

Development of the Agricultural Cooperatives for Revitalization of the Rural Community -Focusing on the Case Study of ‘Sunkist’-

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Abstract. Cooperatives are a fairly new form of economic system in Korea compared to the western nations, yet, it has caught many attentions since the Fundamental Cooperative Act was enacted in 2011. Korea, once a very traditional community-based society, used to develop similar systems such as *dooreh* and *poomasi*. Thus, cooperatives have been astonishingly gaining popularity in various aspects recently although the relevant laws were prone to hastily implementing lacking a complete study on the effects. In this context, this study premises that cooperatives can play a critical role in developing especially the rural areas by giving their members more elaborate services supplementing any setbacks caused by Capitalism and creating jobs as well as providing social welfare and amenity. For a case study, Sunkist is chosen to suggest as a role model of the farmers’ cooperatives.

Keywords: cooperative, Sunkist, Fundamental Cooperative Act, rural community

1. Introduction

Industrialization has brought a wide variety of modern conveniences. However, the values of beauty of scenic views in the countryside have faded away in accordance with accelerating urbanization caused by development of industries. Consequently, the vacantization, economic hardships and underdevelopment of the rural communities are attributed to the common phenomenon in this industrialized world. In this regard, de facto, the first priority of the implementation of policies is most likely to be focused on the revitalization of the local community. Boosting rural economy is not only involved in the economic activities in the region but also in the residents’ amenity based on the cultural identity and even intangible values such as their pride in the community and the level of education. In particular, sustaining the development of the rural area in various aspects related to the facilitation of tangible and intangible resources require comprehensive support from a majority of the community residents. In this study, it is suggested that agricultural cooperatives can play an essential role as to unify the community by giving the members opportunities proactively to participate in the cooperative activities. Accordingly, the case of

Sunkist provides a good example for a long-term plan to help farming businesses undergoing difficulties in finding a market for agricultural products.

2. The Impact of a Cooperative in Various Aspects

Although the perception of a cooperative in Korea has not been well-known to the public, it has become common in Europe and North America. Cooperatives have been closely related with their local community and have consistently created a new form of business such as Consumers' Cooperative, Housing Cooperative, Laborers' Cooperative and so on. According to the International Cooperative Alliance (ICA), about 1 billion individual members participate in any forms of cooperatives resulted from the statistics conducted in ICA's 277 members from 98 countries as of December 2012. Considering this figure, the global representative body for cooperatives is likely to be one of the largest non-governmental organizations today by the number of people it represents. The following table 1 shows how many people get actively involved in cooperatives built to sustain the community economically, socially and environmentally. The interesting fact is that the economic status of the country does not play a critical impact as to building cooperatives nationwide. For example, the United Kingdom has 11.5 million individual members and Bangladesh follows not far behind with 11 million.

The largest number of individual members represents America with 305.6 million members. There are nearly 30,000 co-operatives in America. The next countries are in Asia. China is following next behind America with 160.8 million members and then India with 97.6 million. As a result, in total, these three countries make up for nearly half of the members.

Table 1. The number of individual members of cooperatives by nation (million)

Name of the country	No. of the members
America	305.6
China	160.8
India	97.6
Japan	75.8
Indonesia	40.6
France	32.4
Iran	25.5
Canada	18.1
UK	11.5
Bangladeshi	11

ICA 2012 Statistics

As for the economic impact of cooperatives, the result from a study conducted by University of Wisconsin in 2009 describes and quantifies the magnitude of economic activity accounted for by U.S. cooperative businesses. As seen above, America boasts its most active cooperative business sector. The results are following: nearly 30,000

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U.S. cooperatives operate at 73,000 places of businesses throughout the nation. These cooperatives are worth 3 trillion dollars in assets, and generate 500 billion dollars in revenue and 25 billion in wages. Also, the study estimates that cooperatives earn nearly 654 billion dollars in revenue, 2 million jobs, 75 billion in wages and benefits paid, and a total of 133.5 billion in value-added income[1]. In addition, the study manifests that cooperative firms are based on a new form of business organization.¹

France as well as America attests the economic effect by providing over 1 million jobs in roughly 21,000, which represents 3.5% of the active working population in the year of 2010. In Japan, the agricultural cooperatives report outputs of 90 billion dollars with 91% of all Japanese farmers in membership. In 2007 consumer cooperatives reported a total turnover of 34.048 billion with 5.9% of the food market share[2].

3. The Case of Sunkist Cooperative: “United We Stand”

Many Koreans have misunderstood Sunkist as an American agricultural company, but it is a cooperative organized in 1893, which consists of about 6,000 farms fighting against large enterprises and wholesalers. According to the official web site, Sunkist is introduced as a not-for-profit marketing cooperative entirely owned by and operated for the California and Arizona citrus growers who make up its membership. Sunkist is principally engaged in the sale of fresh oranges, lemons, grapefruit and tangerines, and the manufacture and sale of citrus juice and peel products. Cooperatives aim to help producers develop how to succeed in today's competitive international market as an independent grower is hardly geared up with appropriate skills. As a member of a cooperative, each grower joins with other growers to gain a mutually larger market share. A cooperative of growers as a whole makes many things possible. For instance, it enables the growers to focus on a global market, finds better ways to promote a brand name and develops comprehensive research capabilities, and gains governmental access to overseas markets.

Table 2. Sunkist Growers, Inc. and Subsidiaries two-year summary (in millions of dollars)

Sales and Other Revenues	2011	2010
Fresh fruit, all varieties		
Domestic sales	\$520	\$555
Export sales	\$256.	\$232
Total sales	\$776	\$787
Fruit products, all varieties		
Total sales	\$864.	\$874
Other revenues	\$155	\$139
Total revenues	\$1,019	\$1,013

¹ Assessment of economic impact according to the scale of business activity provides an incomplete perspective on the total impact of cooperatives, described the study.

Payments to members	\$803	\$789
Cash flows from operating activities	\$6.99	\$.967

Sunkist annual report 2011

Sunkist successfully expands its market through tight quality-control by using its own well-managed brand. As a result, the exportation is growing as well as the actual royalty revenue. This marks Sunkist is a good case in which demonstrates united farmers and cooperatives are not inferior to conglomerates. The recently signed Free Trade Agreement endows Sunkist with another opportunity to improve tariffs into Korea and stimulate its sales as it continues to expand into non-traditional export markets[3].

4. Conclusion

As seen in the 18th presidential election, economic democracy has become metadiscourse in the Korean society. Cooperatives are considered to be an alternative solution for Capitalism demonized as the cause of economic polarization. Ever since Korea enacted the Fundamental Cooperative Act in Dec. 2011, it has had major repercussions all over that nation. The Ministry of Strategy and Finance has announced that the number of cooperatives would reach up to 10,000 by 2014 or 15 in the news release[4]. The criterion is not hard to meet that a group of 5 people can found a cooperative, which is a main reason for gaining popularity. Such small cooperatives give their members more elaborate services supplementing any setbacks caused by Capitalism and create jobs as well as provide social welfare. Although the Act was prone hastily to implementing lacking a sufficient study, it is no doubt that cooperatives are a new form of fair economic system in favor of the individual members. That is, ‘an alternative economic system aiming to overcome any obstacles found in present Capitalism. In a way, Korea, once a family-oriented and community-based traditional society as seen in *dooreh*² and *poomasi*³, is pre-wired to be feasible to develop cooperatives preserving its cultural identity.

References

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² a traditional cooperative farming team

³ an exchange of labor