

Comments

- Prof. Kim's suggestions largely coincides with the Korean government policy direction.
- Lots of agricultural resources are locked in Quadrant II of Prof. Kim's research
- Our government also focuses on Quadrant II to reallocate resources to more competitive farmers.
 - Early retirement direct payments
 - Pension introduction plans
- The most severe restrictions on adjustment in Korea is...
 - excess of elderly farmers and large number of farmers
- These restrictions have many implications in Korean agricultural policy reform

Difficulties reducing MPS

- MPS policy is known as the most distorted policy.
- But with a tight budget and large number of farmers, less distorting policies (i.e., direct payments) are hard to implement
- MPS still is about 91% in PSE

Structure of agricultural support (PSE)

Country	Year	PSE		Market price support	Payments based on output	Payments based on input use	Payments based on current A/AN/R/I, production required	Payments based on non-current A/AN/R/I, production required	Payments based on non-current A/AN/R/I, production not required	Payments based on non-commodity criteria
		Total PSE	% PSE							
Korea (billion Won)	1986~1988	9,621	70	9,527	0	66	28	0	0	0
	2007	23,665	60	21,517	0	646	758	0	743	0
				(99.0)		(0.7)	(0.3)			
				(91)		(2.7)	(3.2)		(3.1)	

Note: 1. The letters stand for Area, Animal Numbers, Receipts and Income.

2. Figures in parentheses are the share of each category of payment in the total PSE

Source: OECD (2008)

Restricted land or asset mobility

- Rice-focused government policies have favoured the adoption of labour saving technology for an extended period of time
- Older farmers tend to be reluctant to consider conversion to other products
- The rice-dominant farming system hinders policy reform in Korea
 - Asset (including land)mobility is highly restricted
 - Immobility causes high land price, and hence high production cost
- As Prof. Kim mentioned, a manageable size of farmers will help Korean policy capacity
- Considering only natural exit is the dominant cause of farm size reduction, more time is needed to reach manageable level of farmers

Opportunity for Non-AG Income

- Prof. Kim suggested the Korean government should use non-agricultural income sources as major policy instruments
- Realistically, it is a very limited measure.
 - The rural-urban divide, in addition to aging problem makes it very difficult to find off-farm income sources in rural areas
- Concluding Remarks
 - Korean government focused on individual farmer and its scale but the more important is organization, economy of scope and value creation.
 - To attract investment other than public fund more drastic reforms or changes are expected in the near future.