Korean Agricultural Cooperatives in Ensuring Comprehensive Growth of Economy

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1. Structure

- **Individual members**: 2.4 million
- **Local Coops**
  - Agricoops: 1,017
  - Livestock: 122
- **Specialized Coops**
  - Agricoops: 48
  - Livestock: 24
  - Ginseng: 12
- **Federation (NACF)**
- **Metro & Provincial offices**: 16
- **County offices**: 156
- **Subsidiaries**: 22
- **Business Offices**
  - 4,179 Coops
  - 1,023 Business Offices
  - Total: 5,192
  - Employees: 52,094
  - Female: 29.4%
- **Employees**: 15,783

(Female: 29.4%)
2. Businesses of the NACF Group

Supply Business
- Fertilizers, Chemicals, Machineries, Feeds, Gas
  Marketing in production areas
  - Grains, Fruits, Vegetables, Livestock
  Marketing in consumer areas
  - The Hanaro Marts
Supermarket Business
Livestock Business
Ginsing Business
Food Processing Business

Agricultural Finance
Mutual Credit
Commercial Banking
Foreign Exchange
Credit Card, e-Banking
Industry Banking
Life and Fire Insurance
Guarantee for Farmers and Fishermen
Agricultural Insurance
<Subsidiary companies>
Stock, Investment, Future market, Asset management

Farmers education
Mobilization of group farming
Environment farming (GAP)
Soil test
Food safety inspection
Farm manage consulting
Rural information services
Legal advisory service
Health & welfare services
Advocacies for agrisector
‘I love Farm’ Campaign

Supply & Marketing
Banking & Insurance
Extension & Guidance
Multipurpose
Contributions to the farming and rural economy

1. Setting the fair prices and loan rate in rural area

Mutual Credit: introduced in 1969 when 50% interest rate prevailed
- Eradicated usuries and rescued farmers from chronic poverty
- now it provides over 80% of the rural loans at low interests

Chain-store: initiated in 1970 for 21,000 village co-ops
- standardized the basic commodity prices at low
- now 2,140 chain-stores (Hanaro Mart)
## Contributions to the farming and rural economy

### 2. Reducing the farming costs

<table>
<thead>
<tr>
<th>Details</th>
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<tbody>
<tr>
<td><strong>Fertilizer</strong></td>
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<tr>
<td>Chemical fertilizers, fertilizers for horticulture use, organic fertilizers, fertilizers for soil improvement use, land recovery campaign <em>(the Namhae Chemical)</em></td>
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<tr>
<td><strong>Pesticide</strong></td>
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<tr>
<td>Paddy and other pesticides, safety education, pesticide residue inspection</td>
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<tr>
<td><strong>Ag Machinery</strong></td>
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<td>Farm machinery loan, farm machinery service center (maintenance, parts supply, technology transfer)</td>
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<td>* Since 2008, “Farm Machinery Bank”</td>
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<td><strong>Feed</strong></td>
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<td>Assorted feed, animal medicines, extension services <em>(The NH Feed subsidized 52.6 billion KRW in 2008)</em></td>
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<td><strong>Other inputs</strong></td>
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<td>Pipe and file for agricultural use, polypropylene bags, boxes and other inputs</td>
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<td><strong>Gasoline</strong></td>
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<td>tax-free gasoline for agricultural use <em>(saved 1.15 trillion KRW in 2008)</em></td>
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<td><strong>Chain stores</strong></td>
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<td>Agricultural marketing, home supplies</td>
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3. Forming bargaining power in the market

Marketing in producing areas

- Promotion of producer groups, cooperative delivery
- Educational materials for cultivation
- Promotion of brand-naming of farm produce
- Marketing facility in producing areas
- **Agricultural Processing Center (APC) since 2001**
- Local marketing agency-in-common
- NACF Agricultural marketing T/F
  Promotion of quality farm produce
  (traceability, HACCP)
- Livestock processing center

No. of APCs: 224
Rice Marketing

- Production extension services
- Sales of government-purchased rice
- Purchase of rice paddy on behalf government’s (early 1970s to 2005)
- Operation of Rice Processing Complex (RPC)
- Direct payment for rice farmers on behalf government

RPC (dry, sort-out, processing, packing)
- 165 RPCs
- 701 Drying centers

Market share: About 65%
Contributions to the farming and rural economy

4. Reducing the agricultural marketing costs

12 Agricultural Marketing centers combining wholesale and retail
Marketing Facilitation
- Standardization of farm produce
- Farm produce quality control
  (indication of origin)
- Issuance of farm produce gift certificate
- Online marketing of farm produce
1. Mitigating hiking farming costs

**Fertilizer**
- Undertaking 30% the price increase at the expense of its own while Government 40%, Supplier 10%
  - The actual price increase 63% becomes reduced to 12.6% for farmers’ burden
- Education for preventing overuse of chemical fertilizer recommending scientific soil test before using fertilizer

**Feed stuff**
- NACF’s subsidiary, NH Feed corp. minimized raising prices and delayed the timescale of price raise
- Providing interest-free fund for the member cooperatives to purchase feed amount to $ 200 mil.
1. Mitigating hiking farming costs

Agricultural Machinery Bank Project
- Launched the project costing 1 trillion won ($1 bil.) for 5 years
- Bank will buy old machine from farmers and rent new machine at low rate

Developing oversea feed production facilities
- Purchased feed factory in Oregon state, U.S. for acquiring roughage at stable price level and simplifying import procedure. expecting 100,000 ton/year
- Established a local corp. in Indonesia for producing corn expecting 500,000 ton/year
Responsive Action to Global Economic Crisis

2. Empowering marketing capacity

- Purchasing and selling farmers products
  - NACF bought 2 mil. ton of rice, 30% of total domestic rice production last year
  - Keeping oversupplied commodities or demolish them at production sites at the expense of NACF
  - Broadening Marketing chance for farmers and preventing too much shipment at harvesting season

- Organizing local marketing structure
  - Enlarging shipment contracts with farmers to make volume so to get the advantage of economy of scale and more bargaining power at the market
  - The market share of Agr. Co-op has been grown to 49% in 2008 from 40% in 2004, aiming to get 60% in 2015
Responsive Action to Global Economic Crisis

2. Empowering marketing capacity

- **Systematization of wholesale marketing business**
  - Integrating purchasing function of nationwide 12 wholesale marketing centers: vegetable, fruits
  - Relating farm gate marketing organizations with regional wholesale marketing centers to get vertically systemized
  - Planning to make these centers become one special subsidiary of NACF

- **Establishing more retail marketing centers**
  - Planned to add big sized and middle sized retail stores, Hanaro Club and Hanaro mart, from 13 and 150 in 2008 to 50 and 500 in 2015 respectively
  - Broadening the better marketing chance for farmers and offering more convenience for consumers
3. Voicing farmers interests

- Recommending countermeasure government policies
  - Subsidy for Chemical fertilizers: 40% of price increase absorbed by the government costing 40 bill. won (US $33 mill.)
  - Exemption of duties on raw material of Chemical fertilizers until Dec. 2008 saved 4 bill. won in production costs
  - Extending VAT exemption periods on feedstuff until 2011
  - Providing 1% interest fund for purchasing feed amounting 1.5 trillion won (US $1.3 bill.)
  - Urging the need of expanding direct payment policies under WTO rule: agri. Subsidy/production ratio of Korea 6% where as 15% of OECD countries
  - Reduction of farmers’ debt from the severe market: average farm household debt reached 94% of annual income
. Conclusion

- Co-op has solid business basis since its users are the owners and controllers simultaneously
- Co-op is safer form of business since it seeks for more benefits for members rather than higher profits and risks
- Co-op has contributed to the sound economic infrastructure with business closely related to local economy

NACF will go through the global economic crisis with more member oriented business based on cooperative philosophy