

Succession Decisions in Korean Family Farms

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Introduction

- The family farm sector relies heavily on intergenerational succession.
- However, in South Korea, farming is characterized by an ageing population with a low rate of entry by young farmers.
- Agricultural Census

	1990		2000		2012	
Farm households	1,767,033	100.0	1,383,468	100.0	1,151,116	100.0
with successors	289,520	16.4	151,503	11.0	103,039	8.9

Introduction

- Farm succession in the next generation has profound implications for the future structure of the agricultural industry and the procurement of agricultural human resources.
- Despite this necessity, there is a lack of interest in and support of farm succession in South Korea.
- Therefore, this study sought to investigate the relevant issues and explore supportive policies using the results of a questionnaire survey.

➤ **Survey subjects**

- farm operators, aged 45 years or older
- mainly cultivate paddy rice, food crops, vegetables, or fruits

* 45 years or older : the age farm operators begin to plan the succession of their adult children

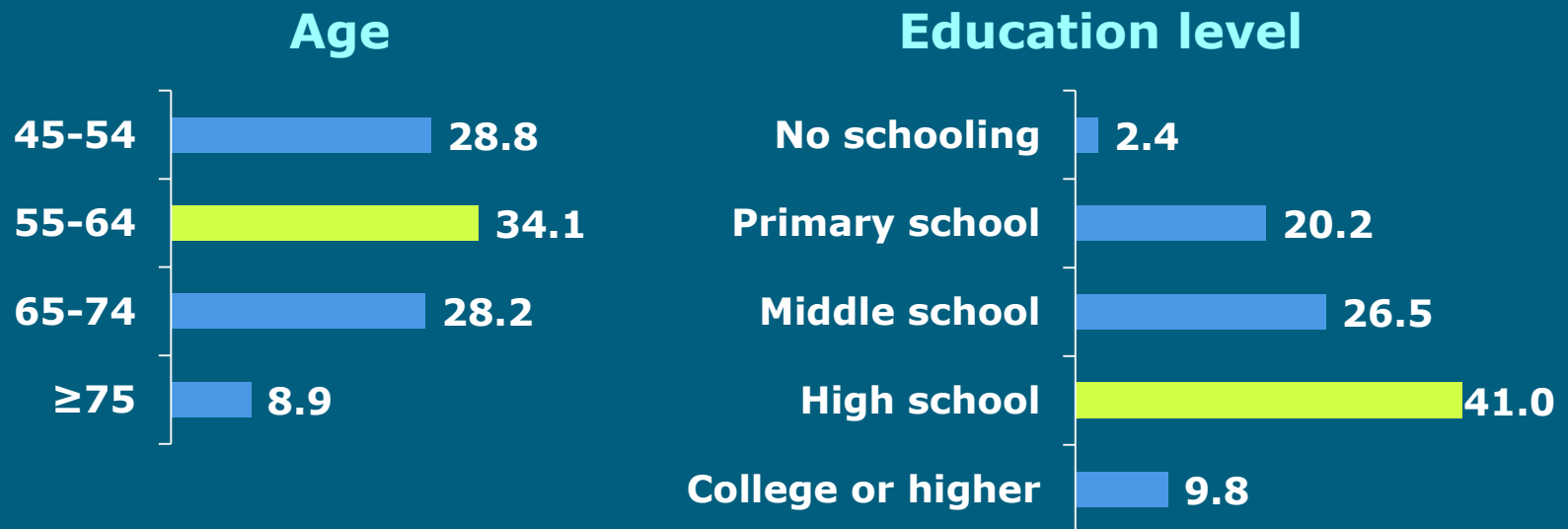
- Of a total of 630 questionnaires, 539 were used for analysis

➤ **Survey items**

- the presence/absence of a successor
- succession plan of the farming households with successors
- support measures for those without successors

➤ Characteristics of the respondents

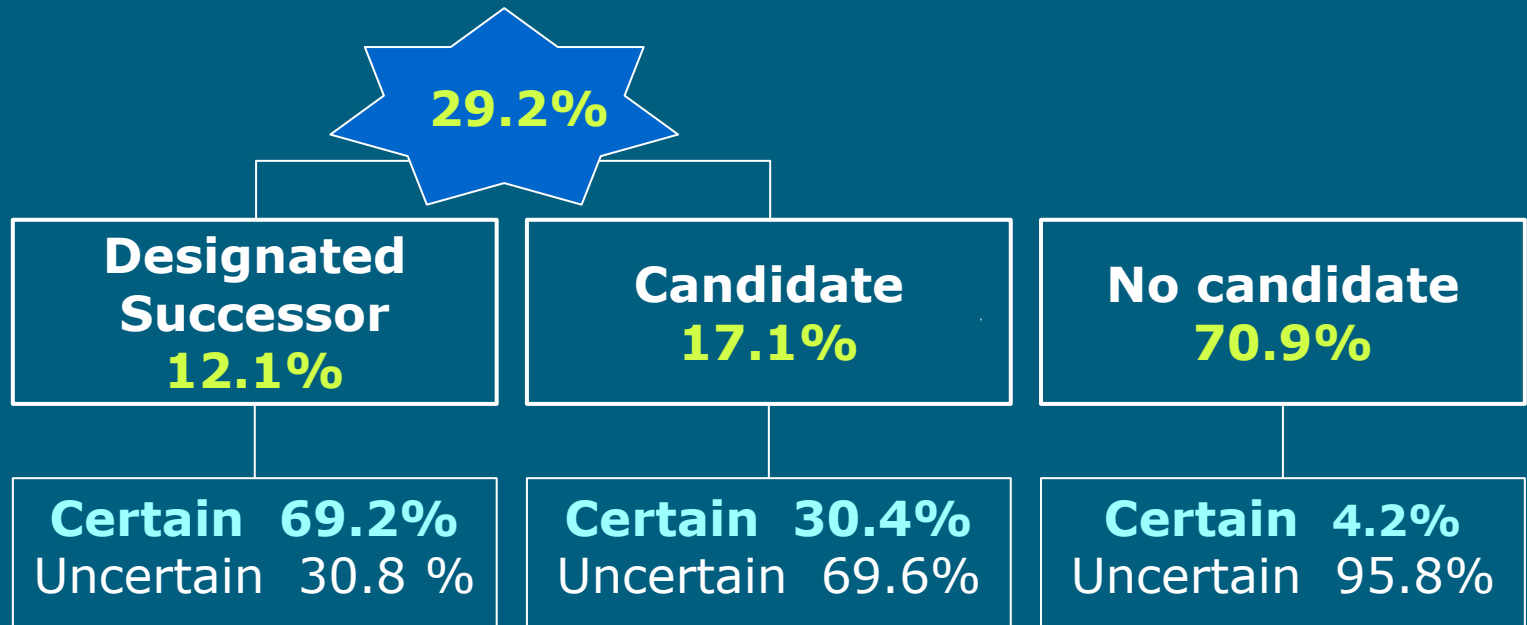
- The most dominant age group of the respondents was 55-64 (34.1%), followed by the group 65-74 (28.2%).
- Most of them were married (92.8%), most of them were male (90.5%), and the most common education level was high school (41.0%).



➤ **Characteristics of family farm management**

- The proportion of the main crop, namely, paddy rice, food crops, vegetables, and fruits, ranged between 24.1% and 26.5%.
- The most frequent size of their cultivation area was **3ha or larger** (27.5%).
- Most households were **exclusively engaged in farming** (74.2%).
- The most frequent number of years **of farming experience** cited was **30-39** (28.9%)
- A high proportion of respondents had **family farming career from their parents** (46.8%)

➤ Characteristics of farm succession



➤ Characteristics of farm succession

- The distribution of the presence/absence of successor by variable did **not** show any **significant** differences for **acreage under cultivation, annual sales proceeds, income source, and family farm career.**
- The variables **significantly** associated with the presence/absence of a successor were:
 - **age** : aged 75 years or older
 - **crop type** : fruits
 - **real estate property size** : $1 \leq R < 2$ ha, ≥ 3 ha

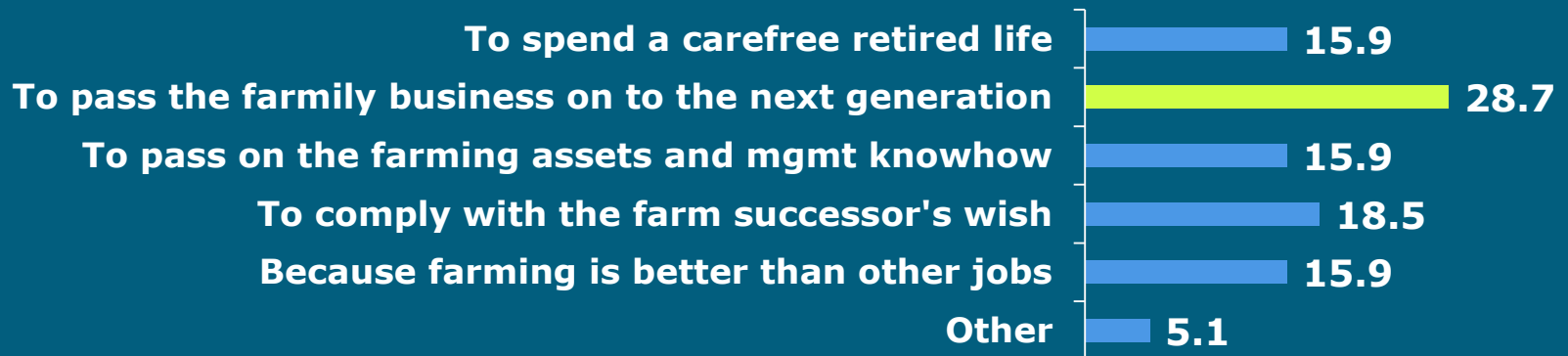
➤ **Farm succession planning at the farm households with successors**

characteristics of successors

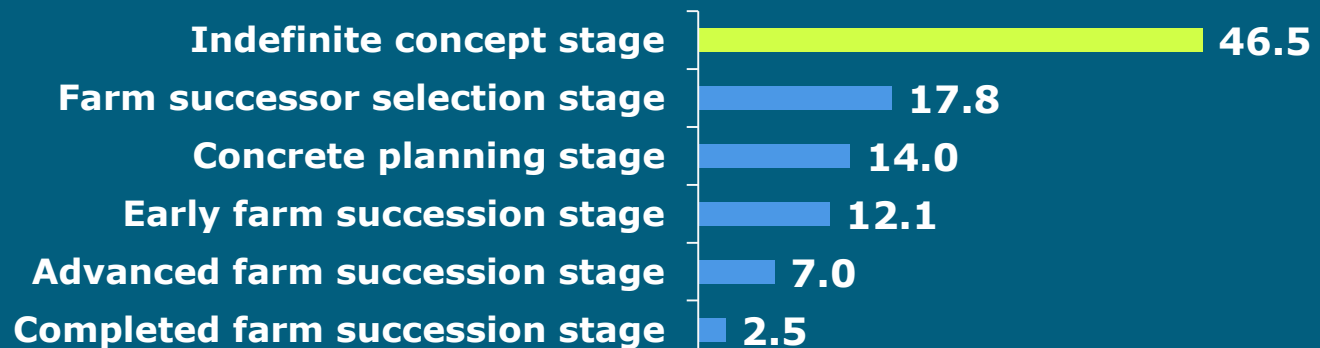
- **intra-family** 93.6%, of which 67.3% **first-born children**
- **male** 98.7%, average age **37.5 years**
- dwelling together 28.0%, dwelling **separately** 72.0%
- 58.6% of the successors were engaged in **business sectors** other than agriculture
- 49.7% of the successors participated in agriculture in the form of **occasional help** at the farms
- 13.5% of them **studied agriculture** (agriculture-related vocational high schools, junior colleges, and faculties)
- average number of **years of farming experience** was **5.7**

➤ Farm succession planning at the farm households with successors

Reasons for farm succession

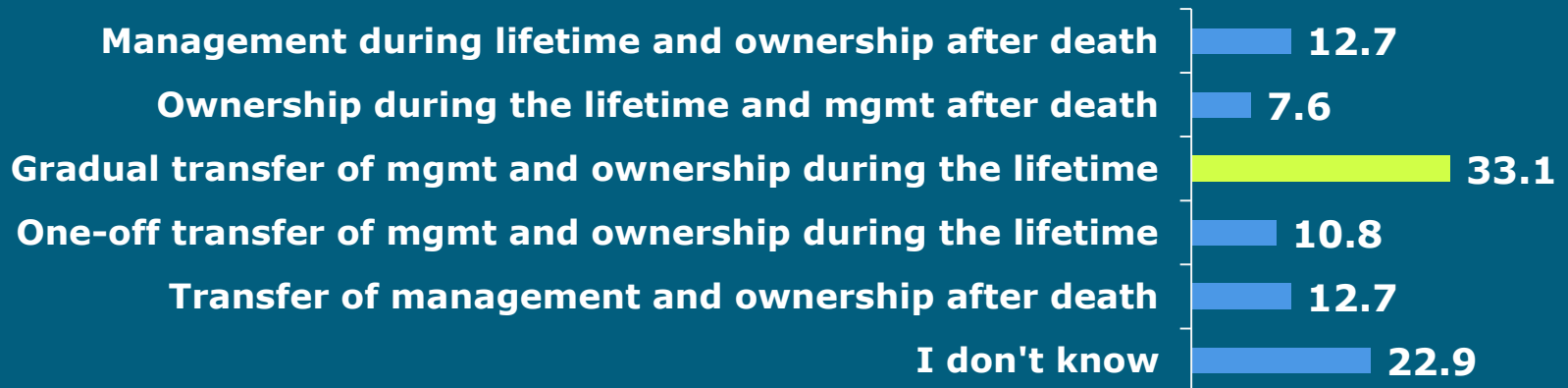


Current succession stage

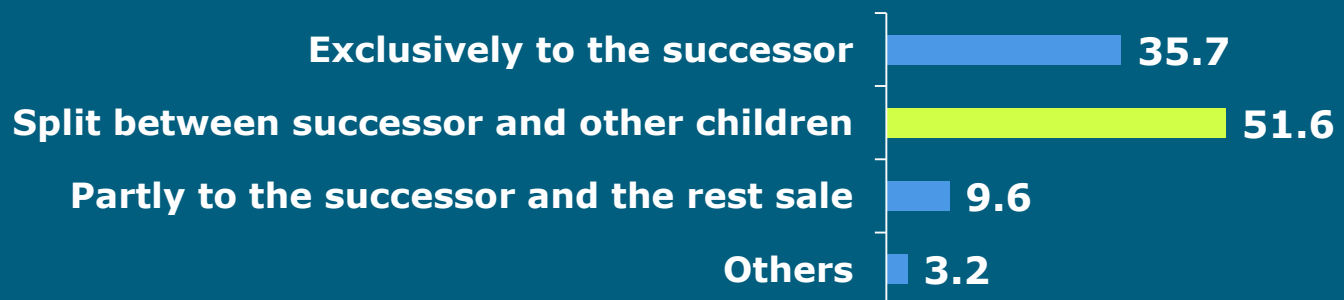


➤ Farm succession planning at the farm households with successors

Preferred timing for farm succession



Farmland succession planning



➤ Farm succession planning at the farm households with successors

Category		Current farm succession stage (%)					
		Indefinite concept stage	Successor designated stage	Concrete planning stage	Early transfer stage	Advanced transfer stage	Completed transfer stage
Age of the operator	45-54	69.2	7.7	7.7	11.5	3.8	0.0
	55-64	52.1	12.5	25.0	8.3	2.1	0.0
	65-74	41.8	21.8	10.9	5.5	14.5	5.5
	≥75	25.0	28.6	7.1	32.1	3.6	3.6
Age of the successor	<20	66.7	33.3	0.0	0.0	0.0	0.0
	20-29	67.9	7.1	14.3	10.7	0.0	0.0
	30-39	50.0	8.9	25.0	8.9	5.4	1.8
	40-49	32.7	28.8	7.7	13.5	11.5	5.8
	≥50	38.9	27.8	0.0	22.2	11.1	0.0

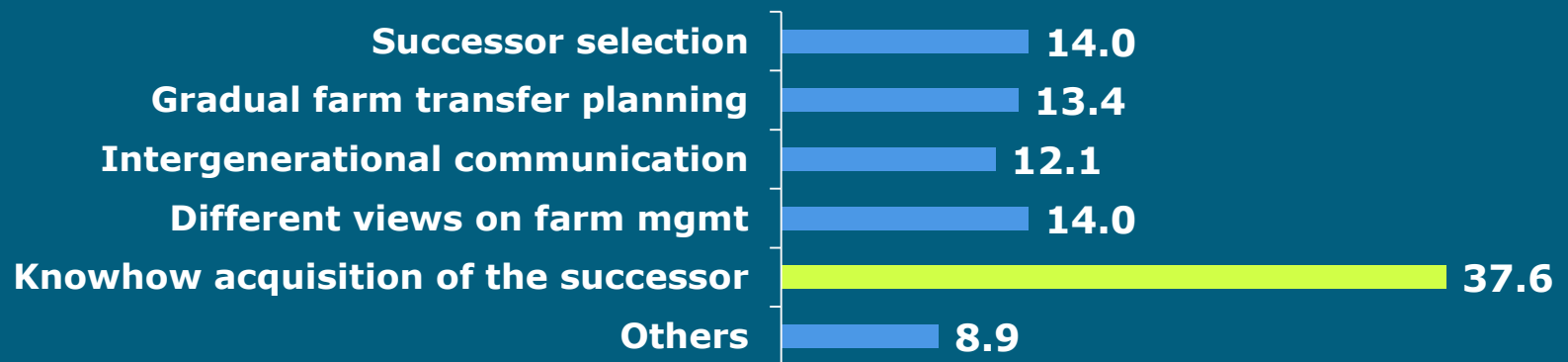
➤ Farm succession planning at the farm households with successors

- average age for the expected completion of farm succession : 74.5

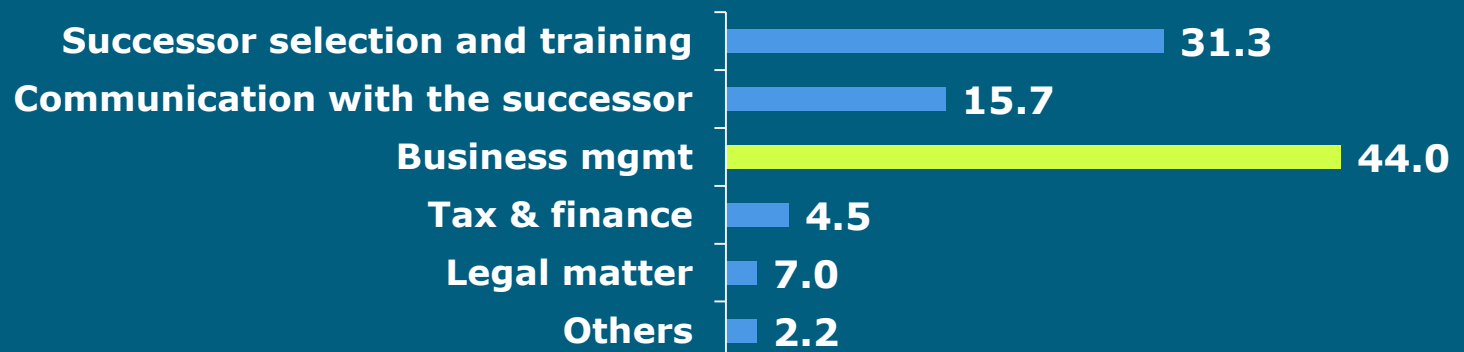
Category			%
Timing for Farm Succession completion	Expected age for completing the farm succession	<65	1.3
		65–69	3.8
		70–74	8.3
		75–79	16.6
		≥80	10.2
	Unable to foresee		58.0
	Already completed		1.9
	Total		100.0

➤ Farm succession planning at the farm households with successors

Difficulties related to farm succession



Required assistance area

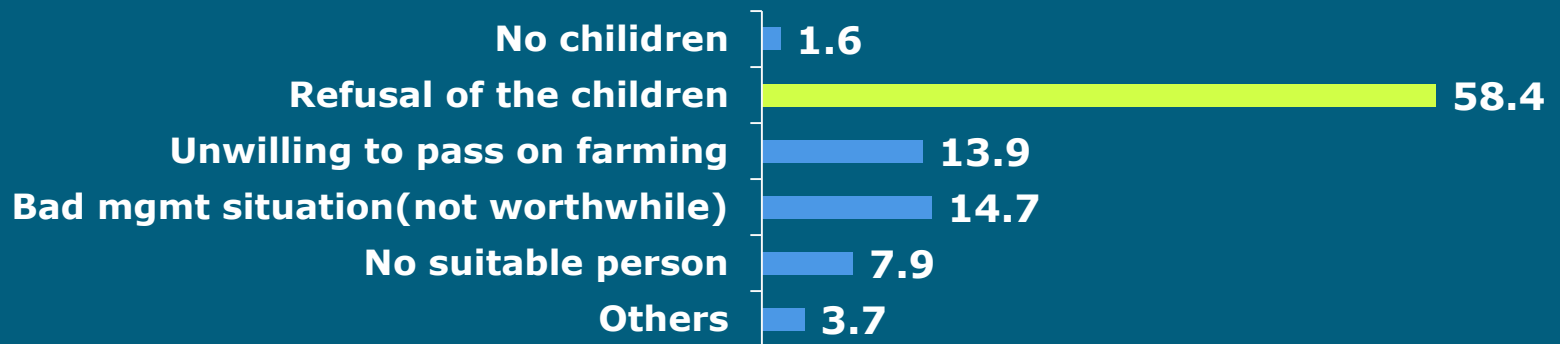


Result

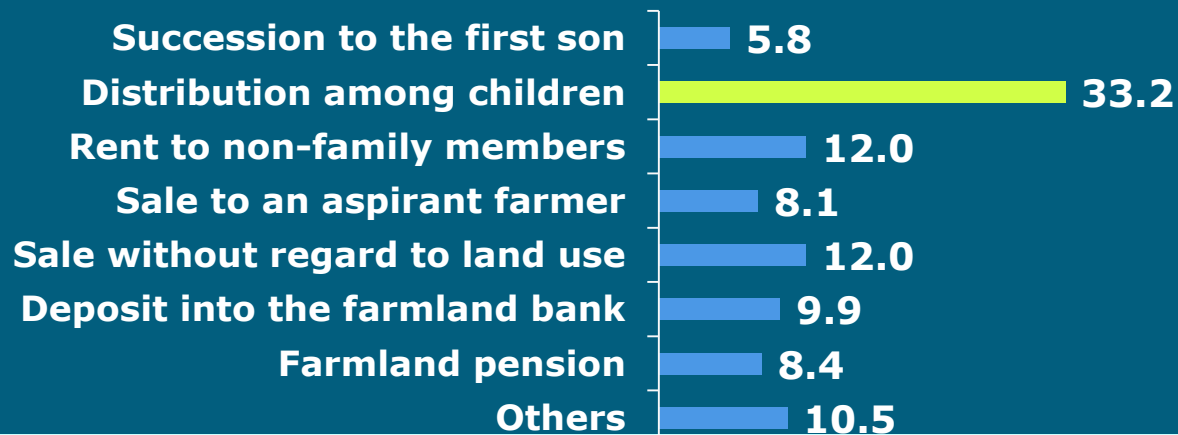
Category		Difficulties related to farm succession					
		Successor selection	Stage-by-stage farm succession planning	Inter-generational communication	Adjustment of opinion of discrepancy regarding farm mgmt	Successor's knowhow acquisition	Others
Stages of the current farm Succession	Indefinite concept	17.8	12.3	11.0	12.3	35.6	11.0
	Successor selection	25.0	10.7	14.3	10.7	39.3	0.0
	Concrete Planning	9.1	18.2	4.5	18.2	31.8	18.2
	Early FS stage	0.0	21.1	15.8	21.1	36.8	5.3
	Advanced FS stage	0.0	9.1	27.3	18.2	45.5	0.0
	Completion of FS	0.0	0.0	0.0	0.0	75.0	25.0
Crop	Paddy rice	24.2	18.2	18.2	15.2	21.2	3.0
	Food crops	17.1	14.6	7.3	12.2	36.6	12.2
	Vegetables	5.0	15.0	20.0	15.0	40.0	5.0
	Fruits	9.5	9.5	9.5	14.3	46.0	11.1

➤ Support measures for farm households without successors

Reason for not having a successor



Farmland disposal plan when farming is given up

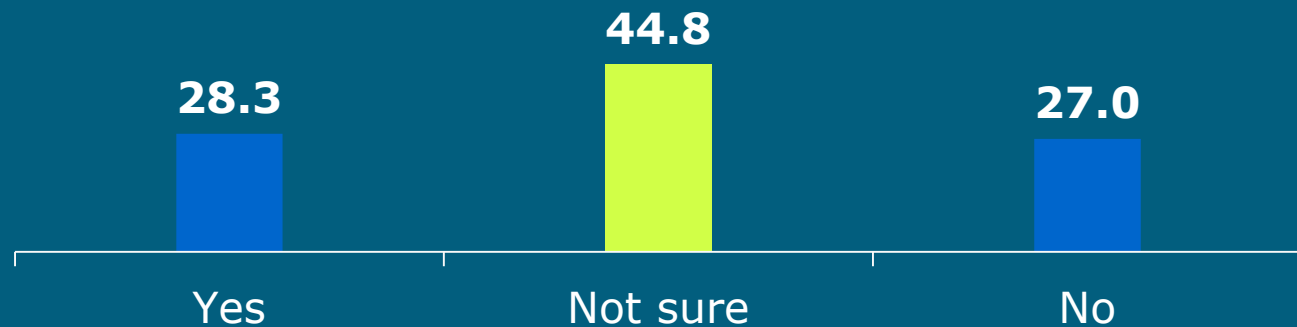


Result

Category		Farmland disposal plan						
		Succession to the first son	Distribution among the children	Rent	Sale	Deposit into the farmland bank	Deposit into the farmland pension	Others
Crop type	Paddy rice	6.1	32.7	13.3	23.5	12.2	6.1	6.1
	Food crops	5.6	36.0	7.9	14.6	5.6	9.0	21.3
	Vegetables	7.3	35.8	13.8	10.6	16.3	8.1	8.1
	Fruits	2.8	26.4	12.5	38.9	1.4	11.1	6.9
Estate size	<1ha	3.9	34.5	12.3	17.2	8.4	8.9	14.8
	1≤E<2ha	9.3	30.6	11.1	21.3	10.2	11.1	6.5
	≥2ha	5.6	33.8	12.7	26.8	14.1	2.8	4.2

➤ Support measures for farm households without successors

Farm transfer to a third



- higher willingness was shown by those

- age : under 65
- crop : vegetables
- estate size : $2 \leq E < 3$ ha
- sales : $\geq 46,800$ US\$

Conclusion

1) Support is required in establishing master plans for farm succession from operators to successors

- The critical ages of operators and successors for initiating farm succession planning are ≥ 65 and ≥ 40 , respectively
- The timeframe for farm succession is expected to be narrow, thus necessitating support to implement it efficiently in a short period of time
- Resource Center for Farm Establishment (Quebec, Canada) : a farm household that prepares for farm succession enters into a two- or three-year contract with this support agency, which then provides customized support throughout the stages of feasibility analysis, mediation, and establishment of a strategic plan, as well as providing information and mentoring services
- There is a model for supporting long-term farm succession by setting up a standing counseling system

Conclusion

2) Systemic educational support is required for successors

- The age difference between operators and successors is over 20 years (the average age difference in this survey: 27.2 years), and there is a large discrepancy in education and experience
- Moreover, it is difficult for family farms to establish a hierarchy for competence training and role division
- According to the results of the current survey research, most successors have separate dwellings, are engaged in off-farm work, and do not have agricultural education; thus, it is believed they do not have enough time to ensure the acquisition of farming-related knowhow
- Despite continuous farming technology training programs offered by the local agricultural extension agency, there is a need to develop and provide educational programs tailored to the needs of family farm successors.

Conclusion

3) An assistance policy for farm households without successors should be initiated

- With the aggravating global situations related to insufficient farm successors, many countries have been putting efforts into introducing and implementing systems tailored to local situations to link retired farmers and prospective farmers
- Based on the results of this study, which confirmed the general willingness for farm succession to third parties, a Korean non-family farm succession project model need to be developed
- However, considering the difficulties expected to be encountered in implementing farm succession by matching retired farm operators with non-family farming aspirants, existing examples of this in other advanced countries should be first explored in detail.

Conclusion

4) The fragmentation of farmland ownership should be counteracted

- Farmland distribution among multiple successors is an important issue in farm succession
- This was apparent in the survey results indicating that in more than half of the households with successors, the successor would own only a part of the farmland, while the rest would be distributed among other children
- Additionally, even when the estate area is less than 1ha in size, many of the households without successors wished to split the farmland to distribute it among the children
- Although it is not an easy task to address this conflicting intersection of the equality principle and the agricultural policy strategic objective, practical support measures are required for prohibiting farmland ownership fragmentation

Thank you!