



# Co-op Sanchoku

A unique business practice developed by the Japanese Consumer Co-operatives



# Preface

Co-op *Sanchoku* (hereafter *Sanchoku*) is a specific type of community-supported agriculture philosophy originally developed by the Japanese Consumer Co-operatives in the early 1970s. It was proposed to promote safe and secure food production from the viewpoint of the consumer while also addressing food and agricultural problems arising under urbanization, related to the widening distance between “farm” and “table.” *Sanchoku* is a Co-op business which continues to evolve in response to changes in society and the lifestyles of consumers while ensuring consistent supply of good quality and safe products.

Since its early beginnings, *Sanchoku* has grown from a local to a nationwide system. This system involves a tie-up between producers and consumers for the production of fresh food based on Co-op’s specifications. It has been an integral part of Co-op’s philosophy and way of doing business for more than 40 years, incorporating social and environmental elements as well as commercial supply chain issues. Amid increasing competition in the retail sector, JCCU (Japanese Consumer Co-operative Union) and Consumer Co-ops throughout Japan have placed more and more emphasis on *Sanchoku* products.

For more than a quarter century, JCCU has been holding national *Sanchoku* research exchange meetings once a year. These involve producers, researchers and Co-op members who discuss such issues as ways to improve Japan’s food self-sufficiency, food standards and quality control through the promotion and development of mandatory guidelines as one way to improve food production in the country. Due to these efforts, Co-op rightly shares credit for the passing of the revised Food Sanitation Act and the new Food Safety Basic Act in May of 2003.

The following three basic principles are regarded as central to *Sanchoku*:

1) Traceability: The origin of the product and the producer must be clearly identified. Sites of production, assembly and packaging are subject to inspection by Co-op and Co-op members when

needed.

2) Standardization: All producers must follow *Sanchoku* standards as to farming or breeding methods and must operate a management system that ensures compliance.

3) Communication: The system must provide the opportunity for direct exchanges between producers and Co-op members through production site visits and special events organized by Co-op.

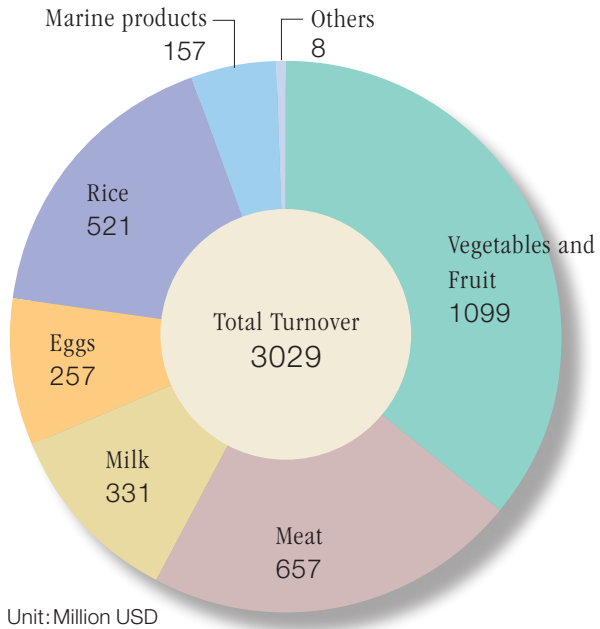
Based on the above key concepts, the basic agendas of *Sanchoku* have been set as follows:

1. To build a system which can pursue food safety and security at a maximum level.
2. To appreciate intrinsic values of the product rather than its appearance, market standard or grade.
3. To facilitate material and energy circulation throughout the process from the farm to the table, considering the environment and ecosystems.
4. To give Co-op’s support to producers and producer groups who are able to make continuous improvements throughout production to establish reasonable and workable business schemes.
5. To enhance community power by organizing local food businesses and entrepreneurs.

*Sanchoku* business raises and develops the abovementioned agendas as a movement with the participation and co-operation of Co-op members, and places special focus on equal partnership with producers. Today, it is an ideal component to any community because it supports farmers, consumers, the environment, and the local community to a greater extent than any other conventional method. This year, in addition, *Sanchoku* is being championed and challenged in areas affected by the Great East Japan Earthquake to help quicken the pace of recovery and rebuilding.

In the following pages, we will go into greater detail regarding the basics and secrets of *Sanchoku*, and report on some best and illustrative practices.

## Turnover of *Sanchoku* Products in 2010

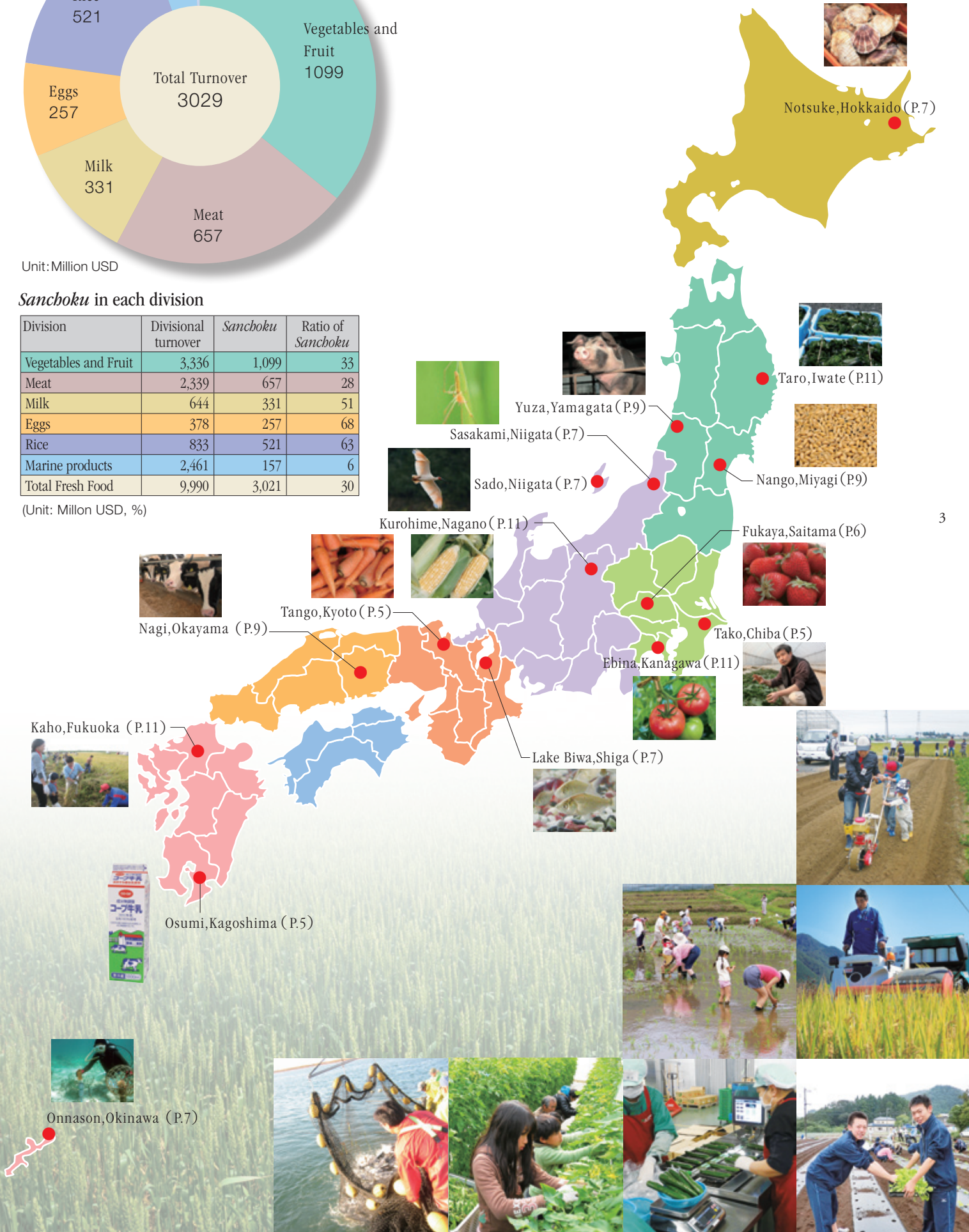


Unit: Million USD

## *Sanchoku* in each division

Division	Divisional turnover	<i>Sanchoku</i>	Ratio of <i>Sanchoku</i>
Vegetables and Fruit	3,336	1,099	33
Meat	2,339	657	28
Milk	644	331	51
Eggs	378	257	68
Rice	833	521	63
Marine products	2,461	157	6
Total Fresh Food	9,990	3,021	30

(Unit: Million USD, %)





# The Basics of Co-op *Sanchoku*

## Ensuring Food Safety and Reliability through Solid Consumer-Producer Partnerships

To begin with, we outline the basic characteristics of *Sanchoku* focusing on three key principles.

### Traceability

*Sanchoku* is seen as a way of guaranteeing the safety of products for consumers. Traceability is one of the main basic requirements under which *Sanchoku* was founded. It ensures monitoring of the lifecycle and distribution path of the *Sanchoku* product. Traceability of produce includes the origin of the products (production site) and identification of the producer. Provision of information to enable traceability serves to dissolve any anxiety on the part of consumers in respect to food safety and quality.

As latest achievements of some Consumer Co-ops, notably Co-op Net and Co-op Kyushu Federations, the traceability issue is linked to supply chain management and a total efficient and eco-friendly agricultural distribution system. The system is multi-purpose, including not only the maintenance of traceability, but errorless delivery to consumers, improvement of product freshness by shortening the lead time from the farm to the table, and minimization of waste in response to rising environmental concern. The system represents a modern expression of the original idea of *Sanchoku* traceability.

### Standardization

After the 1960s, when consumers were exposed to numerous incidents of mislabeling and food contamination due to a lack of standards and production systems that were heavily reliant on the use of chemicals and additives, *Sanchoku* was widely adopted by Consumer Co-ops in the 1970s. In some cases this marked the start of Consumer Co-op itself.

In the 1970s when questions and strong claims arose regarding the safety and reliability of eggs, chickens, pork and milk partly due to efficiency-oriented mass agri-business husbandry practices, Consumer Co-ops in each region started entering into direct transactions with local farms as a way to assure healthy and safe food exclusively for Co-op under the concept of *Sanchoku*. We can name *Sanchoku* milk of Co-op Kagoshima and *Sanchoku* pork of Miyagi Co-op as notable examples in which *Sanchoku* business originated Co-op itself. In many other ways through *Sanchoku* activities Consumer Co-ops were able to realize the opinions and needs of consumers by working with producers to source and develop trustworthy products under Co-ops' standards.

Under the *Sanchoku* system, standardization of the method of production in accordance with Co-op's specifications with full disclosure and visibility of farming methods, breeding, production methods, the use of agricultural chemicals, fertilizers, feed, antibiotics and additives are required. Also, factory inspections and methods of evaluation for suppliers, manufacturers and vendors are stressed. In *Sanchoku* business, inspection and auditing are carried out on a bilateral basis between producers and Co-ops, encouraging producers' to carry out self checks and implement improvements on their own accord.

Recently, JCCU has formulated inspection and quality assurance methods with regard to good farming and distribution practices. Co-ops' steady pursuit for more rigorous traceability and standardization strengthens consumers' trust for the *Sanchoku* food supply system, which forms the basis of today's multi-purposed *Sanchoku* business.

### Communication

Facilitation of direct flows of communication and information exchange between producers and Co-op members is also a core requirement of *Sanchoku*. Active members annually or seasonally visit production sites and communicate with producers. Producers also visit Co-op stores and attend meetings to converse with Co-op members. Message cards attached to products on delivery, in which the producer writes the condition of their farm or recipe recommendations are a characteristic tool of communication of *Sanchoku*. Members are invited to send the cards back to the producer with comments or encouraging words.

Information regarding *Sanchoku* products and production processes is forwarded to members in a variety of ways. As has happened traditionally, consumers still today visit farms and directly communicate with producers. Another important media tool is the home delivered weekly catalogue. The other is through POP displays in store. Thus Co-op members have multi communication channels. Co-op provides web pages that are informative and provide comprehensive information about *Sanchoku* products, including on their origin, production and distribution process. Such information is considered vital in maintaining consumer confidence and trust in *Sanchoku* products. Members' interactive links on websites also allow for comments, discussion forums and feedback from members and this is recognized as an essential part of the *Sanchoku* model.



The Tako Farmers Group in Chiba has long been supplying fresh vegetables and rice to consumers of Tokyo and Chiba Co-ops. Co-op Net Federation operates the procurement and distribution of these local Co-ops. They utilize the vegetable logistics center [left], which is carefully designed to control flows of national and local products efficiently and without error while maintaining traceability.



Members of Kyoto Co-op often go to the countryside to look for local delicious food and communicate with producers. In early summer 2011 they visited a site to taste fresh carrots that had just been harvested. Members talk with Mr Echie, left, the master Sanchoku agriculturalist of Tango, the northern part of Kyoto, as to how to best cook fresh carrots and what made his carrots stand out above the rest.



Co-op Kagoshima members visit this dairy co-operative farm in Osumi every year [left]. Co-op's original milk produced in Osumi has been around since the beginning of the Co-op [right]. Co-op members were willing to pay extra for the farm at the crisis of feed inflation in 2008.



# Mutual Recognition between Consumers and Producers

## Promoting Eco-Friendly Agriculture, Enhancing Environmental Sustainability

We illustrate how Co-op members and producers have been associatively pursuing eco-friendly and sustainable food supplies within the *Sanchoku* scheme.

### Pursuit of Eco-Friendly Agriculture

From the early days, at the core of *Sanchoku* business lies strong consumers' motivation to select and obtain safe, reliable and high quality food. At the initial stage, in the 1970s and 1980s, one of the most focused points was regulation of the use of pesticides. We therefore drew up an extensive list of pesticides that both consumers and producers had agreed to the use of in the process of raising crops. Strict records of usage were also kept.

Saitama Farmers Group in Saitama Prefecture is one of the pioneering *Sanchoku*-oriented agriculturists' associations. In the 1970s, responding to the rising voice of consumers in Tokyo and Saitama, its founders tried to reduce and strictly regulate the use of pesticides and developed natural and alternative techniques to improve the safety and quality of their product. They devised an original soil enrichment method using microorganisms and effective input of organic materials made from rice straw and livestock manure. With its continuing contributions since the earliest time of *Sanchoku*, Saitama Farmers Group also participated in the project to construct JCCU's guideline for good *Sanchoku* agricultural practice.

Tohto Co-op in Tokyo is one Consumer Co-op that has maintained a strong partnership with the Saitama Farmers Group and other associations of eco-farmers. Members of Tohto Co-op have encouraged farmers' effort through exchanging opportunities at the farm in each region and being committed to the pursuit of natural and alternative agriculture techniques via the "soil fund," which was formally established in 1987 and has contributed about US\$7 million for investing in eco-friendly agriculture.

### Environmental Sustainability in the Paddies

The practice of *Sanchoku* with regard to pesticide regulation has a much broader scope today, aiming at the enhancement of environmental sustainability and biodiversity. This aspect is significant in *Sanchoku* rice. For example, Pal-System Co-op Federation is developing the "eat more rice and conserve environment" movement. In their *Sanchoku* rice production, environment and biodiversity are named as top priorities, therefore this slogan

implies that by buying more *Sanchoku* rice Co-op members can conserve the paddy environment.

Paddy fields are now at the center of the debate on the multifunctionality of agriculture or the balance between production efficiency and the environment. Today Co-op members often visit farms, experience planting, weeding and harvesting in the *Sanchoku* paddy fields and at the same time observe tadpoles, fish, fireflies and many other aquatic and semiaquatic creatures. Most of these are fragile and cannot survive in a chemically contaminated environment. Such events help members recognize the close link between food and the environment and reconsider the fact that it is essential to promote food production methods that have the least environmental impact. Co-op Net Federation also cares for the ibis habitat on Sado Island in Niigata prefecture. Sado City, the Sado Agricultural Co-operative and Co-op Net Federation jointly consider the implementation of eco-friendly rice production methods to conserve and create a paddy environment where ibis can thrive.

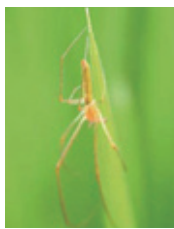
### Forestation for Marine Environment

Conservation of the coastal and marine environment and the "wise use" of marine resources are other important issues within the sea product business. Notsuke Fisheries Co-operative in Hokkaido Prefecture has long experience of marine productivity enhancement, including the adoption of environment friendly fisheries techniques, farsighted catch controls, and forestation not only in the sea but on land in the coastal area as well. Co-op Sapporo in Hokkaido, Pal-System and Tokai Co-op Federations have been joining coastal forestation activities to boost sustainable marine production.

In southern Japan, Onnason Fisheries Co-operative in Okinawa Prefecture also attempts to enhance the productivity of mozuku seaweed by making efforts to conserve the tropical marine environment, focusing mainly on coral reefs. A considerable part of the mozuku product is bought by Chugoku-Shikoku and Tokai Co-op Federations by *Sanchoku*. Every summer Co-op members visit Onnason to experience coral reef planting and have exchange events with fisheries co-operative members to learn the value of beautiful marine environment, the possible impact of global warming in near future and what they can do toward co-operation with *Sanchoku*.



*[Left, Middle] Notsuke Fisheries Co-operative in Hokkaido leads "wise use" of marine resource in Japan and enjoys long lasting partnerships with Consumer Co-ops all over Japan, including the Co-op Sapporo in Hokkaido. They work to preserve the sea environment, produce scallops [right] and other marine products and also utilize fishery by-products such as starfish. In addition, they have planted trees along the shore to conserve the marine environment. Consumer Co-ops nationwide have also joined such green activities.*



*Every season, members of Pal-System Co-op Federation visit Sasakami Agricultural Co-operative in Niigata [left]. Members communicate with producers, experience rural life and recognize the priceless value of agricultural by-products, that is, land and water conservation, biodiversity in the paddies [middle] and the beautiful natural landscape. In winter, Niigata is a renowned spot for wild bird watching. Japanese ibis of the Sado area of Niigata represent environmental sustainability [right]. Co-op Net Federation and Sado Agricultural Co-operative have jointly led ibis-friendly rice production methods.*



*[Left] Forestation in Okinawa Sea is a new direction of environmental conservation practice in Sanchoku. The sea environment is critical for seaweed production. Members of Chugoku-Shikoku Co-op Federation visit Okinawa every year and plant coral. [Middle, Right] Co-op Shiga members release fish into the canal. The presence of fish in the irrigation system represent environment-friendly rice production. Participants also learn how to enhance bio-diversity in the canal and in Lake Biwa.*



## Development of New Values Organizing Local and Domestic Production

We introduce more *Sanchoku* practices where Consumer Co-ops can work as organizer or coordinator of food supplies, generate new values and promote local and domestic production.

### Co-op as an Organizer of Reasonable Food Business

One aspect of *Sanchoku* is consumer-driven production enhancement. The advantage of the *Sanchoku* model lies in the organization of producers and processors. A notable application is the linkage between crop and animal husbandry in the attempt to form multiple-party relationships involving final consumption. Experiences of *Sanchoku* business in rice, meat and eggs help introduction and acceleration of crop-livestock linkage.

Miyagi Co-op supports Nango Rice Growers' rotational production of rice, wheat and soy, in view of enhancing food production and conserving the land and the environment. The Co-op buys noodles made from Nango wheat, which is a strong yukichikara variety developed specifically for noodles, as a Co-op original. As another illustrative case, Pal-System Co-op Federation and Sasakami Agricultural Co-operative jointly use local soy to make original packed tofu. These are new types of Co-op driven entrepreneurial food production initiatives to further secure food supply and conserve the local land and environment.

Today, choosing to process locally or domestically grown product as a way to boost the economy is a new direction of *Sanchoku*. Okayama Co-op, Co-op Ishikawa, Iwate Co-op and many other Co-ops in each region of Japan make locally processed foods as Co-op original commodities. Okayama Co-op started its "Grown in Okayama" label to supply to consumers of rice, meat, milk, eggs and many other processed food. The series are familiar to consumers not only in Okayama prefecture but in neighboring areas as well because it shows the name of particular place.

Iwate Co-op has developed the "I-Co-op" series of locally grown and processed commodities, including wakame seaweed grown by Taro Fisheries Co-operative. Over 30 years, consumers in Iwate prefecture have loved Taro wakame, which is produced in a nutritious but severe marine environment. Through a 30-year partnership with Iwate Co-op, Taro wakame has expanded to become a nationwide *Sanchoku* business of JCCU.

### *Sanchoku* Generates New Values

To promote sustainable domestic food production, effective use of under-utilized resources is imperative. The focus is on the linkage between paddy farming and livestock husbandry, since the consumption of rice is decreasing, surplus of rice is increasing, and so vast areas of paddy lands are left uncultivated, whereas livestock raising is largely dependent on imported feed, focusing on corn. Furthermore, the international crop market is becoming tighter and less predictable amid climate change and global water shortages. The *Sanchoku* model, in which consumers and producers jointly tackle such problem and invent new business, often works.

Against this backdrop, Co-ops have gone on to try the new business opportunities, "rice egg" and "rice pig," that is, rice-fed eggs and pork. They started in the early 2000s and soon saw rapid growth in 2008 to 2009, when the global food shortage resulted in crop inflation. The product was welcomed also for its quality, healthiness and good taste. According to 2009 data, on a covered paddy area basis, the volume of *Sanchoku* rice egg and rice pig amounted to 2,700 hectares of paddy fields to be used for feeding pigs and chickens, which was more than 60% of national total usage.

Seikatsu Club Co-op Federation in Tokyo area has two decades of experience of rice *Sanchoku* business with Yuza Rice Growers Group in Yamagata Prefecture, through which Co-op annually buys and consumes 6,000 tons of rice on a fixed contractual basis. The Co-op also buys 80,000 pigs from Hirata Farm in Yamagata Prefecture annually. This triangle model has become a leading example in Japan's rice pig business today.

Co-op Net Federation widely organized rice grower groups and chicken breeder groups to promote the biomass material cycle of crop and animal husbandry. Total usage of rice feed for chickens was about 1,000 tons and 56 million eggs were sold to consumer members in 2011. Co-op Sapporo and Agricultural Co-operatives in Hokkaido also founded a project to discover new values for rice by jointly rethinking rice consumption and paddy utilization in Hokkaido. Demand for rice, other than as a fresh food, has significantly increased based on the *Sanchoku* partnership. In this project, feed rice production amounted to about 1,500 tons in 2011, more than doubling from the previous year.

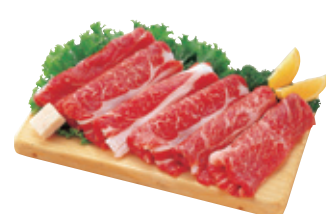




[Left] Yuza Rice Growers Group. [Middle] Rice sold to Seikatsu Club Co-op. [Right] Rice-fed pigs raised at Hirata Farm, Yamagata Prefecture. The long enduring partnership has enabled introductory experiments that see Yuza rice fed to Hirata pigs.



Miyagi Co-op has been strengthening prefectural inter co-operative partnerships. Nango Rice Grower Group is a typical one. [Left] Members of Nango Rice Grower Group, Mr Shibagaki and Mr Hotta, proudly stress the quality of their wheat grain [middle] and their soil management activity. Nango wheat is strong compared to other domestically grown varieties. Miyagi Co-op processes their wheat into Co-op original noodles [right].



Okayama Co-op organizes a local producers and processors network in the prefecture for the "Grown in Okayama" label. Co-op members love locally grown rice, beef, pork, egg as well as vegetables and fruit. [Left, Middle, Right] Okayama Sanchoku Beef is made partly by locally grown rice and represents high local food self-sufficiency and full use of land in the prefecture.



# Challenges and the Future of Co-op *Sanchoku*

To end, let's look at where Japanese Consumer Co-ops and *Sanchoku* is heading in the future.

## Continuing to Evolve to Make a Stronger Movement

Consumers' lifestyle, values and needs are always changing. Conditions surrounding food markets and distribution also vary drastically. Currently, under the globalization and modernization of food industries, food is supplied amply and cheaply in urban areas, ignoring conscious consumers who care about securing food supply in the long run. This concern leads consumers to consider production and environmental conditions.

Japanese Consumer Co-ops have appealed its characteristic business, *Sanchoku*, to consumers who share concern for the current state and the future of food supply. In the previous pages, we illustrated that the *Sanchoku* business has evolved, since its birth in the early 1970s, to adjust to and catch up with changing circumstances. Maintaining and applying three core characteristics, that is, traceability, standardization and communication (P.4), *Sanchoku* has widened its scope to respond to emerging requirements in each period and survived severe competition along the way.

Beside *Sanchoku* business, Co-ops offer consumers a variety of channels to come into contact with agriculture, fisheries and food industry, helping it grow into a now huge movement involving millions of consumers of multiple values and varied lifestyle. An important issue is how to help consumers learn more about traditional diets and cultural heritages related to food. *Sanchoku* has been providing many opportunities for consumers and their children in the countryside to experience farming, touch wildlife, and study traditional culture. Co-ops will continue striving to enhance consumer participation and its commitment to create an even stronger movement.

## Beyond Disaster, towards Revival

The devastating earthquake and tsunami that hit the Tohoku region in the northern part of Japan was unprecedented. With the emergency phase over, rebuilding lives and communities remains a serious challenge. The agriculture and fisheries, which form the backbone of industry in the areas that suffered heavily in the disaster and the ensuing great damage has had a major impact on operations of primary Agricultural and Consumer Co-operatives. The natural environment surrounding production sites was also severely damaged. No doubt, the road to recovery will be long and steep.

However, by the power of co-operation we can recover from

this disaster. Reconstruction of production equipment and restarting need several months or even years, in some cases. The system behind *Sanchoku* can be applied here in that consumers can encourage and support producers who are on their way to recovery, wait and promise to buy products when production restarts finally.

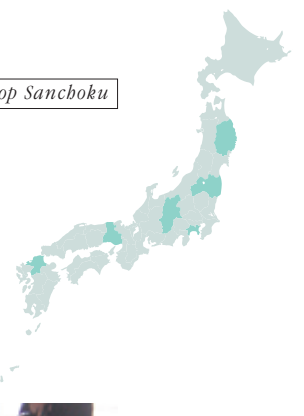
One of the significant moves as a symbol of reconstruction under the *Sanchoku* system is the cultivation of the tsunami devastated coastal areas for the production of Chinese cabbage, whose brand name is "Sendai cabbage." The project has been carried out by a joint collaboration between the Agricultural Co-operative and Miyagi Co-op. More than 3,000 nursery plants were planted in the field on Natori city and the products were sold in Miyagi Co-op store and in Co-op Kobe store of Western Japan as well.

The Fukushima nuclear power plant accident caused by the quake and tsunami further led to serious problems—diffusion of radioactive materials across a vast area of East Japan. Food safety concern imposes another difficulty on the road to recovering agriculture, dairy and fisheries in the quake-hit area. Fukushima Co-op Prefectural Federation is planning to launch a program aimed at the recovery of Fukushima agricultural sector in co-operation with local Agricultural Co-operatives. Furthermore, Co-ops all over Japan have also decided to commit to long-term attempt toward the rebirth of Fukushima's agriculture as a food production hub based on trust and mutual assistance.

## 2020 Vision of Japanese Co-ops

To conclude, *Sanchoku* incorporates social and environmental elements in addition to commercial supply chain issues. Commercially, it provides Co-ops with a source of fresh, "safe & reliable" food with some savings in the distribution costs and a market image as a trustable retailer, reflecting Co-op's sincere activities for quality and safety of food. Socially, it is seen as supporting Japanese agriculture and fisheries, both regionally and nationally. This is particularly important in view of Co-op members' desire to improve Japan's food security issues.

The 2020 Vision of Japanese Consumer Co-operatives reads: "We are dedicated to working hand in hand with the people to realize a new society where smiles and trust abound." In addition, "we will create a more human lifestyle and sustainable society through the concerted efforts of individual citizens within the Co-op society," JCCU declared. *Sanchoku* business is clearly at the center of this vision and must evolve toward its realization.



Promoting children's rural experiences for dietary learning is an important theme of Sanchoku. Every year, thousands of children participate in rural exchange events to learn how the environment, landscape and tradition are beautifully sustained in accordance with good agricultural practices [upper left, Co-op Kanagawa members visiting Ebina Tomato Farm]. Year-long learning courses are also popular. F-Co-op's Rice Growing Course from planting to harvesting in Kabo [upper right], and Co-op Nagano's Corn Growing Course from sowing to harvesting in Kurohime are representative cases.



The Great East Japan Earthquake hit rural areas where many Sanchoku producers and Co-op member reside. Under the disaster, mutual help and brotherhood is critical. [Upper left] As a symbol of recovery support, Sendai cabbage grown in Miyagi was sold in "Buy Miyagi" fare in the Co-op Kobe store. [Upper right] Iwate Co-op donated gloves to Taro fisheries Co-operative, hoping for the revival of production. To encourage producers in quake-hit area, Co-ops in all over Japan started the "Buy East Japan" campaign, in which the "Buy Fukushima Peach" is the most active [lower right].





## For the Community and For the Smiles of Consumers and Producers

Miyagi Co-op conceptualizes *Sanchoke* as a chain of hand-in-hand partnerships among consumers, producers, the land, the marine and forest environments, vegetable, insects and animals. It illustrates the sustainability of local communities, the environment and the promotion of local food.

The *Sanchoke* movement has reared a new form of agriculture. The ties between Co-op and its members as well as producers have made this possible. It has been an expression of Co-op's philosophy: building an affluent community where humans and nature can live in harmony.

*Sanchoke* is a collaborative effort to build more locally based, self-reliant food economies. It ensures sustainable food production, processing, distribution, and consumption, which are integrated to enhance the economic, environmental and social health of each and every local community.

It is a system that bridges the gap between rural and urban lifestyles.