

Korean Government Promotes Direct Marketing of Agricultural Products

Yutsai Huang, Ph.D.
Director, Food and Fertilizer Technology Center

In small farm household countries, farm products take many distribution stages from farm gates to consumers. The huge gap between farmers' income and retail price has been the point of criticism for many years. How to create a distribution environment where farmers receive more and consumers pay less, by reducing distribution stages, has also been an important agriculture policy of the Korean government.

After Korean government signed FTA with many countries, there are many hypermarkets selling imported agricultural products. To enhance the price competitiveness of Korean agricultural products, and provide consumers a comfortable and convenient shopping environment, the Korean government together with the farmers group, which is the National Agricultural Cooperative Federation (NACF), have developed a distribution system which is more producers' group centered, making the "Farm and Urban are One" an achievable goal.

NACF, in order to facilitate on-site marketing, continued the "Marketing in production site 1520" (1520 means NACF will make its own 2,000 marketing organizations by 2015) project in 2012. NACF also continued efforts to stabilize the prices of vegetables in Korea. It contracted the eight most price-sensitive vegetables and operated a situation room during March to June and August to December to better stabilize prices. As a result of this price-support system, prices stabilized and farm income increased.

NACF has retail outlets throughout the country. In 2012, there are 260 small and medium sized Hanaro Marts, 270 meat and dairy Marts, and 16 large size Hanaro Clubs. Distribution centers and Hanaro Clubs, the retail outlet of NACF, showed a turnover of KRW1.555 trillion in 2012.

Hanaro Club is established by the Korean government to compete with foreign-invested hypermarkets. The Goyang Hanaro Club, which is located in suburban of Seoul, with a total land area of 13.5537 ha., has a wholesale market of 0.9917 ha., retail hypermarket of 0.9520 ha., packing and distribution center of 0.4628ha., and flower market of 0.8532 ha. The Club was opened in 2001, with total investment of 130 billion KRW, 44% from central government, 37% from local government, 19% from NACF. The Club is managed by NACF. Hanaro Club sells only Korean fresh produce and processed products. In 2012, turnover was 328 billion KRW with profit 6.6 billion KRW. 30% of the profit was donated as feedback to the

local community.

Today, NACF has 16 Hanaro Clubs, and is expected to add up 18 more clubs by the end of 2013. Hanaro Club, a Korean producers' center distribution system is a powerful instrument for marketing Korean products, including ginseng, kimchi and rice. The Korean government use the slogan "Farm and Urban are One" to emphasize the mutuality of farmers and urban consumers. "Hanaro" means "We are the One" in Korean. Through the Hanaro Club, this mutuality is visualized.

References:

1. 2014 Work Plan. Korean Ministry of Agriculture, Food and Rural Affairs.
2. National Agricultural Cooperative Federation. Annual Report 2012.
3. Goyang Hanaro Club. 2013. 10. 2 Briefing Report.

Date submitted: Nov. 26, 2013

Reviewed, edited and uploaded: Nov. 27, 2013