
**IFAP ASIAN FARMERS COMMITTEE
Tower Hotel, Seoul, Korea, 13-14 May 2005**

SUMMARY REPORT

OPENING CEREMONY

Opening by the Chair of the Committee

The session was opened by the Chair, Mr. Raul Q. Montemayor from FFF Philippines at 8:30 am on Friday 13 May. He noted that farmers in most parts of Asia are faced with a competitive disadvantage owing to the small size of their farms (average 0.5ha). At this session in Seoul, IFAP's Asian Farmers' Committee would discuss a series of responses to address this problem. These include: actions of farmer cooperatives, action to better manage competition and risk, and stronger links with agricultural research institutes. He also noted that there would be a special presentation on agriculture in China, as well as an opportunity to clarify certain IFAP matters like membership requirements, subscription formulas and Committee activities between meetings.

Welcome address by the Chairman of the NACF

Participants were welcomed to Seoul by the Chairman of the National Agricultural Cooperative Federation of Korea (NACF), Mr. Chung, Dae-Kun. In his welcome address, Mr. Chung said that he appreciated the support he received for his election as Chairman of the IFAP Agricultural Cooperatives Committee at the 36th World Farmers' Conference in Washington D.C. in June last year, and he was grateful that the NACF was selected to host the 37th World Farmers Congress and General Assembly in Seoul in 2006.

NACF is a multipurpose cooperative with two key businesses, agricultural marketing and agricultural banking. NACF is also the largest organisation of farmers which strives to protect the rights and interests of its members. Chairman Chung said that Korean farmers feel threatened by the rapid changes that accompany globalisation, liberalisation and freer trade and are "more apprehensive than confident" about the future. Farm income has fallen while farm debt has increased.

To face this challenge, NACF has restructured its operations and started a "new rural communities and new agricultural cooperative movement", centred on innovation and management. Another movement called "love rural communities" campaign has been launched to form a consensus among all Korean citizens to protect the rural communities. One example is the creation of "sisterhood relations" between one company and one rural village to link cities and rural areas.

While recognising that globalisation is irreversible, Mr. Chung said that "even in times of coexistence and close cooperation, it is easy for us to adversely affect one another if we are not careful". He therefore called for some flexibility in trade commitments. Noting that NACF has been an active member of IFAP since joining in 1979, Mr. Chung concluded by

saying: “As you all know, IFAP has contributed greatly to global development of agriculture and to the improvement of farmers’ livelihoods around the world. IFAP has always been a strong supporter of the family farm and has raised international awareness about their importance since the Uruguay Round”.

The NACF invited participants to a welcome dinner and Korean cultural show at the Walkerhill Hotel on the evening of May 13.

INDUSTRIAL CONCENTRATION AND UNFAIR BUSINESS PRACTICES IN THE AGRICULTURAL SECTOR

Dr. Sutrisno Iwantono, Chairman of the Advocacy Center for Indonesia Farmers said that competition policies were needed to enable the market to function in a fair and just manner, and to protect farmers from abuse by large companies of their dominant position in the agri-food chain. He said that 10-12 key companies, assisted by another three dozen companies, run the world’s food supply. One of the examples he gave was the Anglo-Dutch-Swiss food cartel which is grouped around Britain’s House of Windsor (Eindosors’ Global Food Cartel). Led by the six leading grain companies, the Windsor-led food and raw materials cartel dominates world grains supplies, and also controls markets for dairy products, meats, edible oils and fats, fruits and vegetable, and spices.

Farmers in Indonesia have small holdings of 0.3 ha, and even though they represent around 45 per cent of the population, they are in a weak position in the economy. The problem is that they face an imperfect market for their products and for provision of production inputs, Dr. Iwantono said.

During harvest time, farmers have to sell their rice, vegetables, root products - and often dairy and sugarcane as well - to a small number of middle-men who re-sell to a small number of processing companies. For example in East Java, P.T. Nestle Indonesia commands around 95 per cent of the fresh milk supply. On the input side, the fertiliser industry is dominated by five companies owned by the government and farmers often can only buy a packet of fertilizers from a certain appointed producer. The machinery sector is controlled by the importers, since the domestic machinery supplies are not yet sufficiently available.

Vertical integration is found for several commodities in Indonesia, including palm oil, wood processing, broiler chickens and noodle production. In these sectors, large companies control the whole chain from production, processing, retailing and catering sectors.

Dr. Iwantono said that advanced countries like Japan and South Korea developed competition policy some 50 years ago, but in other Asian countries it is relatively recent. In Indonesia, the Anti-monopoly and Unfair Business Practises Law arose from the financial crisis of 1998, as part of the Indonesian economic restructuring plan. It was passed at the end of 1999. An independent Commission for the Supervision of Business Competition (KPPU) supervises the implementation of this law. Dr. Iwantono is Chairman of this Commission.

In conclusion, Dr. Iwantono said that economic concentration and unfair business practises are a serious problem faced by most small farmers all over the world. However, many farmers are not aware of the unfair business practises that they are subjected to. He therefore called upon farmers’ organisations to make their members more aware of their rights under antimonopoly laws, and to also organise themselves in economic organisations such as cooperatives in order to increase their bargaining power in an imperfect market structure. In Indonesia, collective

action through a cooperative is exempted from the Anti-Monopoly Law, but only for transactions that take place among members of the cooperative.

In the discussion, it was noted that industrial concentration is growing fast in all economic sectors, including agriculture. As markets are increasingly liberalised, farmers need to work together in order to be more equal partners in the food chain. They should also use their rights better under competition law. Where no competition law currently exists, farmers should press governments to introduce such a law.

ANIMAL HEALTH PROBLEMS AND THEIR IMPACT ON SMALL FARMERS IN ASIA

1. The animal health system in Korea, and its response to emergencies

Dr. Chang, Jae-Hong of the National Veterinary Research and Quarantine Service (NVRQS) of the Korean Ministry of Agriculture described the system for prevention and control of animal disease in Korea. He said that the NVRQS had a safety and inspection department, an animal disease control department and an animal disease research department. Its responsibilities also include sanitary control for food of animal origin (imports and domestic production) and quality control of veterinary medicines.

To illustrate the functioning of the NVRQS, Dr. Chang described how Korea dealt with outbreaks of Food and Mouth Disease (FMD) in 2000 and 2002 and with the Avian Influenza (HPAI) outbreak in 2003-04. The key to the success of the system is rapid emergency control measures, and 100 per cent compensation and living allowance for affected farmers, supported by the government.

Prior to 2000, Korea was free from FMD without vaccination. Then 15 outbreaks were reported. Control measures, which included limited emergency vaccinations, successfully contained the disease within one month. There were no outbreaks for one year after the ban on vaccination and Korea regained its disease free status in September 2001. Another outbreak occurred in May-June 2002 when 15 pig farms and 1 cattle farm became infected with another strain of FMD (from Mongolia or Russia). This time no emergency vaccination was performed and the disease was stamped out by a policy of slaughter, movement restrictions, disinfection, surveillance and improved education and public relations.

In the case of the outbreak of High Pathogenic Avian Influenza in late 2003, 10 chicken farms and 9 duck farms were affected. A swift culling and burial policy was adopted to control the disease; there was no vaccination. 5.3 million birds were culled from 392 farms. The direct economic loss was \$125 million. Movements of birds were restricted to a radius of 3 km. and a surveillance zone of 10km was established. 100 per cent compensation was paid to farmers.

2. Prevention and control of transboundary diseases in Asia– an OIE perspective

Dr. Teruhide Fujita, Regional Representative for Asia and the Pacific of the World Organisation for Animal Health (OIE) said that there is a strong demand from consumers for increased livestock production in Asia. The major constraint to livestock development is animal disease risks, some of which have impacts for human health. It is important therefore that countries cooperate to control animal diseases through more effective bio-security policies, enhanced capacity for detection, early warning systems and control measures, he said. The costs of not doing so are substantial. Dr. Fujita said that the outbreak of Food and

Mouth Disease (FMD) in the UK cost \$13-19 billion, or 1.1% of UK GDP. The outbreak of Avian Influenza in S.E. Asia cost \$12 billion, and the ban on EU beef exports by about 50 countries following the BSE outbreak there cost \$450 million in lost exports.

Cooperation among the 167 member countries of OIE seeks to ensure transparency in the global animal disease situation and provide international animal health standards that are part of international law under the WTO SPS Agreement. Recently, member countries asked OIE to also play a bigger role in guaranteeing the safety of food of animal origin, and to promote animal welfare through a science-based approach.

Dr. Fujita concluded his remarks by insisting on the need to strengthen “preparedness for appropriate responses” to control transboundary animal diseases. This includes, he said: strengthening veterinary services, building capacity for rapid detection, early warning systems and control measures, transparent and timely notification of animal disease outbreaks, and strengthening cooperation on research and legal frameworks.

It was noted that OIE and IFAP were establishing a formal collaboration agreement to work together in areas of mutual interest.

CHINA’S AGRICULTURAL DEVELOPMENTS AND AGRICULTURAL POLICY

Dr. Li Xiande, Professor at the Institute of Agricultural Economics and Development in China described the rapid development of agriculture in China over the last 15 years. From 1990 to 2003, gross agricultural output increased by 90 per cent – crop output increased by 60% while livestock output increased by 145%. This achievement was the result of two main factors, a 50 per cent price increase in real terms and emphasis on the production of high-value crops. The price increase came with liberalisation since farm prices in China were previously regulated at levels below world market prices. The switch to high value crops was a result of government policy measures, starting in the mid 1980s when considerable resources were invested to diversify agriculture away from grains, and later in the 1990s when emphasis was placed on increasing production of high value-added and high quality products like fruits and vegetables. 50% per cent of China’s population of 1.3 billion people is rural, but land is scarce and average farm size is only 0.5ha. China is therefore suited to the production of high-value, labour intensive crops.

Dr. Li said that this diversification away from grains production has allowed China to generate a trade surplus in agriculture of US \$ 4.5 billion per year from 1990-2003, including fish products (there was a \$5 billion deficit in 2004). The main export destinations are Japan (32%), EU (11%), US (11%), and South Korea (9%). On the import side, China is a large purchaser of soybeans, wheat and vegetable oils, with the main suppliers being the USA (28%), Brazil (10%), Argentina (10%), and Australia (9%).

Since China joined the WTO the country’s simple average MFN import tariff has dropped from 45% to 15%. However imports of major agricultural products, such as rice, wheat, maize, cotton and edible oils, are all under TRQ (quotas)

There was an important policy change in 2004, similar to that taking place in many OECD countries. Price support policies of all agricultural products were replaced by direct payments. A small subsidy is provided to farmers to purchase improved seeds and agricultural machinery, but this is equivalent to less than 2 percent of farmers’ income. Taxes have been reformed and will be eliminated in agriculture by 2006. Investment in basic rural infrastructure is to be increased and the large rural-urban gap in education, medical care and social security

is to be reduced. Farmers need to cooperate since they are very small-scale, so the government is encouraging the development of marketing cooperatives and the emergence of “dragon-head companies”. Dragon-head companies are private commercial companies that have their own production base for exporting under international standards or operate on the basis of contract farming.

In spite of the rapid development of agriculture in China, Dr. Li noted that the central government in China is concerned about the increasing gap between rural and urban incomes, where urban incomes are at least three times those of rural incomes per capita. Also the central government is concerned to maintain food security in grains, and not rely on import supplies. There has been a negative trade balance in grains in recent years, with annual demand for grains at 480 million tonnes and production stagnant around the 1990 level of 446 million tonnes (431mT. in 2003; 469mT. in 2004).

RURAL FINANCE IN THE ASIAN CONTEXT

1. The rural finance system in Korea

Mr. Park, Wan-Seog, Senior Manager in NACF Korea, described how the previous loan system in Korea under the Rural Infrastructure Development Project (RIDP) had been improved with the establishment of the Integrated Farm Loan system (IFL) since 1998.

The old RIDP was supported by a 50 per cent subsidy and stimulated an excessive demand for farm investment. Only 20 year loans were available, and the average time from farmers applying for a loan to receiving it was 1.5 years. There were no operating loans. The main concern in appraising loans was security. The program cost the government \$40 billion from 1992-98.

The new IFL was based on the practices of the commercial banking system. Farmers were required to make a business plan, and the banks made a credit analysis for loan appraisal. A wide variety of loan services were made available. As well as the Integrated Farm Loan, which is mainly used for capital investment, there is a Farm and Livestock Management Loan for farm and livestock operations, and a Agricultural Mutual Fund for family living expenses.

In order to help farm operators to achieve their goals, Mr. Park said that NACF places much emphasis on consulting services for loan counselling. This includes advice on farm financial planning, on-farm investment, book-keeping, and internet services. “Borrowing money is important, but using it well is more important”, he said.

2. Financial services to farmers in India

Mr. P.V. Subbaiah Choudary, Advisor to the Federation of Farmers’ Associations of India explained the key role played by cooperatives in providing agricultural finance in India. But, he said, political interference into the autonomy of cooperatives is crippling the co-operative movement. As a result, the share of co-operatives in providing agricultural credit has fallen over the last ten years from 62 per cent in 1992-93 to 34 per cent in 2002-03.

It is the larger farmers who have left the cooperatives. Private commercial banks now account for 66 per cent of agricultural credit, but they have only 16.4 million rural credit accounts. In comparison, cooperatives account for 34 per cent of agricultural credit, but they have 63.9 million rural credit accounts. Thus coops are critical for small and marginal farmers.

Mr. Choudary said that one of the main factors impairing the action of cooperatives is interference by regulatory agencies in their day-to-day administration. Management is dominated by non-stakeholders, and staff is not rewarded on the basis of their contribution to net worth and to the net profit of the cooperative.

In farm product markets, farmers are also subject to abuse, this time by traders who do not pay the farmers the minimum price support fixed by the government under the guise of inadequate quality. Further, commissions on sales are often above the norms fixed by government and no official receipts are issued.

In order to address these problems, Mr. Choudary called for cooperatives to be allowed to function as member-driven autonomous organisations without government interference. He called for management to be democratically elected by stakeholders and for auditing machinery to be strengthened. There have been recommendations by various committees to strengthen cooperatives, and it is time that they were implemented, Mr. Choudary concluded.

3. Co-operative insurance for farmers in India

Dr. K. Srinivasan from the National Institute of Agriculture of India (NIA) stressed the importance of insurance for farmers. He described an initiative between the NIA and Bhartiya Co-operative General Insurance Ltd to design an insurance product for farmers as an add-on to crop insurance. The product is a complete package that insures the risks of personal accident (or death) of the farmer and his family, medical care and maternity benefits, livestock and equipment, the house and personal effects (against fire, theft, storms, etc.), for an annual premium of Rs 770 per family per year (US\$18).

TOWARDS A FARMERS' RESEARCH AGENDA IN ASIA

Farmers' links with research institutes are also a key part of the solution to address Asian farmers' competitiveness problems. The Director of the Asia-Pacific Association of Agricultural Research Institutes (APAARI), Dr. Raj S. Paroda, sent a paper describing efforts to promote the development of national agricultural research systems in Asia and their networking around such topics as biotechnology, and post-harvest technologies for ensuring food security and value addition. IFAP member organisations from India, Indonesia and the Philippines are cooperating with APAARI; others were also encouraged to do so.

IFAP MATTERS

1. Functioning of IFAP

At the request of the Chairman, IFAP Secretary General David King, explained in some detail the functioning of IFAP, membership categories and requirements, and the working of the IFAP subscription formula.

Farm leaders appreciated the opportunity provided by membership in IFAP to explain their situation to other farmers' organisations throughout the IFAP network, and to establish cooperation with them on international issues. Asian farmers were under-represented in IFAP, so Committee members and the Secretariat were requested to make contact with all potential members (and DCC members) to explain more about IFAP and the financial commitments of being a member.

2. Activities of the Committee between meetings

Committee members asked that an Internet facility be set up to allow farm leaders from Asia to maintain a dialogue with each other between sessions of the Committee.

Members also requested more activities in the region in the context of the IFAP-DCC program to strengthen the capacity of farmers' organisations in developing countries.

2. Cooperation with ICA and ICAO

Dr. Lyu, Keun-Won, Managing Director of the International Cooperation Office of NACF, said that NACF has housed the Secretariat of the International Cooperative Agricultural Organisation of ICA since 1999, and last June assumed the Chair of IFAP's Committee on Agricultural Cooperatives. As a result, cooperation had been strengthened between the two organisations, with a joint workshop being held in September 2004 in Poland.

Dr. Lyu said that another joint IFAP/ICAO workshop would be held at the time of the ICA General Assembly in Cartagena, Colombia, 18-23 September 2005. The theme would be in tune with the overall theme of the ICA General Assembly, which was "Cooperative values: a competitive asset in a globalised economy".

3. Arrangements for the IFAP World Farmers' Congress in 2006

Dr. Lyu said that preparations were underway for NACF to host the 37th IFAP World Farmers Congress in Seoul. The dates established were 13-19 May 2006. A developing country seminar would take place on 13 May. This would be followed by sessions of IFAP's specialised committees and commodity groups 14-16 May. The Conference Plenary Session would be held 17-19 May.

Various locations in Seoul had been visited by Mrs. Gay-Peiller, IFAP's Director for Finance and Administration, during the week and a decision on the venue chosen was expected shortly.

The conference theme would focus on raising public understanding and awareness of the importance of agriculture.

Dr. Lyu said that NACF is working to make this Congress one of the most successful meetings to date, and he asked his Asian colleagues to consider that all Asian farmers were hosts of the event. The Chair suggested that an exhibition and sale of Asian farm products be arranged at the Congress and that a special event on Asia be included in the program.

CLOSING CEREMONY

Chairman Raul Montemayor thanked the NACF for their warm welcome and outstanding hosting of the Committee's session. He thanked the speakers, participants and the Secretariat. "Working together in IFAP gives farmers in Asia strength to meet the challenges they face to survive in more global markets", he said, before closing the meeting at 17:30 hours on Saturday 14 May 2005.

Please note: the summary report of the IFAP DCC-Agricord Technical Seminar on "Cooperative Marketing Strategies" is contained in another document prepared by Agricord.