



## **Recent Agricultural Policy Development in Korea**

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### **INTRODUCTION**

The Korean agricultural sector faces a number of challenges to be solved despite its rapid economic development. The Korean agriculture is characterized by small-sized family farming. Average farmland size is around 1.5 ha per farm which is the smallest among OECD member countries. Therefore the Korean agriculture has basically shown the comparative-disadvantage in agricultural production and has suffered from agricultural trade liberalization through WTO system and FTAs with major trading partners. Rapid industrialisation in urban areas and the migration of the young population from rural to urban areas have led to rural areas being economically left behind. The income gap between farm and urban households is a major policy concern in Korea. The level of the average farm household income declined to 65% of the average urban household income. Real farm income has been declining since the late 2000s as the growth in farm expenditure exceeds that of farm receipts. While the growth in non-farm income led to an overall increase in real farm household income, off-farm employment opportunities are limited in rural areas, in particular for the aged population. So the Korean government has made extensive efforts to support agricultural sector through various kinds of policy measures to tackle the challenges to be solved. Particularly, the new government which was launched in May 2017 made the five-year (2018~2022) development plan for agriculture, rural community and food industry.

The main policy goals of Korean agricultural policy are to improve the agricultural competitiveness, increase the farmers' income, and enhance the quality of life for rural areas and residents. The purpose of this paper is to overview the situation of the Korean agriculture and policy development which has recently been pursued by Korean government. The recent Korean agricultural policies which have been implemented by the Ministry of Agriculture, Food and Rural Affairs (MAFRA) are explained with introducing the vision of agricultural policy and major policy tasks mentioned in the five-year (2018~2022) development plan for agriculture, rural community and food industry.

## PARADIGM SHIFT IN AGRICULTURAL POLICY

The Korean government set up a five-year (2018~2022) development plan for agriculture, rural community and food industry at the end of 2017. The vision of this plan is to make a sustainable agriculture and rural community. In order to achieve sustainable development of agriculture and rural community, the paradigm of agricultural policy should be shifted to i) reflect new public values of agriculture and rural area such as preservation of environment and landscape, ii) expand the target of agricultural policy from traditional agriculture and farmers into agricultural related industries and consumers, and general public, iii) expand the scope of agricultural policy from primary agricultural industry into processed food and bio-industry, and iv) strengthen the role of local government for cooperative agricultural policy with central government.

The future agricultural policy will take into account public interest to include producers, consumers, and even future generations. In addition, the coverage of agricultural policy will expand beyond the production-oriented approach to encompass food system and related upstream and downstream industries of agriculture. In implementing agricultural policies, policy focus will be placed on improving value-added creation capability with establishing a cooperative system between central and local government for reflecting the differences in local agricultural environments.

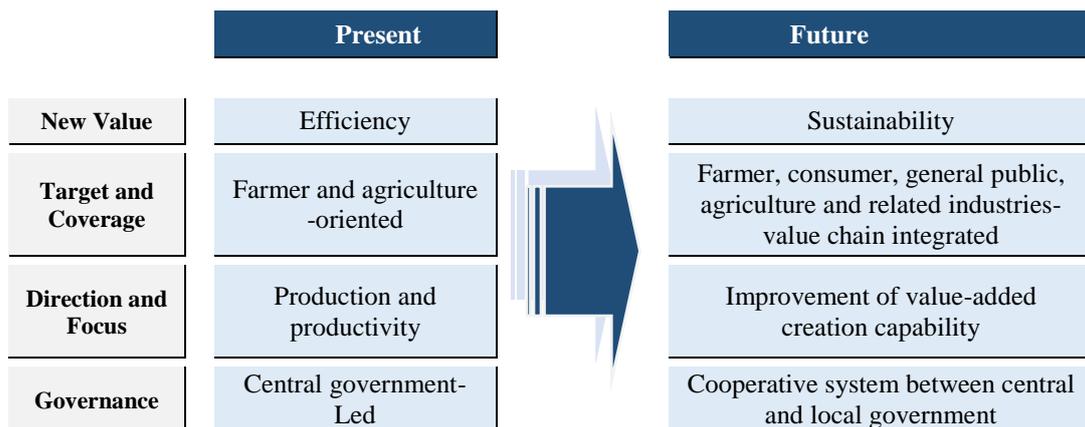


Fig. 1. Direction of Shift in Agricultural Policy Paradigm

Source: MAFRA, Five-year (2018~2022) development plan for agriculture, rural community and food industry.

## VISION OF AGRICULTURAL POLICY AND MAJOR POLICY TASKS

The new government which was launched in May 2017 made the five-year (2018~2022) development plan for agriculture, rural community and food industry as mentioned before. This plan set up the new vision of agricultural policy as “Securing the sustainability of agriculture and rural communities and providing healthy-safe food for the people.” Major policy tasks of this plan so as to achieve the vision could be summarized in four pillars: (1) Expansion of income safety net for farmers, (2) Strengthening the foundation for sustainable development in the agro-food industry, (3) Establishment of a safe food supply system for the people, and (4) Creation of vigorous welfare rural village that everyone wants to live in. The basic framework of this plan is to overcome the growth and income gaps between agricultural and non-agricultural sectors with enhancing the living standard in rural areas.

In this regard, the Korean government wants to build an effective system in which farmers are compensated in the market for their supply of safe, high-quality agricultural

products, while being compensated by the government for other multiple functions that are not valued by the market through direct payment and farm risk management programs such as agricultural insurance. Also, the Korean government seeks to increase agricultural competitiveness and find the new growth engine through strengthening the innovation capabilities in the agricultural and agricultural related industries. At the same time, the Korean government recognizes the importance of a stable supply of reliable and safe food to the public in the era of agricultural market-opening through many Free Trade Agreements (FTAs) with major trading partners.

So the basic goals of Korean agricultural policy is to i) provide a stable supply of reliable food to the public, ii) maximize the value creation capacities of agriculture and agricultural related industry based on sustainable environment-friendly agriculture system, and iii) allow for agriculture and rural communities to fully perform their multiple roles with creating more income opportunities by strengthening innovation capabilities and developing rural communities into places for national environment conservation and sustainable social development.

Vision	Securing the sustainability of agriculture and rural communities and providing healthy-safe food for the people		
<b>Four Major Policy Tasks</b>	(1) Expansion of income safety net	Expansion of the direct payment system	<ul style="list-style-type: none"> <li>◦ Strengthening the public service functions of the direct payment system</li> <li>◦ Introduction of Agricultural Environment Preservation Program</li> </ul>
		Strengthening farm risk management	<ul style="list-style-type: none"> <li>◦ Strengthening agricultural disaster support</li> <li>◦ Expansion of agricultural revenue insurance</li> </ul>
		Agricultural price stabilization and marketing innovation	<ul style="list-style-type: none"> <li>◦ Strengthening supply and demand stability</li> <li>◦ Expansion of price stabilization system in rice, vegetables, fruits, and livestock</li> </ul>
	(2) Strengthening the foundation for sustainable development in the agro-food industry	Strengthening agricultural innovation growth capabilities	<ul style="list-style-type: none"> <li>◦ Promotion of Smart Farming</li> <li>◦ The innovation of R&amp;D and convergence of high technologies such as ICT and big data</li> </ul>
		Creating jobs in agriculture and rural areas	<ul style="list-style-type: none"> <li>◦ Fostering future workforce such as start-ups for young people</li> <li>◦ Cultivation of bio-material, pet industry, etc.</li> </ul>
		Promotion of environmentally friendly agricultural and livestock industry	<ul style="list-style-type: none"> <li>◦ The spread of eco-friendly agriculture</li> <li>◦ Improvement of the livestock production environment</li> </ul>
	(3) Establishment of a safe food supply system	Establishment of a reliable food system	<ul style="list-style-type: none"> <li>◦ Establishing a national/regional food plan</li> <li>◦ Increasing the self-sufficiency rate of food items that are heavily dependent on imports such as soybeans</li> </ul>
		Strengthening food-safety management	<ul style="list-style-type: none"> <li>◦ Strengthening the prevention system for livestock diseases based on prevention</li> <li>◦ Strengthening preventive safety management such as GAP and HACCP</li> </ul>
		Supporting system for healthy diet	<ul style="list-style-type: none"> <li>◦ Introduction of the school fruit snack support system, etc.</li> <li>◦ Quality improvement of public food such as School Lunch Program</li> </ul>
	(4) Creation of vigorous welfare rural community	Making a beautiful and pleasant rural area	<ul style="list-style-type: none"> <li>◦ Integrated regional development considering environment and landscape</li> <li>◦ Utilization of forest as a welfare and recreation space</li> </ul>
		Improving quality of life for rural residents	<ul style="list-style-type: none"> <li>◦ Improvement of living conditions and welfare for rural residents</li> <li>◦ Enhancement of the status of female farmers</li> </ul>
		Revitalization of the local economy and rural community	<ul style="list-style-type: none"> <li>◦ Cultivation of social enterprises in rural areas</li> <li>◦ Promoting to increase the number of returning farmers and more people to live in rural area</li> </ul>

Fig. 2. Vision of Agricultural Policy and Major Policy Tasks

Source: MAFRA, Five-year (2018~2022) development plan for agriculture, rural community and food industry.

### KEY AGRICULTURAL POLICY CONDUCTED IN 2018

On January 29, 2018, the Korean Ministry of Agriculture, Food and Rural Affairs (MAFRA) announced its annual Work Plan for 2018. The Work Plan is to show the core tasks to implement in 2018. The main goals of 2018 MAFRA work plan are to expand the income

safety net for farmers and to increase jobs in the agro-food industry sector, with enhancing the quality of life for the rural residents. Also MAFRA is going to enhance the providing ability of the healthy and safe agro-foods to the people by thoroughly managing factors affecting food safety and natural environment from the stage of production. In order to achieve these goals, particularly MAFRA has implemented the following policy in 2018.

### **Expansion of Farm Income Safety Net**

First, the MAFRA plans to reduce rice cultivation areas around 50,000 hectares in 2018. It is a way to stop the vicious cycle of decreasing rice consumption, accumulating rice inventory and falling rice prices through achieving a rice supply and demand balance. Rice farmers who switch to another crops received KRW 3.4 million (approximately US\$ 3,006) subsidies for each hectare in case of planting other crops such as soybeans and feed grains instead of rice. This project is for stabilizing the rice price and income through reduction of rice production by promoting different crop cultivation instead of rice in paddy land.

Second, the MAFRA plans to intensify the vegetable price stabilization program for stabilizing the prices of horticultural products. This program is operated by the funds which are collected by central government (30%) and local government (30%), agricultural cooperative (20%), and farmer (20%) respectively. The target items under vegetable price stabilization program which was introduced in 2017 were four major products such as radish, oriental cabbage, garlic and onions. However items under this price stabilization program were expanded to include pepper, green onion, ginger, carrot, tomato, green pepper, and melon in 2018. If the price drops below the reference price which is the Olympic average price of the last five years, farmers would be guaranteed up to the 80 percent of the reference price.

Third, the government plans to reform the agricultural direct payment system for both enhancing the farmers' income and satisfying the public interests that the people expect to play a role and function of agriculture. The current direct payment system which has mainly focused on rice farming income compensation will be changed into the system of remuneration for creating public service in the name of public direct payment program. To do so, the unit direct payment per hectare will be increased to support agricultural activities that preserve environmental and social public benefit. The fixed direct payment programs in paddy fields, uplands, and less-favored areas are planning to be integrated up to 2022 years. However farmers who receive the expanded direct payment have to comply with strict mandatory obligations and cross-compliance for maintaining above the level for environmental and ecological preservation regulated by government. More specific guideline for new direct payment system to support agricultural activities that create environmental and social benefits will be made by the first half of 2019.

Fourth, the MAFRA has intensified the agricultural disaster insurance program through increasing the number of products covered and reinforcing the security level by disaster insurance program. The number of insured crops has been increased from 53 crops in 2017 to 57 crops in 2018. Buckwheat, broccoli, button mushroom, king trumpet mushroom have been added to new insured items in 2018. It is for strengthening the safety net for farmers by expanding the coverage of agricultural disaster insurance. The Korean crop insurance is a policy insurance subsidized by government. The government's share of total premium is 75% (50% by central government and 25% by local government). Thus, the insured farm generally only pays 25 % of the total insurance premium.

## **Strengthening the Foundation for Sustainable Development of the Agro-food Industry**

First, the MAFRA plans to expand the support for young farmers' settlement of farming and strengthen their ability to start-up businesses in the food and food service sector. The government will provide up to KRW 1 million (US\$ 884) per month to 1,200 selected young farmers for settlement support with comprehensive support for farmland, finance, and education. This is for attracting young people into agricultural industry through easing various difficulties faced by young farmers before and after starting their own farms.

Second, the MAFRA has expanded the smart farming in the era of the Fourth Industrial Revolution. Smart Farm is a farm that is automated for farming with the application of advanced technology. The target of smart farm area in Korea will be increased 4,510 hectares in 2018 and 7,000 hectares in 2022 from 4,000 hectares in 2017, mainly in greenhouse farming. Also the government has supported the supply of ICT equipment such as automatic water supply and feed machine through ICT convergence project for the smart livestock farming. As the government takes the expansion of smart farm as a national priority task, the government aims to create smart farms to 5,750 livestock farms (25% of the full-time livestock farmers) and 7,000ha of the greenhouse horticulture (70% of facility greenhouse area) until 2022. To do so, the government has supported the development of high value-added, technology-intensive farm management SW (Software) and standardization. R&D budget for smart farming has been increased from KRW 5.4 billion in 2014 up to KRW 33.6 billion (US\$ 30 million) in 2018. Also the government is advertising the successful performances and models of smart farms. With promoting the smart farming, it is expected that more quality jobs will be created in the agro-food industry in order to embrace various experts and a new influx of workers.

Third, the MAFRA plans to strengthen the agricultural R&D system focused on field-oriented projects. To do so, the voucher system of R&D support will be expanded, which is the system for farmers and farm-related company to choose research institutes to solve the difficulties in terms of R&D. Such a voucher type of R&D support has been significantly increased from KRW 3.4 billion in 2017 to KRW 15 billion (US\$ 13 million) in 2018. Also the government has focused its R&D resources on the following seven major areas: upland farming mechanization, development of functional foods, prevention of livestock disease, food safety, development of agricultural equipment and machinery, smart farm with application of advanced ICT technology. By supporting R&D and venture start-up, the government plans to create 13,000 new jobs in 2018.

Fourth, the MAFRA plans to provide opportunities for young entrepreneurs through nurturing core human resources in food processing and restaurant industry. The MAFRA has introduced a guarantee insurance policy to ensure the purchase of domestic agricultural products by small food company on credit which is able to buy domestic agricultural materials within the maximum KRW 50 million (US\$ 44thousand) per company. It is intended to strengthen the link between local agriculture and the food industry. In addition the government plans to create quality jobs by fostering high value-added industries such as seeds, agro-bio materials, insect, and animal medicines and vaccines industries. In order to foster these agricultural related industries, the government is going to abolish the barriers preventing young people from entering these promising industries.

## **Establishment of a Safe Food Supply System**

First, the MAFRA is planning to convert the current post-management system on agro-food safety into the pre-management system from the initial stage of raw agricultural production through reforming the safety license system. By reinforcing the agro-food safety management,

the government will improve the degree of safety satisfaction felt by consumers from 54.8 percent in 2017 to 58.5 percent in 2018 and 70 percent in 2022. It is a way to increase consumer demand for domestic agro-food products.

Second, the MAFRA will further increase the intensity of key factors' management on those which could make a huge effect on food safety during the production process, such as soil and water. To do so, the Korean government has strengthened the investigation into heavy metal residues where there is a possibility of land pollution such as abandoned mines and industrial zones. Also the government has intensified the soil fertility management as well.

Third, MAFRA will legislate the standardization of safe use of pesticides, if violations of safe use of pesticides have occurred, a heavy penalty will be imposed on producers. To do so, the government announced the adoption of Positive List System (PLS) for agricultural chemicals remaining in agro-foods, therefore in 2018, other relevant regulations will also be prepared until 2019. As to HACCP system, it will be mandatory in stages, and the government will lead the company and farmers to create hygienic breeding environment step by step from now on. Furthermore, the government has increased the type of animal antibiotics prescribed by veterinarians (32 types in 2018) and will strengthen the management of non-antibiotic authentication system.

Forth, the government plans to provide healthy agro-food to the public through conducting the National-Regional Food Program since 2019. It is for balancing the people's dietary habit and improving nutritional intake. Particularly, the government has provided fruit snacks to 6,000 primary schools (240,000 students) nationwide since 2018 in order to improve children's nutritional intake and these fruit-snacks are all processed by HACCP-accredited facilities. Also the government will develop the diversified diet education programs for enhancing the awareness of the importance of agriculture and building a balanced diet habit for young students.

Lastly, MAFRA will faithfully implement existing agro-food safety management systems. The government has conducted various kinds of certification systems, such as the environmentally-friendly agricultural product certification system, as well as Traceability System, the Good Agricultural Practices (GAP), and the Hazard Analysis Critical Control Point (HACCP) to ensure food safety. Policies to cope with growing consumer concerns about food safety have been intensified in Korea.

### **Creation of Vigorous Welfare Rural Community**

First, the MAFRA plan to conduct a project for the construction of a new vital rural villages and communities. The government plans to make better-to-live farming village up to 1,600 until the year of 2022. The government plans to expand rural infrastructure for improving living condition such as transportation, medical care, and education, and strengthen social safety networks for elderly farmers to realize livable welfare rural areas. For the effective implementation of development plans reflecting regional characteristics, the government plans to provide priority assistance to rural community that has signed the agreement with central and local governments. It is for promoting an inclusive balanced growth of rural and urban areas by creating basic living and welfare conditions.

Second, the government plans to enhance the quality of life for rural residents by providing more access to welfare services in rural areas. For example, rural transport services such as KRW 100 (US\$ 0.1) taxi will be expanded from the current 18 counties to the entire rural regions for improving transportation accessibility in rural areas. This 100 won taxi program is very popular and useful for rural residents because they could go anywhere in the same county for only 100 won payment. The difference between real fare and 100 won is

paid by government to tax company with mutual agreement.

Third, the evaluation amount of farmland will be increased in order to raise the access rate of farmland pension for elderly farmers. MAFRA will increase the monthly payment amount by adjusting the rate of farmland appraisal from currently 80% to 90% of farmland value. This will increase the monthly average payment of the farmland pension from the current KRW 1 million (US\$ 884) to KRW 1.13 million (US\$ 999).

Forth, the MAFRA will supports the revitalization projects for social economic activities in rural areas. The government is planning to carry out pilot projects to support the operation of programs and network for social agriculture such as rehabilitation program for the handicapped people, care services for the elderly people, vocational training programs, and job creation programs for the vulnerable people in rural area. Nine organization for social agriculture have received KRW 528 million (US\$ 467 thousand) from government in 2018.

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