

Agriculture Land Policies of Taiwan

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Preface

Agriculture is the foundation of a country and it holds a significant responsibility for its citizens. With the rapid growth of our global economy, agriculture GDP has decreased gradually; but, it is still one key industry every country is focused on for its development and growth. Many developed countries have focused on multi-functional agriculture, it emphasis not only food production; but also have advanced into the areas of environmental (habitat protection \ underground water replenishment, eco system protection, leisure scenery (agriculture scenery, and quality), value of public space (social, economic), and value of cultural heritage. When agriculture becomes multi-functional, the protection of agricultural land has to become multi-functional as well.

In Taiwan, the total agricultural land is less than 3 million hectares; over 800,000 hectares of agricultural land are flat with advantageous natural conditions which are considered suitable for farming. According to 2010 stats, around 810,000 hectares of farming land are utilized and total number of farming household was 780,000; average 1.1 hectares per farming household. This scale of farming was limited with higher costs, and sales price of products was not competitive, easily influenced negatively by the market condition. The average farming income per household was merely 22% of the total household income. In other words, farmers had to engage in non-farming work in order to compensate their income. Lower farming income has been one of the key contributors of the loss of farming labor resource which has decreased from 40% in 1971 to 13% in 2010. Table below shows the changes in agricultural structure between 1971 and 2010.

Table 1 – Agricultural Structure Changes between 1971 and 2010

KPIs/Year	1971	1981	1991	2001	2006	2010
Farming GDP to Total GDP (%)	12.90	7.33	3.68	1.90	1.61	1.64
Farming Size (Hectare)	902,617	900,062	884,443	848,743	829,527	813,126
Farmer Household (Unit)	879,005	847,997	824,256	746,812	756,366	776,725
Avg. Farming Size/ Household (Hectare)	1.03	1.06	1.07	1.14	1.10	1.05
Farming Population to Total Population (%)	39.74	28.13	20.46	16.93	14.18	12.85
Farming Income to Total Income (%)	-	26.37	21.38	18.51	21.46	21.83

Data Source: Summarized from Agriculture Statistics

At the earlier time, agriculture was the key industry in Taiwan, many other industries were facilitated by agriculture; as time goes, and many industries become key industries and no longer need to be facilitated by agriculture, agriculture became a weaker industry. In the past half century, different agricultural policies were set at different economic development phases, and the sole purpose of these policy settings was to adjust agricultural structure, promote farmers' income, and to enable development and growth. At the high level, three phases of policy settings to drive agriculture land reform, the first phase was to resolve the ownership of agriculture land; second phase was to expand the agricultural operation, land utilization and expanding land ownership; the third and current phase, which is policy setting, focuses on agricultural development, competitiveness and sustainability.

Agriculture land reform has been executed smoothly causing minimal problems in Taiwan. This accomplishment has been benchmarked by many other developing countries.

First Phase of Agriculture Land Reform – 1946 to 1982

Our founding father, Dr. Sun Yet-Sen, had the vision that the right of land ownership should be balanced, land should be fully utilized, and profit from the land should be shared fairly. During the 50s, in Taiwan, agricultural land was monopolized by the riches, food supplies were controlled by the riches, farmers were merely labor to the riches; the wealth disparity was significant, relationship between riches and farmers were tense. With the additional population who migrated from Mainland to Taiwan (after WWII which drove the demand of food to a higher level), it added more tension to the already tensed relationship. To achieve Dr. Sun's vision and stabilize the society, the policy setting was focused on 'Farming Land Owned by Farmers, Farming Land Used for Farming business', in other words, farming land cannot be owned by non-farmers and farming land cannot be used for non-farming business. Policies were set and reinforced to balance out the right of land ownership during this phase. The key policies were:

1. Maximum Rent of Land: on the annual basis, the rent cannot exceed 37.5% of the income of the main crop. This was to ensure farmers' income.
2. Land Rental with Option to Buy: farmers can rent farming land owned by government, with the option to purchase the land. This was to ensure land were not monopolized by riches, and providing farmers a chance to become business owners.

3. **Mandatory Land Resumption:** Government purchased farming land from land owners and deployed the land through 'Land Rental with Option to Buy' to the current farmers of the purchased land. With the 'Land Rental with Option to Buy' implementation, the number of farmers for the privately owned farming land decreased. Subsequently, the income level for the riches dropped, many farming land became idled, with this policy, land owners were able to off load idled land to the government.

At the same time, many agricultural infrastructure projects were implemented. They were: irrigation system, agricultural production improvement system (crops, fertilizer, pesticide etc.), tax system, and pricing improvement etc. During this period, the agriculture industry was also leveraged to groom other industries.

With the fast growing economy, social structure changed accordingly. GDP contribution from agriculture gradually declined and support to other industries were reduced as well. The anticipated outcome of the reform was achieved, agriculture land were no longer monopolized by the riches. But the unanticipated outcome of this phase was that, fragmentation of agricultural land since land were owned by many farmers, lack large scale of farming business. The traditional practice to pass down land to sons as inheritance, has added the complexity to the land ownership. The overall productivity and growth were limited. To respond to the fast growing economy and facilitate agriculture industry, the second phase of land reform was formulated to promote agricultural growth.

Second Phase of Agriculture Land Reform – 1983 to 2000

Fast growing economy, land fragmentation, oil crisis, food shortage and forward agricultural planning shaped the policies of this phase. For agriculture production, the focus was to ensure ample supplies for domestic consumption, expansion to agricultural ranch operation, and to improve operational efficiencies. The first phase of land reform created plenty of family owned farming entities, the overall traits were small lot, limited production, old fashion operation and difficult to implement modern operation or technologies to optimize production, improve income and to build a future for the community. The specific policies of this phase included:

- Long-term low interest commercial loan for ranch expansion (purchase of land, equipment etc.)
- Cooperative operation with agriculture associations

- Process improvement to expedite qualification of farming land
- Promotion of mechanical farming
- Consignment type of farming operation
- Elimination of inheritance tax when land passed down to one child
- Land owners reclaimed rented land under 37.5% policy for operational expansion

For the agriculture land management: the focus was to ensure 'Farming Land for Farming Business'. During the economic booming period, farming land heavily sought out for factory buildings, to avoid production loss, policies were established to prevent re-zoning of agricultural land and release of unusable agriculture land. The notable policies included are as follows:

1. Construction on Farming Land

The urgency to protect agricultural land was heightened during the 60s and 70s due to 1) the fast growing of population, non-agriculture industries, city development and commercial land requirements, which have caused high number of re-zoning of agricultural land; 2) oil crisis, food shortage at global level; 3) during this period, the domestic production of rice was compromised by natural disasters, and purchase from abroad was difficult due to the market condition. The thought leadership at the time was: farming production has to be self-sufficient first, to accomplish such a goal, protection of farming land must be mandatory, especially the premium land.

Existing policies of re-zoning of farming land were reviewed, based on food requirements, city development and resource utilization, policies were revised to reinforce 'Farm Land owned by Farmers, using for Farming Business':

- Tighten the re-zoning of agricultural land
- Agricultural land included in official land management
- Agricultural land owners should have farmer or farming entity

2. Release of Unusable Agricultural Land

As continuous monitoring and management of land utilization of the country, new policies were devised to support the release of unusable agricultural land. The specific policies included:

- To ensure continuity and wholesomeness of agricultural production, and environment, re-zoning of agricultural land needs to be executed as a whole, not arbitrarily.

- To ensure safety of habitat, water source and prevention of pollution, all required facilities to be re-zoned agricultural land and adjacent land need to be planned ahead of time.
- Re-zoning will be registered upon the completion of all required facilities by the new owner.
- Proceeds from the re-zoning will be divided evenly for central agricultural and local agricultural agencies.
- Cost of required facilities on the re-zoned land belongs to the new owner, cost of the required facilities on the adjacent land belongs to the new owner and local government.

The released land can be purchased by other industries, for different purpose. This policy provides a balance to the real estate market where prices for land were escalated, and the trickledown effect, a higher cost of living, has a much significant impact to all citizens.

These policies were devised to achieve land resource to be distributed properly, utilized fully and protect agriculture environment, to ensure a sustainable future.

Agriculture Land Policy Revision – 2000 to 2008

The first two phases of land reform achieved the goal of ownership alignment; however, the development of enterprise farming was limited by the tradition that farming land were passed down from the fathers to the sons. The average size of farming land was around 1.1 hectare per household; it lacked scalability and versatility; unable to compete with domestic non-agricultural industries, imported farming goods and foreign farming operations. In the past, to protect the farming land, qualification of farming land ownership was regulated to avoid unanticipated loss of agricultural productivity. Year 2000, a major policy took place, which widened the qualification, and allowed enterprise legal entities to be part of the farming community. Moving from 'Farming land, owned by farmers, used for farming business' to 'Farming land with expanding farming community, used for farming business'. This adjustment meant to attract the younger workforce introduce, new technologies, capital injections, and encourage & enhance business acceleration with progressive modern management. Another change was to rectify prior policy (Maximum Rent of Land - 37.5%), to allow leasee and lessor to negotiate on their own terms. Specific policy revision are as follows:

1. Qualification of Owning Farming Land

Farming land can be purchased, given as a gift or as inheritance; but it has to be used for farming business. As for legal entities, it has to be agricultural based business operation, to avoid agricultural productivity loss or re-zoning farming land; legal entities are regulated with

capital injection, technology implementation and promotion for competitiveness of agriculture.

2. Limitation on Dividing Farming Land

To prevent land fragmentation or re-zoning, the original policy stated that farming land cannot be divided, or transferred as sharing property except for inheritance, shared land can be divided only if it is 5 hectares and with the approval of the governing agency. The adjustment allows division if it is to support business operation, such as machine operation, irrigation systems etc.

3. Farming Land Development

To facilitate agricultural development and growth, agricultural land planning needs to be integrated and coordinated with the overall land planning of the country. There should be an outline of the total land requirements (for usable and unusable land) for agricultural business, and this must be identified. Re-zoning of land should be based on agricultural needs. Cadence to review land requirements and re-zoning should be conducted on an ongoing basis, all re-zoning requests should be reviewed and approved with appropriate governing agencies.

4. Building Construction on Agriculture Land

To prevent loss of agricultural land and fragmentation of land, policies for buildings on agricultural land, which were tighter before, were adjusted and can be clustered as a village or individual building. New policies apply to all requests of building on agricultural land.

5. Rejuvenate Land Contract System

To promote utilization of agricultural land and support agriculture ranch expansion, policies for land contract were revised as well. The key change was that the terms and conditions of land contract were determined by both leasee and lessor. Outdated practices were abandoned, such as: lessor pays a lump sum compensation fee to lessor when the land is returned. Real estate brokerage, specialized in agricultural land, was established to help facilitate the leasing operation.

6. Tax Benefits

Suspension of several tax transactions for agricultural land, such as: property tax, transfer tax, inheritance tax, gift tax, and land appreciation tax.

Third Phase of Agriculture Land Reform – Since 2009

The goal of the current stage of agricultural land reform is to be self-sufficient at the global level. Examining domestic agricultural structures when facing the worldwide shortage of energy, food supplies and increasing cost of raw material. Several key issues were identified: aging labor pool, farming land were fragmented, lack of scalable economical operations, high ratio of idled farming land, unregulated

random use of premium land, farming housing construction and free trading of farming land have caused fragmentation of agricultural land resource, and weakened the competitiveness of agricultural production. Four objectives have been identified: 1) Promote competitiveness, ensure food supply, and increase the domestic food safe stock and increase farmers' income level; 2) Rejuvenate idled farming land, assisting scalable enterprise level operation and promote sustainable operational development; 3) Maintain agricultural production zones, review agriculture land management mechanisms and guide reasonable using of agriculture resource; and 4) Establish management and feedback system based on classification of agricultural land, and identify unusable agricultural land or low productivity land.

To satisfy the goals and objectives, key reform focuses have been established:

1. Encourage early retirement for aging farmers, and lease out farming land to professional farming entities. Farming entity (the lessee) obtain interest free loan from Farmers Association, and make one lump sum payment to the retiring farmer (the leasor); later making installment payments to Farmers' Association, government will subsidize this implementation as well by paying the interest to Farmers' Association. The retiring farmer can enjoy retirement with multiple sources of income (farmers' social security, one-time payment and associated interest).
2. Leverage Bank of Agriculture Land as the platform to facilitate and support financial transactions of agricultural land related business:
 - Provides loans (personal to commercial) to special production zones, young farmers and farming enterprises
 - Support agricultural operational business (buy, sell and lease agriculture land, brokerage and information)
 - Orchestration of lease promotions, sales assistance and farmers benefit development
 - Provide a robust information system which supports information related to agricultural land, such as: resource, utilization, plans, management, training, and special production zone.
3. Establish classification of agricultural land, and outline required mechanisms for management, and feedback. Rational resource utilization based on defined class. Centralized assistance to targeted production zones, such as: Specialized production zones where specialties are developed with organized assistance from professional groups, total value chain resource development and consolidation to drive optimized cost and agricultural competitiveness.
4. Leverage Council of Agriculture (COA) to assist agriculture resource planning for different counties and cities, based on land attributes to evaluate the fitness for farming; release and re-zone the unfit lands form non-farming utilization.

Conclusion

Management and utilization of agricultural land has been a key subject for administration. During 1940s, agriculture was still the key industry of the country, many businesses were poorly managed and wealth disparities were significant. The key issue was the uneven ownership of agricultural land. Policies created during the time were to resolve the ownership issue, such as 'Farmers Owning the Land', 'Improvement on Agriculture Land Contract' for both private and public agricultural land. The focus of this period was 'Land Utilization'; competitiveness of agricultural land was not addressed. During the 1970s, with the development of multiple industries and major construction projects, economy development was the main focus during this period, and agricultural land played the role of land provider without any questions. On the 1980s, the second phase of agricultural land reformed commenced. The key focus was the development of large scale of farming, and drive productivity from effective utilization of land. During the 1990s, the focus was on the development of re-zoning of unfit agricultural land to protect farming land and better utilize unfit farming land.

During the 2000s, land reform was propelled by the emphasis of free trade, resource conservation, life style changes, new associate or secondary industry development, technology integration, and capital centric agricultural investment; agricultural land usage becomes diversified and faced increasing pressure. The land reform were focused on structural adjustments, a major overhaul of 'agriculture development policies' which included 'Farming Land Owned by Farmers', 'Farming Land Division, Consolidation' and 'Farming Housing Constructions'. This policy adjustment not only transformed land utilization, but also improved policy development and execution complexity.

Agricultural land development changes based on different economic stages, focused shifts accordingly.

Right now, Taiwan is focusing on the protection of premium land and associated environment, promotion of sustainable operation by resource integration and consolidation. This progressive focus is facilitated by policy refinement and execution of agricultural land; emphasis on land resource and capacity planning, maintenance of production zones on premium agriculture land, reinforcement of land contract service, rejuvenation of land usage, management and monitoring of agricultural land, better understanding of land utilization at any given time with information technology implementation, proper classification of agricultural land and resource, and development and execution of plan for investment on premium land.

(Reference data: 'Agriculture Land Policy' from Division of Agriculture Land of COA')

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