LINKAGES BETWEEN AGRICULTURE AND FOOD INDUSTRY, AND FOOD PROCESSING BY FARMERS IN KOREA*

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Abstract
The food industry’s development is relatively closely linked with the development of upstream industries such as farming that supply raw ingredients. As a result of this study, it is proven that agriculture and the food industry are closely connected in the food system structure and input structure of agricultural products. Using an effect analysis, we confirmed that the food industry has the characteristic of having bigger backward linkage effect than forward linkage effect.

The farmers’ attitude toward food processing varies from product to product. In the case of fresh agricultural products that are difficult to store long term, the ratio of farmers making use of processing to get rid of low-quality off-grade agricultural products was high. However, in the case of bean, which is easy to store long term, it was shown that farmers prefer processing since they can sell it as a raw ingredient at a higher unit price.

It is necessary to prepare measures that would allow stable procurement of raw ingredients by expanding the transaction volume through farmers’ alliance. Moreover, it is necessary to build a foundation for stable production of processed foods by developing various processed food products using fresh products and by opening up new markets.

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1. Introduction

Agriculture and the food industry are closely connected industries. The food industry is usually divided into food manufacturing and the eating-out industry. Even though food manufacturing is part of the manufacturing industry and the eating-out industry is a service industry, the two industries are relatively closely related as they both require agricultural products as raw ingredients. Agriculture is the industry that supplies major raw ingredients of the food industry, and agricultural products can increase the value added through the food industry. Under such an understanding, the South Korean government established and operates the Ministry for Food, Agriculture, Forestry, and Fisheries, which oversees agriculture, forestry, fisheries, and the food industry.

The fact that agriculture and the food industry are closely connected does not mean that the food industry’s development always contributes to increasing the value added of agriculture. In an industrial structure where the food industry is highly dependent on agricultural imports rather than domestic agricultural products, the food industry’s development does not directly result in the development of agriculture. In order to transfer the value added created by the food industry to agriculture, the food industry should be systematically linked with agriculture. The vertical integration which coherently links agricultural production with distribution and food processing is a system that can efficiently transfer the value added created in the food industry to the production sector of agriculture. However, Korean agriculture does not have an efficient system linking agricultural production with the food industry because the industrial structure of Korean agriculture has the characteristic of being composed mostly of small family farms.

In this study, we aim to empirically analyze the current state of the Korean food industry and the linkage structure connecting the industry with agriculture. Also, we will conduct surveys and analysis to find out about the actual state of the linkage between agricultural production and food processing. Based on this, we plan to present ways of efficiently linking agriculture with the food industry and identify the tasks for improvement of farmers’ income.