A Case Study on the Problem and Improvement of Local Agricultural Cooperatives: Focusing on Agricultural Co-shipment

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Abstract

This study covered the real condition and its problems of gathering and shipping in the production area, focusing especially on the local agricultural cooperatives. Analyzed product for this study is tomato, and our sample location is Chuncheon. Since tomato is cultivated nationwide and the main production areas are established in 10 cities and counties nearby, it is the most appropriate product in order to understand the reality of gathering and shipping local agricultural products. Main points of the study are as follows. Firstly, organization of rural areas and farmers is necessary. Secondly, the process of blanket purchase by the agricultural cooperatives and the direct selling by the agricultural cooperatives should be expanded. Thirdly, investment efficiency of APC facilities should be improved, with a revision of APC use. Finally, cooperation system within the agricultural cooperatives must be established.

Key words: Agricultural cooperatives, APC (Agricultural Products Processing Center), Organization, Tomato.

Introduction

As a countermeasure towards the rapid opening of agricultural market, scale expansion has been brought up. In the production area, this can be a solution in terms of production. However, improving the production skills or expanding the harvesting scale for individual farmers would cost a lot of money. Therefore, as a response, it is necessary to make a distribution in production areas efficient.

Distribution in production areas involves sales of agricultural products and all distribution functions conducted in a distributing process, from agricultural products shipped from the original area to consumer markets (Yi et al, 2012; Kim, 2011). Also, this has an important meaning in terms of producer's sales market. Therefore, it is a competitive measure to seek for the problems after understanding the current structure of distribution in production areas.

Government's supporting business on distribution in production areas is an establishment of building a facilities infrastructure for distribution in production areas and a promotion of distribution structure. However, with a lack of connectivity on distribution policy in production areas and a competitive movement for attracting policy project by local governments (or organizations in production areas) fully engaged together.

It caused the confusion on the system of the distribution in production areas. While the government anticipated an effect of structure of virtuous circle, establishing the distribution organization in production areas is structured in order to attract policy business, rather than to form a voluntary organization.

For organization in production areas of Korea, NACF Joint Marketing and large retailers have emerged recently, leading the systematic organization of production areas. However, most of these improvements and developments for production areas have a clear purpose for vitalizing the distribution activity, meaning that it is difficult to see whether the conditions of local agricultural cooperatives and farm village are considered. In other words, organization in production areas must be established with evaluating the basic conditions of agriculture and farming areas, but it is inevitable to follow the policy support.

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In existing distribution of agricultural products, governments, agricultural cooperatives and wholesale markets were the leading the business. So, agriculture producers or distribution organization in production areas, which are to be the principal agents in distribution of agricultural products, are disregarded, and people concerned with distribution in production areas stood with a passive action. Furthermore, this caused a poor management in distribution center (for example, APC) and distribution organization in production areas. Also, regardless of its need, some facilities are established in order to obtain support.

Strengthening the distribution function which satisfies the conditions demanded in the consumer market would be a right direction for innovation. According to Higaki (1997), two predominant forces increased competition among producers: the increase of demand in large urban areas, with system requirements for stable and mass quantity supply; and technology such as transportation and storage, which has effectively enlarged the area of competition.

In order to implement this distribution function in production area, distribution organization structure in production areas has an appropriate form as well.

Studies in Korea regarding the distribution of agricultural products in production areas can be separated into shipment forms of agricultural products (Yi et al; 2012; Wi, 2008; Kim, 2007; Yang and Ku, 2007; Kang, 2004; Hwang et al, 2004; Kim, 2001; Seol, 1994) and studies on marketing in production areas (Gouk and Choi, 2011; Kim, 2011). Even though a number of studies were conducted, studies on gathering and shipping by agricultural cooperatives in the production area are insufficient at present.

Shipment of agricultural products can be classified as follows: 1. private shipment by producers; 2. shipment through shipping organizations formed by producers, such as agricultural co-operatives; 3. shipment by trading companies or private brokers; and 4. shipment through markets in production areas. In Korea, agriculture market is characterized by a tendency to concentrate the production and shipping of vegetables. Even without the type of shipment, it is important to seek ways to improve the efficiency of production and marketing systems for nationwide.

Under this context, this study is designed to investigate the real conditions and problems of gathering and shipping in the production area, focusing especially on the local agricultural cooperatives. The study concentrated on gathering and shipping local agricultural products will be helpful to establish the stable production based on improving the distribution of agricultural products.

Analyzed product for this study is tomato, and our sample location is Chuncheon district. There are several reasons why Chuncheon tomato market is selected as an important subject of examination. Firstly, tomato is cultivated nationwide. Secondly, the main production areas are established 10 cities and counties nearby, it is the most appropriate product in order to understand the reality of gathering and shipping local agricultural products.

### DISTRIBUTION AND PRODUCTION OF TOMATO

**Distribution**

Tomatoes distributed domestically are mostly fresh tomatoes. Tomatoes are shipped during the whole year. Especially, the price of tomatoes is high from September to March in the following year, while they are in low price from June to August. This is because watermelons and oriental melons are competing with tomatoes.

The shipments of tomatoes to wholesale markets are shown in Table 1. In the case of ripe tomatoes, the amount of materials brought in wholesale markets all over the country is diminished from 115 thousand tons in 2008 to 88 thousand tons in 2010, due to the decrease in production.

#### Table 1. Shipment to Wholesale Markets (2008-2010)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Growth</th>
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<tbody>
<tr>
<td><strong>Ripe Tomatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume</td>
<td>115,489</td>
<td>102,503</td>
<td>87,663</td>
<td>-24.1</td>
</tr>
<tr>
<td>Average Price</td>
<td>1,337</td>
<td>1,437</td>
<td>1,919</td>
<td>43.5</td>
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<tr>
<td><strong>Cherry Tomatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume</td>
<td>39,727</td>
<td>50,033</td>
<td>41,558</td>
<td>4.6</td>
</tr>
<tr>
<td>Average Price</td>
<td>1,957</td>
<td>2,145</td>
<td>3,029</td>
<td>54.8</td>
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</tbody>
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