



2019 Agricultural Budget in Korea

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INTRODUCTION

Government budget can be divided into budget and fund by the way it is managed. And there are two ways of financing a project: investment or lending. Government budget is divided into central government budget and local government budget, each of which can be subdivided into general account and special account. Since government budget in general refers to central government budget, our discussion here will center on central government budget.

A special account does not follow the principle of prohibiting the use of a budget for a specific purpose. It is a separate budget used to manage the operation of special policy programs. There are several special accounts in the agricultural sector. Public funds are linked even more strongly with specific programs and are managed separately by the agency responsible for the program. There are several funds operated by Ministry of Agriculture, Food and Rural Affairs (MAFRA). Included among them are the farmland management fund, the price stability fund for agricultural products, and the variable direct payment for rice income compensation.

For project expenditures other than the expenses incurred directly by the government, agricultural budgets are either utilized as direct investments by the government or related agencies or provided as loans to farmers. The loans for farmers are usually provided through agriculture related special accounts or funds, and are called policy loans. These funds are drawn from the national budget or commercial banks. The government sometimes only uses the method of compensating the interest rate gap between policy loan and commercial loan. This type of system places less burden on the government budget while providing low

interest loans to a large number of users, and it softens the competitive relationship between policy loans and commercial loans.

STATUS OF THE 2019 AGRICULTURAL BUDGET IN KOREA

The total national budget for 2019 is about 469.6 trillion won (US\$ 413.2 billion), which has increased about 9.5% compared with the last year budget, and among them, the amount of the budget for agriculture, forestry, fisheries and food sector is 20.03 trillion won (US\$ 17.6 billion). The agriculture, forestry, fisheries and food sector consists of four Ministries departments which are Ministry of Agriculture, Food and Rural Affairs(MAFRA), Ministry of Oceans and Fisheries(MOF), Korea Forest Service(KFS), Rural Development Administration(RDA), Ministry of Strategy and Finance(MOSF), and the last, Ministry of Food and Drug Safety(MFDS).

The budget of the Ministry of Agriculture, Food and Rural Affairs (MAFRA) for 2019 was 14.6 trillion won (US\$ 12.8 billion), up 1.1% (160 billion won) from 14.49 trillion won in 2018. MAFRA budget is 3.1% of the total national budget of Korean government.

Table. 1 Budget Status of the Agriculture, Forestry, Fisheries and Food Sector per Department

Unit: Trillion Won

Budget	2016 Budget	2017 Budget	2018 Budget (A)	2019 Budget (B)	compared with the last year	
					B-A	%
National Total Budget	386.4	400.5	428.8	469.6	40.8	9.5
◆ Agriculture, Forestry, Fisheries and Food Sector	19.3946	19.6221	19.7256	20.0303	0.3047	1.5
MAFRA	14.3681	14.4887	14.4996	14.6596	0.16	1.1
MOF	2.0321	2.1209	2.1573	2.2448	0.0875	4.1
KFS	1.9841	2.0111	2.0456	2.124	0.0784	3.8
RDA	0.9272	0.9161	0.9381	0.9404	0.0023	0.2
MOSF ¹	0.0592	0.0677	0.0824	0.0591	-0.0233	-28.3
MFDS (Food Safety)	0.024	0.0176	0.0025	0.0024	-1.0	-4.0

¹ lottery fund, national property management fund

General expenditure of the budget is 9.47 trillion won (US\$ 8.31 billion dollars) which has

Year	2015	2016	2017	2018	2019
Total	14.0431	14.3681	14.4887	14.4996	14.6596
Budget	8.6087	8.607	8.0762	8.5794	9.4757
Funds	5.4344	5.7611	6.4125	5.9202	5.1839

increased 10% from 2018. General expenditure of the funds is 5.1839 trillion won (US\$ 4.54 billion dollars) which has decreased 12.4% from 2018. The total expenditure reaches over 14 trillion won (US\$ 12.8 billion dollars). The increase rate of the total expenditure in agriculture from 2015 to 2019 is nearly 1.1%, well below 5.8% increase in the overall government expenditure.

Table. 2 Budget Trend of MAFRA over the past 5 years (2015~2019)

Unit: Trillion Won

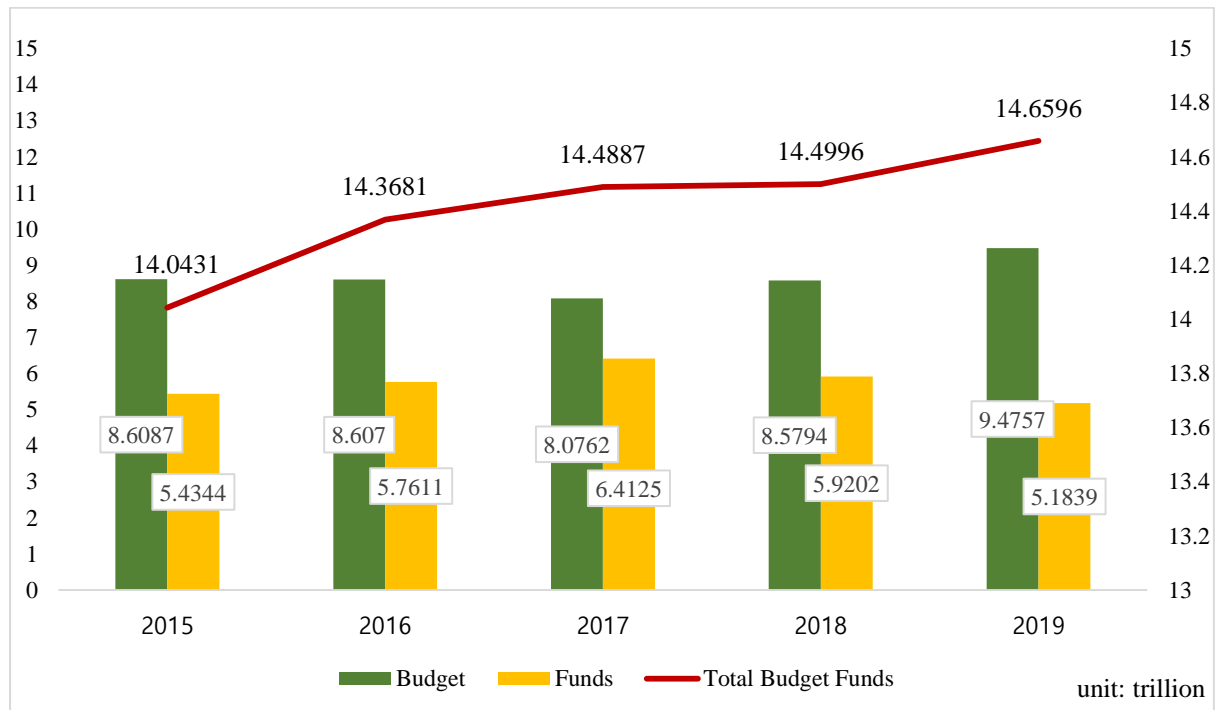


Figure. 1 Budget Trend of MAFRA over the past 5 years

From 2018 to 2019, the budgets were increased for innovative growth & strengthening constitution (5%), rural welfare & regional development (5.1%), grain management & distribution innovation (9.5%), and disaster preparedness & infrastructure improvement

(1.5%)., While farmer income & management stability (-12.3%), food (-0.4%), etc. (-0.3%) were decreased.

Table3. Changes in the budget of MAFRA from 2018 to 2019

Expenditure		2018 Budget		2019 Budget		compared with the previous year	
		(A)	Ratio (%)	(B)	Ratio (%)	(B-A)	%
Total		14.4996	100	14.6596	100	0.16	1.1
Sector	◇ Business expenses	14.0917	97.2	14.2321	97.1	0.1404	1
	▣ Agriculture & Rural Areas	13.3613	92.1	13.5048	92.1	0.1435	1.1
	Innovative Growth & Strengthening Constitution	2.9126	20.1	3.0587	20.9	0.1461	5
	Farmer Income & Management Stability	3.5176	24.3	3.0859	21.1	-0.4317	-12.3
	Rural Welfare & Regional Development	1.6538	11.4	1.7389	11.9	0.0851	5.1
	Grain Management & Distribution Innovation	3.3101	22.8	3.6249	24.7	0.3148	9.5
	Disaster Preparedness & Infrastructure Improvement	1.9672	13.6	1.9964	13.6	0.0292	1.5
	▣ Food	0.6954	4.8	0.6924	4.7	-30	-0.4
	▣ Etc.	0.035	0.2	0.0349	0.2	-1	-0.3
	◇ Basic Expenses	0.4079	2.8	0.4275	2.9	0.0196	4.8

CONCLUSION

Although the national total budget has increased about 9.5% compared to the last year, the agricultural budget in 2019 has increased merely 1.5% more than last year. The portion of the agricultural budget in the national total budget, therefore, has also shrunk to 3.1% this year from 3.4% of the last year. People who engage in agriculture strongly criticize the government because of the little increase in the agricultural budget which is only 1.5% well below 9.5% increase in the total budget. They are also worried that the poor treatment on the agricultural budget will continue after next year.

REFERENCE

Overview of the Budget and Funds Management Plan of the Ministry of the Agriculture, Food and Rural Affairs <http://www.mafra.go.kr/mafra/325/subview.do>