Farmland Bank and Young Generation of Farmers in Korea

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I. Introduction Background of Professional Rice Farmers and FB
1. Aging and the Decline of Farm Labor

Due to rapid industrialization in Korea, and as agricultural population decreased with the society going through aging, farm labor declined both quantitatively and qualitatively.

<table>
<thead>
<tr>
<th>Classification</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Household</td>
<td>2,155</td>
<td>1,767</td>
<td>1,383</td>
<td>1,142</td>
</tr>
<tr>
<td># of Farm Population</td>
<td>10,827</td>
<td>6,661</td>
<td>4,031</td>
<td>2,847</td>
</tr>
<tr>
<td>Aging Rate*</td>
<td>6.7</td>
<td>11.5</td>
<td>21.7</td>
<td>37.3</td>
</tr>
</tbody>
</table>

* Aging Rate: proportion of population aged 65 and above among whole population
2. The Decline of Farmlands

- **Cultivated acreage, such as rice growing area**, which is another element of production, decreased

<table>
<thead>
<tr>
<th>Classification</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivation Acreage</td>
<td>2,196</td>
<td>2,109</td>
<td>1,889</td>
<td>1,711</td>
</tr>
<tr>
<td>- Rice Paddy</td>
<td>1,307</td>
<td>1,345</td>
<td>1,149</td>
<td>964</td>
</tr>
<tr>
<td>- Upland Fields</td>
<td>889</td>
<td>764</td>
<td>740</td>
<td>747</td>
</tr>
<tr>
<td>Rice Cultivation Acreage</td>
<td>1,994</td>
<td>1,669</td>
<td>1,317</td>
<td>843</td>
</tr>
</tbody>
</table>

unit: thousand ha
3. The policy of rearing professional rice farmers

- This policy is to sell and rent the farmlands to professional rice farmers through Farmland Scale-up Project, Trusting Farmland Lease Project, and Reserving Farmland Purchases Project of farmland bank program, thereby enlarging the income of professional rice farmers through farm size expansion.

- Conditions for Selection: one must be a farmer of age 55 or below, with farming experience of more than 3 years and a farm size of 2.0ha or above (About 63,000 farm households have been selected until 2014).
4. Farmland Bank Program

- The purposes of the farmland bank program are to achieve the optimal size of farmland scale, efficient usage of farmlands, improvement of the agricultural structure and the stabilization of the farmland market.

- Major projects
  - Farmland Scale-up Project and Orchard Scale-up Project
  - Reserving Farmland Purchases Project
  - Trusting Farmland Lease Project
  - Direct Payment Project for Early Retirement of Aged
  - Farmland Pension Project
  - Farm Household Revival Project
Outline of Farmland Bank Project

- Households
- Firms

Money

Bank

Money

Households
Firms

Deposit, Loan ...

Farmland Scale-up, Trusting Farmland Lease, Farm Household Revival Project, etc

Farmland owner

Farmland

Farmland dBank

Farmland

Farmers, New Farmers
History of Major Projects

- Direct Payment Project for Early Retirement of Aged (1997~)
- Farmland Scale-up Project (1990~)
- Farmland Pension Project (2011~)
- Orchard Scale-up Project (2004~)

Farmland Bank
(Farmland management complex)

- Reserving Farmland Purchases Project (2010~)
- Trusting Farmland Lease Project (2005~)
- Farm Household Revival Project (2006~)
II. Main Contents of the Projects
1. Farmland Scale-up Project

- The project is to raise enlarged and specialized farmers and to achieve “the land-to-the tiller principle” by Farmland Trade Project, Long Term Farmland Lease, Division-and-junction of Farmland Project.

- The project lets KRC buy or rent farmland from its owners, and sell or lease the farmland to professional farmers.
- **Target lands**
  - Farmland Trade Project: rice paddy and upland fields within the agriculture development region or being land-consolidated
  - Long Term Farmland Lease: rice paddy and upland fields in rural areas

- **Eligible persons:** selected as to be raised into professional farmers aged under 64 with more than 1.5 ha rice paddy fields

- **Maximum support**
  - Farmland Trade Project
    (Price) rice paddy fields and upland fields: 10.6 US $/㎡
    (Area) 10 ha including existing area, 20ha in case of corporation
  - Long Term Farmland Lease Project: no limit

- **Condition of repayment**
  - Farmland Trade: in installment with 1% annual interest for 15~30 years
  - Long Term Farmland Lease: in installment with interest free for 5~10 years
2. Orchard Scale-up Project

- The project is focusing on purchasing and leasing orchard to scale-up and collectivize fruit-growing farms to strengthen competence and adaptability of market opening.

- The progress includes KRC buying or renting orchards from the owners, and selling or leasing them to the farmers.
● Target lands: Orchards within rural areas

● Eligible persons: one must be 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

● Maximum support
  - Buying and Selling the Orchards:
    (Price) 12.1 US $/㎡,  (Area) 5ha in case of fruit farming, 10ha in case of agricultural corporation
  - Long Term Orchards Lease Project : 5ha for fruit farms, 10ha for agricultural corporation

● Condition of repayment
  - Farmland Trade: in installment with 2% annual interest for 15~30 years
  - Long Term Farmland Lease: in installment with interest free for 5~10 years
3. Trusting Farmland Lease Project

- This project is to promote efficient usage and stable management of farmlands and to contribute to farmland scale-up for farmers.

- The project allows farmland owners to sell or lease their farmlands to KRC, and KRC to sell or lease the farmlands to other farmers or agricultural corporations.

- Target lands: farmland within rural areas

- Commission: 5% of rent
This project is to buy the farmlands owned by farmers willing to retire, leave or change jobs due to age or health concerns, in order to improve agricultural structure and to stabilize farmland market.

The project lets KRC buy and own quality farmlands and lease them to returning farmers, professional rice farmers.

Target lands: rice paddy, upland fields, and orchard fields within the agriculture development region.
5. Direct Payment Project for Early Retirement of Aged

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

- Eligible persons: 65~70 years old

- Target land: rice paddy, upland, and orchard field

- Transfer method: being sold to professional farmers younger than 60 years old and to general farmers younger than 45 years old, Also being sold or leased to the KRC

- Standard payment: 0.3 US $/㎡ yearly(3,000 US $/ha yearly)

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

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

- Method of payment: monthly
6. Farmland Pension Project

- This project is to secure farmlands owned by aged farmers and provide them with monthly pension to support their living. Furthermore, fluidized farmland asset would support aged farmers in order to expand and strengthen the social stability of rural area.
- The project lets KRC to set a collateral security to farmlands of elderly farm households, and to pay fixed amount of money monthly.
Eligible for register: 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) × (farmland area)
- Applying lower age between husband and wife

Receiving method: fixed type (5, 10, 15 years) or lifetime type (while alive)
7. Farm Household Revival Project

- 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 project allows KRC to buy farmlands of a farm household under management crisis, rent them to the farm household, and sell or lease them to other households when repurchase is unavailable.
Eligible persons: farmers (agricultural corporations) having more than 40% debts of total assets with being suffered from 50% damage caused by natural disaster or having debts over 30 thousand US $

Target lands: farmlands and agricultural facilities

Purchase price: appraisal and assessment price

Maximum limit for purchase price: 60 US $/㎡

Maximum limit for support: within the amount of debts

Rent cost: within 1% of the purchase price (farmland and facilities)

Lease period: 7 years, can be extended 3 years after evaluation

Buyback price: smaller amount between appraisal and assessment price and price with the 3% interest
Ⅲ. Record of Support and Accomplishments
### 1. Records for Each Projects

<table>
<thead>
<tr>
<th>Title</th>
<th>Area</th>
<th>Amount of Money</th>
<th>Misc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>253,806</td>
<td>10,214</td>
<td></td>
</tr>
<tr>
<td>Farmland Enlargement Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Purchase</td>
<td>169,519</td>
<td>6,960</td>
<td></td>
</tr>
<tr>
<td>- Lease</td>
<td>89,655</td>
<td>1,918</td>
<td></td>
</tr>
<tr>
<td>- Exchange &amp; Amalgamation</td>
<td>1,791</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Reserving Farmland Purchases</td>
<td>3,192</td>
<td>686</td>
<td></td>
</tr>
<tr>
<td>Orchard Enlargement Project</td>
<td>3,443</td>
<td>315</td>
<td></td>
</tr>
<tr>
<td>Farm Household Revival Program</td>
<td>6,845(persons)</td>
<td>1,684</td>
<td></td>
</tr>
<tr>
<td>Farmland Pension</td>
<td>3,963(cases)</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Direct Payment Project for Early Retirement of Aged Farmers</td>
<td>101,624(persons)</td>
<td>495</td>
<td></td>
</tr>
<tr>
<td>Trusting Farmland Lease Project</td>
<td>77,652</td>
<td>Non budget</td>
<td></td>
</tr>
</tbody>
</table>
2. Rearing Professional Rice Farmers

- As farm size of each household enlarged, 51% of rice growing acreage in Korea was cultivated.
  - Ratio of Professional Farmers’ Cultivating Acreage: ('04)28%→('14)51%
  - Farm Size of Each Household : ('95) 2.5ha → ('04) 3.9ha → ('14) 6.0ha

- Major Accomplishments
  - The average income of professional rice-farming household is 63,090 US $, reaching 114% of urban workers’ income of 55,270 US $
  - Farm households with more than 5ha have saved 22.1% of direct cost compared to the nationwide cost
  - Rearing young farmers who are able to lead agricultural society: 73% of rice professional farmers are less than 50 years old.
    * percentage of nationwide farm manager above 60 years old is 67.3%
3. Farm Household Revival Project

- Two Main Effects of the Project
  - First, by preventing auctioning, 555.6 million US $ (81 thousand US $ per each household) worth of assets were saved from being lost; 555.6 million US $ = 1,683.5 million US $ (supporting fee) – 1,127.9 million US $ (applying farmland auction price 67%).
  - Second, the cost of interest showed a decline of 202.1 million US $ yearly (30 thousand US $ per household) by offering relatively cheaper farmland rent instead of using high interest debt
    
    218.9 million US $ = 1,683.5 million US $(debt of the supported households) x 13% (interest)
    
    16.8 million US $ = annual rent cost (1% of the farmland price)
4. Effect of Farmland Pension Project

The average family budget expenditures of elderly farming households aged 70 and above were 19,915 US $, the net income was 13,852 US $. The shortage of 6,063 US $ was preserved with farmland pension of 10,200 US $
IV. Further Progress Direction
There’s a concern of decentralization followed by retirements of professional farmers formerly supported.

- There’s a concern for decentralization as the supported farmlands are inherited (the right of inheritance is equal among the children)

Therefore, to maintain current accomplishments, policies to prevent allotment of farmlands should be introduced. Methods to prevent allotment are the following:

- first, to give preference in tax rate in inheritance to a specific person in farming industry
- second, aiming to keep the success through preferential support for purchase of siblings’ quota in order to make one-person-inheritance
THANK YOU