

# 52. FARMERS' COOPERATIVE BUSINESS MODEL IN KOREA

ACTION AREA	UNIVERSAL FOOD ACCESS TO BUILD RESILIENCE
SOLUTION CLUSTER	NATIONAL FOOD SUPPLY CHAINS
THEMATIC AREA	POLICY AND INSTITUTIONAL INNOVATIONS FOR RURAL AREAS
SUBMITTED BY	KOREAN AGRICULTURAL COOPERATIVES, NACF

## WHAT ARE THE KEY THEMES THAT NEED TO BE CONSIDERED TO ADDRESS FOOD INSECURITY AND ENHANCE FOOD SYSTEMS RESILIENCY?

**Inclusiveness:** More than two thirds of the world food production is made by smallholding family farmers around the world. Despite their contribution to the food systems, smallholders do not receive enough compensation for their products. In the food systems farmers are small in size and scattered and in general exploited by the players after farmgate in the value chain. When shocks and stresses hit the value chain, the impact are mostly born by farmers and consumers, not players between. And all the blames go to producers, farmers, who cannot afford to bear all the actions from their farmgate to the consumer's table. Farmers influence on value chain should be enhanced not only just receiving better terms on their products but also building resilient food systems for consumers as well as for themselves. Conventionally, policies for agriculture and food system have been considered to make level-playing filed for farmers. New approaches should be considered to build a market-oriented business model.

Also, food systems differ based on geography. Therefore, there cannot be a one-size-fits-for all approach because circumstances and production realities differ from continent to continent and region to region. The approach should be based on common ground and inclusiveness, where no one will be left behind. All farmers, including women and young farmers deserve to be empowered and provided with the same resources in terms of i.e. access to land, inputs, finance, education, to maximize their contribution towards more resilient food systems, as well as to prepare the future farmers' leadership.

**Transparency:** Transparency of information is required at all levels from global to grassroots, as well as in feeding the international discussion with the farm level experiences and best practices that are ready for scaling up and replication in other countries. The flow of information must be timely and effective to allow all actors to make proper decisions and take robust actions for the benefit of the world farmers and the whole population. The digitalization has to be improved as an instrument of knowledge and transparency of the chain and at the same time the property of data has to be considered a priority for farmers. Transparent and trustful relationships between farmers and consumers (the first and final stage of the food value chain, where open traceability is available) must be promoted. The farmers' share of value added in the whole approach must be not only valorised but also restored.

**Farmers' driven:** Farmers are at the centre of food systems, without farmers there is no food systems. In general, after farmgate, the products are off the hands of farmers. To reduce the vulnerabilities to farmers from the shocks, stresses and prices, the impact should be shared by the players in the food system or farmers command the food systems.

Representatives of farmers' organisations and cooperatives must therefore also be partners in the discussion and decisions on market-oriented value chain for farmers, sustainable food systems and the 2030 Agenda for sustainable development. This approach applies to market-oriented and business model establishing projects.

## WHAT DO YOU THINK CONSTITUTES SOCIAL RESILIENCE, ENVIRONMENTAL RESILIENCE AND ECONOMIC RESILIENCE IN FOOD SYSTEMS? WHAT ARE THE CROSS-CUTTING SOLUTIONS BETWEEN ECONOMIC, SOCIAL AND ENVIRONMENTAL RESILIENCE?

Conventionally, farmers cooperatives are recommended to build sustainable value chains for farmers. In order to achieve resilient and sustainable production, from the production side farmers establish input supply cooperatives for collective purchasing such as fertilizers, chemicals, machines and other materials. Collective purchasing enables farmers to access good inputs with lower price and to keep production in sustainable economic situation even the market situations get worse. Also, collective actions through purchasing enables farmers to practice environmental resilient agriculture. From the marketing side, farmers run marketing cooperative enhancing bargaining powers in the market. Collective actions in the market enables farmers to maintain sustainable production conditions and receive and utilize the signals from the market and consumers for achieving resilient food systems and food safety for consumers.

Therefore, if we aim to align and lay the foundations for the necessary shift towards Sustainable Food Systems, this role has to be emphasised and mostly valorised, putting farmers at the centre of the transition towards market-oriented sustainability.

WFO proposes to focus future commitments on the following cross-cutting actions, with the central role of farmers in each of these actions:

- Involving the whole value chain;
- Communicating with market players, including consumers, on climate change, food safety, nutrition security and other issues in the food systems;
- Enhancing market-oriented Research and Innovation;
- Protecting biodiversity
- Deploying investments and incentives;
- Valuing the livestock sector's role;
- Achieving food security;
- Boosting the role of farmers' organisations and cooperatives;
- Promoting inclusiveness: youth and women are key to succeed.

## WHAT SOLUTIONS CAN WE PROPOSE TO ADDRESS FOOD INSECURITY AND PREVENT FUTURE SOURCES OF CONFLICT, MANAGE TENSIONS AND OTHER STRESSES IN FOOD SYSTEMS ?

Farmer's cooperatives can be found in many countries around the world. Among farmers cooperatives in the food system, Korean Agricultural Cooperatives (NACF) have a unique business model, extending its business to the retail market with own cooperative supermarket stores in the national value chain.

NACF, with 1,118 member cooperatives and 2.3-million-member farmers, is the national apex organization in Korea. Though NACF with member cooperatives play active roles providing better terms for farmers in the market, big middlemen corporations, retail giants, and multi-national food corporations dominate the local food markets and farmers are on the disadvantage. To offer stable and better price for farmers, NACF establish its own retail outlet in the urban areas direct to consumers. NACF's retail stores vary from corner shops specialized on food, supermarkets and hypermarkets, HanaroMart. Seizing the retail market enables cooperatives to give higher price reducing the marketing costs and margins, taken by market players and let command the food system by direct communication with consumers. It makes farmers respond to socially responsible production in environmentally sustainable ways and leads customers to good consumption with local food, diversified diet and lower food waste.

Running retail outlet by farmers cooperatives requires big investments and good management. As long as farmers cooperatives in supply and market are already established for the production, strategic alliances among cooperatives are highly recommended, reducing the marketing chains for providing better term to farmers and consumers as well as command the retail market to maintain sustainable food systems in the right of the farmers

## WHAT IS THE POTENTIAL ACTION THAT COULD BE TAKEN?

Identifying business models and participants in the local market. Networking and establishing strategic alliances among farmers cooperatives or with consumer cooperatives.

## WHO ARE THE MAIN ACTORS THAT WOULD PUT THIS ACTION INTO PLACE?

Policymakers (government), Private (businesses, etc.), Farmers, Farmers organization / cooperatives

## WHERE ARE MAIN AREAS IN WHICH THIS SOLUTION WOULD MAKE CHANGES

- Food supply chains - Inputs
- Food supply chains - Production
- Food supply chains - Storage & Distribution
- Food supply chains - Processing & Packaging
- Food supply chains - Retail & Marketing
- Food environments - availability
- Food environments - affordability
- Food environments - Product properties (including safety)
- Individual consumer factors - Economic
- Individual consumer factors - Cognitive
- Individual consumer factors - Aspirational
- Individual consumer factors - Situations
- Consumer behaviour

## WITHIN WHICH CATEGORY DOES THIS INTERVENTION MOST EASILY FALL?

- Regenerative agriculture  Agro-ecology
- Business incentives
- Supply Chain Infrastructure
- Food marketing (regulations, laws, practices)
- Food safety regulations, guidance, and surveillance
- International trade
- Cross-cutting

## IS THIS IDEA APPLICABLE TO A PARTICULAR GEOGRAPHY OR TYPE OF SETTING (E.G., SEMI-ARID AREAS, HIGHER- OR LOWER-INCOME COUNTRIES)?

The solutions described above were firstly implemented in Korea by National Agricultural Cooperative Federation with the potential to be replicated in other contexts.

## ANY OTHER COMMENTS, INCLUDING EVIDENCE OR ARGUMENTS IN SUPPORT OR AGAINST.

This business model, retail stores by farmers cooperatives, need high investment and good management as well as governments support for the financial and regulation aspects.