



Agricultural Budget in 2014

Dr. Jeongbin Im

Professor, Seoul National University, Korea

The Ministry of Agriculture, Food and Rural Affairs (MAFRA) announced that National Assembly approved the 2014 agricultural budget of 13.6371 trillion won on January 1, 2014. This is up 102.7 billion won from the 13.5344 trillion won proposed by the government, and also an increase of 110.3 billion won from the 2013 agricultural budget. The 2014 agricultural budget has increased by 0.8% from the previous year. In particular, MAFRA has succeeded in increasing the budget by 102.7 billion won from the amount proposed by the government in the process of deliberation of the National Assembly, and this increase is the largest adjustment to the budget realized in the National Assembly since 2009.

The 2014 budget has not only been expanded in size, but has been adjusted in ways to provide more practical support to actual farmers. First, there has been a decrease in the budget for nine projects by 203.1 billion won, including the variable rice subsidy program, which is less likely to be paid given the newly set target rice price (188,000 won/80kg) and local rice prices, and the disaster countermeasure expense, which is a type of reserve fund. Instead, there has been an increase in the budget for 31 projects related to practical income of farmers and farming management by 305.8 billion won, such as fixed amount rice subsidies and dry field farming subsidies, agricultural SOC for response to disasters, and support for public facilities for seniors in rural communities.

The details of the major projects with budget increase and adjustment are as follows. The amount of fixed rice subsidy per hectare has been increased by 100,000 won (from 800,000 to 900,000) (+86 billion won) for stabilizing the income and farming management of farmers. Farmers who cultivate feeds and food crops on paddy fields through double cropping in the winter season will be provided with the subsidy of 400,000 won per hectare (Paddy field farming subsidy: +45.3 billion won), and the subsidy for former farmers who closed up farming business, for example, due to the opening through FTA, has also been increased (+40 billion won). The interest rates of the funds for policies, such as the funds for farming successor training has been cut from 3% to 2%, and that for the fund for additional support for superior farming successors from 3% to 1%, as well as the fund for farming management revival from 3% to 1%, and for the farmland (farming) scaling project from 2% to 1%. For the newly introduced project for supporting public senior facilities in rural communities designed to provide community-led care services to seniors in rural communities, the fund for an additional seven free public bathhouses (+ 0.7 billion won) has been reflected in the

budget. The budget for the back-to-earth vitalization project has also been increased (+1 billion won) for vitalization of rural areas. To preemptively respond to frequently occurring natural disasters, there has been an increase in the budget for agricultural production infrastructure expansion projects, including repairs of irrigation facilities (+30 billion won), development of versatile agricultural service water (+5 billion won), drainage improvement (+ 5 billion won), and irrigation facility maintenance (+2.6 billion won). In addition, there has been an extra increase in the budget for expanding the distribution facilities in agrifood-producing areas (+2 billion won) and modernizing obsolete reserve bases and broadening their boundaries (+7.7 billion won), in an effort to support measures for improvement of distribution structure without problems. Also the budget for urban farming vitalization activities, including urban farming expositions and creation of urban vegetable gardens, has been increased (+0.6 billion won). The budget for control of livestock supply and demand has also been increased to reflect the increase in the cost for provision of milk at schools (increase by 50 won per 200ml) due to the raw milk price sliding system (+11.3 billion won).

Meanwhile, there was an uncertainty in the deliberation and processing of the 2014 budget due to the disagreement on the rice target price proposed by the government (174,083 won/80kg) among the ruling party, the opposition party, the government and the agricultural industry. To adjust the rice target price, the government formed a consultative group consisting of six members from the ruling party, the opposition party and the government and continuously discussed the issue with the lawmakers from both parties. The government also requested the understanding and cooperation of major agricultural organizations, including the Rice Farmer Association, Korean Advanced Farmers Federation, and Livestock Organization Council, and as a result, was able to determine the rice target price as 188,000 won per 80kg under agreement between the ruling and opposition parties.

In line with this, MAFRA expanded the budget to practically support the rice industry and rice farmers. MAFRA decided to reduce the amount of variable rice subsidies, which are less likely to be provided to farmers in the next year given the rice price trend. Instead, it decided to increase the fixed amount of rice subsidies to 900,000 won per hectare (+86 billion won), provide the subsidy for rice paddy double crop in the winter season of 400,000 won per hectare (+45.3 billion won), expand support for rice consumption vitalization (+2.1 billion won) and decrease the interest rate of the funds for farmland (farming) scaling to 1%.

Keeping in mind that the confirmed 2014 budget has been assigned under challenging financial conditions such as insufficient tax revenues, MAFRA is determined to execute the budget smoothly without any problem. In particular, MAFRA will undertake field inspection of subsidy projects in the first half of 2014 and strive to supervise the execution of the budget carefully so that the intended policy objectives can be attained without any problem.

Date submitted: February 15, 2014

Reviewed, edited and uploaded: February 17, 2014