



One Country One Priority Product • Case Study Series

Highlights

Republic of Korea: threat to food systems eased to increase farmers' income

Faced with stagnating farm income, the Republic of Korea is reducing the resulting sharp urban–rural divide by promoting value-adding activities, which entail linking the agricultural sector with the distribution/culture/tourism services (tertiary industry) based on tangible and intangible resources in rural communities (Park, 2019). This, in turn, will help to slow the trend of rural flight and the threat to the country's food systems. Under the Sixth Industrialization programme, launched in 2015, businesses operated value-adding activities totalling 104 067 by 2020 and generating sales of USD 18.7 billion.

Key issues: meeting the challenge of stagnating farm income

Increasing farmers' income has become a national agenda item as farmers struggle to benefit from the opportunities in the secondary and tertiary industries due to difficulties in meeting market requirements and being competitive. This trend is resulting in a further decrease of the farming population, especially in rural areas, leading to more abandoned farmland and vulnerable food systems. To effectively deal with this, the income of rural farmers and rural residents must increase by enabling them to generate and retain more value added.

Solutions: Government steps in with a framework to help the rural community generate more income

With the intention to confront this problem, MAFRA promoted the Sixth Industrialization to strengthen the capacity of farmers and small agricultural corporations. The Ministry has formulated a framework to select and support business entities (cooperatives and village enterprises) for Sixth Industrialization businesses operations and designed support measures that

cover entrepreneurship training, production skills development, quality control, marketing, intellectual property, financing for infrastructure and equipment, and networking (Park, 2019). The programme has led to the enactment of the law on the Sixth Industrialization (the Act on Fostering and Supporting Rural Convergence Industry) in 2015.

Background: Sixth Industrialization programme comes in the aftermath of a number of activities that were only marginally successful

Prior to the launch of the Sixth Industrialization, according to Park (2019), the Government of the Republic of Korea began to promote rural tourism in the 1980s as a strategy to create an alternative income source for the rural population. This drive peaked in the 2000s, following the financial crisis in 1997. Along with that, policy initiatives were implemented to promote secondary and tertiary industries in rural areas. However, many of them had failed to generate the intended outcome, as market conditions could not be easily fulfilled, and processing and distribution activities were controlled by enterprises with sufficient expertise and capital, leaving no room for farmers to successfully embark on processing and service activities.

Implementation: three-tier measures for business entities

In accordance with the framework of the Sixth Industrialization, MAFRA, in cooperation with provincial governments, is implementing measures to promote rural convergence industries, namely business entities. The process involves the following:

(1) Establishment of support centres:

Provincial governments set up 11 sixth industrial development support centres to cover the whole country. Their main functions are entrepreneurial support

- Increasing farmer's income is a national agenda to close the income gap between urban and rural areas in the Republic of Korea. To achieve the national agenda to boost farmers' income, the Ministry of Agriculture, Food and Rural Affairs (MAFRA) designed the Sixth Industrialization programme.
- Sixth Industrialization means "value-adding activities by linking and multiplying the agricultural sector (primary industry), food/ regional product processing (secondary industry) and distribution/culture/tourism services (tertiary industry)" ($1 \times 2 \times 3 = 6$).
- A framework has been formulated by MAFRA to select and support business entities, such as cooperatives and village enterprises, to operate Sixth Industrialization businesses, in collaboration with different ministries.
- Support measures cover diverse areas, such as entrepreneurship training, production skills development, quality control, marketing, intellectual property, financing for infrastructure and equipment, and networking. It also created support centres and a loan fund, in addition to using existing support programmes.
- As a result, 104 067 businesses entities are operating the Sixth Industrialization industry activities as of 2020, employing 327 646 workers, and generating sales of USD 18.7 billion.

Table 1. Types of policy support for the Sixth Industrialization

Category	Policies
Finance	Funding for facility construction, equipment purchase, remodelling, etc.
Consulting	Extending advice on business planning, technical development, management streamlining
Education	Training on food processing, manufacturing and export to enhance business entities' capabilities
Export	Supporting business entities to export their goods through international fairs and business opportunities with foreign buyers
Research and development	New product development, performance assessment, process streamlining and technological transfer
Certification patent	Certification for organic processing, traceability and patent applications
Facility support	Support extended to farmers and agricultural corporations to start up new convergence businesses
Marketing, branding, design	Organizing marketing events and local food fairs, etc. to promote product sales
Experiences, tourism	Developing rural tourism villages, pick-your-own farms, educational farms, etc.
Regional development	Supporting local development, including village development and community revitalization

and training, coordination among supporters, evaluation and follow-up of the operations of the certified business entities, on-site technical support to farmers, administering and operating an antenna shop for market expansion and a distribution platform.

(2) Selection and certification of the business entities eligible for policy support. MAFRA certifies business entities embarking on the Sixth

Industrialization for three years through rigorous screening of their growth potential, differentiation from existing products and entrepreneurial mindset. This process is assisted by the support centres and the Korea Rural Development Corporation.

(3) Policy support provision: MAFRA provides policy support for certified business entities. Table 1 presents the main types of policy support

for the entities involved in the Sixth Industrialization. Two examples of the support extended are discussed in Box 1 and Box 2.

Impact

The Sixth Industrialization programme has been adopted by many farmers and business entities across the country, and is generating an economic impact. An example of how local entities have benefited from the Sixth Industrialization is shown in Box 3.

A total of 104 067 business entities are operating the Sixth Industrialization activities as of 2020. They have in total 327 646 employees and are generating sales of USD 18.7 billion.

Box 1. Financial and networking support covers an array of activities

The Sixth Industrialization programme offers financial support through Rural Convergence Industry Fund Loans, which can be used towards factory construction and purchasing equipment. In addition, the programme promotes networking among local farmers, producer groups, manufacturing and processing companies, as well as among tourism villages for information exchange and joint activities, such as publicity, marketing and sales of the local products.

Box 2. Marketing support through fostering partnerships

Marketing support under the Sixth Industrialization provides preferential opportunities to participate in events and conduct public relations through online and offline media, which includes a dedicated website, consultation and on-site coaching. The other type of support involves building partnerships with the private sector. For example, a partnership with a large retailer, E-Mart, has led to the "Excellent Agricultural Product Special Sales Exhibition" at 150 stores nationwide and the opening of the "Sixth Industry Antenna Shop" at E-Mart branches, which function as a marketing channel for certified business entities. Another example of this involved 7-Eleven, a giant convenience store chain, which selected and sold products made by the certified business entities with support from MAFRA. The Ministry covered a portion of promotion expenses for the project.

Box 3. Boosting products from local fruit tackles declining agricultural production and provides greater income to an ageing population in Mungyeong city

Mungyeong city, located in the central mountainous part of the country, is experiencing a decline in agricultural production amid an ageing population. Schisandra, a tree-climbing vine (*omija* in Korean), was selected as a focused product of Mungyeong city. The fruit of schisandra has been used as medicine for centuries, and can be grown easily by the elderly.

The city's agricultural technology centre has played a key role in product development of processed items from schisandra since 2005. The producers association was established in 2007, and a network comprised of association, the city administration, the technology centre, agricultural cooperatives and processing companies was formed. Mungyeong city also established a stable secondary industrial base by operating the Omija Research Center to produce processed schisandra products. As a result, demand for schisandra products and cultivation of the vine have increased. The gross profit of 325 farms was USD 3.9 million in 2005; it increased to USD 41.6 million by 1 020 farms in 2017.

Key resources

- Gyonggi-do. 2020. Innovative and high-end agriculture | farming technology. 17 May 2020. Suwon, Republic of Korea. Cited 16 November 2022. <https://www.gyeonggi-do-korea.com/2020/05/innovative-high-end-agriculture-farming.html>
- Park, S. 2019. Korea rural development strategy. Naju, Republic of Korea, Korea Rural Economic Institute. <https://library.krei.re.kr/pyxis-api/1/digital-files/6a33bffb-2893-4c05-916a-2f27167cc94c>

For more information:

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