Korea’s Agricultural Policy: History, Challenges and Ways Forward

CHO, Eun-Ji
Deputy Director
Agricultural Policy Division
Ministry of Agriculture, Food and Rural Affairs
Feb. 21, 2018 15:00, WTO Room E
Contents

1. Current Situation of Korean Agriculture

2. History of Korean Agricultural Policy

3. Main Challenges

4. Policy Goals of New Administration
Current Situation of Korean Agriculture
1. Current situation of Korean Agriculture

(1) Farm Size

- Cultivated area: 1,644 thousand ha (54.5% rice paddy, 45.5 dry field)
- The share of cultivated land in total land area declining

The share of cultivated land in total land areas (KOSTAT, 2017)
1. Current situation of Korean Agriculture

(1) Farm Size

- Arable land per capita: 0.03 ha
1. Current situation of Korean Agriculture

(1) Farm Size

- Average farmland size per household is 1.5 ha
- 69% of farms have less than 1 ha and only 8% have more than 3 ha

![Number of Farms by Farmland Size](KOSTAT, 2017)
1. Current situation of Korean Agriculture

(2) Rural population

- Farm household population in 2016: 2,496 thousand
- Number of farm household declining

![Bar chart showing changes in total farm population (KOSTAT, 2017)]
(2) Rural population

- Share of farm household population fell
- Share of farm household population aged more than 65 increased

(KOSTAT, 2017)
1. Current situation of Korean Agriculture

(3) Contribution of agriculture in economy

- Agriculture’s share in GDP: 24.9% (1970) → 1.8% (2016)
- Agriculture’s share in employment: 50.4% (1970) → 4.9% (2016)
1. Current situation of Korean Agriculture

(3) Contribution of agriculture in economy

- Pace of adjustment based on agriculture share of GDP and employment is very fast in Korea

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of 40%</th>
<th>Year of 7%</th>
<th>Years required</th>
<th>Agriculture share of GDP</th>
<th>Year of 40%</th>
<th>Year of 16%</th>
<th>Years required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>1800</td>
<td>1965</td>
<td>165</td>
<td></td>
<td>1855</td>
<td>1957</td>
<td>102</td>
</tr>
<tr>
<td>UK</td>
<td>1788</td>
<td>1901</td>
<td>113</td>
<td></td>
<td>1800</td>
<td>1868</td>
<td>68</td>
</tr>
<tr>
<td>USA</td>
<td>1854</td>
<td>1950</td>
<td>96</td>
<td></td>
<td>1897</td>
<td>1950</td>
<td>53</td>
</tr>
<tr>
<td>Japan</td>
<td>1896</td>
<td>1969</td>
<td>73</td>
<td></td>
<td>1940</td>
<td>1971</td>
<td>31</td>
</tr>
<tr>
<td>India</td>
<td>1962</td>
<td>2016(17.4%)</td>
<td>&gt;54</td>
<td>2016(45.1%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1967</td>
<td>2016(8.6%)</td>
<td>&gt;49</td>
<td>2007</td>
<td>2016(27.8%)</td>
<td></td>
<td>&gt;9</td>
</tr>
</tbody>
</table>

Adapted from OECD (2008)
(4) Production

- Rice production accounts for half of cultivated land and 56.6% of farms
- Share of rice in the agriculture VOP decreased

Share in the value of agricultural production, MAFRA (2017)
1. Current situation of Korean Agriculture

(5) Food Consumption

- Per capita annual consumption of rice declined
- Consumption of livestock products, fruits and vegetables increased

Per capita annual consumption by commodity, MAFRA (2016)
1. Current situation of Korean Agriculture

(6) Trade

- Agri-food import value: USD 23.5 billion (2016)
- Cereal grains and pulses most imported, especially corn for animal feed
- The largest import partner is the United States, followed by China

<table>
<thead>
<tr>
<th>Most imported commodities (2016)</th>
<th>(million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>2,284</td>
</tr>
<tr>
<td>Maize</td>
<td>1,909</td>
</tr>
<tr>
<td>Pork</td>
<td>1,363</td>
</tr>
<tr>
<td>Wheat</td>
<td>1,023</td>
</tr>
<tr>
<td>Soybean meal</td>
<td>781</td>
</tr>
</tbody>
</table>

Korea Agro-fisheries & Food Trade Corporation (2017)
1. Current situation of Korean Agriculture

(6) Trade

- Self-sufficiency rate of major grains are very low
- Livestock industry is highly dependent on imported feed

<table>
<thead>
<tr>
<th></th>
<th>Feed included</th>
<th>Feed excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>102.5</td>
<td>104.7</td>
</tr>
<tr>
<td>Wheat</td>
<td>0.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Maize</td>
<td>0.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Soybean</td>
<td>7.0</td>
<td>24.6</td>
</tr>
</tbody>
</table>

MAFRA (2017)
History of Korean Agricultural Policy
2. History of Korean Agricultural Policy

(1) 1950~1960s

• Right after the end of Korean War: increasing food supply
• Government purchase land from landlords and redistribute to tenant farmers – small-scale farmers increased

Rice transplantation (1962)
National Archives of Korea
2. History of Korean Agricultural Policy

(2) 1970s

- Saemaul Movement: improving basic living conditions and infrastructure of small rural villages
- diligence, self-help and cooperation between residents

Saemaul Movement (1973)
National Archives of Korea
2. History of Korean Agricultural Policy

(3) 1980~1990s

• Start to terminate agricultural import restrictions
• Strong opposition from farmers against WTO

Farmers’ protest against WTO (1994)
The Kyunghyang Shinmun
(4) 2000s~

- A five-year comprehensive plans based on the Framework Act on Agriculture, Rural Community and Food Industry
- New 2018-2022 plan was announced on February 6th
Country Policy Presentation by Republic of Korea

3

Main Challenges
Korea is experiencing very rapid aging, especially in rural areas

Only 17 years from an aging society to an aged society – much faster than Japan (24 years), the United States (72 years) and France (115 years)

3. Main Challenges

(1) Aging Farm Population

- Korea is experiencing very rapid aging, especially in rural areas
- Only 17 years from an aging society to an aged society – much faster than Japan (24 years), the United States (72 years) and France (115 years)

Population age composition, projected, KOSTAT (2016)
3. Main Challenges

(1) Aging Farm Population

- Proportion of farm population aged over 65 years is 40.3% in 2016, higher than national average (14%), and 61% of rice farmers are aged >65
- 56% of farms smaller than 1 ha have main operators aged >65

Age of farm operators by farm size, KOSTAT(2015)
3. Main Challenges

(2) Farm household Income

- Farm household income increasing very slowly because of decrease in agricultural income caused by increased import and price fall
- Agricultural net income declined 0.4%

[Bar chart showing farm income, non-farm income, and other income from 2007 to 2016]
3. Main Challenges

(2) Farm household Income

- Disparity between urban and farm household income increased
- Low income problem is concentrated in old age population
- Income stabilization for rice farmers is most important and political issue
3. Main Challenges

(2) Farm household Income

- Korea reduced considerable amount of current total AMS since abolishing MPS and introducing rice direct payment in 2004
- Korea had to use all of AMS limit due to rice price collapse in 2017
3. Main Challenges

(3) Animal disease, food safety and environmental issues

- Rapid expansion of intensive livestock production caused water and soil pollution from manure emissions
- In 2015, 11 million birds destroyed due to HPAI
- In 2010-11, 3.3 million pigs and 150 thousand cattle destroyed due to FMD
Policy Goals of New Administration
The vision of 2018-2022 Development Plan has four main policy targets:
- Bottom-up participation will be strengthened.
4. Policy Goals of New Administration

(1) Strengthening income safety net

- 100 thousand ha of paddy rice field will be reduced for 2018-19
- Direct payment program for rice will be less coupled with production
- Direct payment scheme will be reformed to strengthen cross compliance
- Crop insurance programs will be expanded
- Rural diversification (food industry, tourism) will be promoted to give more access to non-farm income for farmers
(2) Innovation for sustainable agriculture

• Young start-up farmers will be provided comprehensive support
• Digital technology will be integrated into agriculture with regard to production, distribution and risk management
• Renewable energy generation will be promoted, including solar photovoltaic, biomass and geothermal heat
4. Policy Goals of New Administration

(3) Enhancing food safety

• Bio-security system focusing on animal disease prevention
• Environment-friendly livestock industry to reduce pollution
• Comprehensive animal-welfare road-map will provide standards for facilities, maintenance and rearing density
• Labelling system for customers’ knowledge about each livestock farm related to animal welfare and health
• Pesticide registration and traceability management system will be improved
4. Policy Goals of New Administration

(4) Improving rural welfare

• Enhancing direct payment for retirement, farmland pension and basic pension to encourage aged and low-income farmers retire from production
• Building infrastructure including housing, traffic and medical condition
• Affordable transportation for the elderly and financially disadvantaged
• Rural rental housing with energy saving facilities and barrier-free design
• Medical outreach service for health check-up
4. Policy Goals of New Administration

(5) Bottom-up policy participation

• Agricultural governance to reflect local and regional characteristics
• Policy design reflecting the opinion of farmers and customers
Thank You

CHO, Eun-Ji
Deputy Director
Agricultural Policy Division
Ministry of Agriculture, Food and Rural Affairs

ejcho0518@korea.kr