

Expanding support for agri-food export infrastructure in Korea

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The Korean government has prepared various support measures to ensure that Small and Medium Enterprises (SMEs) can actively respond to rapidly changing agri-food export environments. The Ministry of Agriculture, Food and Rural Affairs (MAFRA) will expand its export infrastructure support program and improve support methods to a large extent to stabilize the business of small and medium-sized agri-food exporters and improve their export competitiveness.

First, it will increase the superior agri-food purchase support fund to 420 billion won for companies that have a record of agri-food export or plan to expand the export of SMEs. Superior agri-food purchase fund has been increased from KRW 387 billion in 2013 to KRW 420 billion in 2014. It is an 8.5% increase from the previous year. In particular, the fund required by smaller SMEs will be recognized up to 90% of the previous project cost, up from 80%, and these SMEs can be financed up to three times their previous year's export amount, and also use a new program for small loans of less than 30 million won.

Additionally, to provide more effective damage compensation to exporters who suffer from the prolonged low yen trend, it will introduce "full coverage optional exchange risk insurance" with compensation conditions better than the existing insurance program. The existing exchange risk insurance provides compensation for only part of an export loss when the exchange rate drops and collects the export profit when the rate goes up. On the contrary, the new insurance program provides unlimited compensation for export loss and remits the redemption of export profit.

In order to ease the burden of cost and non-tariff barrier for SMEs, MAFRA will also increase the support ratio of export agri-food certification/registration program from 70% to 90%. It is for supporting SMEs to acquire certification and registration obligations required to export to certain countries, including Halal certification and other international certifications. In particular, it expanded the joint logistics vitalization program that provides discount of transportation fee and incentives so that SMEs can benefit from the program. The routes with discount of transportation fee under joint logistics vitalization program has increased from 20 routes of seven countries in 2013 to 30 routes of 11 countries in 2014. MAFRA said, "The government expanded the infrastructure support program so that agri-food exporters can enter into the overseas markets with more agri-food items. This move is expected to improve the value of the Korean agri-food and contribute to developing new markets."

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