 days.

If we increase the percentage of rice, we can increase our self-sufficiency rate in animal feed. There are two ways to attain the goal. One is by increasing the period of time for feeding pigs with rice. The other is increasing the percentage of rice in the feed. The problem is the cost. Rice has been much more expensive than corn. The price differential is narrowing. However, we have to note that rice production for animal feed is subsidized by the government with tax payers' money.

Even though we face various challenges, we position rice production for animal feed as an important part of our agenda for the future of farming. We are working to expand this and to have it become entrenched in Japanese farming.