

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Direct Payment Program for Korean Rice Producers

Country: Korea - Republic of

Post: Seoul

Report Category: Trade Policy Monitoring, Grain and Feed

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Report Highlights:

On April 21, 2020, the Korean government released the final version of a new subsidy program for rice producers to replace the existing direct payment program. This report contains a summary of the new rice subsidy program based on an unofficial translation of the official press release.

Summary

On February 21, 2020, the Korean government revised the Presidential and Ministerial Decree of the Rice Income Compensation Act (RICA), creating the ‘Public Welfare Direct Payment for Agriculture and Rural Community’ subsidy program, replacing the established Direct Payment Program.

The Ministry of Agriculture, Food and Rural Affairs (MAFRA) announced that the Proposed Full Amendment to the Enforcement Decree of the Act on Preserving Agricultural Income (referred to as the ‘Enforcement Decree’ hereinafter) passed the State Council on April 21 to go into effect on May 1, 2020.

The proposed Enforcement Decree contains matters delegated from the Act on the Operation of Direct Payment System for Promoting the Public Welfare of Agriculture and Rural Communities, implementing the Public Welfare Direct Payment System (PWDP). The PWDP is intended to subsidize farmers so that they can contribute to public welfare through their agricultural activities in the areas of food safety, environment preservation, and sustainable rural community.

The PWDP is composed of Basic Public Welfare Direct Payments and selective public welfare direct payments. The basic direct payments include small farming household payments and area payments. The selective public welfare direct payments include an environmentally friendly agriculture direct payment system, an environmentally-friendly and safe livestock product direct payment system, a landscape preservation direct payment system, and a rice paddy utilization direct payment system.

Annually, the PWDP will make 1.2 million won (USD982) in direct payments available to small farming households (0.5ha or smaller). The reference area segments for area direct payments are divided into Segment 1 (2ha or less), Segment 2 (Over 2ha ~ 6ha or less), and Segment 3 (Over 6ha) respectively for rice paddy/dry field within agriculture promotion areas, rice paddy outside of agriculture promotion areas, and dry field outside of agriculture promotion areas, with a payment ceiling set to be 30ha (50ha in case of incorporated agricultural bodies). In Korea, agriculture promotion areas are land designated for agricultural production use only and are protected by the Farmland Act.

Accordingly, the existing rice/dry field direct payment systems will be consolidated into the ‘Direct Payment System for Promoting the Public Welfare of Agriculture and Rural Communities (Public Welfare Direct Payment System)’ which is then divided into a basic direct payment system and a selective direct payment system.

A complete unofficial translation follows:

Press release under embargo until **briefing (11:00) on Apr. 21, 2020.**

**Farm Income Stabilization Division Dir. Jeong, Hye-ryeon (044-201-1771),
Dep. Dir. Jeong, Mi-yeong (1772), Dep. Dir. Ji, Soo-ah (1775)/ Date of release: Apr. 21 (6 pages in total)**

걱정없이 농사짓고 안심하고 소비하는 나라

Proposed Full Amendment to the Enforcement Decree of the Act on Preserving Agricultural Income for the Implementation of Public Welfare Direct Payment System Passes the State Council

- Notification of the area direct payment unit prices
to be placed on administrative pre-announcement as well -

《Main Contents》

- ◆ The proposed full amendment to the Enforcement Decree of the Act on Preserving Agricultural Income containing matters delegated from the Act on the Operation of Direct Payment System for Promoting Public Welfare of Agriculture and Rural Community has passed the State Council and is set to go into effect on May 1.
 - * The finalized administrative pre-announcement proposal contains a total of 17 compliance items per category, such as small farming household direct payment requirements and unit price, area-direct payment segments and minimum unit price, environment/ecology preservation, and selective direct payments, etc..
- ◆ An administrative pre-announcement for area direct payment unit prices (notification) is also scheduled (Apr. 21~May 1).
 - * The reference area of the area direct payment is divided into Segment 1 (2ha or less), Segment 2 (Over 2ha ~ 6ha or less), Segment 3 (Over 6ha) (payment ceiling: 30ha per individual farmer, 50ha per corporate body), and the payment unit price is stipulated to be a minimum 1 million won (USD 818) per segment and decrease as the reference area increases (Articles 9~11 of the Enforcement Decree)

(In: 1,000 Korean Won/ha)

Step \ Segment	Segment 1	Segment 2	Segment 3
Rice paddy/dry field in agriculture promotion area	2,050	1,970	1,890

Rice paddy out of agriculture promotion area	1,780	1,700	1,620
Dry field out of agriculture promotion area	1,340	1,170	1,000

◆ Public welfare direct payments applied from May 1 (May ~ June)

□ The Ministry of Agriculture, Food and Rural Affairs (headed by Minister Kim, Hyeon-soo and referred to as ‘MAFRA’ hereinafter) announced that the **Proposed Full Amendment to the Enforcement Decree of the Act on Preserving Agricultural Income** (referred to as the ‘**Enforcement Decree**’ hereinafter) **passed the State Council** on April 21 to go into effect on **May 1, 2020**, and that the **area direct payment unit price** to be notified as delegated from the Enforcement Decree will be put on administrative pre-announcement **from Apr. 21 to May 1**.

< Main Contents of the Enforcement Decree >

□ In connection with the **Basic Public Welfare Direct Payment System***, the scope of small farming households, payment unit price and requirements of **small farming household direct payments** (referred to as the ‘small farming household direct payment’ hereinafter), the reference area segments and minimum unit price, payment ceiling area, etc. for **area direct payment** (referred to as the ‘area direct payment’) have been finalized.

* Public welfare direct payment system: basic public welfare direct payments (small farming household direct payment and area direct payment) and select public welfare direct payments

○ **The scope of a farming household** for small farming household direct payment covers ‘the household head and members who belong to the same household identified on a resident registration table consisting of famers in part or in whole,’

- To minimize possible household separation intended to abuse the direct payment system, a spouse, immediate descendent(s) who is/are single and aged under 19, and person(s) who has/have been separated from applicable household for less than three years for a cause other than marriage shall be regarded as same household.

- **1.2 million won** (USD982) is payable annually as a small farming household direct payment to farming households **satisfying all of the following requirements** for farming land, etc. which is **0.5ha** or smaller, irrespective of the area thereof.

Small Farming Household Direct Payment Eligibility Requirements	Criteria
① Combined area of eligible farming lands , etc. of all members eligible for basic direct payment within applicable farming household	0.5ha or less
② Combined area of all farming lands (including land ineligible for this program), etc. owned by all members of applicable farming household	Under 1.55ha
③ Respective farming engagement duration of each member eligible for basic direct payment within applicable farming household	3 years or longer
④ Respective rural village residence duration of each member eligible for basic direct payment within applicable farming household	3 years or longer
⑤ Respective non-farming comprehensive income of each member eligible for basic direct payment within applicable farming household	Under 20 million won (USD16,367)
⑥ Combined non-farming comprehensive income of all members within applicable farming household	Under 45 million won (USD36,826)
⑦ Respective livestock farming income of each member eligible for basic direct payment within applicable farming household	Under 56 million won (USD45,828)
⑧ Respective greenhouse farming income of each member eligible for basic direct payment within applicable farming household	Under 38 million won (USD31,094)

- **The reference area segments** are divided into Segment 1 (2ha or less), Segment 2 (Over 2ha ~ 6ha or less), and Segment 3 (Over 6ha) respectively for rice paddy/dry field in agriculture promotion area, rice paddy out of agriculture promotion area, and dry field out of agriculture promotion area, with the payment ceiling set to 30ha (50ha in case of an incorporated agricultural body).
- Area direct payment due and payable is calculated by **adding up the amounts payable per segment** above, and the amount payable per segment is calculated by multiplying applicable area of each segment with payment unit price.
- A total of 17 **compliance items** have been finalized for such categories as environmental protection, ecology preservation, community revitalization, and so forth are applicable to entities eligible for basic direct payment.
- Non-compliance with these items will result in 10% reduction of aggregate basic direct payment per compliance item. If the same requirement is repeatedly violated in the year that immediately follows, double the applicable reduction ratio will be applied, with the maximum reduction ratio applicable to repeated violation of a compliance item capped at 40%.
- The **select public welfare direct payment system** consists of four direct payment systems:

- 1) an environment-friendly agriculture direct payment system
- 2) an environmentally friendly and safe livestock product direct payment system
- 3) a landscape preservation direct payment system, and
- 4) a rice paddy utilization direct payment system.

< Area direct payment unit price >

- The unit price of the area direct payment delegated by the Enforcement Decree to be specified by a notification (referred to as the ‘payment unit price’ hereinafter) is specified as below and placed on administrative pre-announcement from April 21 to May 1.
- The unit price of the area direct payment is **1 million won (USD 818) or more per segment** as stipulated by statute and will be decreased as the reference area of payment-eligible farming land, etc. is increased.
 - The payment unit price payable for farming land, etc. **used for paddy farming/dry field farming inside agriculture promotion area** is 2.05 million won (USD1,677) per ha in Segment 1, 1.97 million won (USD1,611) in Segment 2, and 1.89 million won (USD1,546) in Segment 3;
 - The payment unit price payable for farm land, etc. **used for paddy farming outside of agriculture promotion area** is 1.78 million won (USD1,456) per 1ha in Segment 1, 1.70 million won (USD1,390) in Segment 2, and 1.62 million won (USD1,325) in Segment 3, and
 - The payment unit price payable for farm land, etc. **used for dry field farming outside of agriculture promotion areas** is 1.34 million won (USD1,096) per 1ha in Segment 1, 1.17 million won (USD957) in Segment 2, and 1.00 million won (USD818) in Segment 3.

< Payment Unit Price Payable for Farming Land per Segment >

(In: 10K won/ha)

Step \ Segment	Segment 1 (2ha or less)	Segment 2 (Over 2ha ~ 6ha or less)	Segment 3 (Over 6ha)
□ Farm land, etc. used for paddy /dry field rice production inside agriculture promotion areas.	205	197	189

□ Farm land, etc. used for paddy rice production outside of an agriculture promotion area	178	170	162
□ Farm land, etc. used for dry field rice production outside of an agriculture promotion area	134	117	100

- Farmers applying for area direct payment will be paid, **for the combined area of eligible farm lands identified in the application, the sum of payable amounts calculated at applicable unit price per segment** above.
- In addition, farmers cultivating land in both an agriculture promotion area and a non-promotion area will be paid the applicable direct payment **calculated at segment-specific unit prices in the order of rice paddy/dry field in agriculture promotion area → rice paddy out of agriculture promotion area → dry field out of agriculture promotion area.**

<Area Direct Payment Amount per Case (Example)>

	Eligible Farming Land	Calculation Formula	Amount
Case ①	3ha rice paddy inside an agriculture promotion area is cultivated	$(2\text{ha} \times 2.05\text{M}) + (1\text{ha} \times 1.97\text{M})$	6.07 million won (USD 4,965)
Case ②	Both 3ha rice paddy inside agriculture promotion area and 1ha rice paddy outside an agriculture promotion area are cultivated	$(2\text{ha} \times 2.05\text{M}) + (1\text{ha} \times 1.97\text{M})$ + $(1\text{ha} \times 1.70\text{M})$	7.77 million won (USD 6,356)
Case ③	Both 1ha rice paddy outside agriculture promotion area and 3ha dry field outside an agriculture promotion area are cultivated	$(1\text{ha} \times 1.78\text{M})$ + $(1\text{ha} \times 1.34\text{M}) + (2\text{ha} \times 1.17\text{M})$	5.46 million won (USD 4,466)

< Planned Actions >

- MAFRA is making **full preparations in the field** with local governments and the NAQS (National Agricultural Products Quality Management Service), etc. to ensure that farmers are able to **apply for public welfare direct payments** in their respective local communities in sync with the effectuation of the public welfare direct payment system on **May 1**.
- Particularly in regard to the COVID-19 outbreak, the MAFRA will ensure the safety of farmers applying for the direct payments by guiding them to observe personal hygiene guidelines in consultation with local governments.
 - *Ex.) preparing hand sanitizers, securing enough space to keep necessary distance between applicants, spreading application time frame, etc.
- Furthermore, MAFRA has distributed a **brochure** containing details of the public welfare direct payment system to farmers, local governments, and the NAQS offices, etc. since early April 2020.
- MAFRA **distributed application forms for public welfare direct payments** starting in late April, with a plan to **publish a video clip showing instructions** for filling out the application form.

- ◆ **The public welfare direct payment system is intended to subsidize farmers so that they can contribute to public welfare through their agricultural activities in terms of food safety, environmental preservation, and sustainable rural community, etc.**

- The existing rice/dry field direct payment systems, etc. are consolidated into the ‘direct payment system for promoting public benefits of agriculture/rural village (public welfare direct payment system)’ which is then divided into **basic direct payment system** and **select direct payment system**.

Existing System		New System		
Landscape preservation direct payment, Environment-friendly direct payment	⇕	Public welfare direct payment system	Selective direct payments	Landscape preservation direct payment, Environment-friendly direct payment, paddy utilization direct payment
Less-favored area direct payment			Basic direct payments	Area direct payment (regressive unit price)
Rice income preservation direct payment: fixed, variable		Small farming household direct payment (fixed)		
Dry field farming direct payment: fixed, paddy double-crop				

* Direct payments for business transfer, FTA business closure, and FTA damage compensation for restructuring purposes are operated on a separate track.

- **Basic direct payments** are divided into a small farm household direct payment and an area direct

payment, with environment/ecology preservation requirements, etc. applicable to farming households/farmers eligible for basic direct payment.

- * Small farming household direct payment: 1.2 million won (USD982) is payable annually to farm households satisfying all applicable requirements, irrespective of the area of their farm land
- * Area direct payment: area segments are defined in a way to reduce payment unit price as applicable reference area is increased
- **Select direct payments** include the as-is environment-friendly direct payment system, landscape preservation direct payment system, and paddy utilization direct payment system (former paddy double-crop direct payment), **maintaining** terms of system operation, applicable unit price, etc. **as they are**.
- Entities eligible for basic direct payments are subject to **a total of 17 requirements** per category such as **environment protection, ecology preservation, community revitalization, food safety**, etc.
- Failure to perform an active requirement will result in a **10% reduction of the aggregate basic direct payment** per violation. If the same duty is **violated repeatedly in the immediately following year, double the applicable reduction ratio** will be applied (to be capped at 40%).

Attachments:

No Attachments.