RURAL TOURISM IN KOREA

Kyu-Seob Choi
Department of Agricultural Economics
Kyungpook National University
1370, Sankyok-Dong, Buk-Ku
Taegu-Shi 702-701 Korea

ABSTRACT

This paper discusses rural tourism in Korea, focusing on tourism farms, and on policies and programs to promote this important service industry. It also discusses current problems, including the time it takes to obtain planning permission and credit. It suggests various ways in which institutional support might be improved. It emphasizes the importance of good location and good management in determining the success of tourism farms.

INTRODUCTION

Rural tourism* is well-developed in a number of industrialized countries, namely U.S.A., Canada, Japan, France and the Netherlands. In Korea, rural tourism began in 1984 as part of a government project to raise farm incomes. As industrialization expanded in Korea, many people moved from rural to urban areas. This growth of cities and suburbs has destroyed large areas of forest, and reduced the open spaces which city people can enjoy. As the economy grew and leisure time increased, people began to feel a lack of recreational space and facilities.

If these are not provided, people will spend their leisure time in a less healthy way, enjoying the kind of pleasure-seeking business which is becoming a social problem now in Korea. Rural tourism is a way of improving the life of city dwellers, while bringing a service industry to rural areas.

This is needed, because the agricultural sector has developed much more slowly than industry. The migration of the rural population, the reduced cropping index, and the low competitive ness of domestic agricultural products, have seriously damaged rural economies, and produced marked differences of income between different regions, and between urban and rural areas.

This Bulletin discusses the current situation, of rural tourism in Korea, and how Korean farmers can be encouraged to develop the tourism potential of their farms.

Table 1 shows the current situation of tourism farms in Korea. It can be seen that there were 382 tourism farms in 1997, with an average land area of 2.5 ha. Average investment costs were US$690,000 per farm, more than half of which was the owners' own savings.

POLICIES TO PROMOTE RURAL TOURISM

Fig. 1 shows the basic targets of rural tourism, and how it is planned to reach these. Basically, rural tourism aims at improving the welfare of both urban and rural people. Thus, rural tourism combines benefits for rural people, such as the growth of farm incomes, conserving the rural environment, and making more intensive use of rural resources, with those for urban people, such as providing leisure resorts and opportunities to study

* In this Bulletin, the following terms are used: Rural tourism is all tourism in rural areas (including resorts, restaurants, etc.); Farm tourism means agricultural tourism (tourism based on farms).

Keywords: Korea, policies, problems, promotion, rural tourism, tourism farms
Table 1. Costs and returns of tourism farms in Korea, 1997

<table>
<thead>
<tr>
<th>Item</th>
<th>No. of tourism farms</th>
<th>Total land area (ha)</th>
<th>Total farming area (ha)</th>
<th>No. of tourism farms with facilities and total floor space</th>
<th>Investment costs (US$ million)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Accommodation</td>
<td>Restaurant</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Before 1997</td>
<td>1997</td>
</tr>
<tr>
<td>Investment</td>
<td>Total</td>
<td>382</td>
<td>935</td>
<td>543</td>
<td>278</td>
</tr>
<tr>
<td></td>
<td>Per farm</td>
<td>–</td>
<td>2.45</td>
<td>1.42</td>
<td>355m²</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>No. of tourism farms</th>
<th>No. of owners</th>
<th>No. of employees</th>
<th>No. of visitors each year</th>
<th>Revenue (farm and non-farm revenue, US$ million)</th>
<th>Costs</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sales of agricultural products</td>
<td>Sales of special products</td>
<td>Food sales</td>
</tr>
<tr>
<td>Total</td>
<td>382</td>
<td>1,648</td>
<td>1,876</td>
<td>4,945,451</td>
<td>6.774</td>
<td>3.052</td>
<td>23.696</td>
</tr>
<tr>
<td>Returns</td>
<td>Per farm</td>
<td>–</td>
<td>4.31</td>
<td>4.91</td>
<td>12.946</td>
<td>0.018</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14.8</td>
<td>6.7</td>
<td>51.8</td>
</tr>
</tbody>
</table>

* 1US$ = 900 Korean won
Fig. 1. Promotion of rural tourism in Korea

The promotion of rural tourism in Korea tries to coordinate the institutions concerned in an efficient way, make sure that the location is appropriate, and train participants in efficient management. Active marketing is also important. First, we review how different institutions have worked together to develop rural tourism.

INSTITUTIONS TO DEVELOP RURAL TOURISM

Having begun as a means of increasing off-farm income in rural areas, the development of rural tourism has been promoted by both the government and agricultural cooperatives. Planning was carried out by the government, while the cooperative provided much of the financial support.
Table 2. Development of rural tourism, selected year

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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Type of development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Direct sale of farm goods</td>
<td>- Direct sale of farm goods</td>
<td>- Tourism farm for studying nature</td>
<td>- Tourism to study nature</td>
<td></td>
</tr>
<tr>
<td>- Rental farms for tourism</td>
<td>- Rental farms for tourism</td>
<td>- Weekend farming allotments</td>
<td>- Weekend farming allotments</td>
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<td></td>
<td></td>
<td>- Tourism farm for tourism</td>
<td>- Health and exercise</td>
<td></td>
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<td></td>
<td></td>
<td>- Tourism farm complex</td>
<td>- Rural resting</td>
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<td></td>
<td></td>
<td></td>
<td>- Tourism farms for the aged</td>
<td></td>
</tr>
<tr>
<td><strong>Scale of development</strong></td>
<td></td>
<td></td>
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<tr>
<td>- Limit 2 ha for rented tourism farm</td>
<td>- Limit 3 ha</td>
<td>- Limit 3 ha</td>
<td>- Limit 5 ha</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Qualification</strong></td>
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<tr>
<td>- Must be residents of designated area</td>
<td>- Farmers and non-farmers both qualify</td>
<td>- Joint participation by more than 5 households</td>
<td>- Residence over 1 year on farm and partnership with 3 farm households</td>
<td></td>
</tr>
<tr>
<td>- Joint participation by more than 5 households</td>
<td>- Newcomers may qualify</td>
<td>(all should contribute farmland)</td>
<td>- Corporate type farming group organized with at least 5 farm households. Farming group. Producer cooperatives in partnership with farmers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Joint participation by farmers in partnership with cooperatives of farmers, also of fishermen and Rural Development Corporation, or farm-land improvement associations</td>
<td>- Mayor or magistrate of a county, and Rural Development Corporation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Farming group, Corporate type farming group of more than 5 farmers</td>
<td></td>
</tr>
<tr>
<td><strong>Financial assistance</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>- Limit 20 million won* per hamlet (5 million won* per household)</td>
<td>- Limit 100 million won* in new tourism area, limit 50 million won* in already designated area</td>
<td>- Limit 150 million won* in a new tourism area, limit 200 million won* in already designated area</td>
<td>- Limit 200 million won* in a new tourism area, limit 250 million won* in already designated area</td>
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<td></td>
<td>- Interest: 10% per annum (repayment in 4 years with a one-year grace period)</td>
<td>- Interest: 5% per annum (repayment over 7 years with a three-year grace period)</td>
<td>- Interest: 8% per annum (repayment in 5 years with a five-year grace period)</td>
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</table>

Note: 5 million won = US$ 5,555.00
20 million won = US$ 22,000.00
50 million won = US$ 55,000.00
100 million won = US$ 110,000.00
150 million won = US$ 165,000.00
200 million won = US$ 220,000.00
1 US$ = 900 won
TYPE OF TOURISM FARM

Policies have been adapted several times over the years. In its early stages, agricultural tourism mainly consisted of tourism farms which carried out the direct sale of farm goods. After 1988, agricultural tourism diversified. Some tourism farms were rented rather than owned. Some developed multiple facilities, with a complex of accommodation, restaurant and leisure pursuits, etc. Others specialized in nature study, or as a place where young people develop their mental and physical abilities (“youth parks”), or as a holiday resort.

Scale of Tourism Farm

With the land reform program of the 1960s, Korea limited the maximum size of a farmland holding to around 2 ha. This was the maximum size of tourism farms in 1984. The following year, the maximum size of a tourism farm was expanded to 3 ha, and is now 5 ha (1997). In practice, most tourism farms are much larger than 2 ha, since they are made up of several land holdings. A minimum of five households are necessary to qualify as a “designated area” with special funding and privileges. From 1985 this was increased to 10 households. Since 1997, the standard has been only three households, each with more than one year’s farming experience. It is now possible for non-farm households to take part in farm tourism, and also newcomers from other areas. Participation was enlarged in 1992 to include local agricultural cooperative associations, farming groups, and corporate type farming groups. Because the qualifications have changed frequently, many participants have become rather confused.

Credit

From 1984, farmers and other qualified people engaged in rural tourism were each offered credit to a limit of 20 million won per village (around US$22,000). Annual interest is 10%, repayment is in four years with a one-year grace period. This was increased to 50 million won (US$55,000) for designated tourism areas in 1985.

From 1986, credit was raised to 30 million won (with the same conditions), and from 1997 to 200-250 million won (US$220,000) for both existing and new designated areas, with a lower interest payment over 8 years and repayment in seven years with a three-year grace period.

Institutional support for rural resorts was begun in 1990, and for home-stay villages in 1991. Rural resorts were given credit amounting to 250 million won (US$275,000) and 30 million home-stay villages were given 30 million won (US$33,000) apiece.

DEVELOPMENT OF TOURISM FARMS

To develop a farm into a tourist attraction, it should be well located for sightseeing, with beautiful scenery, historical remains and other attractions. It should be accessible by road and public transport, and there should not be major problems in getting permits for development.

Procedure of Designating a Tourism Farm

First, a group of at least five households headed by farmers and/or fishermen make a request to their local mayor and county headman, via their local cooperative. The mayor and county headman assess whether the request is reasonable, and if it is, forward it to the city council. They then forward the application to the county and provincial councils. The investment schedule is completed according to the decision of the Provincial Council and the financial schedule of the Ministry of Agriculture and Forestry.

CURRENT PROBLEMS IN RURAL TOURISM

At the planning stage, there is the complex business of getting the application approved by the city, county, and provincial councils. There are often delays in this process, and difficulties arise from the lack of staff with specialized training.

Approval of credit can also take a considerable time, since this depends on the budget of central government (approved in May each year). Permits to convert arable land to other uses, preparation of the ground, permits to carry out construction, all take more time. It is difficult for farmers to keep to a schedule. When new areas are designated for tourism, there are often special problems. Farmland in Korea is protected by law from being converted to other uses. When this restriction is lifted to allow a farmer to convert arable land to tourism, an opportunity may arise for land speculation. Land without any restrictions is very valuable, so there may be an abrupt increase in the price of farmland.

If the tourism farm fails because of poor management, there may be difficulty in restoring the
land to its original arable use.

In the case of home-stay facilities, regulations concerning building and safety standards are not yet well established. This can cause difficulties, and additional expense and delay.

Even though three farm households are required for an area to be designated for tourism, in most cases, only one of the three households does the work of actually managing the tourist farm. The concept of extra farm income by diversification into tourism is thus gradually becoming eroded. Some participating farm households stop taking part, in the absence of clear regulations related to the scale of management, while some disagree with the distribution of profits.

Because only one farm household is usually in charge of getting the credit for the initial investment, the other households may not be fully consulted. Since most participating farm households have to borrow large sums to raise the investment capital, the possibility of failure is usually fairly high. Repayment is a heavy burden on managers of tourist farms, since they must pay 8% interest each year (repayment in five years with a five-year grace period). The limited availability of funds for infrastructure such as road improvements, plumbing and electricity are another restriction.

**IMPROVEMENTS IN SUPPORTING INSTITUTIONS**

It would facilitate rural tourism projects if licenses could be granted by experts in this field working for the council of the county concerned. Furthermore, all necessary licenses and permits should be approved at the same time.

There should be frequent monitoring, to identify the tourism farms that are having poor results and suggest remedial action.

If a tourism farm violates the regulations by which its original plans were approved, the law should be immediately enforced. There is also an urgent need to formulate clear and consistent laws governing public health, sanitation, hygiene, safety, etc. for tourism farms.

At the moment, tourist farms need approval by the provincial governor. Although supervision may be needed at a higher level, approval by a mayor or county headman should be sufficient — after all, it is mainly the local community which is concerned.

Where several households contribute land to a joint enterprise, there must be a clear agreement over management and income which covers all distribution to those participating. This would prevent nearly all the discord now sometimes found in groups of participating farmers.

Funding for joint enterprises also needs to be improved. To foster a larger scale of tourism farms, the limit of supporting funds must be adjusted to more than US$330,000 and the interest rate reduced to 5%, while the repayment term should be extended to 15 years.

For basic facilities such as the entrance and car park, perhaps we should consider subsidies to help cover the cost, like those given in many countries overseas. To make sure that it is farm households who will participate, it is necessary to prevent speculation in tourist farms by commercial interests. Also, although regulations limit the size of a tourism farm in Korea to 5 ha, this regulation should perhaps be relaxed for tourist farms in which many households participate, and which are being managed by a rural community or a rural institution such as a primary agricultural cooperative. Regulations governing capital investment should also be adapted to fit the needs of a larger tourism farm. In the case of Japan and Taiwan, tourism farms may be as large as several hundred hectares. It is also important to improve the standard of management in Korea. A plan on how to administer corporate bodies such as joint tourism farms, and clarification of ownership and liabilities, is urgently needed.

Since the outcome of business is often determined by the legal framework within which business operates, it is necessary to establish laws governing rural tourism development, as are found in many industrialized countries (e.g. Germany, Netherlands, United Kingdom, Japan). We should also note specialized laws overseas governing the citizen’s use of public land for agriculture, such as the law of "Klein Garten" (Germany), and the law governing Allotments* (United Kingdom). It should also be noted that subsidies are provided in Japan to cover half the cost of road construction and maintenance of facilities. This kind of support given in many industrialized countries overseas is intended, not only to increase the welfare of citizens and farmers, but also to preserve rural resources.

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* Allotment (United Kingdom). Urban gardens owned by city or town councils, used for vegetable production by citizens. Laws govern the amount of land given to holders of allotments, and the type of land use (e.g. it must not be left fallow during the growing season). The law of "Klein Garten" ("little garden") in Germany is similar. (Ed.)
SELECTION OF LOCATION

The success or failure of a tourism farm mainly depends on its location. In particular, the condition of the roads and the surrounding scenery are very important. Profitable rural tourism is likely to be in beautiful natural scenery, and close to places of historic interest, or a lake, river, swimming beach, fishing place or mineral spring. Other factors to be considered are the possible sale of local special products, whether there are limits on construction, and whether there will be a problem in obtaining a license.

It is desirable to develop tourism farms within one and a half hours’ travel from urban areas, both for ease of access and the direct sales of farm products.

The Uruguay Round of GATT has made crop production in the marginal lands in mountain villages uneconomic. Farms with good views might be very suitable for tourism. Other areas where soil and climatic conditions are not favorable for crops may benefit from tourism, but only if their location is good.

IMPROVED OPERATIONS

The management of businesses is very important. Rural tourism must be treated as a business. All tourism farms experience operational problems, and operators must learn how to handle these successfully.

In order to optimize the scale of management, tourism farms must be classified into three sizes (large, medium and small). The present tendency to try and regulate the maximum size to around 5 ha is perhaps not the best strategy.

The choice of crop is important. Sometimes tourism farms can specialize according to crop type, e.g. fruit farms, farms with a flowering plant center, vegetable farms, livestock farms, mixed cropping etc.

Labor is a vital resource in rural tourism. It is necessary to train farmers in tourism management, and promote the flow of information between tourist farms so that farmers can learn from each others’ experiences. Basic and supplementary facilities are important in attracting visitors to a farm. However, if there is too high an investment into facilities, the tourism farm misses its basic purpose.

MARKETING AND PROMOTION

It is important to determine the rational price level of farm products sold on the farm, as well as accommodation and other services. Farmers need to show a profit, but they also need to induce tourists to come back for another visit.

To attract visitors, new commodities need to be developed. A membership system for regular visitors would encourage repeat visits. To publicize what rural tourism has to offer, local governments or agricultural cooperatives should be responsible for a national promotion scheme, as is often carried out overseas. Publicity and promotion should use mass communications and develop an effective advertising campaign.

IMPROVEMENT IN ADMINISTRATION

Most tourism farms are operated by only one farmer, even though several farmers may have jointly invested into the farm. This means that all participating farmers are not benefiting fully. It is recommended some kind of monitoring system be established, and some way of promoting joint, rather than sole, management of tourism farms. One way of doing this would be to provide a joint management agreement for participants. Other possible improvements include creating public organizations which can take responsibility for managing a tourism farm, and making tourism farms into cooperative units which receive investment from, and are operated by, a rural village. It should also be possible to foster large-scale tourism farms which receive investment and are operated at a regional level.

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