

Abstract:

This paper examines the effect of aging and income subsidies on farm efficiency in Korea by utilizing the Korean Farm Household Economic Survey from 2008 to 2015. A stochastic frontier model with a non-monotonic assumption on the effect of efficiency factors is implemented to reflect a super aging and less developed production structure in Korean agriculture. This study finds continuously decreasing farm efficiency with age, which contradicts the commonly assumed inverted-U relationship between age and productivity. Especially, we find that labor is the most important factor to explain recent farm efficiency losses in Korea. Furthermore, this paper finds that the Korean income subsidy has a negative effect on farm efficiency.

Keywords: Aging, Farm efficiency, Income subsidy, Non-monotonic assumption, Stochastic frontier model

JEL code: Q16, O47, O53