Korean Group Farming under Labor Scarcity
— Emergence of Trust Farming Company —

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1. Introduction: We are presently conducting a comparative study on group farming of some Asian countries of different or similar socioeconomic conditions. The main objectives of this study are: (1) to determine the main reasons behind the emergence of two trust farming companies namely, 'Osong Trust Farming Company' and 'Ch'ongbuk Trust Farming Company' in P'yont'aek city in Kyonggido province1 in South Korea. (2) to draw a conclusion on the basis of this study. This study is expected to be useful not only for Korea but also for some other highly developing countries of Asia especially where agricultural laborers to get better job opportunities in the urban area are leaving agricultural land and work causing labor scarcity in rural area that consequently necessitates mechanization and changed process of rural group action. Some agro-based developing countries may get some indirect lessons from this study.

Rapid industrialization2, urbanization3 and trade liberalization4 in South Korea result in the drastic rural-urban migration causing serious labor shortage5 in agricultural sector. The Korean government, as a measure to maintain a certain level of domestic rice production, is making attempts to diffuse modern technology6 through some group actions one of which is trust farming company to cultivate the agricultural farmlands that are partially or completely abandoned by the farmers. Among various group activities in rural area, trust farming companies are becoming popular among some young farmers who, in usual case, were formerly the members of some social groups eg 4H clubs, mechanization groups, etc. Trust farming is, however, said to be an intermediate type of group farming.

2. Methodology of the Data Collection: In July 1996, the authors visited the study areas, some rural administrative institutions and Seoul National University, discussed the issue with the farm leaders, the officials of Pyöng't'aek Rural Guidance Office, the researchers and officials of Rural Development Administration, researchers of Korea Rural Economics Institute, professors and students of Seoul University and collected necessary data and information.

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1 Osong: 조성, Ch'ongbuk: 청북, P'yont'aek: 평택, Kyonggido: 경기도
2 Gim (1995, p. 354) stated that since 1960s, South Korea has achieved rapid economic development and as a consequence, agriculture has experienced many structural changes during the process of industrialization. The farm population and farm households have been decreased greatly and farm labor has been shifted toward women and the aged.
3 Kim (1994, p. 239) studied that during the period of 1960-1990, the urbanization rate has grown from 19.4 percent to 79.6 percent.
4 Korea revoked its right to restrict imports to protect its balance of payments position under the Article 18 of the GATT (General Agreement on Tariffs and Trade) and promised to abolish trade bans for almost all agricultural products by 1997 (Noh 1996, p. 265). Kang (1993, p. 97) stated that new round in GATT multilateral negotiation, so called Uruguay Round negotiation, is considered as one of the most serious source of impact on Korean agriculture causing panics among the farmers.
5 According to Noh (1995, p. 265), decreased farm population brought about a serious shortage of farm labor and agriculture has come to a stage that farming is impossible without farm mechanization.
6 Farm mechanization has been accelerated for the last two decades to overcome the shortage in labor supply (Oh 1994, p. 346).
3. Trust Farming Companies of Korea in General and those of P’yŏngt’aek City in Particular: Suh (1994, pp. 154-60) classifies the group activities of Korea into three broad types, namely (a) Joint Operation of Farm Work (b) Joint Farming (c) Collective Farming or Commune. The contract farming and trust farming operated mainly by the young farmers’ group are the typical examples of Joint Farming in South Korea. Trust farming companies may be of four types\(^7\). Owing to the enact-

Table 1 Number of Trust Farming Companies and Farm Management Union Corporations in South Korea in 1995

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust Farming Company(^8)</td>
<td>1,179</td>
<td>80</td>
<td>166</td>
<td>247</td>
<td>299</td>
<td>387</td>
</tr>
<tr>
<td>Farm Management Corporation Union(^9)</td>
<td>2,455</td>
<td>31</td>
<td>65</td>
<td>225</td>
<td>977</td>
<td>1,157</td>
</tr>
</tbody>
</table>

Sources: Ann Joon-Sup (199-, p.63, original in Japanese), *briefing at RDA\(^10\), and **calculated by the authors

Table 2 Average Annual Income of Trust Farming Company in South Korea

<table>
<thead>
<tr>
<th>Trust Farming Companies</th>
<th>1991</th>
<th>1992</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established in 1991</td>
<td>127,278</td>
<td>142,189</td>
<td>136,811</td>
</tr>
<tr>
<td>Established in 1992</td>
<td>--</td>
<td>99,850</td>
<td>110,869</td>
</tr>
<tr>
<td>Established in 1993</td>
<td>--</td>
<td>--</td>
<td>72,249</td>
</tr>
</tbody>
</table>

Source: Kang (1994, P.102, original in Korean)
Note: The income includes those of the whole trust farming, partial trust farming, etc

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\(^8\) Trust Farming Company (委託農業会社/受託農業会社): This is a company or agency to do certain kinds of works professionally that was legally developed and encouraged by Agricultural Development Policy in 1991. Farmers engaged in farming while living in the area of the company or members of the union of the land improvement program or groups determined by the Agricultural Development Policy can be the members of this company. This company does the whole or partial agricultural works vested upon it by the farmers. The company lends agricultural machinery and equipments and sometimes does the work of repairing. This kind of company both borrow and purchase farm lands to do agricultural works.

\(^9\) Farm Management Corporation Union (農業組合法人): This is the agricultural cooperative union of small-scale farmers legally developed and encouraged by Agricultural Development Policy in 1992. Farmers engaged in farming more than 3 years or farmers or domestic animal breeders having less than 1000 m² farmland or persons living near the office can be the members of this corporation. This one can not purchase but borrow farm lands to do agricultural works. This is the subsidiary enterprise for the Ministry of Agriculture to provide the small farmers with the agricultural facilities for common use and management.

\(^10\) RDA: (Rural Development Administration, 農村振興庁), Korea. When the authors visited the RDA, they were given a briefing on Korean farm management.
ment of Agriculture and Fisheries Development Policy\textsuperscript{11} in 1989, the trust farming companies and the Farm Management Corporation Unions got legal recognition from 1990 and have been increasing in number every year (Table 1). The trust farming companies more or less originated from farm mechanization groups. Table 2 shows that the trust farming companies received low income at the very outset but their income increased from the next years compared to the initial year.

Osŏng trust farming company is located in the middle of Osŏng village about 11 kilometers away from the P’yŏngt’aeK city. This trust farming company is considered to be a highly progressive and top-class one in Korea. This company received ‘group honor’ in 1995. Ch’ŏngbuk trust farming corporation is located in the village Ch’ŏngbuk about 15 kilometers away from P’yŏngt’aeK city. This is a comparatively small-scale company. Both the trust farming companies deal in rice production and are the main rice production business units of the villages. From time immemorial, P’yŏngt’aeK is known as the granary of rice. Before the construction of P’yŏngt’aeK lake embankment in 1972, the agriculture was affected by flood and disease but now, irrigation irrespective of rain water, flood control, disease control,

Table 3 Structure of Organization

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Osŏng Trust Farming Company</th>
<th>Ch’ŏngbuk Trust Farming Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Limited Partnership</td>
<td>Limited Partnership</td>
</tr>
<tr>
<td>Structure of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td></td>
<td>Directors:</td>
<td>Directors:</td>
</tr>
<tr>
<td></td>
<td>(1) General Affairs (2) Production</td>
<td>(1) General Affairs (2) Production</td>
</tr>
<tr>
<td></td>
<td>(3) Machinery (4) Construction</td>
<td>(3) Machinery (4) Sales</td>
</tr>
<tr>
<td></td>
<td>(5) Supervision (6) Accountancy</td>
<td>(6) Transport (6) Accountancy</td>
</tr>
<tr>
<td>Full-time investors\textsuperscript{12};</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Part-time investors\textsuperscript{13};</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Full-time non-investors\textsuperscript{14};</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Total:</td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: P’yŏngt’aeK City Rural Guidance Office

Table 3 Structure of Organization

etc have been assured. As per our interview with the farm leaders and researchers, the main factors responsible for the emergence of the two trust farming companies are mentioned below. These may be the representative factors and causes the other trust farming corporations in Korea are being established.

(1) Small-scale landholders to whom agriculture can not be the main business find it uneconomic to continue Agriculture and leave their farmlands to these trust farming companies and commute to the city for non-agricultural jobs. Some young farmers have already migrated to the city

\textsuperscript{11} Agriculture and Fisheries Development Policy: 鳥類と魚類の開発計画法, 1989 (in brief, 鳥類法)
\textsuperscript{12} Full-time investors are those persons who not only invest money but also work as the full-time employees.
\textsuperscript{13} Part-time investors are those persons who invest money but work as part-time employees.
\textsuperscript{14} Full-time non-investors are those persons who invest money in the company but work as the full-time employees.
area. (2) Some old farmers or widow farmers find it physically difficult to continue agriculture and entrust their farmlands to these trust farming companies. (3) Some farmers who are disappointed with agriculture leave their farmlands to these trust farming companies. (4) Modern agricultural implements are so expensive that farmers find it uneconomic to buy them individually. Even if the implements are available, most farmers do not know how to operate them efficiently. (5) The government, to maintain a certain level of domestic rice production, has encouraged and supported the trust farming companies actively.

Table 3 shows the structure of organization, number of constituent members, etc. of the two trust farming companies. Both Osong trust farming company and Ch'ongbuk trust farming company deal in ‘whole’ and ‘partial’ farming and they possess combine harvesters, transplanting machines, insect prevention machines, plows, dryers, fertilizer scattering machines, storeroom for agricultural implements, etc. The command area and farmers of Osong trust farming and Ch'ongbuk trust farming company are 460 ha and 198 persons, 351 ha and 250 persons respectively. In the case of the whole trust farming, a trust company takes care of all the farm activities including preparation of farmland, preparation of nursery bed, transplanting, insect prevention & pest control, harvesting, drying, milling, marketing, etc. In the case of partial trust farming, a company does not take care of all the farm activities.

4. Problems of Trust Farming Companies: There are some conflicts between the two trust farming companies on points of command area, marketing, etc. The two trust farming companies, however, try to minimize the major conflicts through mutual understanding and agreement. Some difficulties arise on points of distribution of duties among the members especially in the busy days. Lack of sufficient fund hinders the estimated progress. Government, however, has recently lessened the severity of conditions to get loans. Due to the shortage of male laborers, the companies have to hire female ones. These problems seem to be representative for other trust farming companies in Korea.

It is true that Agriculture and Fisheries Development Policy has surmounted the problems of those farmers who are aged or who are facing with the difficulty to cultivate land either fully or partially for getting involved in non-agricultural jobs, but some millers and merchants who are not farmers are enlarging the scale of the company in terms of capital, mechanization, institutional facilities, etc. Consequently, the agricultural cooperatives are encountering severe competition in the processing and marketing of agricultural products. Government facilities through the Agriculture and Fisheries Development Policy in 1989 and its revision in 1994 have been the excuse for some farmers and merchants who principally aim at the government facilities and profits rather than agricultural production and welfare of the rural area.

5. Conclusion: It seems that Korean government has taken suitable measures to maintain the domestic agricultural production to a certain level when the agricultural sector is going to be endangered by rural-urban migration, rural labor shortage, increase of part-time farmers, increase of old farmers, appearance of international competition in agricultural products through open market policy, etc. But the trust farming companies tend to seek profits rather than social welfare and compete with the agricultural cooperatives. Government may take some measures not only to minimize the competition between the agricultural cooperatives and the trust farming companies but to introduce some rural welfare activities through trust farming companies as well. Referring to the group farming development
potentiality, Wang (1996, p. 11-2) opines that one of the most essential tasks for a more developed country like Korea where small farm-holding is predominant would be to make group farm as one of innovative free, self-governing and grass-roots agents for agricultural and rural development to secure genuine rural quality of life.

Government may take some necessary measures to observe and consider the applicants' qualifications (eg financial ability, source of financial support, etc), objectives, types of agricultural activities to prevent the establishment of fake trust farming companies. With that government may pay a post establishment inquiry through local public officials. Government may withdraw facilities from a company if it is found to misuse them. Government may have to provide financial support to the progressing companies to enlarge their scale of operation. Necessary programs to increase the knowledge of accountancy, operation of modern farm implements among the new members seem to be essential.

The emergence of Korean trust farming company may be explained by the Japanese one in that both necessarily came out of rapid industrialization, labor shortage in agriculture, increase of aged farmers in rural areas, government policy to introduce trust farming companies, etc. The so-called Uruguay Round has shaped the nature of Korean one more similar to Japanese one. Malaysia which is also facing with rapid industrialization, shortage of rural labor, rural-urban migration, increase of 'Idle Land', etc seems to be in a position to receive some lessons from Japanese and Korean cases. Some of the Asian developing countries where industrialization is yet to come, rural areas are overpopulated, young farmers are abundant, introduction of mechanization may endanger the rural employment, rural-urban migration is slow, etc have the almost reverse circumstances for the replication of trust farming companies of Japanese and Korean categories. The lesson for the agrobased Asian developing countries like these ones may be that they should uplift their agriculture to a certain extent to build a basis for the industrialization revolution.

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