

## Korea

Although there were no substantial policy changes implemented in 2009, an agricultural policy reform framework was presented by a council for the modernization of Korean agriculture, where policy makers and stakeholders agreed on more market orientation as well as promoting more environmentally friendly practices. Policy initiatives centred on links between primary agriculture and the development of the food industry, as well as support to precision farming practices with lower uses of fertilisers. A country of origin labelling scheme was applied to every restaurant serving beef, pork meat, chicken meat, rice and Kimchi. A farm machine leasing programme was expanded to reduce costs of capital for farmers.

- Support to producers (%PSE) increased from 46% in 2008 to 52% in 2009, mainly due to the rise of MPS as international price dropped. The %PSE declined from 68% in 1986-88 to 52% in 2007-09. However, it remains 2.4 times higher than the OECD average.
- The share of most distorting transfers (based on output and variable input use – without input constraints) fell slightly from 99% of the PSE in 1986-88 to 91% in 2007-09. The share of the least distorting support (payments which place no requirement to produce) was 3% in 2007-09. This reflects a newly introduced fixed payment for paddy fields in 2005 (no such payments existed in 1986-88).
- Prices received by farmers in 1986-88 were three times higher than those on the world market. By 2007-09, this gap decreased to two times (NPC). The difference between domestic farm receipts and what they would have been at international market prices decreased from 3.1 times in 1986-88 to 2.1 times in 2007-09 (NAC).
- The costs imposed on consumers as measured by the %CSE fell from 64% in 1986-88 to 46% in 2007-09. Consumers still paid on average nearly double the border price for agricultural commodities in 2007-09 (NPC).
- Transfers provided directly to commodities (SCT) represented 99% of the total PSE in 1986-88 and slightly decreased to 92% by 2007-09. The %SCT varied from 18% for eggs to 81% for soybean. It was 66% for pig meat, around 50% for rice, barley, and milk and less than 40% for beef and poultry meat.
- The share of support for general services increased slightly from 8% in 1986-88 to 14% of total support in 2007-09. Total support to agriculture was 2.4% of GDP in 2007-09. This is about one third of the share in 1986-88 (8.8%).

Figure 2.11. Korea: PSE level and composition by support categories, 1986-2009

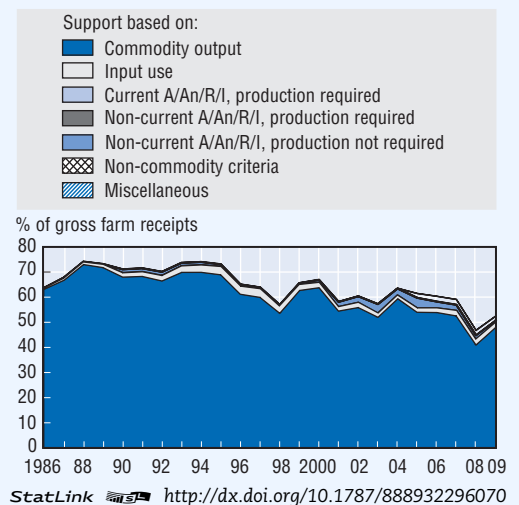
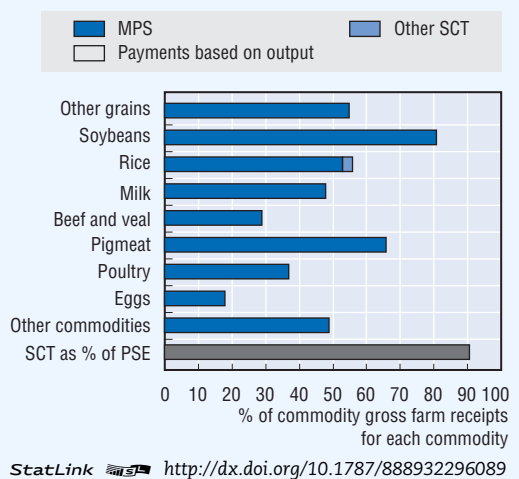


Figure 2.12. Korea: Producer SCT by commodity, 2007-09



Overall the level of producer support has declined, but remains relatively high. Single commodity transfers remain by far the most significant component of support, and are mainly provided through price support. In recent years, direct payment programmes have been introduced to support farmer's income.

Table 2.6. Korea: Estimates of support to agriculture

KRW billion

	1986-88	2007-09	2007	2008	2009p
<b>Total value of production (at farm gate)</b>	<b>13 624</b>	<b>38 176</b>	<b>34 685</b>	<b>38 470</b>	<b>41 374</b>
<i>of which share of MPS commodities (%)</i>	72	56	56	56	56
<b>Total value of consumption (at farm gate)</b>	<b>14 367</b>	<b>49 615</b>	<b>47 489</b>	<b>48 134</b>	<b>53 222</b>
<b>Producer Support Estimate (PSE)</b>	<b>9 321</b>	<b>20 909</b>	<b>21 562</b>	<b>18 832</b>	<b>22 334</b>
Support based on commodity output	9 226	18 769	19 242	16 539	20 527
<i>Market Price Support</i>	9 226	18 769	19 242	16 539	20 527
<i>Payments based on output</i>	0	0	0	0	0
Payments based on input use	70	770	716	861	733
<i>Based on variable input use</i>	23	400	396	479	325
<i>with input constraints</i>	0	0	0	0	0
<i>Based on fixed capital formation</i>	44	306	269	319	331
<i>with input constraints</i>	0	35	23	31	49
<i>Based on on-farm services</i>	3	63	51	63	76
<i>with input constraints</i>	0	0	0	0	0
Payments based on current A/An/R/I, <sup>1</sup> production required	24	653	861	689	410
<i>Based on receipts/Income</i>	24	380	399	381	358
<i>Based on area planted/Animal numbers</i>	0	274	461	308	52
<i>with input constraints</i>	0	29	18	26	42
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	717	743	743	664
<i>With variable payment rates</i>	0	0	0	0	0
<i>with commodity exceptions</i>	0	0	0	0	0
<i>With fixed payment rates</i>	0	717	743	743	664
<i>with commodity exceptions</i>	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
<i>Based on long-term resource retirement</i>	0	0	0	0	0
<i>Based on a specific non-commodity output</i>	0	0	0	0	0
<i>Based on other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Percentage PSE</b>	<b>68</b>	<b>52</b>	<b>58</b>	<b>46</b>	<b>52</b>
<b>Producer NPC</b>	<b>3.10</b>	<b>1.99</b>	<b>2.25</b>	<b>1.75</b>	<b>1.98</b>
<b>Producer NAC</b>	<b>3.14</b>	<b>2.11</b>	<b>2.40</b>	<b>1.86</b>	<b>2.07</b>
<b>General Services Support Estimate (GSSE)</b>	<b>845</b>	<b>3 315</b>	<b>3 404</b>	<b>3 197</b>	<b>3 344</b>
Research and development	52	776	724	798	804
Agricultural schools	5	117	99	116	137
Inspection services	21	126	145	118	116
Infrastructure	374	1 818	1 892	1 733	1 828
Marketing and promotion	0	54	43	57	62
Public stockholding	394	424	501	374	396
Miscellaneous	0	0	0	0	0
<b>GSSE as a share of TSE (%)</b>	<b>8.3</b>	<b>13.7</b>	<b>13.6</b>	<b>14.5</b>	<b>13.0</b>
<b>Consumer Support Estimate (CSE)</b>	<b>-9 105</b>	<b>-22 752</b>	<b>-24 127</b>	<b>-19 436</b>	<b>-24 692</b>
Transfers to producers from consumers	-8 984	-18 680	-19 242	-16 270	-20 527
Other transfers from consumers	-181	-4 125	-4 931	-3 222	-4 222
Transfers to consumers from taxpayers	59	53	46	56	57
Excess feed cost	0	0	0	0	0
<b>Percentage CSE</b>	<b>-64</b>	<b>-46</b>	<b>-51</b>	<b>-40</b>	<b>-46</b>
<b>Consumer NPC</b>	<b>2.76</b>	<b>1.86</b>	<b>2.04</b>	<b>1.68</b>	<b>1.87</b>
<b>Consumer NAC</b>	<b>2.75</b>	<b>1.86</b>	<b>2.03</b>	<b>1.68</b>	<b>1.87</b>
<b>Total Support Estimate (TSE)</b>	<b>10 225</b>	<b>24 277</b>	<b>25 012</b>	<b>22 085</b>	<b>25 735</b>
Transfers from consumers	9 164	22 805	24 173	19 492	24 749
Transfers from taxpayers	1 241	5 598	5 770	5 814	5 208
Budget revenues	-181	-4 125	-4 931	-3 222	-4 222
<b>Percentage TSE (expressed as share of GDP)</b>	<b>8.75</b>	<b>2.39</b>	<b>2.57</b>	<b>2.16</b>	<b>2.44</b>
<b>GDP deflator 1986-88 = 100</b>	<b>100</b>	<b>250</b>	<b>243</b>	<b>250</b>	<b>257</b>

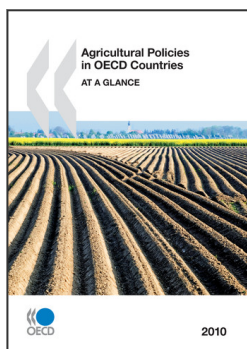
p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

1. A (area planted), An (animal numbers), R (receipts), I (income).

MPS commodities for Korea are: other grains, garlic, red pepper, chinese cabbage, rice, soybean, milk, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.

Source: OECD, PSE/CSE Database, 2010.

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