

# Farmland Bank Project of Korea Rural Community Corporation (KRC)

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## 1. Introduction on the Farmland Bank Project

### (1) Purposes

The purposes of the farmland bank project are to achieve optimal size for farmland scale, efficient usage of farmlands, improvement of the agricultural structure and the stabilization of the farmland market. Furthermore, various policies and projects related to farmland will be launched to increase the profit for the farmers and to achieve economic and social development of rural areas.

### (2) Functions of the Project

| Title of the Project   | Functions   |
|--|---|
| Farmland scale-up Project<br>(Began in 1990)                       | Trading, long term lease, supporting exchange and amalgamation of farmlands in order to raise a large scale and more specialized farmers and realize “the land-to-the tiller principle”   |
| Trusting Farmland Lease Project (2005)                             | Promoting the efficient usage of farmlands by trusting the lease and renting them to professional famers  |
| Trusting Farmland Sale Project (2006)                              | Promoting the mobility of the farmlands by trusting farmland sale and selling them to professional farmers  |
| Farm Household Revival Program Project (2006)                      | Buying the farmlands of farmers in financial crisis due to debts etc. and re-renting them and ensuring buyback right in order to seek the normalization of the management                 |
| Reserving Farmland Purchases Project (2010)                        | Purchasing farmlands of farmers willing to retire, to leave rural areas or to switch their profession in order to improve the agricultural structure and to stabilize the farmland market |
| Farmland Pension Project (2011)                                    | Securing the farmlands owned by aging farmers to provide them social stability funds  |
| Orchard scale-up Project (2004)                                    | Purchasing and renting orchards to achieve orchard enlargement and to collectivize farmers to improve competitiveness   |
| Direct Payment Project for Early Retirement of Aged Farmers (1997) | Providing income support for old retiree farmers who transfer farms to professional farmers and public corporations   |

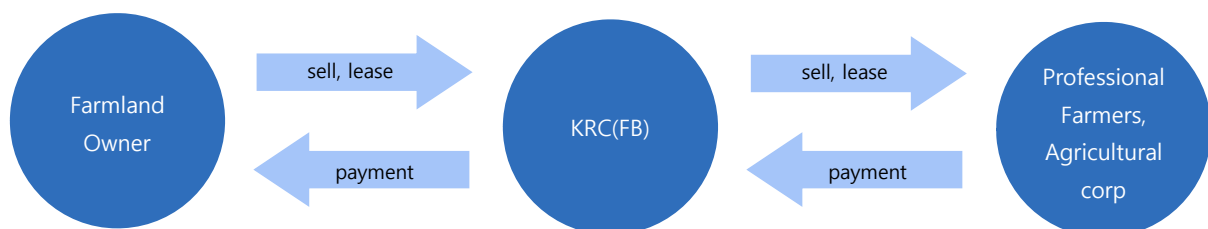
## 2. Major Contents of the Projects

### (1) Farmland scale-up Project

#### 1) Purpose

The aim of this project is to raise enlarged and specialized farmers and to achieve “the land-to-the tiller principle” by farmland trading, long term lease, exchange or division or amalgamation. Until 2013, the project plans to raise 70,000 professional farmer households (each with 6ha of farmland) to be in charge of 50% of rice cultivation area.

The project will support enlargement for professional farmers household, collectivization of farm management to increase farmers profit and to realize stable supply of staple crop.



\*(hereinafter ‘KRC’: Korea Rural Community Corporation, ‘FB’: Farmland Bank)

#### 2) Contents of the Project

##### Farmland Trade Project

① The project will include buying the farmlands of non-farming households, of those who changed their jobs, of the retirees and selling their lands to professional farmers and agricultural corporations, etc.

- Target lands: rice paddy and upland fields within the agriculture development region or those being land consolidated

- Eligible persons: selected as to be raised into professional farmers aged under 64 with more than 1.5 ha rice paddy fields or more than 1.0 ha upland fields, agricultural association corporation with more than 5ha rice paddy or upland fields, agricultural corporation with more than 10ha farmland and those who have been selected (within 5 years) as 20~30 years old farmer

- Condition of repayment: payback in installment with 2% annual interest for 15~30 years

- Maximum support:

(Price) rice paddy fields: 30 US \$/3.3m<sup>2</sup>, upland fields: 35 US \$/3.3m<sup>2</sup> (Hereinafter 1US\$ equals 1,000 korea won).

(Area) 10 ha including existing area, 20ha in case of corporation

##### ② Long term farmland lease project

This project is focuses on long term (5~10years) leasing of farmlands of those who changed their jobs or retired from farming to those selected as professional farmers.

- Target lands: rice paddy and upland fields in rural areas

- Eligible persons: the same as those of ①

- Conditions for support: payback in installment with interest free for 5~10 years

- Maximum limit for areas: no limits

##### ③ Administrative give-and-take and division-and-junction of farmland project

This project is to support the settlement cost for the difference made by exchange and amalgamation, redevelopment, group substitution.(conditions: payback in installment with 2% annual interest for 10 years)

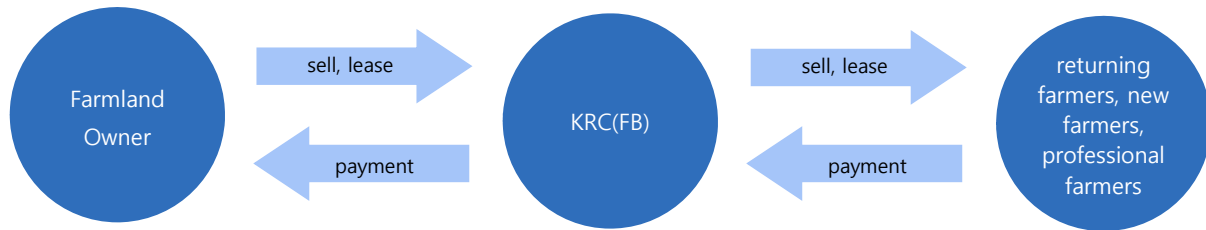
### 3) Legal Basis

Act on Korea Rural Community Corporation and Agricultural Land Management Fund, Article 18, 19, 22

#### (2) Reserving Farmland Purchases Project

##### 1) Purpose

The farmland bank will buy the farmlands owned by farmers willing to retire, leave or change jobs due to age or health concerns to improve agricultural structure and to stabilize farmland market. The purchased lands will be used for long term lease and other purposes for more efficient usage.



##### 2) Contents of the Project

- Target farmers: farmers willing to leave rural areas, to change jobs or to retire due to their age
- Target lands: farmlands within agricultural development region (rice paddy, upland, orchard fields)
- Purchase price: appraisal and assessment price
- Maximum limit for purchase price: 25 US \$/m<sup>2</sup>(For Metropolitan city, Sejong Metropolitan Autonomous City, Gyeonggi-do, Gyeongsangnam-do city area: 50 US \$/m<sup>2</sup>, Chungcheongnam-do, Gyeongsangbuk-do city area: 35 US \$/m<sup>2</sup>)
- Eligible persons: professional farmers, new farmers, returning farmers, agricultural corporation, general farmers and other individuals or corporations willing to do farming(※ priority for 20~30 years old farmers)
- Duration for lease: 5 years (renewal every 5 years after evaluation)
- Rent cost: being decided between the lessor and the lessee considering the market price

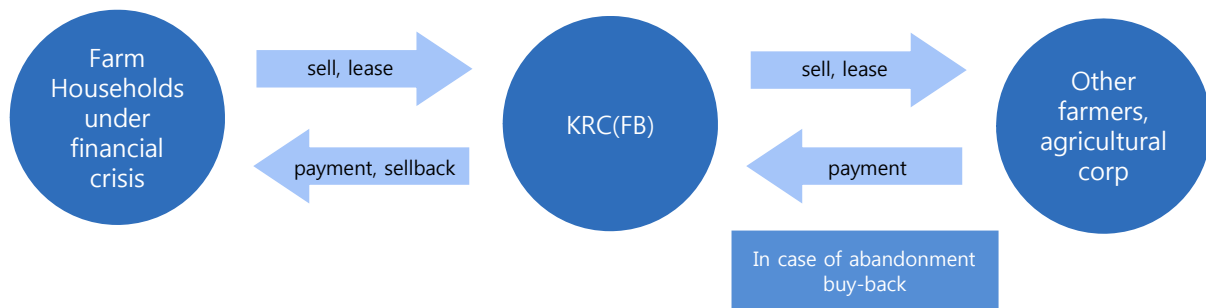
### 3) Legal Basis

Act on Korea Rural Community Corporation and Agricultural Land Management Fund, Article 24-2, paragraph 2

#### (3) Farm Household Revival Program Project

##### 1) Purpose

The farmland bank purchases the farmlands owned by farmers under financial crisis due to natural disaster or debts in order to redeem the debts and normalize the management. The purchased land will be leased to the farmers on long-term basis (7~10years) with the right to buy back assured.



2) Contents of the Project

- Eligible persons : farmers (agricultural corporations) having more than 40 % debts of total assets with being suffered from 50% damage caused by natural disasters or having debts over US\$30,000.
- Target lands: farmlands and agricultural facilities(fixed greenhouse, animal facilities, mushroom farm)
- Purchase price: appraisal and assessment price (in case of facilities, applied residual appraisal price at the end of the lease)
- Maximum limit for purchase price: 60 US \$/m<sup>2</sup>
- Maximum limit for support: within the amount of debts(1 million US \$ for farmers, 1.5 million US \$ for agricultural corporations)
- Rent cost: within 1% of the purchase price(farmlands and facilities)
- Lease period: 7 years, can be extended 3 years after evaluation
- Buyback price: (farmlands) smaller amount between appraisal and assessment price and price with the 3% interest, (facilities) originally purchased price

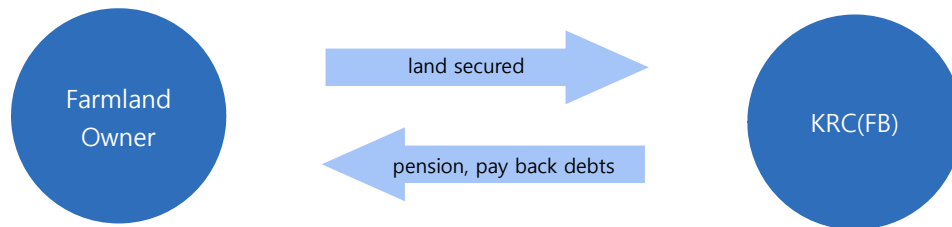
3) Legal Basis

Act on Korea Rural Community Corporation and Agricultural Land Management Fund Article 24-3

**(4) Farmland Pension Project**

1) Purpose

The farmland pension project is securing farmlands owned by aged farmers and providing them with monthly pension to support their living. Furthermore fluidized farmland asset support aged farmers in order to expand and strengthen the social stability of rural area.



2) Contents of the Project

- Eligible for register: husband and wife over 65 years old, more than 5 years farming experience, less than 3 ha farmland
- Target land: actual farmland with officially recorded as upland, rice paddy, orchard field
- Amount of pension: depending on the price of the farmland and the recipient's age
- Price of the farmland: officially assessed individual land price x farmland area
- Applying lower age between husband and wife
- Receiving method: fixed type (5, 10, 15 years) or lifetime type(while alive)

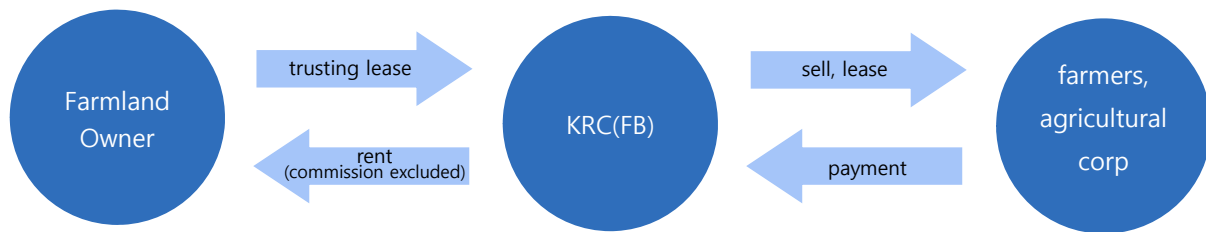
3) Legal Basis

Act on Korea Rural Community Corporation and Agricultural Land Management Fund Article 24-5

**(5) Trusted Farmland Lease Project**

1) Purpose

This project is to promote efficient usage and stable management of farmlands and to contribute to farmland scale up for farmers by renting the trusted farmland to professional farmers.



2) Contents of the Project

- Subjects: farmlands allowed for lease, farmlands and their affiliated farming facilities which are unable to cultivate due to lack of labor force and health concerns after acquiring farmlands for farming
- Entrusted period: 5 years (may extend after the end of the period)
- Rent cost: decided upon mutual consent considering the market price
- Payment: being paid after deducting yearly commission (5%)
- Selecting the lessee: being selected among the applicants who leased the farmland from KRC for agricultural management purposes

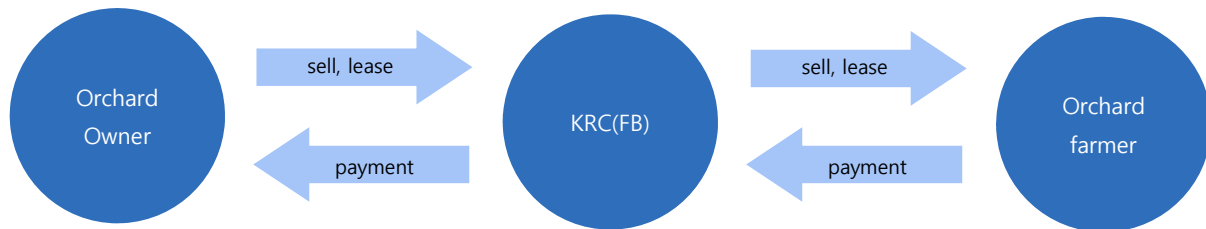
3) Legal Basis

- Farmland Act Article 7, 23
- Act on Korea Rural Community Corporation and Agricultural Land Management Fund Article 24-4

**(6) Orchard scale-up Project**

1) Purpose

The project is focusing on purchasing and leasing orchard to scale up and collectivize fruit-growing farms to strengthen competitiveness and adaptability of market opening. It will also promote enlarged and collectivized community through attracting young and able manpower to rural areas.



2) Contents of the Project

- ① Buying and selling the orchards: Buying from non-farmers, farmers who change the job, want to retire, reduce the size of orchards and non-agricultural corporations owning orchards and selling them to fruit farms
  - Target land: orchards within rural areas
  - Eligible persons: 64 years old or younger in the trial year of the project with the experience of fruit farming for more than 3 years, managing more than 0.3 ha of orchards(farmers, agricultural corporation, farming association corporation which is willing to raise or establish for raising the main product of the orchard)
  - Maximum limit for support: 5ha in case of fruit farming, 10 ha in case of agricultural corporation (including the farmland owned beforehand), US\$40 (including fruit trees)/3.3m<sup>2</sup>
  - Conditions: annual interest 2%, payback period will be applied according to the applicant's age(maximum 30~15 years)

- ② Orchard Lease Project: KRC will borrow the orchards from non-professional farmers, who want to change the job, retire and plan to strengthen their competitiveness by scale up
  - Subjected land: orchards within rural areas
  - Eligible for support: the same as above ①

- Maximum limit for support: 5ha for fruit farms, 10ha for agricultural corporation \* including originally owned farmlands

- Duration: 5- 10 years

3) Legal Basis

Special Act on Assistance to Farmers, Fishermen, etc. Following the Conclusion of Free Trade Agreements, Article 5

**(7) Direct Payment Project for Early Retirement of Aged Farmers**

1) Purpose

This project aims to support the retirees who are planning to transfer farming and to promote enlargement of professional farmers.

2) Contents of the Project

- Eligible persons: 65~70 years old

- Farming experience: upon the application, the applicants should have at least 10 consecutive years farming experience (in case of farmers with illness or had an accident and therefore not being able to manage the farm, 8 years of farming experience required)

- Target land: 3 consecutive years of ownership and rice paddy, upland, orchard field within agricultural development region or collectivized rice paddy, upland, orchard field outside agricultural development region with complete redevelopment and agricultural infrastructure

- Transfer method: being sold to professional farmers younger than 60 years old and to general farmers younger than 45 years old who have at least 3 consecutive years of farming experience upon the date of transfer. Also being sold or leased (including trusting the lease) to the KRC

- Standard payment : US\$0.3/m<sup>2</sup> yearly (US\$3,000/ha yearly)

- Maximum limit: 2.0 ha (applied in case of purchase and lease)

- Paying duration: 6 years (70 years old) ~ 10 years(66 years old or younger)

- Method of payment: monthly installments

3) Legal Basis

- Special Act on the Implementation of the Agreement Establishing the World Trade Organization Article 11, paragraph 2, sub-paragraph 5

- Implementation codes such as ‘Code on the Direct Payment Program for Manufacturer of Agricultural Products’

**3. Record of Support and Accomplishments**

(1) Records of Support

- 8,849.9 million US \$ (227 thousand ha) have been used for supporting farmland bank.

(unit : ha, million US \$)

| Title                        | Area    | Amount of Money | Misc.                   |
|------------------------------|---------|-----------------|-------------------------|
| Total                        | 227,152 | 88,499          |                         |
| Farmland Enlargement Project | 164,367 | 6,664.5         | Excluding purchase fund |
| - Purchase                   | 75,683  | 4,552.9         |                         |
| - Lease                      | 86,903  | 1,837.0         |                         |
| - Exchange & Amalgamation    | 1,781   | 74.6            |                         |
| Reserving Farmland Purchases | 1,921   | 392.2           |                         |
| Orchard Enlargement          | 2,924   | 261.9           |                         |

| Project   |                 |         |                    |
|---|-----------------|---------|--------------------|
| Farm Household Revival Program                              | 4,887(persons)  | 1,167.0 |                    |
| Farmland Pension  | 2,202(cases)    | 22.5    |                    |
| Direct Payment Project for Early Retirement of Aged Farmers | 97,613(persons) | 341.8   |                    |
| Trusting Farmland Lease Project                             | 57,940          | -       | Non-budget project |

\*1US\$=1,000 krw

## (2) Major Accomplishments

### 1) Farmland scale up Project

- This project has contributed on strengthening the foundation of rice supply by enlarging the management area of rice professional farmers. The management area percentage has risen from 30% in 2005 (297,000ha/980,000ha) to 46% in 2012 (393,000ha/847,000ha).

- Furthermore, the production cost was saved by increasing the management scale of each rice professional farmers from 2.5 ha in 1995 to 5.6 ha in 2012.

- Farm households with more than 5 ha have saved 11.5% of direct cost compared to the household with less than 2.5 ha(\* direct cost: in case of households less than 2.5 ha about US\$347, whereas in case of those more than 5 ha, US\$304, therefore US\$40 saved).

- 73% of rice professional farmers are less than 50 years old and thereby preventing essential manpower from leaving the rural area and contributing to the maintenance and development of the local community.

\* Percentage of farm manager above 60 years old (nationwide): 63% ('2011 Agriculture, Forest, Fishing Industry Investigation', National Statistical Office, 2012).

### 2) Reserving Farmland Purchase Project

- This project has bought 1,921ha (US\$392.2 million) of the farmlands within the agricultural development region and thereby supported a smooth selling of farmlands owned by retirees, those leaving rural areas and those changing the job.

- The project then leased 1,828 ha of farmland to 2,222 households and thereby supporting on average 0.8 ha of farmland per each household.

### 3) Farm Household Revival Program

- By 2012, the program helped out 1 US\$167 million to 4,887 households in crisis due to bankruptcy in order to provide a chance for revival.

- The project aimed to prevent the loss of farm household assets caused by auctioning and to reduce farmers' burden by low rent rather than interest on debt.

- By preventing auctioning, US\$385.1 million worth of assets were saved from being lost (80 thousand US \$ per each household, US\$385.1 million = 1,167 million US \$ (supporting fee) – US\$781.9 million (applying farmland auction price 67%)).

- The cost of interest was diminished(US\$1,634 million yearly, US\$31,000 thousand per household) by offering relatively cheaper farmland rent instead of using high interest debt.

- Before the program: US\$1,167 million (debt of the supported households) x 14% (interest) = US\$163.4 million

- After the program: annual rent cost(within 1% of the farmland price) = 9.5 million US \$

### 4) Farmland Pension Project

- By 2012, 2,202 households with aged farmers have been supported by monthly pension with secured farmlands (average US\$810 per household monthly).

### 5) Trusted Farmland Lease Project

- Leasing 57,940 ha (average 0.58 ha per each farmer) to 35,504 professional farmers (36%) and 63,808

general farmers (64%) in order to support enlargement(0.79 ha for professional rice farmers, 0.47ha for general farmers).

- The long term lease(5 years) was provided in order to ensure a stable farming plan.
- As a result, the project promoted legal lease and efficient usage of the farmland.

#### 4. Records and Accomplishments in 2013 (As of Oct. 31, 2013) (unit: ha, one thousand US \$ )

| Title   | Plans in 2013 |                     | Accomplishments |                     |                              |
|---|---------------|---------------------|-----------------|---------------------|------------------------------|
|   | Area          | Amount of Money (A) | Area            | Amount of money (B) | Rate of accomplishment (B/A) |
| Total   | 15,675        | 704,478             | 12,973          | 604,691             | 85.8%                        |
| Farmland Enlargement Project                                | 2,915         | 168,432             | 2,200           | 128,676             | 76.4%                        |
| - Purchase  | 1,560         | 136,332             | 1,094           | 97,101              | 71.2%                        |
| - Lease   | 1,350         | 31,300              | 1,100           | 30,797              | 98.4%                        |
| - Exchange & Amalgamation                                   | 5             | 800                 | 6               | 777                 | 97.2%                        |
| Reserving Farmland Purchases                                | 1,000         | 166,500             | 729             | 166,429             | 100.0%                       |
| Farm Household Revival Program                              | -             | 260,000             | -               | 217,041             | 83.5%                        |
| Farmland Pension  | (906 cases)   | 23,669              | (670 cases)     | 18,625              | 78.7%                        |
| Orchard Enlargement Project                                 | 260           | 27,560              | 255             | 26,301              | 95.4%                        |
| Direct Payment Project for Early Retirement of Aged Farmers | 1,500         | 58,317              | 1,581           | 47,619              | 81.7%                        |
| Trusting Farmland Lease Project                             | 10,000        | -                   | 8,208           | -                   | 82.1%                        |

\*1US\$=1,000krw

#### [Appendix 1]

##### Missions and Major Projects of Korea Rural Community Corporation

#### (1) Missions

KRC is a public-enterprise which contributes to increase agricultural productivity, economic and social development of rural community through Rural Community Improvement Project, Farmland Banking Project, Agricultural Infrastructure Management and Farm scale-up Project etc.

#### (2) Major Projects

① KRC aims to enlarge incomes of rural areas and improve the rural competitiveness. This is pursued by carrying out farm revival program, trusting farmland lease, farmland purchase reserve project, farmland pension project. Furthermore, farmland trade, lease, exchange, direct payment for early retirement project are also implemented.



- ② KRC focuses on water resources management in rural areas and support for farmland management by providing water for agricultural use, carrying out maintenance and renovation for basic agricultural facilities.
- ③ KRC aims for advancement for agricultural infrastructure foundation and the increase on productivity by carrying out large-scale comprehensive agricultural developments, development for agricultural water supply, farmland re-plotting, irrigation improvement.
- ④ KRC focuses on increasing the value of the agricultural area and invigoration of regional economy. Moreover, projects for the development of comprehensive rural village, fishery village, mountain villages and urban- rural exchange projects are carried out.
- ⑤ Other projects (overseas project, general trusted business, investments, new renewable energy, etc) are also implemented.

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