



## FFTC Agricultural Policy Platform (FFTC-AP)

Available online at: <http://ap.ffc.agnet.org/index.php>

### **The 3<sup>rd</sup> Food Industry Promotion Basic Plan - Proposing the vision of innovative growth in the food industry responsible for the health and well-being of the people –**

Byoung-Hoon Lee  
Assistant Professor  
Kangwon National University  
Department of Agriculture Resource Economics  
Ministry of Agriculture and Rural Affairs

#### **ABSTRACT**

The “Food industry promotion basic plan” is a mid-to long-term legally mandated plan which is established every five years, and is based on the ‘food industry promotion act’ which aims to strengthen competitiveness of the food industry and to promote the industry. MAFRA has comprehensively analyzed social and economic environmental changes and challenges to establish the 3<sup>rd</sup> food industry promotion basic plan for advance into the future industry. The ministry selected 21 detailed tasks in five major policy areas to increase value added and contribute to the development of the national economy through the enhancement of innovative capacities of the food industry. MAFRA is going to foster the future promising industries such as home meal replacement (HMR) preemptively, develop new technologies that correspond to the 4<sup>th</sup> Industrial Revolution, and lay a foundation for growth of related industries such as food materials and packaging. The ministry is going to create innovative ecosystem of food industry by supporting youth employment and founding, establishing performance-oriented R&D support system, and expanding agricultural food exports and overseas advancement. It is also going to support balanced growth of the food and the food-service industry by supporting the growth ladder of small and medium food companies, establishing a management safety net for the restaurant business, and finding cooperative and development models. Lastly, MAFRA is going to expand the consumption base of Korean agricultural food by fostering traditional food, traditional liquor, Korean food, and food tourism, and expand incentives for using domestic agricultural products.

## INTRODUCTION

MAFRA announced the “2018~2022 Food Industry Promotion Basic Plan (hereinafter referred to as the ‘basic plan’)” in order to develop the food and the food-service industry into a future industry. The basic plan is a legally mandated plan which is based on the ‘food industry promotion act’, and is established every five years the aim of which is to promote the food industry and strengthen its competitiveness. This basic plan will reflect changes in social and economic conditions based on achievements and evaluations 10 years after the food industry promotion policy was put into effect.

In the 3<sup>rd</sup> basic plan, MAFRA focused on innovative growth and job creation with a vision of ‘improving the value added of the agricultural food industry by enhancing the innovative capacity of the food industry and contributing to the development of the national economy’. MAFRA selected 21 detailed tasks in five major policy areas to create an innovative ecosystem in the food industry and to expand youth employment in the food and food-service sectors. In particular, unlike past plans, the focus of the basic plan is on enhancing the innovative power in the private sector and creating a sound industrial order through active response to changes in the social structure such as the increase of single-person households, and technological developments such as the 4<sup>th</sup> industrial revolution.

The policy goal of the plan could be separated into three main tasks. Firstly, MAFRA will try to develop the food industry into a future industry through creation of an innovative ecosystem in the industry. MAFRA looks forward to increase sales of the food manufacturing and food-service industry from about 176 billion dollars (85.5 billion dollars/90.5 billion dollars each) in 2015 to about 276 billion dollars (132.4 billion dollars/144.1 billion dollars each) in 2022. Secondly, MAFRA will increase incentives provided to the food manufacturing companies to make them use more domestic agriculture products. MAFRA plans to increase the usage of the domestic agricultural products from 5.19 million tons in 2016 to 6.9 million tons by 2022. For the last, MAFRA will foster promising fields and support employment, and start-ups to increase employment in the food industry (food manufacturing/food-service) from 2.33 million (0.34/1.99 each) in 2016 to 2.68 million (0.38/2.3) in 2022.

### **Importance of the food industry and its challenges**

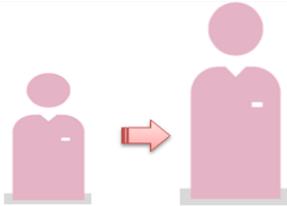
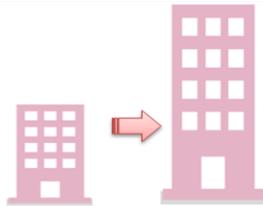
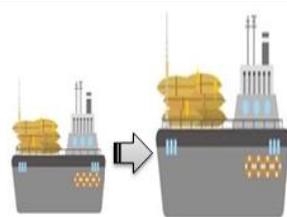
The food industry is a major consumer of Korean agricultural products and can lead the national economic growth as it is closely linked to not only agriculture but also to the front and rear industries such as culture and tourism.

The food and the food-service industry accounts for 43.4% (29.5 trillion won (US\$ 24.7 billion dollars)) in the total amount of purchase of Korean agricultural products (68 trillion won (US\$ 57 billion dollars)).

The importance of the food market is increasing gradually as the size of the food market is also growing rapidly in the Asia and the Pacific regions which are drawing global attention. The size of the domestic food industry has continued to grow over the past decades as MAFRA pushed ahead with its food industry policy in

earnest from the perspective of fostering and promoting it. Companies with sales of more than 1 trillion won were more than doubled from 8 companies in 2007 to 21 companies in 2016, and the number of employees in all industries also increased by about 35%. The international awareness of the taste and excellence of Korean food has also increased, which has led to a significant increase in the amount of agricultural food exports and overseas expansion of the food companies.

Figure 1. Main Objectives of the 3<sup>rd</sup> Food Industry Promotion Basic Plan

 <p>(2007) \$3.8 billion → (2017) \$6.8 billion</p>	 <p>(2007) 8 → (2016) 21</p>	 <p>(2007) 1.73 million → (2016) 2.33 million</p>
<b>The amount of agricultural food exports</b>	<b>Companies with sales of more than 1 trillion won</b>	<b>The number of employees</b>

However, the domestic food industry needs to make efforts to internalize the innovation drive throughout the industry as it has a large number of small businesses and is less productive and profitable than other industries. Companies with less than five employees had 86.1% of the total number of businesses, but only 28.2% of the total sales were made from them.

In addition, a survey by the industry and experts suggested that the government should actively respond to changes in the social structure such as low birth rate, aging, and increasing number of single-person households and to technological developments such as the 4<sup>th</sup> Industrial Revolution. MAFRA reflected these points in the basic plan and prepared detailed tasks and plans to nurture the food industry with global competitiveness to compete with the world.

## **MAJOR POLICY ISSUES FOR 2018-2022**

### **Fostering future promising industries in advance**

MAFRA is going to proactively foster promising fields such as home meal replacement (HMR), age-friendly food and functional food according to changes in consumption trends that focus on convenience and health. To foster new industries systematically, MAFRA plans to prepare legal grounds and industrial standards and expand R&D investments on basic technologies for maintaining quality. In particular, the ministry is going to review the introduction of a new system that lowers the entry barrier of functional food products, and actively seek and improve regulations related to new industries to make efforts to create new markets. Regarding the

fourth industrial revolution, MAFRA is going to select 10 next-generation technologies that have huge ripple effects in the food industry such as 'personalized food 3D printing' and 'future-type substitutes such as alternative meat' and invest in R&D about these. Food technology, which is currently active in mostly remote orders and delivery agencies, is going to expand its scope to smart kitchens and MAFRA is going to operate forums to activate food technology startups to prepare development plans.

In addition, MAFRA is going to prepare a system that can efficiently support food material industry so that it can utilize local specialties. For related industries, such as food machinery and packaging materials, MAFRA also plans to develop new industrial classifications to understand the exact status and expand investment for localization of food machines, development of smart packaging materials, and industrialization.

### **Creating an innovative ecosystem in the food industry**

The ministry is going to first support employment and founding of the youth to nurture talented people who will lead innovation in the food industry. MAFRA plans to expand practical training programs such as 'Youth Support Lab' and 'Youth Kiwoom Restaurant', and provide policy projects such as R&D and credit guarantees to food startups with priority. The ministry also plans to expand opportunities for home and foreign internships in connection with the conversion plan of non-regular workers to the regular so that talented young people can get a job in food companies. For young people with global competencies, MAFRA is going to provide opportunities to work in conjunction with leading agricultural food export companies and Korean restaurants overseas to explore emerging markets.

As the favorable atmosphere toward Korean culture is spreading, Korean agricultural products will be exported and Korean restaurant franchises will be expanded to foreign markets actively. MAFRA is planning to diversify export markets mainly in ASEAN with high growth potential by utilizing large domestic distribution businesses, global distribution channels, and local joint logistics networks that already have entered overseas. For fresh agricultural products, an export integrated organization is going to be fostered by an item and the export voucher system is going to be implemented to enable the business target to directly select the projects the target wants and receive support through package. MAFRA is also going to establish a system that supports Korean restaurant franchises to expand into foreign markets and prevent excessive competition in the domestic food-service industry. It is also seeking for the exports of food ingredients. In the case of the national food cluster, which was constructed at the end of last year, the ministry is going to preemptively visit companies of interest and attract more than 160 companies by 2022, and establish the cluster as a forward base of the food companies by strengthening the support needed by the companies such as an improvement of settlement conditions and solution of technical difficulties. Especially, MAFRA plans to establish the cluster as a mecca for the food startups by building a support platform to for startups for the youth by expanding 'Youth Startup Support Lab' and 'Food Venture Center'.

The ministry is also going to select innovative food companies based on R&D and foster them with a focus, and find inducement methods for vitalizing private R&D investments by discovering additional technologies that are subject to tax incentives. According to MAFRA, in addition to the Rural Development

Administration (RDA) and the Korea Food Research Institute (KFRI), strengthening cooperation among related agricultural food research institutes such as Foundation of Agri. Tech. Commercialization and Transfer (FACT) and food research institutes of local governments are going to increase efficiency of R&D promotion, and help vitalize technology transactions such as support for technology transfer expenses so that the technologies developed through the R&D support can enter the commercialization phase.

### **Supporting balanced growth of the food and the foodservice industry**

To overcome the poor industrial structure and instability of management in the food and the foodservice industries, MAFRA is going to help strengthen cooperation among companies and to reinforce policy support for excellent small and medium companies. Particularly, the ministry plans to find and spread a sound cooperative model that has divided roles among large and the small companies, and to establish a fair market order by encouraging development of cooperative franchises. By discovering and promoting distinctive and competitive foods centered on local governments and the private sector (about 5 foods every year), and expanding joint purchase of food materials, MAFRA is going to strengthen cooperation among local foodservice companies and expand support to create a stable business environment. The ministry is also going to introduce and implement a ‘one-on-one dedicated mentoring system’ for social enterprises, small and medium companies that are converged with agriculture, industry, and commerce, and small businesses. Excellent small and medium companies will receive necessary support such as small-sized R&D, packaging, design, and etc. in package forms.

To foster food industries which are evenly developed by region, MAFRA is going to choose a group of candidates for specialized industry by region and promote industrialization by utilizing competitive resources. After surveying the actual conditions of basic infrastructure by region, MAFRA is going to internalize pre-formed food complex (e.g. local specialized agricultural industrial complex) and research institutes for each item as a base for promoting and expanding local industries. Also, the ministry is going to select a group of candidates for a specialized industry through demand survey by local governments and support joint projects by establishing regional network among farmers, manufacturing and processing companies that produce specialized products.

### **Strengthening linkage between the agriculture and the food industry**

In order to promote joint growth of the agriculture and the food industry which is a major consumer of agricultural products, MAFRA plans to expand incentives for the food and the foodservice companies to use the domestic products. Purchase implementation guarantee insurance, which allows small food companies to purchase raw materials on credit, is going to be newly introduced this year. On the other hand, there will be an expansion of the creation of a farmer company linked production complex for processing agricultural products. This will be done along with the development of processing suitable varieties of the agricultural products to meet the needs of the food industry. By utilizing excellent dining areas in each region and a consultation group of Korean restaurants abroad as a window to increase consumption of the domestic agricultural products, MAFRA will try to make the growth of the food and the foodservice industry lead to expanded use of the domestic agricultural products.

MAFRA plans to expand domestic and overseas consumption of the Korean agricultural products by enhancing the competitiveness of traditional food, traditional liquor, Korean food, and food tourism. And then MAFRA is going to strengthen links with the front and rear industries such as agriculture, culture, and tourism. Based on scientific research, the ministry is going to increase competitiveness of the traditional food and liquor by establishing basic infrastructure such as ‘Korea Liquor Industry Institute (KLII, tentative name)’, ‘Microbial Institute for Fermentation Industry (MIFI)’. Additionally, MAFRA is also going to expand consumption base to include premium markets from mainly low-priced markets through market segmentation such as exploration of potential demands and development of various product lines.

As the brand value and awareness of Korean food has increased through the Pyeongchang Winter Olympics, which was recently completed successfully, MAFRA is going to continue to push for overseas expansion of Korean food culture and export of food materials based on the performance during the Olympics. Late this year, ‘the Korean Food Promotion act (tentative name)’ will be established to provide systematic support for the promotion of the Korean food.

### **Increasing consumer confidence in agricultural products**

Finally, to create an environment for safe food consumption, MAFRA is going to establish a mutual cooperative system with consumers, enhance understanding of the food industry, and expand opportunities for consumer participation in the policy process. The ministry is going to strengthen safety and quality control of raw materials (agricultural products) to final manufacturing and processing by enforcing education and consulting for small and medium companies in response to expansion of HACCP items<sup>1</sup>. To enhance the reliability of foreign consumers in the domestic agricultural products, the ministry is going to support overseas certification by cooperating with a foreign institute which has public confidence and test-run certificate system for excellent foreign restaurants.

### **Policy directions and major tasks for promoting the food industry**

The aim of the policy is to contribute to the development of the national economy and the enhancement of the value added by the agricultural industry through the improvement of innovative capacity in the food industry. The following table is a summary of the above.

Table 1. Major Policy Areas and Detailed Tasks

Name	Contents
------	----------

---

<sup>1</sup> 8 items including cookies and candy, bread, rice cakes, and beverages are additionally subject to HACCP by 2020

Fostering Future Promising Industries Preemptively	Fostering promising industries for future (e.g. HMR)
	Supporting commercialization and development of new technologies in response to the 4 <sup>th</sup> Industrial Revolution
	Establishing an effective support system for food material industry.
	Preparing growth base for related industries such as food machinery and packaging industry
Creating an Innovative Ecosystem in the Food Industry	Fostering innovative human resources through support for employment and start-ups in food and food-service sector
	Establishing a performance-focused support system for R&D
	Expanding agricultural food exports and overseas sales by strengthening global capacities
	Establishing a foundation to vitalize the national food cluster
	Establishing a customized information delivery system for the customers
Supporting Balanced Growth of the Food and the Food-Service Industry	Supporting growth ladder of small and medium food companies
	Establishing a management safety net for the restaurant business and supporting cooperation of the food-service industry
	Discovering and spreading cooperative development models of food companies
	Promoting the food industry that develops evenly by region.
Strengthening Linkage between the Agriculture and the Food Industry	Establishing a foundation for the food companies to expand their use of domestic agricultural products
	Facilitating processing by farmers and supporting sales platform
	Supporting development of the traditional food and liquor industry.
	Expanding consumption base of the domestic agricultural products through the Korean food and food tourism
Increasing Consumer Confidence in Agricultural Products	Expanding consumers' policy participation
	Establishing consumption base of the domestic agricultural products through dietary education and food support
	Strengthening preventive safety management
	Increasing foreign consumers' confidence in the Korean agricultural food

## CONCLUSION

The food industry, a major consumer of agricultural products, has been steadily growing under the first and the second basic plan for the past 10 years. However, the industry is less profitable than other industries as small businesses dominate the food industry and market environment has been changing sensitively due to low birth rate and aging. Also, the Korean food companies such as Daesang, and Nongshim asked the ministry for expansion of the government support for processed food export. In response, the third basic plan aimed at increasing the capacity of the food companies and creating sound industrial order in response to changes in social structure.

Through the plan, MAFRA will focus on coping with changing market conditions, and foster the food industry's own development capacities. Also, the plan will help MAFRA reinforce links between agriculture, consumers and the industry, which will be led to the increased global competitiveness of the Korean food industry.

## **REFERENCES**

Ministry of Agriculture and Rural Affairs, April. 02. 2018.

<http://www.mafra.go.kr/mafra/293/subview.do?enc=Zm5jdDF8QEB8JTJGYmJzJTJGbWFmcmElMkY2OCUyRjMxNzIyMyUyRmFydGNsVmllldy5kbyUzRg%3D%3D>