

ICA 00645



# ICA-AP & NACF Joint Workshop

## on the Agricultural Co-operative System in Korea

23-28 September 2013, Seoul, Korea



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## Workshop Program

# 2013 ICA-AP / NACF Joint Workshop on Agricultural Cooperative System in Korea

23<sup>rd</sup> – 28<sup>th</sup> September, 2013

National Agricultural Cooperative Federation (NACF)  
Seoul, Korea

334:830(519)  
ICA-W.





## 23<sup>rd</sup> September (Mon) – Arrival of participants

## 24<sup>th</sup> September (Tue)

Time	Topics
09:30 – 10:00	Registration Venue: NACF head-office
10:00 – 10:30	<b>Opening Session:</b> Opening speech by Mr. Kim, Hyun-Gun (Executive Vice President, NACF) Congratulatory speech by Dr. Chan-ho CHOI (Regional Director, ICA-AP) Group Photo
10:30 – 10:50	Tea/Coffee Break
10:50 – 11:00	Video presentation - Introducing the National Agricultural Cooperative Federation (NACF)
11:00 – 11:40	“Agriculture and Agricultural Cooperatives In Korea” by Jea-Min PARK
11:40 – 12:10	“Banking & Insurance Business of NACF” by Seok-Ju KANG
12:10 – 13:30	Lunch Break (Restaurant Montour)
13:30 – 14:00	“Farm Supply & Agricultural Marketing Business of NACF” by Hanho CHOI
14:00 – 14:30	“Extension Services of NACF for Member Farmers” by Sung Ryun KIM
14:30 – 14:50	Tea/Coffee Break
14:50 – 17:00	Country Reports General Discussion
18:30 -	Welcome Dinner (At SeokRan, Hosted by NACF)
21:00 -	Hotel stay-overnight at the VAVIENT Hotel (near NACF)



## 25<sup>th</sup> September (Wed) - Field trip Day 1

Time	Places
09:00 – 09:40 – 11:00	Depart to the YangJae Hanaro-Mart Visit the KACM, YangJae Hanaro-Mart ( <a href="http://www.nhhanaro.co.kr">www.nhhanaro.co.kr</a> )
11:00-14:00	Lunch , Move(Seoul - Jeungpyeong )
14:00 – 15:30	▪ Visit member cooperative of HANSAMIN
15:30 – 17:00	▪ Move(Jeungpyeong – Suanbo)
17:00-	Stay over-night at the NACF Suanbo Resort Hotel



## 26<sup>th</sup> September (Thu) - Field trip Day 2

Time	Places
09:00 –	Departure from the NACF Suanbo Resort Hotel
09:30 – 10:30	Visit the Agricultural Processing Complex (APC)
10:30 – 13:00	Move(Choongju - Ansong), Lunch
13:00 – 15:30	Visit KOSAM Agricultural Cooperative
15:30 – 17:00	Back to Seoul
18:30 – 20:30	Farewell Dinner
20:30	Stay over-night at the VAVIEN Hotel



## 27<sup>th</sup> September (Fri ) – Half day

Time	Topics
09:00 – 12:00	Agricultural Museum in NACF Seoul City Tour
12:00 – 13:30	Lunch
	Free Time
	Dinner
	Stay over-night at the VAVIEN Hotel (near NACF)



28<sup>th</sup> September(Sat) – Departure of participants



① announcement on ~~the~~ evening  
 ② tomorrow morning 8:30 check out  
 Presentation ①

List of Participants, ICA AP-NACF Joint Workshop, 23~28 Sep. 2013

Country	Organization	Name	Title	Gender	e-mail
1 ✓ 17:18	National Poultry Development Centre, Department of Livestock, Ministry of Agriculture and Forest	Karma Wangdi	Dr	Male	karma_wangdi000@yahoo.com
2 ✓ 17:503	All China Federation of Supply and Marketing Cooperatives (ACFSMC)	Ye Hui	Division Chief	Female	chinacoop@acfsmc.coop
3 ✓ 17:02	All China Federation of Supply and Marketing Cooperatives (ACFSMC)	Wu Ping	Division Chief	Female	chinacoop@acfsmc.coop
4 ✓ 16:49	National Association of Mongolian Agricultural Co-operatives (NAMAC) Cooperative Development Dept.	Munkh-Erdene Olonbayar	Head	Male	munkherdene.o@namac.coop
5 ✓ 3:54	Mongolian National Cooperators' Association (MNCA)	MUNKH-UCHRAL Purevsuren	Manager	Female	pmonhuchral@yahoo.com
6 ✓ 3:54	VICTO National Co-operative Federation and Development Center (VICTO National)	Renia C. Salinas	Chief Executive Officer	Female	rcs89@yahoo.com
7 ✓ 3:30	Cooperative Development Authority	Mercedes D. Castillo	Administrator	Female	chedcastillo@gmail.com
8 ✓ 3:30	Vietnam Cooperatives Alliance (VCA) International Cooperation Department	NGUYEN NGOC DUNG	Director	Male	dunglegan@gmail.com
9 ✓ 4:10	New Delhi Office	P.Santosh Kumar	Program officer	Male	santosh@icarorap.coop
10 ✓ 3:40	Malaysia Business Office (MBO)	Ge Shuyuan	Program officer	Male	chinacoop@acfsmc.coop
11 ✓ 3:40	Cooperative College of Malaysia	RAHMATHBEE ZARINATUN BT MOHD ABDUL KADER	Traning Officer	Female	zarinatun@mkm.edu.my
12 ✓ 4:27	National Co-operative Federation of Nepal (NCF)	Ram Chandra Upreti	Member of Board	Male	rcf@wlink.com.np
13 ✓ 4:27	Malaysia Business Office (MBO)	Mohamed Shafari bin Yaakub	Head of MBO	Male	shafari.myahsb@gmail.com
14 ✓ 4:27	Malaysia Business Office (MBO)	Seung-min Lee	Senior Manager	Male	lsm7796@gmail.com
15 ✓ 4:27	National Co-operative Council of Sri Lanka (NCC) Trincomalee District Co-operative Council	MAHAKUMARAGE GAMINI TISSA	Chairman	Male	accdc@slnet.lk

Very interesting

① presentation in Singapore - Malaysia is indeed a melting pot of culture and business and we are sure that under your leadership and added support from China, Japan, Korea, Japan Indonesia we will be able to achieve ~~that~~ our target in two years. We are looking to have the first...





# **Korean Agriculture and Agricultural Cooperatives**

 NATIONAL AGRICULTURAL  
COOPERATIVE FEDERATION

## **Contents**

- 1** **Agriculture in Korea**
- 2** **History of NACF**
- 3** **Characteristics of NACF**
- 4** **Business Network**
- 5** **NACF Businesses**

# 1

## Agriculture in Korea

### Territory & Geography

#### ✚ Total Area of the Korean Peninsula

225,154km<sup>2</sup> (as large as New Zealand)

- South Korea : 99,538km<sup>2</sup>(45%)

- North Korea : 122,762km<sup>2</sup>(55%)

#### ✚ 70% of this land area is mountainous

- Mountains are concentrated in the north and east



# Land & Cultivated Area



Land & Cultivated Area

# Korean Agricultural Structure (1)

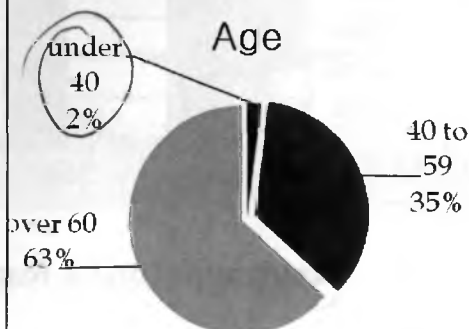
## Small Farm Scale

- Average farm size : 1.46 ha
- 41% with less than 0.5 ha
- 15% with more than 2 ha

## An aging farm labor demographic

- 63% of those over 60 will retire in 10 to 20 years
- Acceleration of rate at which large-scale farms absorb small-scale farmland
- A lack of young farmers and continuous reduction in farm activity

Year Size	1995	2000	2011
Less than 0.5 ha	30%	33%	41%
0.5 ~ 2.0 ha	57%	53%	44%
More than 2.0 ha	13%	14%	15%



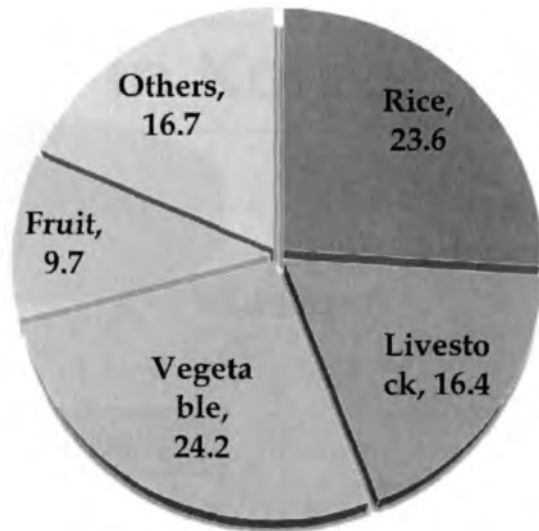
# Korean Agricultural Structure (2)

## ↓ Rice dominates production

- Highest ratio in cultivated land use, production amount, and the number of growers
- Almost 1/4 of farm income generated from rice production

[Component ratio of Gross Farm Receipts]

*5 years ago Rice was 34.2%*  
↓



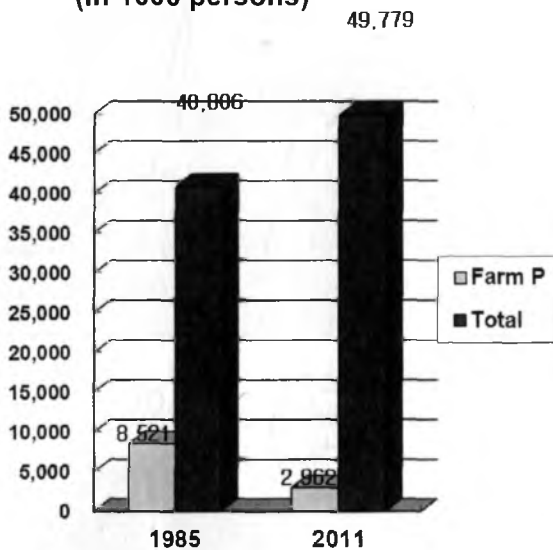
## ↓ Non-farming income ratio

- 43% of total rural income
- Many farmers must find off-farm work to balance reductions in farming income
- Ratio of farming income: 29%

*many farmers have two jobs.*

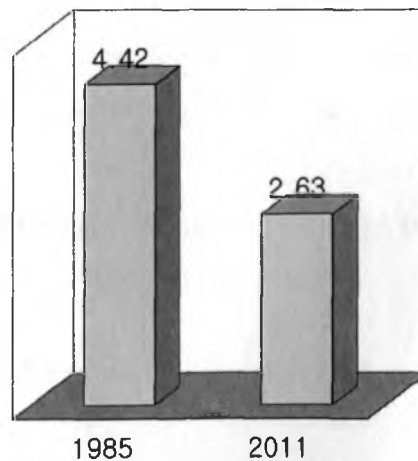
# Rural Population

(in 1000 persons)



Population (Total & Rural)

□ Person



No. of people per household

*farming population is less than 3 million (6%)*

*The change from farming to urban population in EU took 6 years but in*

# Farmhouse Population

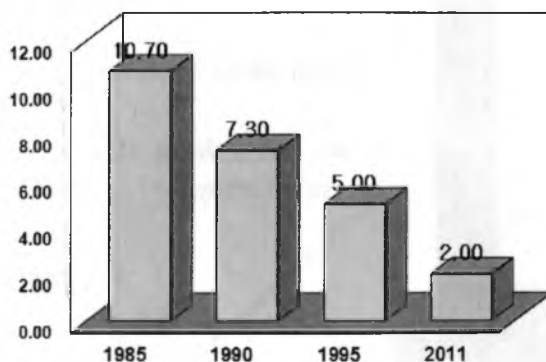
(in 1,000 persons)

Year	Total Population(A)	Farmhouse Population(B)	B/A(%)	No. of people per farm household
1985	40,806	8,521	20.9	4.42
1990	42,869	6,661	15.5	3.77
1995	45,093	4,851	10.8	3.23
2000	47,008	4,031	8.6	2.91
2007	48,456	3,274	6.7	2.66
2011	49,779	2,962	6.0	2.63

*Young farmers are not doing justice to the Agri Movement.*

# Agriculture's Contribution to GNP

(%)



**Agriculture's contribution to GNP**

**Year 1980 10.7%**



**Year 2011 2.0%**

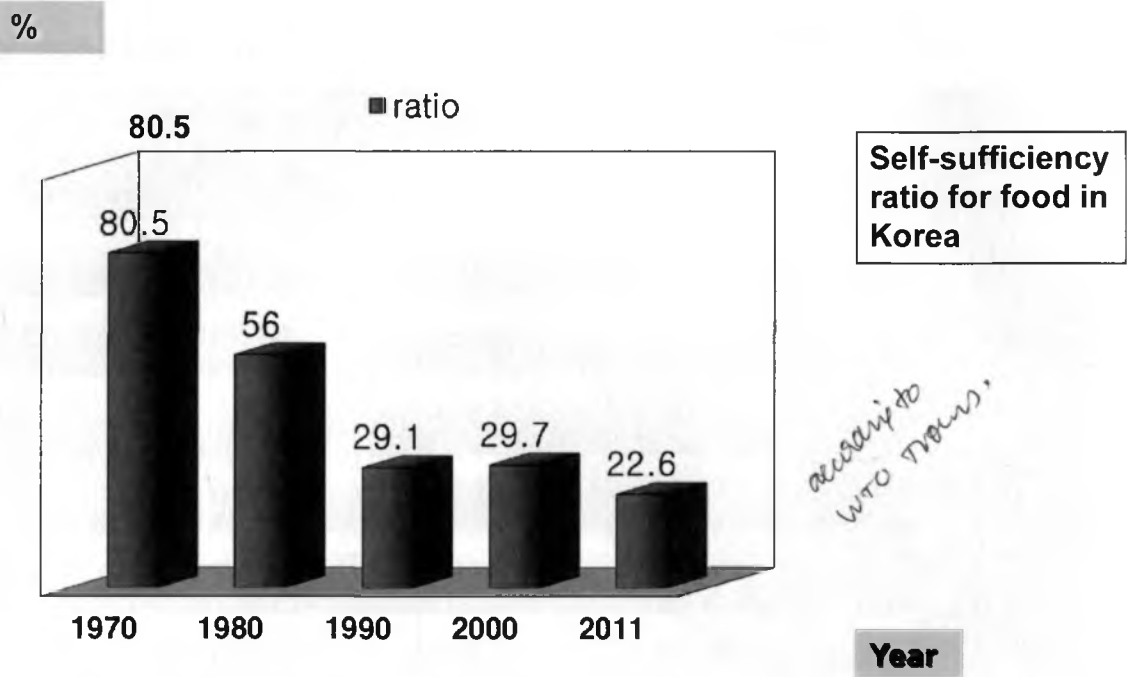
□ SHARE

**AGRICULTURE'S CONTRIBUTION TO GNP**

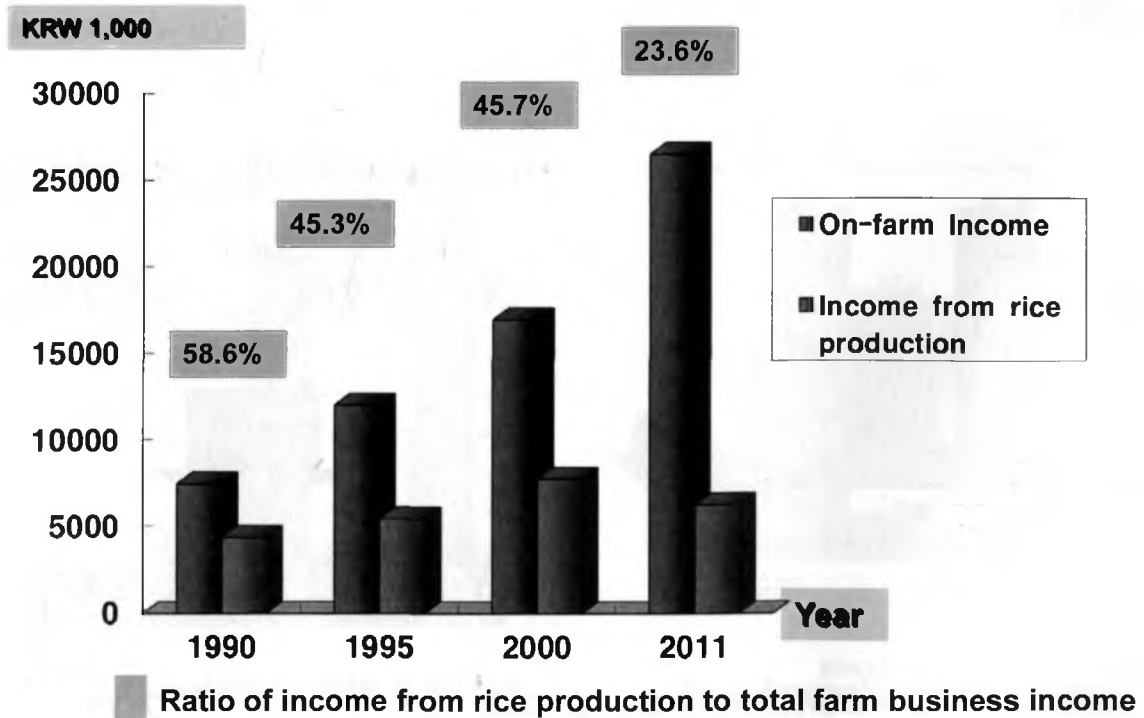
*which is why the NALF expanded to the banking area.*

*ea it took only 30 years.*

# Self-sufficiency Ratio for Food

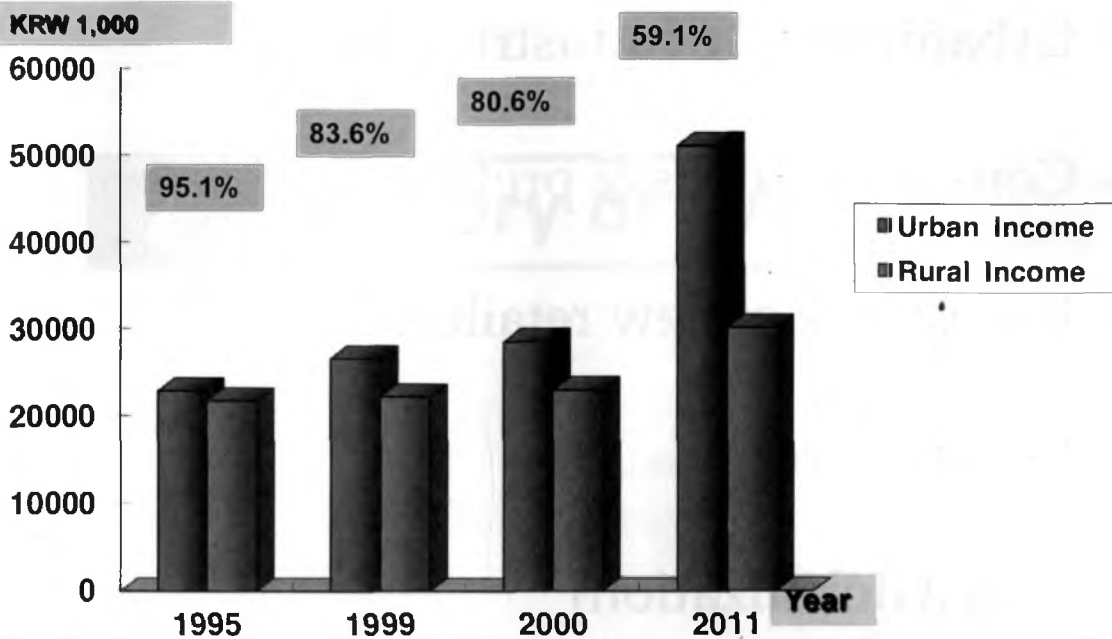


# Income from Rice Production



*Rice does not have any competitive prices anymore.*

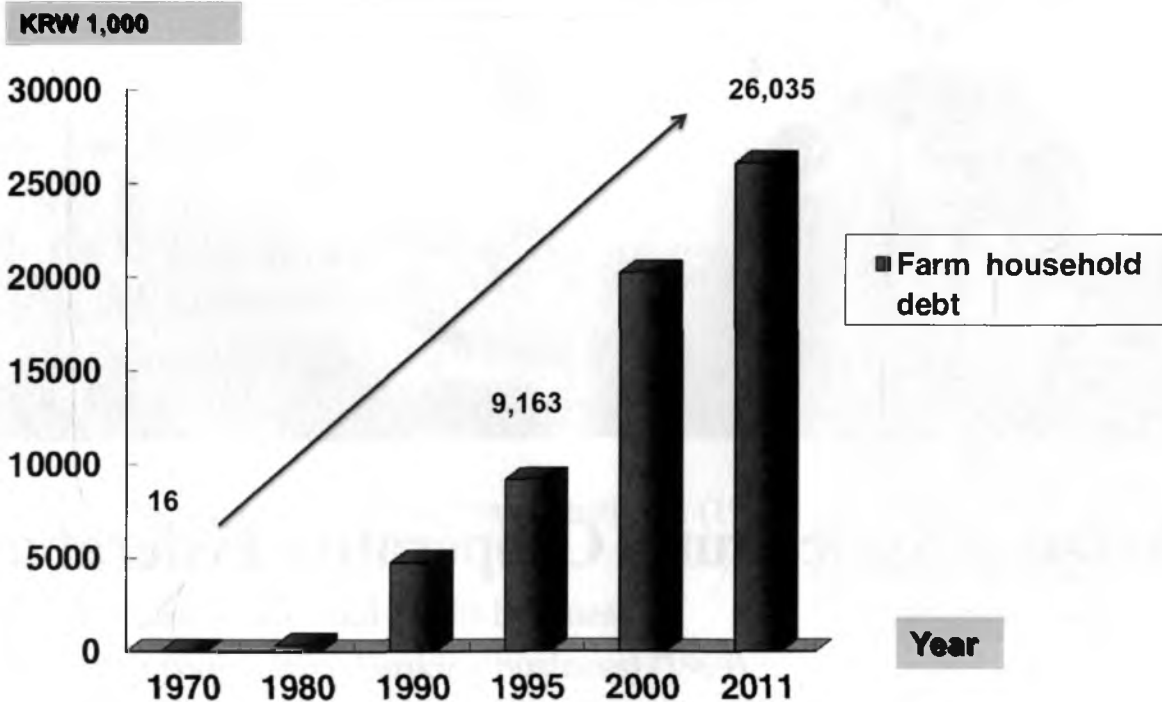
# Urban and Rural Income



Ratio of farm household income to urban household income

① aging of farmers ② increase in price of farm material and decrease in the government support.

# Farm Household Debt



↓  
Market liberalization.

# Changes in Marketing Environment

- ✚ Urbanization / Industrialization
- ✚ Consumer needs & preferences
- ✚ Emergence of new retailers
- ✚ E-Commerce
- ✚ FTA (Globalization)

*Marketing environment.*



**National Agricultural Cooperative Federation**





## 2

## History of NACF

### History 1960s

#### ✦ Establishment of NACF

- NACF - Merger of the agricultural cooperatives and agricultural banks (1961)
  - Played a leading role in the development of the Korean economy
- 'New Farmers' Movement' initiated (1965)
- Started a **mutual credit business** (or cooperative banking business) (1969)



## History 1970s

### ↓ Saemaul Movement

- Cooperatives promoted the **Saemaul Movement**  
- agricultural cooperatives were the biggest promoters
- **Eliminating usury** by mutual credit
- **Chain stores** stabilized prices in rural communities

⊕ *elimination of high interest rate.*

⊕ *upgrade the life of farmers.*

## History 1980s

### ↓ **Democratization & autonomy of operation**

- Started **credit card, annuity, and fire insurance services** (1984)
- Started supplying **tax-free oil** (1986)
- ✓ ■ Introduced a **direct election system** - presidents of member cooperatives and the chairperson of NACF (1989)
- Initiated provision of a **health care system for farmers** (1989)

## History 1990s

### ✦ New marketing system introduced

- Agricultural Products Distribution Center, Hanaro Club, directly linked farmers and consumers (1995)

- Acquired ISO9002 certification for **NACF brand Kimchi**, which was chosen as the official food of the 1998 Olympics (1998)

- Initiated an internet banking service (1999)

*large discount agricultural oriented supermarket.*

## History 2000s~present

### ✦ New NACF

- Launched an **integrated NACF** with the merger of the agriculture, livestock, and ginseng cooperative federations (2000)
- Hosted the **ICA** General Assembly (2001) and **IFAP** World Farmers' Congress (2006)
- **I Love Farm Campaign** to vitalize the agricultural industry and rural communities
- **Spun off** into one NACF and two holding companies

*main 2012*

### 3

## Characteristics

## Characteristics



- ⚡ Member farmers invest capital and become coops' owners, users, and controllers.
- ⚡ Similarly, member coops become the owners of NACF.

# Characteristics

## ✦ Top-down establishment (1961)

- Democratization (1980s)
- CEO system for each business division
- Business reformation (2012)

## ✦ Multipurpose (Multifunctional) Cooperative

- Farming and living services
- One-stop services
- Synergy effects
- Profit generation by banking to subsidize marketing

*earlier chairman was appointed by the President of the country!*

# Characteristics

## ✦ Government policy/program implementer

- Fertilizer and policy loans
- Government's grain procurement program, etc.

## ✦ Fast growth in the businesses

- Federation acts as business center
- Undertaking new frontiers

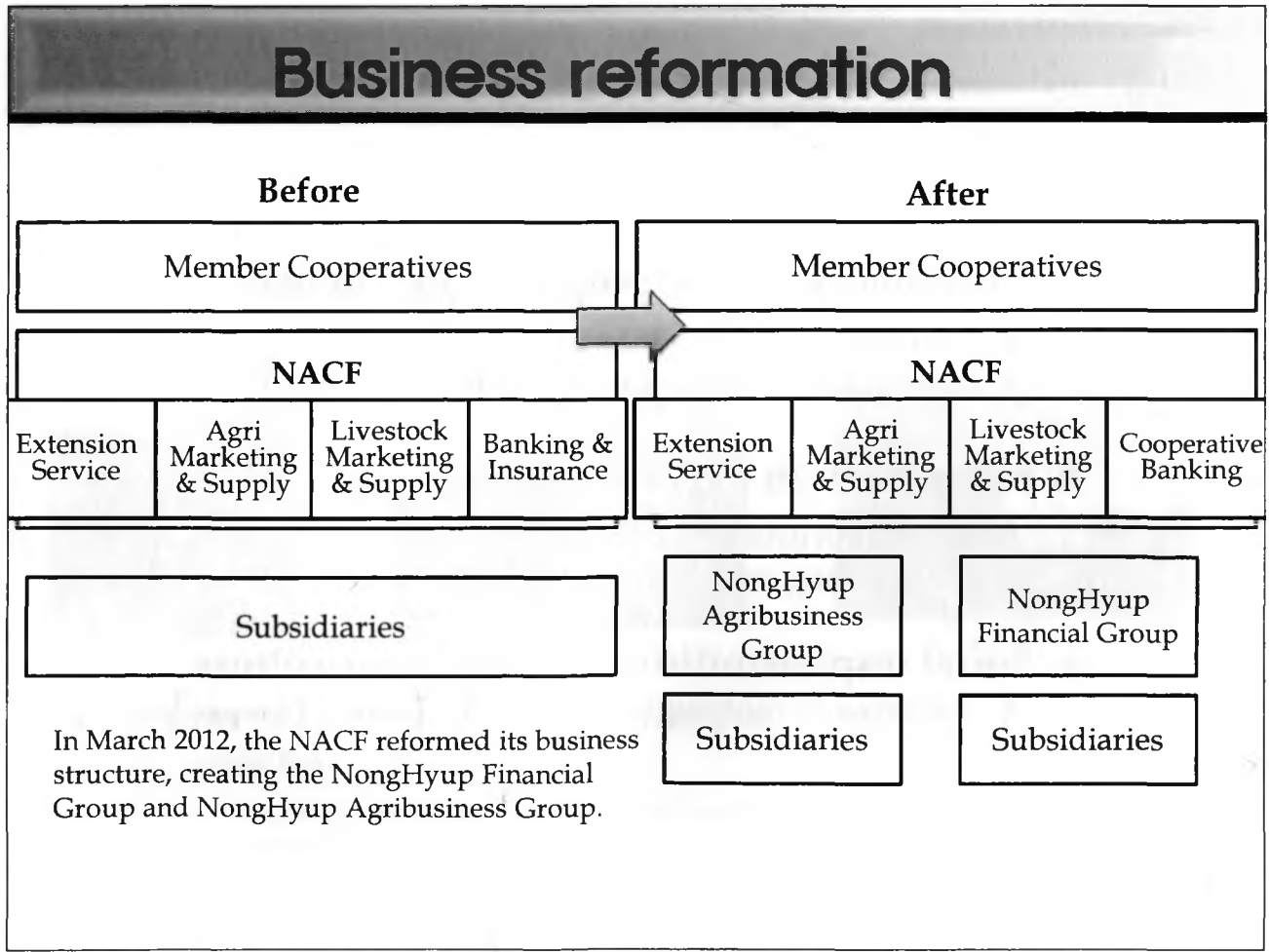
## ✦ Social responsibilities in Korean agriculture

- Nationwide campaigns *i.e. 1 ♡ farm campaign*
- CSR



# 4 Business Network

*Reason for reorganization.  
Direction for focusing on the banking business.*



# Business reformation

Since March 2013



- **NACF** : Center for member cooperatives, governing each business unit: Extension & Support, Agriculture, Livestock, and Cooperative Banking
- **NongHyup Agribusiness Group** : Vitalization of the marketing & supply of agricultural & livestock products through advanced expertise and increased efficiencies.
- **NongHyup Financial Group** : Profit generation with the collaboration of its subsidiary companies.

# Network



16 Regional Offices

158 Policy Support Offices.

1000 cooperatives.

■ <b>Regional Head Offices</b>	16
■ Agricultural Policy Support Offices	158
■ <b>Regional Cooperatives</b>	1,084
■ Branches	3,058
■ <b>Commodity Cooperatives</b>	81
■ Branches	313

Total Number of On-line Offices : 4,770 ✓



Online services are given by over 4,000 centers.

# Affiliations & Subsidiaries

## 3 Affiliated Organizations & 25 Subsidiaries

### Affiliated Organizations

The Farmers Newspaper  
The Agricultural Cooperative College  
The NH Culture & Welfare Foundation

NongHyup Bank

NingHyup Life Insurance Co.

NH-CA Asset Management Co.

NH Investment & Securities Co.....

### Subsidiary Companies

Korea Agri- Cooperative Marketing

Namhae Chemical Corporation

Young Il Chemical Co.

NH Hansamin, Ltd.

NongHyup Logistics Service, Inc.

Korea Agri- Cooperative Trading Co.

**5**

**Businesses**



## Agricultural Marketing & Supply

- ✚ NACF prioritizes the needs of its customers, while ensuring maximum profitability for its member farmers.



- Rural Marketing & Supply - APC, RPC
- Urban Marketing & Supply - Various distribution centers
- Responsible for 42% of supply chain -
  - ▲ 60% for fruits & vegetables while 30% for pork

## Livestock Marketing & Supply

- ✚ NACF's livestock sector - the leader in the Korean agricultural industry, coping with open market conditions (FTA/DDA)



- Production Support
- Reduction of Input Costs
- Distribution & Sales Support
- Livestock Disease Control
  
- GAP, HACCP, DNA test, etc.
- Aiming to handle half of Korean beef

## Coop Banking (mutual credit)

- ↓ **Mutual Credit Business or cooperative banking** business of the NACF, launched to provide member farmers in rural areas, who had long suffered from usury, with better banking services, including easy access to finance at far lower interest rates.

As of Dec. 31, 2012

	2009	2010	2011	2012
Deposits (USD Billion)	178	195	209	208
Net income (USD Million)	171	390	451	316
# of Branches	4,541 nationwide			

- ↓ **NACF serves as the central bank for member cooperatives**
  - Managing reserve accounts, where each member is required to put 10% of his/her deposit to insure fellow depositors
  - Lending to members who suffer from a deficit in capital.

## Extension Service

- ↓ Educational support & guidance service
- ↓ Farm policy activities
- ↓ Government lobbying
- ↓ Rural Development & Support activities
- ↓ International Cooperation



- FTAs/DDAs

- NACF made 12 policy proposals to enhance agri-competitiveness. 9 proposals were accepted in part.

- e.g. expanding the government's New Complementary Policy Package for agriculture and fisheries.

**Thank you!**

### TAX exemption?

- ⊕ government policy and programs; so tax extraction is limited.  
Levystax - member transaction exempted from tax.
- ⊕ Policy loan rate is 7% ; commercial rate is 10% ; land.
- ⊕ For power, sacrifice democratization. In 1980-1, the process was democratized. Unlike providing subsidies, the government could appoint the president.
- ⊕ Fertilizers also monopolized.
- ⊕ tax exemption of oil products.

### dept of Agriculture

increase food safety. Ministry of agriculture.



*financial product*

## NACF's Banking Business

*Butter no need to advertise. now the fierce competition in the market share.*

## Characteristics

### ❖ NACF's banking specializes in agricultural finance

- **Legal Basis** - Agricultural Cooperatives Act, Article 134-4
- **Purpose of Establishment** - To support the autonomous economic activities of farmers and member cooperatives, and to improve their economic status through the provision of financing

*the government employed a top-down approach.*

# Business

## ❖ Business

- **Agricultural Finance**

- Lending to farmers, farming communities, and cooperatives

*Temporary loan of funds*  
↑

- **Policy finance**

- Executing policies on behalf of the government / public entities

*12 March 2013. 87 cities and provinces.  
only 70 use the NH Bank as the main Bank.*

- **Depository services to governments(local/central), etc.**

- **General banking services**

*credit rating of the people will better*

## Organization Chart



*Reserve amount used to build out cooperatives*



- Member Cooperative

- NH Bank

To avoid competition  
 Harrowd Chik in  
 Jeju Mallin.

## At a glance

### ❖ NACF banking at a glance

- **Member farmers/cooperatives**
  - 2.45 million/1,162
- **Total Assets : KRW 610 trillion**
  - NACF & Subsidiaries : KRW 328.6 trillion
  - Member Cooperatives : KRW 281.5 trillion
- **Total Employees : 80,013**
  - NACF & Subsidiaries : 18,148
  - Member Cooperatives : 61,865

$$\frac{2}{100} \times \frac{2,450,000}{100} = M$$

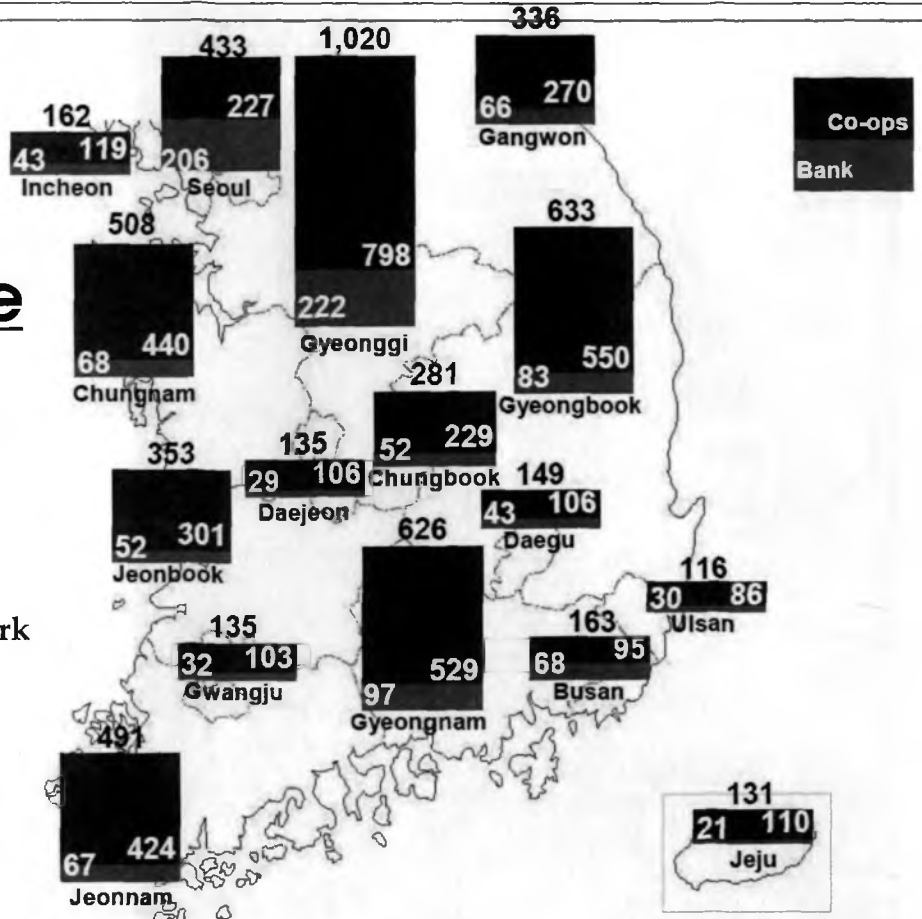
$$\frac{490}{10000} = 0.049$$

$$\frac{16}{100} \times 10000 = 1600$$

\* Total assets and employees based on figures as of 2011

# Nationwide Network

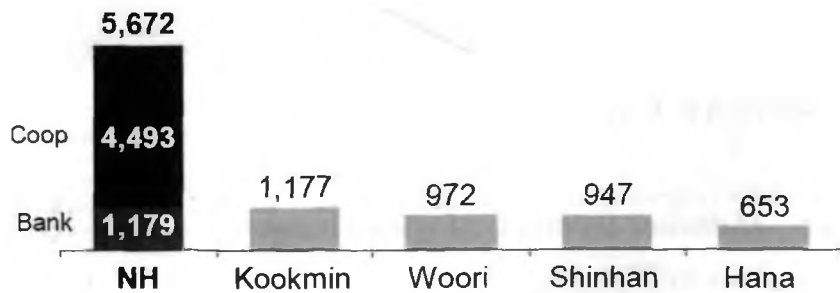
- Worldwide Network
  - New York, USA
  - Beijing, China
  - Hanoi, Vietnam
  - New Deli, India
  - Jakarta, Indonesia



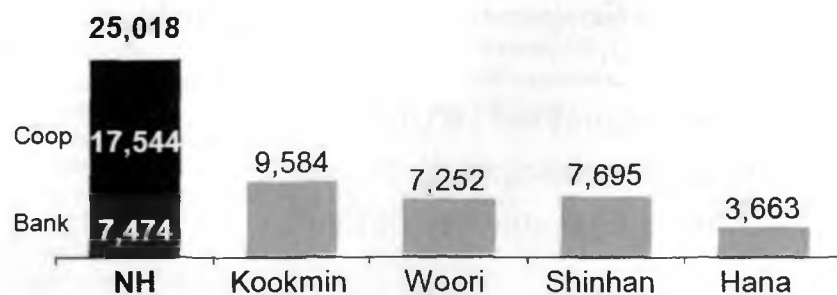
As of June 2012, Korea Federation of Banks

# Branch Numbers

Branches <sup>1)</sup> *Operasi no. 1*



CDs & ATMs <sup>1)</sup>



As of the end of June 2012, Korea Federation of Banks

# Cooperative Banking

## •1960s-1970s

- Member cooperatives committed to end usury and built for themselves a sound foundation for sustainable development

## •1980s-1990s

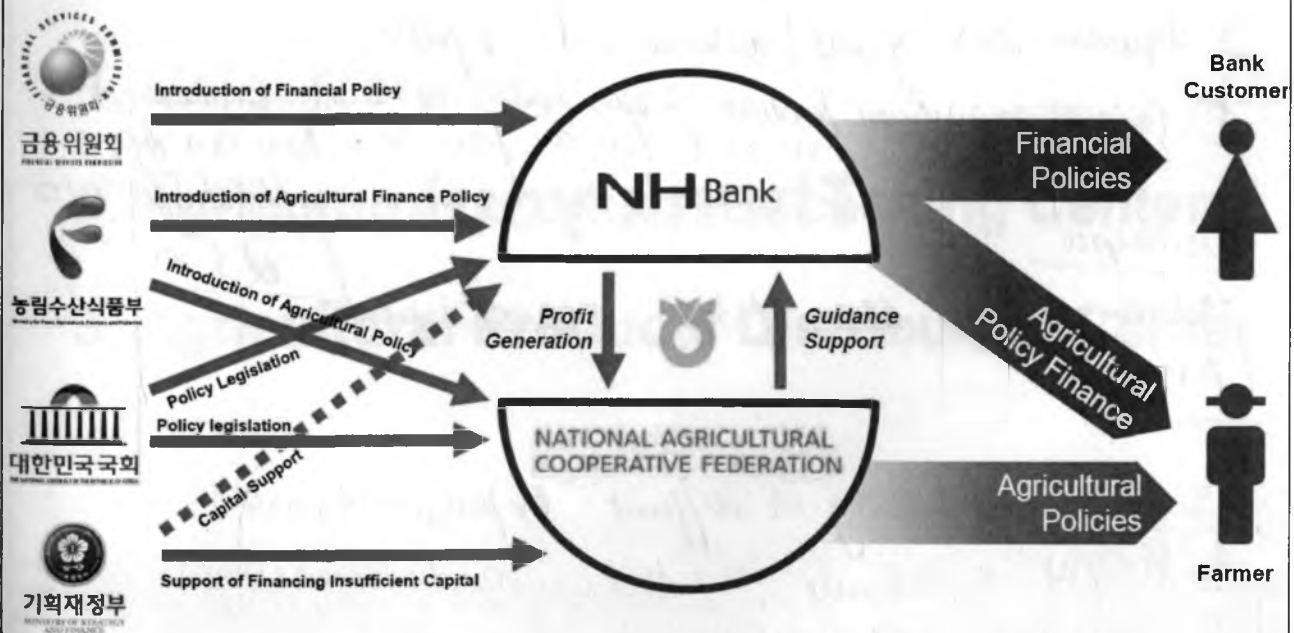
- Established procedures for the mitigation of farm-household debts, serving as a pipe-line for funds resulting from the government's agricultural policies

## •2000s-present

- Make reasonable profits from banking, which will be invested in turn so as to support agricultural marketing activities. Also, cooperative banking is the center of regional finance as the majority of banking institutions still operate in only metropolitan areas.

NACF - 300 Million USD

# Partnership with Government







① Better to experience once than to hear it a 1000 times.

② Japanese loan grant / disbursement system.

③ Price of agricultural products is very low, so contribution to GDP is pretty low; as far as Japan. But as Agro-food sector is

Malaysia

**Thank you!**

~~Japan~~ Minin loan of 3000 - 5000 Riper

TAKUN :

The nature of farming is different. Expensive + fruits are brought to the market hence the difficulty has to be resolved. Please try used materials.



# **Agricultural Marketing & Livestock Business**

**For 2013 ICA AP/NACF Joint Workshop**

By Hanho CHOI



NATIONAL AGRICULTURAL  
COOPERATIVE FEDERATION

## **Index**

- 1. Major features**
- 2. Agricultural product Processing Center**
- 3. Agricultural Products Distribution Center**

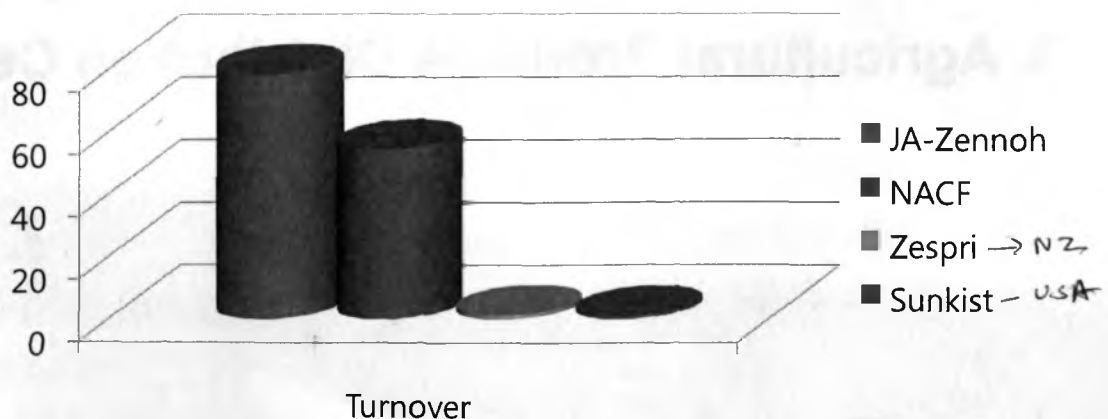


# Major features of Agricultural Marketing Business



## Overview of Agri-livestock business

- Second largest among the world's cooperatives
  - NACF Agri-Livestock turnover (as of 2010) : USD 54.5 billions
  - JA-Zennoh USD 78 billions, Zespri USD 1.2 billions, Sunkist USD 0.9 billions



## Market share of Agri-livestock business

**In production areas : 46.6%**  
 KRW 17.102 trillions out of KRW 36.676 trillions



■ NACF ■ Others

**In consumption areas : 9.4%**  
 KRW 4.319 trillions out of KRW 46.112 trillions



## Marketing at production sites

*price of agriculture is non-elastic*



### Adjustment of demand and supply

- Distribution in production areas
- Adjustment of vegetable production

### Nurturing producers' group

- Joint shipment group
- MAC(Marketing Agency-in-Common)

*To reach the economy of scale.*

### Enhancement APC

- Building APCs
- Direct sale to consumers in the cities



## Marketing at consumption sites



### Supermarket run by federation

- Agricultural Product Distribution Center

### Supermarket run by a member co-op

- Consulting management of Hanaro Mart

### Supporting Management



## Farm Supply Service



### Farming Material Supply

- Fertilizers, Pesticides, other farming materials
- Instruction for using farm supply

### Farming Machinery Supply

- Tractors, Rice transplanters
  - Supply parts and maintenance service
- Purchase of tractor as a group.*

### Farming Machinery Bank

- Farming Agency
- Joint control of insect pests



## Energy Business



### Petroleum Supply

- NH Pole gas station
  - Provide Agri-Coop with petroleum
- Farmers enjoying duty free petroleum as agency of government.*

### Duty-free Petroleum

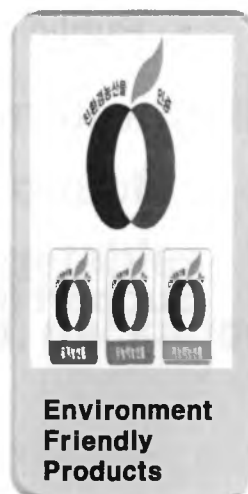
- Providing duty-free fuel to farmers
- Policy planning activity

### Finding new business

- Providing natural gas
- Environment friendly energy



## Support Member Cooperatives



## Wholesale



### Agricultural product wholesale

- Integrated purchasing for Hanaro marts
- Joint Marketing to outside buyers

### Agri-Food logistic center

- Opened Ansong logistic center (Sep. 2013)
- Building regional logistic centers

### Wholesale auction markets

- Managing, Consulting and Audit



## Grain Business



### Government's grain business agency

- Public reserved rice

### Support member co-ops' grain business

### Grains Sales

- Managing grain distribution centers





# A.P.C

## 산지농산물유통센터

### Agricultural product Processing Center



### ***Agricultural Product Processing Center***

#### ■ What is APC ?

- The facility located on production area
- where agricultural products
- mostly fruits and vegetables
- pre-cooled, selected, packaged, processed and stored



## ***Agricultural Product Processing Center***

### **■ Why APC ?**

- **To enhance the value of the produce**  
⇒ **Increase the farm value**
- **To enjoy the economy of scale**  
⇒ **Strengthen the bargaining power**
- **To carry out comprehensive role in route sales and marketing**

## ***Agricultural Product Processing Center***

### **Overview (as of 2012)**

- **The number of APC : 285**
  - Mainly run by member coop
- **Invested capital per APC(average) : 2,875 thousand USD**
  - Subsidy from central government(33%), local government(29%), self- payment(38%)
- **Operating ratio(average) : 71.6%**
- **Total volume(per year/APC) : 4,128 ton**
- **Main products**
  - Apple(33 APCs), Onion(30), Pear(22), Mandarin(19), Strawberry(18), Garlic(17), Tomato(15), Potato(14), Grape(11), Watermelon(10), Green-chili(10), etc.

Distribution.



# APDC (농산물 유통센터)

## Agricultural Products Distribution Center



### ***Agricultural Products Distribution Center***

What is APDC ?

- The facility for wholesale and retail businesses
- To cut the distribution cost and return the benefit to the farmers and customers
- 15 APDCs nationwide
- Yangjae, the first center, opened in 1998

## Agricultural Products Distribution Center

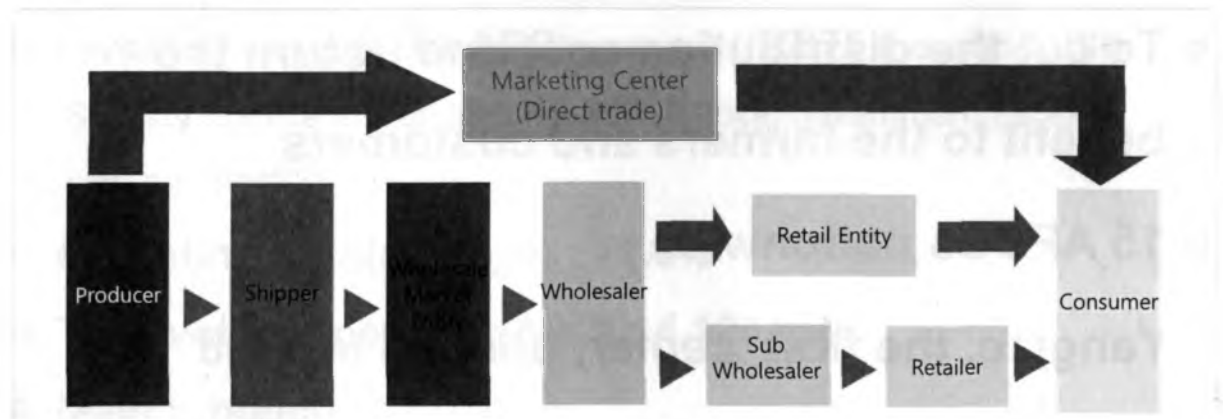
Integrated Complex Center comprising of a wholesale facility for agricultural marketing and a retail facility for direct consumer sales, reducing marketing costs by increased shipment of agricultural products



The Agricultural Marketing Center is a globally unique business model performing wholesale & Retail marketing activities

## Reduction of Marketing Costs

- 5~6 phases of complex marketing channels are reduced resulting in marketing margin
- Agricultural marketing activated through the reduction of marketing costs result ing in provision of higher prices for producers & lower priced, good quality products for consumers



Through reducing complex marketing channels, 19.7% of cost diminished

# Why Coop



1990s

*10% of share in market all*

## Reduced Distribution Costs

- Prevention of likely product-loss during distribution by boxing of goods
- Distribution costs of large scale agricultural production largely diminished resulting in strengthened price competitiveness



Loading, Unloading Mechnization



Distribution Standardization (Palette Shipping, etc)



## Competitive Product Power

# APDC Location

## Distribution Chart



## Operation Information

- Number of Centers
    - 15 APDC established since open of Yangjae Agricultural Marketing Center in 1998
  - Sales Volume : USD 2 billion / year (KRW 2.1388 trillion / year)
  - Daily Sales Volume per center : USD 0.4 million (KRW 490 million/day)
  - ※ Top grade sales volume among supermarkets
- Develop to become highest grade domestic marketing Center specialized in agri & livestock product!!

# Basic Operational System of APDC

## Distribution Standardization System

- All facilities & equipment involved in transportation, storage, unloading and wrapping are standardized reducing distribution costs increased by mechanization & automation



Distribution costs reduced by mechanization & automation by Distribution Standardization

# Basic Operational System of APDC

## Cold Chain System

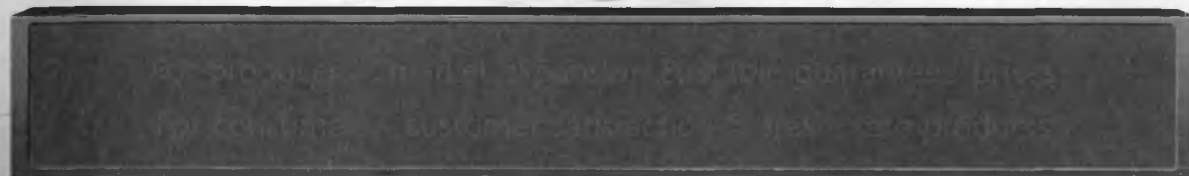
High quality and fresh agricultural & livestock products transported to consumers via cold storage vehicles from production sites to market places



Cold Storage Truck

Distribution Ctr (refrigerator)

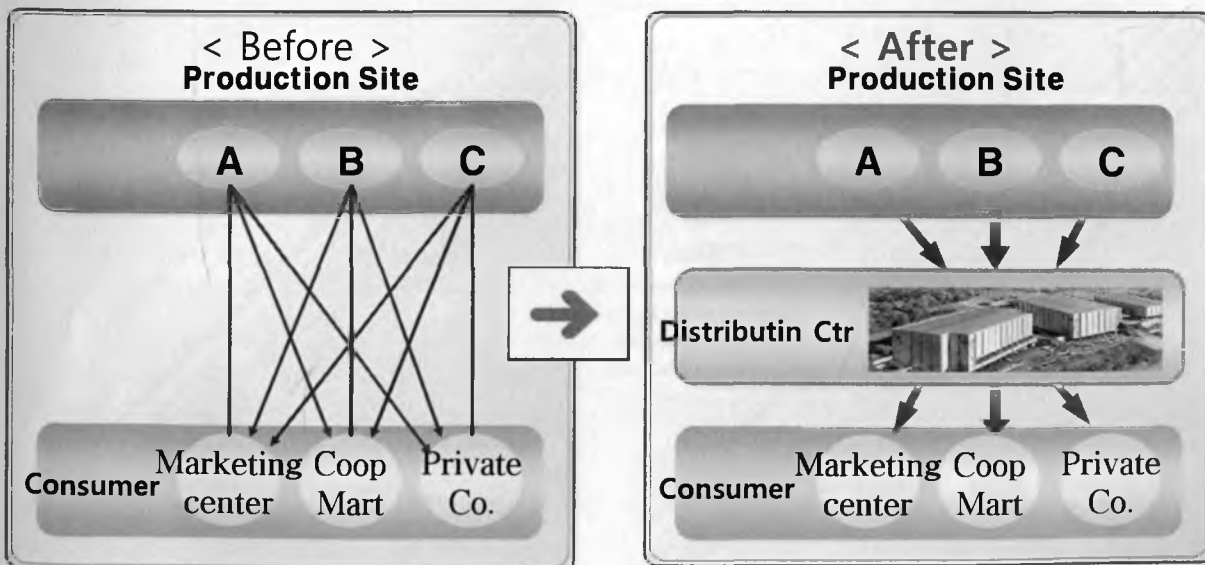
Marketing Ctr (Hanaro Club)



# Basic Operational System of APDC

## Integrated Distribution System

Product Marketing Costs drastically reduced by changes in shipping system to Integrated Distribution System via Distribution Center



# Basic Operational System of APDC

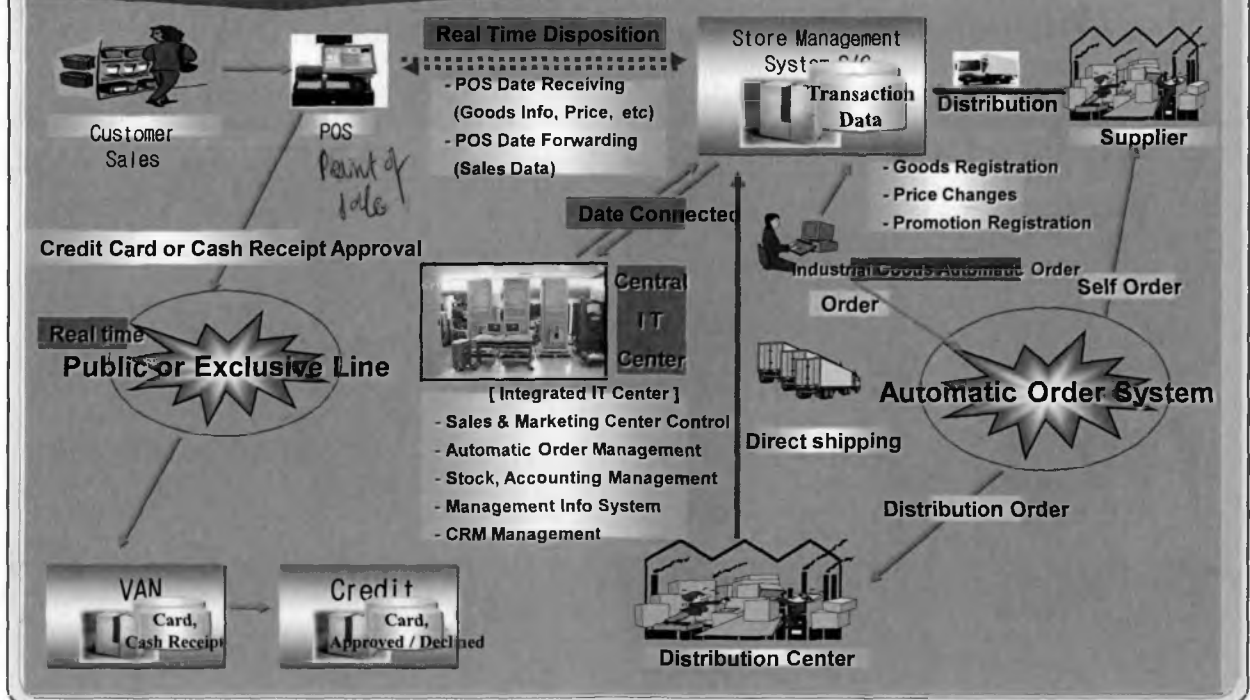
## Quality Control System



Strengthened further control check levels of residue chemicals  
 from accident tests made daily to meet precise inspection products  
 to supply best quality products to consumers through the introduction of  
 quality satisfaction award system. (Korea, Japan, USA, etc.)

# Basic Operational System of APDC

## Computer Management System - Flow Chart



# Basic Operational System of APDC

## Computer Management System - Functional Chart

### POS System

Automatic timely sales product management is possible through item number, price, quality information being forwarded to computers and the analyzing of sales currency, Optimum Storage and best product lay outs, etc

### Automatic Ordering

Automatic ordering system enables goods to be accounted for and an Optimum stock of products to be supplied on demand

### Stock Control System

Each product stock controlled with POS & Automatic Ordering at the actual times of sales & purchase

Computer Management System



Strengthened Management Effectiveness  
Via reasonable stock & product lay out  
Following sales condition

## Major Business Content of APDC

Marketing center performs combined wholesale & retail business  
Business ratio of wholesale & retail is 35:65

### <Wholesale Business>

- Supply product to Coop Stores
- Sales to Mega dealing wholesalers
- Food materials sales to restaurants, school food delivery entities

### <Retail-Hanaro Club>

- **Direct sales to consumers of cheap & fresh Agricultural, Livestock and Fish products**
- **All product sales including processed items & live materials ensure consumer convenience through a one-stop shop**

< Retail/ Wholesale Ratio >





# Major Business Content of APDC

## On-line Retail Business

- By strategic activation of Marketing Ctrs, 「NH Shopping (internet Shopping Mall)」 becomes representative on-line sales center specialized in agricultural products in Korea  
 - Sales Volume Plan : '08) USD 33 million ⇒ '09) 40 ⇒ '10) 46



# Sample Organizational Structure of APDC

## Organizational Structure

APDC operates 3 divisions & 11 teams



## Personnel Information

About 1,000 employees (ex : Yangae Marketing Center)

Division	Regular Employees	Contractual Employees	Cooperation Agency	Outside Employee	Total
Number of Person	160	260	800	160	1,380

When a APDC is established, about 1,000 new jobs are created locally

## Major Facility Size & Functions of APDC

Facility Size (exemple : Yanjae Center)

(Unit :1,000m<sup>2</sup>, %)

Division	Wholesale Facility			Hanaro Club	Support Facility			Total
	Collect & Delivery	Food Material	total		Ware house	etc	total	
area	16.1	3.3	19.4	19.5	6.5	26.2	32.7	71.6
%	22.5	4.6	27.1	27.2	9.1	36.6	45.7	100.0

### Function

Facility	Major Functions
Collection & Delivery Points	Divide items, loading & unloading of equipment
The Market Place	Sell products to retailers including restaurants and businessmen of fast food enterprises
Hanaro Club	Sell good products at low prices to consumers
Cooling Storage	Storage facility keeping products fresh for longer with in refrigerated conditions
Additional	Parking Space, Offices, Cultural center, etc.

## Investment Information by operational type

### Coop & Gov't Type

- Agricultural Coops (producer's organization) construct and operate Marketing center through the support of central or local governments
- Size and Investment Cost

Marketing center	Size (thousand m <sup>2</sup> )		Invested Cost (USD million)			Open date
	Land	Building	Gov't	NACF	Total	
Yangjae	64.4	71.6	34	15	49	1998. 1
Changdong	34.0	49.2	66	31	97	1998. 5

### Coop Self Constructed Type

- Agricultural Coops (producer's organization) construct and operate Marketing center through the support of central or local governments
- Size and Investment Cost

Marketing center	Size (thousand m <sup>2</sup> )		Invested Cost (USD million)			Open date
	Land	Building	Gov't	NACF	Total	
Kwangju	37.8	46.0		74	74	2010

## Investment Information by operational type

### Gov't Constructed Type

Central & local gov'ts purchase land and construct marketing center, agricultural coops (producer's organization) entrusted operation

Size and Investment Cost

Marketing center	Size (thousand m <sup>2</sup> )		Invested Cost (USD million)			Open date
	Land	Building	Gov't	NACF	Total	
Sungnam	84.1	46.0	70	5	75	2000. 8
Koyang	132.4	54.5	90	6	96	2001. 6
Suwon	86.0	41.6	59	8	67	2003.10
Wulsan	86.1	30.5	62	7	69	2009. 5
Average	97.2	43.2	70	6	76	

## Investment Information by operational type

### Investment Information

- About USD 80 million was invested to establish a marketing center  
- data of representative marketing centers for each operation type

Marketing center		Size (thousand m <sup>2</sup> )		Invested cost (USD million)			
		Land	Building	Land	Building	property	Total
Producer Type	Changdong	34.0	49.2	38	38	2.6	78.6
Public Type	Wulsan	86.1	30.5	29	32	7.5	68.5
Self Constructed Type	Kwangju	37.8	46.0	21	43	9	73
Average		52.6	41.9	30	37	7	74

## Major Outcome

### Reduction of Marketing Costs

- Through direct transaction of agri product, 19.7% marketing cost reduced  
- Marketing cost : 53.7% → 34(19.7 ↓)

### Increase of Farm household Income

- Preferential transaction of local agricultural product through strategically established marketing center in local major area result in growing of farmer's income  
- Rate of receipt from farm household :  
(wholesale market) 46.3% → (Marketing Center) 66.0(19.7 ↑)

### Provision of local rest area

- Provide complex rest area for local residents including diverse hobby classes, children's play ground and food court, etc

**Thank You.**

**감사합니다.**

# Extension & Support Services



ICAAP-NACF  
Joint Workshop

## *Content*

-  **Free Trade Agreements**
-  **Rural Development & Support Activities**
-  **International Cooperation**





# Free Trade Agreements



## Free Trade Agreements

1

### Present situation of FTAs

▪ *10 FTAs with 47 countries (2013)*

- Chile : Apr. 2004
- Singapore : Nov. 2004
- EFTA (4 countries) : Jul. 2005
- ASEAN (10 countries) : Apr. 2006
- India : Sep. 2008
- EU(27 countries) : Oct. 2009
- Peru : Aug. 2010
- US : Dec. 2010
- Turkey : Mar. 2012
- Columbia : Jun. 2012



## Free Trade Agreements

2

### Korea-US FTA

- *Korea-US FTA took effect : March 15<sup>th</sup> 2012*
- *NACF and the Korea-US FTA*
  - Feb. 2006 : Issued a statement, "Countermeasures First, Negotiation Later"
  - Apr. 2006, Feb 2007 : Delivered a petition to the National Assembly and relevant Government Ministries
  - 2007~ 2008 : Suggested comprehensive countermeasures to the National Assembly and relevant Government Ministries
  - Jun. ~ Jul. 2011 : Suggested 12 additional tasks for agriculture
  - Jan. 2012 : 9 of 12 suggested additional tasks for agriculture were chosen by the Korean Government

*Jaekyung*

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NH NongHyup

## Free Trade Agreements

3

### Korea-China FTA

- *Korea-China FTA launched : May 14<sup>th</sup> 2012*
- China has an absolute advantage over Korea in almost all agricultural products
- Damages to Korean agriculture from the Korea-China FTA
  - At least twice those of the Korea-US FTA



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# Free Trade Agreements

3

## Korea-China FTA

- Delivered a petition by member cooperatives  
- National Assembly and relevant Government Ministries 2012, 2013
- *Agricultural sector must be excluded from the Korea-China FTA negotiation*



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## Rural Development & Support Activities



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# Rural Development & Support Activities

1

## Main Activities

- Growing future leaders
- Improving rural welfare
- Supporting multicultural families
- Promoting rural culture
- 'I Love Farm' campaign



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# Rural Development & Support Activities

1

## Growing future leaders

- Scholarship



Year 2011		Year 2012		Year 2013(plan)	
No. of student	Amount (KRW)	No. of student	Amount (KRW)	No. of student	Amount (KRW)
52,663	37,846 million	51,428	41,275	56,457	48,464 million

- Dormitory
  - NH Residence hall (February 2011)
  - Five-story building
  - Accommodates 500 students with a recreation room, a restaurant, a gym, etc.

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# Rural Development & Support Activities

1

## Growing future leaders

- **Book donation**
  - Book donation for children
  - To various schools and community centers
- **Education camp & financial education program**



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# Rural Development & Support Activities

2

## Improving Rural Welfare

- **Medical service to rural communities**
  - Free medical services to rural communities
  - 21,352 people received medical treatment in 2012
  - In association with Seoul National University Hospital, Samsung Seoul Hospital, etc.
- **Taking pictures with frames**
  - To take pictures and then send them with frames, free of charge.
  - 3,452 rural people benefited from this service in 2012



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## Rural Development & Support Activities

2

### Improving Rural Welfare

- **Free legal service**
  - To protect farmers' legal rights
  - Hosting legal educational program, direct consultation
  
- **Community welfare center**



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## Rural Development & Support Activities

3

### Supporting Multicultural Families

- **Airfare support**
  - To help multicultural households settle into new homes.
  - 806 people, or 207 households, received airfare support in 2012
  
- **Multi-cultural Women's College**
  - Korean language & culture lessons

Year	2008	2009	2010	2011	2012
No. of Graduates	276	422	350	333	406

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## Rural Development & Support Activities

4

### Promoting Rural Culture

- **Agricultural Museum**

- Established in November 1987
- Exhibits 4,506 relics
- Classes in agricultural history and farming culture

- **Music concerts**

- To reduce the cultural gap between rural and urban regions
- 9,990 people attended 30 concerts in 2012



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NH 농협

## Rural Development & Support Activities

5

### 'I Love Farm' Campaign

10 years ago.

- **One of NACF's representative activities**

- For the 'harmonious growth of urban and rural areas'
- To connect rural with urban areas to the benefit of all.
- "One Company, One Village Sisterhood movement"



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NH 농협

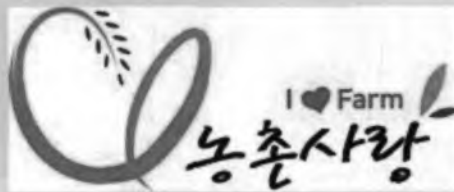
- 60 -

# Rural Development & Support Activities

5

## 'I Love Farm' Campaign

	Year 2011	Year 2012	Year 2013 (plan)
<b>No. of 'I Love Farm' members</b>	567,000	568,000	590,000
<b>One Company, One Village Sisterhood</b>	8,741 pairs	9,627 pairs	10,000 pairs
<b>Amount exchanged (KRW billion)</b>	61 billion	79 billion	100 billion
<b>Amount of volunteer work by the campaign</b>	144 times	165 times	170 times



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## International Cooperation



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# International Cooperation

1

## Cooperative Movement

Joined the International Cooperative Alliance (ICA) in 1972  
ICA Board member from 1998

Chair & Secretariat of International Cooperative Agricultural Organisation  
(ICAO) from 1998

- Member : 31 Countries, 39 Organisations



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NH Nanghyup

# International Cooperation

1

## Cooperative Movement

- **ICA Board meeting**
  - June 27<sup>th</sup> ~ 30<sup>th</sup> 2013
  - Seoul
  - Field visit : Gyeongju
  - Agenda
    - Co-operative Identity Marke and ICA Logo
    - Blueprint for a Co-operative Decade etc.



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# International Cooperation

## 2 Co-operation among Co-operatives

- **One Co-op, One Co-op movement**
  - Transplant of successful Korean movement to the international cooperative movement
  - To help developing cooperatives and agricultural industries in the sisterhood relationship
- **First connection in the campaign**
  - NACF & Uganda Cooperative Alliance (UCA)
  - Ceremony : 5th September 2011 in Seoul



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# International Cooperation

## 2 Co-operation among Co-operatives

- **Handover of tractors**
  - Ceremony : 7th May 2013 in Kampala, Uganda
  - Vice chairman of NACF handed over two sets of tractors to chairman of UCA
  - Symbolic step toward practicing the sisterhood relationship between NACF & UCA



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## International Cooperation

### 2 Co-operation among Co-operatives

- **Scholarship in Korea**
  - To study cooperative management at Korea's Agricultural Cooperative College for 3 years
  - Gives an opportunity to a student from a developing country
  - Scholarship includes tuition and travel and living expenses



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## International Cooperation

### 3 Membership in Cooperative Organisations

- **NACF is a member of:**

Agricultural and Food Marketing Association for Asia and the Pacific (AFMA)  
Asian Farmers' Group for Cooperation (AFGC)  
Asia-Pacific Rural and Agricultural Credit Association (APRACA)  
Confederation International du Credit Agricole(CICA)  
East Asian Agricultural Organization Council (EAOC)  
Food & Fertilizer Technology Center (FFTC), etc



Asia-Pacific Rural and  
Agricultural Credit Association  
*Acknowledged leader in rural and agricultural finance*



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NH DaehanHyup





# Field Trip

# Korea Agricultural Cooperative Marketing

The Korea Agricultural Cooperative Marketing (KACM) was established in 1995 to enhance farmers' income via efficient marketing service. The KACM serves consumers and farmers, providing produce at the best price available for both customers and producers by creating marketing channels that shorten the links between two groups.

## ■ History

1995 :Opening of Korea agricultural cooperative marketing (capital : 6.3 million USD)

1997 : The year's hit –“Recall of agricultural products”

1998 :Increase of capital ( 18.2 million USD)

2002 : Support the agricultural products to US military service in Korea

2007 : Proclaim of vision 2015

※ Currently 6 Hanaro clubs (hypermarkets), 24 Hanaro marts(supermarket), 4 Meat center, and 3 chain-restaurants operated across the country.

## ■ Strategy

- Integrated Complex Center – APDC (Agricultural Products Distribution Center) comprising of a wholesale facility and retail facility altogether
- With a direct transaction between producer and consumer, APDC cut the cost and return the benefit both to the farmers and customers
- Standardization & mechanization
- Develop the customized product

## ■ Major features of KACM

- Integrated Complex Center comprising of a wholesale facility and retail facility altogether
- The 1<sup>st</sup> distribution company in Korea
- 24 hours opened
- Convenient service
  - Oil service station, wholesale market in food materials, food court, catering service

## NongHyup-Hansamin corp.

NH Hansamin (Nonghyup Korea Ginseng) began operation in 2002 to increase ginseng farmers' income and to become a pioneer of Korea red ginseng in the global market. Working closely with ginseng cooperatives and contract farmer groups, it manufactures and distributes around 150 red ginseng products under the brand name Hansamin.

### ■ Objective

By way of stable production and supply of sales marketing of ginseng under the administration of experts, pursuit the increase of farming income and the national health

### ■ History

1996 :Founded the "Ginseng cooperative federation"

2002 : Starting of "Nonghyup Korea Ginseng" and launching of "Hansamin" brand

2009 :Constructed new facility (GMP ensured)

2012 :Changed the corporation's name to "NonghyupHansamin"

### ■ Organizational structured

- Organization : 3 head office (support, business, producing part), 8 department, and 2 subsidiary company
- The number of staff : 160 (full time 120, part time 40)

### ■ Capital & sales

- Capital : 70 million (USD)
- Sales (growth rate) (unit :million,USD)

2009yr	2010yr	2011yr	2012yr
34.3 (△8%)	42.4 (24%)	56.0 (32%)	62.0 (11%)

### ■ Strategy

- Extending the advertising marketing for brand awareness.
- Building a sales marketing infrastructure
- Improving efficiency of organization operation and regulation

## Chung-buk horticultural cooperative's APC

Chung-buk horticultural cooperative's APC is the one of the most famous APCs in Chung-buk province. It was established with a collaboration of local governments and many farmers nearby are using the facilities that they can obtain additional earnings.

※ APC : Agricultural Products Processing Center

### ■ General status

- Operating entity : Chung-buk horticultural cooperatives
- Staff : 1 CEO, 3 marketer, 3 technician, 6 administrator
- Dimension : land 43,973 m<sup>2</sup> , Structure 14,469m<sup>2</sup> (low temp storage 3,477m<sup>2</sup>)
- Capacity : 12,000 ton /yr , Storage 3,400 ton(max)
- Construction budget : 22mil USD (nation/state support 90%)
- Supplier : about 600 farmhouse (apple 550, peach 50)
- Area : 4 city(or county) in north Chung-buk state

### ■ Business status

Sales (ton, USD)

2009yr	2010yr	2011yr	2012yr
4,428 / 8 mil	4,905 / 10 mil	3,442 / 9 mil	3,900 / 10 mil

Profit(thousand USD)

2009yr	2010yr	2011yr	2012yr
△ 300	70	△ 190	90

Export(ton)

2010yr	2011yr	2012yr
890	345	69

※ major customers

Lotte mart : 65.3%, wholesale market: 28.8%, export 4.7%, others 1.2%

# Travel Guide

# Gosam Agricultural cooperative (GosamNonghyup)

Gosam agricultural cooperatives is a relevantly small cooperatives, but with a strong ties with regional residents Gosam-nonghyup itself proceeds to be a healthy and vibrant community.

## ■ General status

- Foundation : Mar 2, 1973
- Address :gosammyun, Angsung city, Gyonggi state, Korea
- Members : 1,106 , Capital : 1.3mil (USD)
- Staff : 1 president, 8 vice president, 2 audit, 42 staff

## ■ History

- 1961 :starting from 8 cooperatives (village)
- 1969 : merge into 3 regional cooperatives
- 1973 :New start of the one synthetic agricultural cooperative after merging
- 1994 ~ : Hyun-sun Cho president elected (up to date)

## ■ Major features of Gosamnonghyup

- Develop the eco-friendly agriculture
- Operate agriculture & livestock processing factory
- Operate eco-friendly agricultural materials manufacturing
- Cooperative members welfare business
  - children study camp
  - childbirth prize&scholarship
  - supporting multicultural family
- Maturing farming-housewife meeting & elder youth meeting
- Develop a social enterprise
- Co-operation among cooperatives
  - develop the model about co-op cooperative enterprise,
  - support the rental of sales market space to cooperatives
  - invest the “hansalim sunlight-development-cooperatives”

**ICA-AP & NACF Joint Workshop  
on the Agricultural Co-operative System in Korea  
23-28 September 2013, Seoul, Korea**

**Travel Guide**

**Welcome**

The organizers welcome all participants to the ICA-AP & NACF Joint Workshop on the Agricultural Co-operative System in Korea, to be held in Seoul, Republic of Korea on 23~28 September 2013. All participants are requested to make flight arrangements for an arrival on 23 September and a departure on 28 September. Members of NACF staff will meet participants in the hotel lobby at 09:45 AM on 24 September for the opening of the event.

Please consult this travel guide for important information regarding the trip.

**Accommodation and Workshop venue**

All participants are booked at:

**VABIEN 2 Suite**

- Address : 25-10 Uijuro 1-ga, Jung-gu, Seoul, Korea 100-141

- Telephone : 82-2-6399-0113~4

- website : [www.vavien2.com](http://www.vavien2.com)

*Please be sure it is **VABIEN 2**, not **VABIEN 1** or **3***

The workshop opening and first day's program will be held at NACF headquarters. NACF staff members will guide participants to the location. The 2-day field trip program (25~26 September) will be conducted in the Choong-chung area. During the field trip, participants will stay at the nearby NACF's Suanbo Resort Hotel.

Accommodation at Vabien 2 is western style (a room with bed furniture) and Korean style (*ondol*, a room with bedding) at the Suanbo Resort.



## Airport to Hotel

All participants are kindly requested to arrange their transportation from the airport to the hotel.

### 1. Airport Railroad Express train

The best way to reach Vabien 2 from the airport is to take the airport train. Please take the train (**not** the Non-Stop train) and get off at **Gongdeok Station**. Then transfer to **Line No. 5**, heading for ‘Sang-il dong’ or ‘Macheon’. After three (3) stops the metro will come to **Seodaemun Station**, where the hotel is located.

Please leave the station through Exit No.6. Walk straight ahead for roughly 50 meters; Vabien 2 will be on the left.

The trip from the airport to the hotel will take 60~70 minutes and cost around KRW 3400 (equivalent to USD 3). For more information, please visit <http://english.arex.or.kr/jsp/eng/main.jsp>.

### 2. Airport Limousine Bus (No. 6005)

Operation hours		Bus Fare	Travel time	Interval
To airport	From airport			
04:30~20:40	06:35~23:00	KRW 10,000	70~80 min. ride	Every 45 min.

Upon arrival to the Incheon International Airport, please go to either the #5-B or #12-A bus station on the 1<sup>st</sup> floor. Then please take the limousine bus number **6005**, which will take you to the **Seodaemun-Station, VABIEN2 Suites** bus stand. It might take 70~80 minutes depending upon traffic.

### 3. Taxi

Regular Taxi: Approx. KRW 60,000 (Toll charges (KRW7600) are extra)

Deluxe Taxi: Approx. KRW 90,000 (Toll charges (KRW7600) are extra)

The journey time and taxi fare are subject to traffic conditions.

## Meals

A daily buffet breakfast will be provided for participants at Vabien 2, in the buffet restaurant located on the lobby floor.

The welcome dinner on 24 September will be hosted by the local co-organizer, NACF, at the Seokran restaurant.

Food on arrival (23 September) and departure (28 September) is the responsibility of the participant. All other meals will be provided. If a participant has meal requirements (i.e. vegetarianism, allergies, religious prohibitions, etc.), please let NACF staff members know in advance, although fulfillment of such requests cannot be guaranteed.

## Dress code

For the first day (opening ceremony) and the welcome dinner, smart-casual is recommended. Casual is appropriate for the field trip.

## Field trip

The field trip will consist of visits to various NACF subsidiaries, farms, and agricultural cooperatives. Please find the program attached.

## Country Information

1. **Currency:** Korean won (KRW). The exchange rate with the US dollar is around KRW 1,100 to USD 1.00.

Foreign currency may be exchanged upon arrival at the airport. **PLEASE DO EXCHANGE AT THE AIRPORT** for transportation and other expenses. In Korea, foreign currencies are not generally accepted, even dollars. Bus and taxi fares are to be paid in Korean Won.

2. **Internet:** All rooms are connected to high-speed internet. If you have any problems accessing it, please contact the hotel's front desk.

3. **Weather:** Fall in Korea usually begins in September. It is warm during the day, while a bit cool in the morning and night. Please pack long-sleeve shirts and a jacket. The temperature is about 15 - 25 degrees Celsius, and it will grow cooler as the days pass.

4. **Travel Supplies, Misc.:** A limited number of necessities and refreshments are available at the convenience store located near your hotel.

### **Contact Information**

Before your departure to Korea and during your stay, you may contact the following NACF staff member should you require any assistance:

Hanho CHOI

75, 1-Ga, Chungjeong-ro, Jung-gu, Seoul 100-707, Korea

Tel : +82-2-2080-6122 Fax : +82-2-2080-6130

Mobile : +82-10-2933-6096

E-mail : [choi.hanho@gmail.com](mailto:choi.hanho@gmail.com)