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Expansion of Foreign Agricultural Industry through Various Crops - Establishment of the five-year Comprehensive Plan for the 3rd Foreign Agricultural Resources Development (‘18~‘22) -

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ABSTRACT

MAFRA established a ‘Five-year Comprehensive Plan for the 3rd Foreign Agricultural Resources Development (‘18~‘22)’. This plan is to change the direction of foreign agricultural development into developing various crops, help the expansion of related industry, and support foreign expansion of agricultural companies to achieve securing national competitiveness of the agricultural industry and its future food supply base. The ministry will diversify support items for foreign expansion, strengthen inter-industry linkages by establishing a cooperative platform among agricultural companies. It will enlarge exchanges among the companies through business forum and will strengthen the provision of online information and professional consulting to support early settlement of the companies. MAFRA will promote Southeast Asia and northern area like Russia as a hub for foreign expansion. It currently has a plan to analyze and improve the domestic importation system of foreign food resources in case of a food crisis, and advance internalization of policies by diversifying fund support.

Keywords: MAFRA, five-year Comprehensive Plan, Foreign Expansion, Food Supply Base

INTRODUCTION

MAFRA (Ministry of Agriculture, Food and Rural Affairs) said that it has finalized its 『Five-year Comprehensive Plan for the 3rd Overseas Agricultural Resources Development (‘18~‘22)』, which aims to secure future food supply base and create growth engines of the agricultural industry through the expansion of the foreign agricultural industry. The ministry establishes and

implements ‘a five-year Comprehensive Plan for the Foreign Agricultural Resources Development’ every five years according to Article 5 of the Foreign Agriculture and Forest Resources Development Cooperation Act (establishment of a comprehensive plan). It has prepared a promotion system such as establishment of non-governmental organizations and foreign agriculture centers in the last 2nd comprehensive plan (‘12~‘17) and concentrated on establishing the food supply base such as securing foreign farmland and preparing for the instability of international grain supply and demand.

As the result, the foreign development area at the end of 2016 is about 76,700 ha, which has increased nearly 20% compared to 2012, and The amount of grain harvested from the development area is amount of food secured. The amount of food secured has more than doubled from 218,200 tons in 2012 to 426,100 tons in 2016 (Fig. 1).

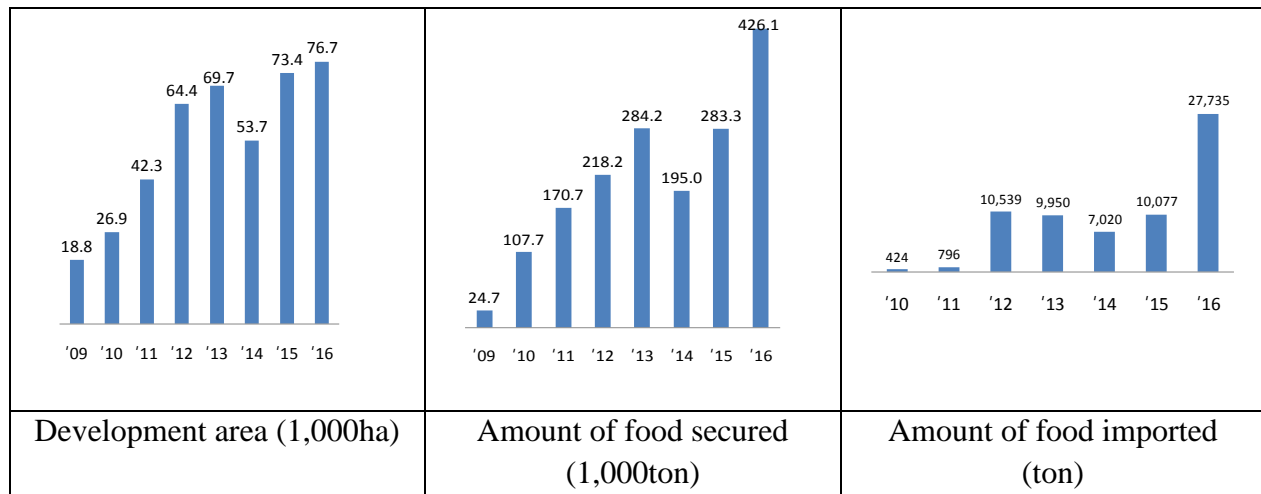


Fig. 1. Current status of the domestic companies entering foreign markets by year (‘09 ~ ‘16)

* Since 2009 was the early stage of the project, there was no import.

Nevertheless, the secured amount is significantly smaller than the nation’s total grain imports that have shown a limit to import substitution, and the companies are still having trouble settling abroad. The number of the active companies among the registered foreign agricultural development companies at the end of 2016 is only 38 out of 169 companies (settlement rate: 22%) (Table 1). For this reason, MAFRA has turned away from the traditional grain-focused development of the foreign farmland in this 3rd comprehensive plan (‘18-‘22). And the ministry has enlarged the number of items sold abroad and focused on the foreign expansion of the related industries such as agricultural implements. It has changed its company support policy from the existing cash-focused support to help in the ‘expansion risk management’ of companies such as pre-investigation, or exchanges among the companies. It aligned with the current government’s new northward and southward policies, the North and Southeast Asia are promoted as a main hub to expand the activity regions of the agricultural industry.

Table 1. The number of active companies among the registered companies for foreign agricultural development at the end of 2016

Country	Registered companies ('08 ~ '16)	Current Status of the Agricultural Companies				
		Active companies	Percentage (%)	Development area (ha)	Amount of food secured (Ton)	Amount of food imported (Ton)
29 countries	169	38	100.0%	76,726	426,141	27,735
Russia	13	9	23.7%	24,795	66,983	9,643
Cambodia	30	5	13.2%	12,932	218,950	15,182
Indonesia	20	4	10.5%	36,256	123,302	-
China	24	3	7.9%	97	7	-
Mongolia	11	3	7.9%	1,035	771	40
Vietnam	10	2	5.3%	90	2,030	2,000
Brazil	4	2	5.3%	575	1,001	-
Etc.*	57	10	26.3%	946	13,097	870

*Etc.: Myanmar, Kazakhstan, Kyrgyzstan, Chile, Australia, Madagascar, Uganda, Congo, etc.

Main tasks that are proposed to enlarge the foreign expansion of the agricultural industry are as follows.

TASKS FOR THE EXPANSION OF THE FOREIGN AGRICULTURAL INDUSTRY

Task 1. Expansion of the foreign agricultural industry and reinforcement of the inter-industry linkages

Related organizations will lead a community to expand exchanges among the companies that implement agriculture and the companies that expand abroad, and will establish a cooperative platform among the companies such as a conference, or a web-site for the exchange. Also, MAFRA will support companies (seeds, and fertilizers) that hope to expand abroad and utilize idle farmlands owned by the agricultural companies which already expanded abroad and use them as their agricultural examining offices. The ministry has planned to support some of the costs like rent costs and material costs for early adaption of the companies. At the same time, it has planned to diversify its advanced areas by providing priority support in foreign expansion funds to those companies that handle a large amount of imported food materials (*Food materials are raw materials with low domestic production and more than 80% are imported. The raw materials are starch, sugar, and oil, etc.)

Task 2. Support for the private sector's expansion into the foreign agriculture and its settlement

MAFRA will provide an opportunity to seek expansion and investment areas by preparing business forums for the agricultural companies. The ministry will set up a comprehensive support website for foreign expansion which provides information such as statistics related to foreign expansion, online application for policy business, and a consultation center. Also, it will form a consultative group at the place where there are many companies that expand abroad and will support information exchanges among the companies. After the consultative group becomes active, MAFRA will establish an agricultural support center to help the companies in

administration and solving difficulties.

Task 3. Promoting North and South East Asian Countries into foreign strategic locations (hubs)

The ministry will establish a base as a future food production base of Northeast Asia through investments and business expansion in the North area like Russia. It will hold a business forum among Korean and Russian agricultural companies, providing investment opportunities and pushing ahead with productivity improvement through seed development or breed adaptation test. (*joint breed adaptation test in Maritime Province between Korea and Russia: ('17) rice → ('18) rice, potato, corn). It will help the agricultural companies expand in the Southeast Asian area where farming conditions are relatively poor. This can be done through technology training support such as application of advanced farming and processing technologies in Korea with Official development assistance(ODA).

Task 4. Strengthening the food crisis response system and substantiality of policies

The ministry will suggest a realistic introduction plan in the domestic importation system of foreign agricultural resource when there is a food crisis. It will push ahead with strengthening the substance of policies through diversifying expansion funds and linking with domestic agricultural universities to help the companies in overseas intern recruitment and training. An official from MAFRA said that this 3rd foreign agricultural resource development comprehensive plan is meaningful because the existing grain-focused foreign farmland development is changed to diversifying items and the foreign expansion of the related industries. Also, the official said that based on this comprehensive plan, the implementation plan for the specific detailed tasks will be established gradually over the next five years.

CONCLUSION

The last 2nd comprehensive plan focused on establishing a supply base such as securing overseas farmlands. As of the end of 2016, the development area as the result was 77,600 ha. The amount of grains secured such as corn, soybeans and wheat reached 430,000 tons. This amount could replace about 3 % of Korea's total grain imports. This is a quite noticeable achievement in ten years of the expansion. There are, however, limits. First of all, the amount of food imported is remarkably small compared to the amount of food secured. Only 28,000 tons, (which is 6.5 % of the total amount), is entering the country. Also, the companies are still having trouble settling abroad. Therefore, MAFRA expects a lot from this 3rd comprehensive plan. If the plan is pushed forward properly, the ministry expects that the expansion of the foreign agricultural industry will enhance the international status of Korean agriculture through the transfer of the technology-intensive agriculture as well as securing a foundation for future food supply.

