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Korea - Republic of

Grain and Feed Update

Rice reduction program results in decreased rice production

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Report Highlights:

As actual rice planting area was less than FAS/Seoul had estimated in the last report, the rice production forecast for MY 2018/19 is revised down to 3.73 million metric tons (MMT). Ending stocks are also revised down to 0.834 MMT to reflect the decline in production. Consumption estimates remain unchanged at 4.47 MMT. Korea successfully donated 50,000 MT of rice through the Food Assistance Convention in spring of 2018.

Post: Commodities:

Seoul Rice, Milled

Author Defined:

PRODUCTION

MY 2018/19 rice production forecast is revised to 3.73 million metric tons (MMT), down 3.1 percent or 120,000 MT from the initial forecast as actual rice planting area declined further than what FAS/Seoul estimated in the previous report. The revised forecast of production is estimated to be 6.1 percent lower than the previous year's production, according to the government survey of farmers' planting intentions as of June 14, 2018. The Korean government has encouraged rice farmers to reduce rice paddy area under the rice reduction program (Table 1).

Area

Under the rice reduction program, the government has encouraged rice farmers to cultivate other crops in rice paddy land to relieve the burden of heavy stocks accumulated since MY 2013/14. As a consequence, FAS/Seoul revised the estimated rice planting area at 705,000 hectares, down 6.6 percent or 50,000 hectares from the previous year, which includes government efforts to convert rice paddy to other crops under the program targeting 50,000 hectares of reduction as well as natural decline of rice paddy to other purposes such as housing, roads and construction. The reduced paddy lands were converted to soybeans (8,891 hectares), forage (13,576 hectares), and other various crops (10,384 hectares) under the reduction program as of June 14, 2018. 4,000 hectares of land previously reclaimed for paddy field was also converted to other crops as a part of the reduction program. Official statistics of actual rice planting area will be available in August 2018 after a government survey of rice planting area, which is scheduled to be conducted in July 2018.

Table 1

Korea: 2018 Rice Production Forecast		
	2017 Rice Production	2018 Rice Production Forecast ^{1/}
Area (1,000 ha)	755	705
Yield (kg/ha)	5,264	5,283
Production (1,000MT)	3,972	3,725

Source: Ministry of Agriculture, Food and Rural Affairs (MAFRA)

1/ FAS/Seoul forecast based on planting intention acreage surveyed by KREI over previous five year Olympic average yield

Table 2

Korea: Rice Area, Yield and Production			
Crop Year	Area (1,00ha)	Yield (kg/ha)	Production (Milled, 1,000 MT)
2002 a/	1,053	4,679	4,927
2003 b/	1,016	4,381	4,451
2004	1,001	4,995	5,000
2005	980	4,865	4,768
2006	955	4,901	4,680
2007	950	4,640	4,408
2008	936	5,174	4,843
2009	924	5,318	4,916
2010	892	4,815	4,295
2011	854	4,946	4,224
2012	849	4,718	4,006
2013	833	5,081	4,230
2014	816	5,200	4,241
2015	799	5,416	4,327

2016	779	5,389	4,197
2017	755	5,264	3,972
2018 d/	705	5,283	3,725

Source: Ministry of Agriculture, Food and Rural Affairs (MAFRA)

a/ Heavy rains during the summer and the effects of typhoon Rusa (Aug 31 – Sep 1)

b/ Cool and rainy days during the growing season and the effects of typhoon Maemi (Sep 9 - 12)

c/ Based on September 15 crop survey conducted by KOSTAT

d/ FAS Seoul forecast

Production Policy:

The Korean government plans to revise rice income support payments under the Rice Income Compensation Act (RICA), which has been implemented since 2005, consisting of an area payment and a deficiency payment.

Area Payment: This payment is made on a ‘per hectare’ basis and is calculated using the average area of rice production during the base period 1998-2000. The average 2017 area payment was 1,003,027 won (USD 888) per hectare.

Deficiency Payment: The deficiency payment is 85 percent of the difference between the national-average market price during the 2017 harvest season (2017 Oct.-2018 Jan.) and the 2017 target price set by the government, less the area payment.

Korean government is scheduled to complete the draft revision of the Rice Income Compensation Act by the end of 2018, planning to implement the revised income support program from 2020 after completing public hearings next year. The draft revision reportedly abolishes deficiency payments that have led rice farmers to overproduction.

CONSUMPTION

FAS Seoul estimates for consumption remain unchanged from the previous report.

TRADE

Korea continues to import the mandatory import volume of 408,700 metric tons from Most Favored Nation (MFN) countries at the current duty level of five percent under the tariff rate quota (TRQ) regime implemented in 2015. Under this TRQ regime, Korea deleted provisions about usage purpose, such as the ratio of table rice (30 percent) and guaranteed access to the domestic market. Accordingly, aT (Korea Agro-Fisheries and Food Trade Corporation), the government’s state trading arm, manages the purchase of all imported rice through a tendering process and subsequent auctions of imported table rice.

2018 TRQ Tendering Process:

Under the 2018 **Tariff Rate Quota** (TRQ) purchasing plan, Korea will purchase 408,700 MT of rice (milled basis) under rice tariffication (in effect since 2015). Under the 2018 TRQ thus far, Korea has bought 63,000 MT (milled basis) or 15.4 percent of the total TRQ, which is 70,000 MT of brown rice for processing purposes. The pace of the tendering process under the 2018 TRQ regime has been slower than other years.

aT has recently released tender invitations for 94,800 MT (milled) as the second batch under the 2018 TRQ; 80,000 MT of USDA Grade number 3 short grain brown rice and long grain (equivalent to 72,000 MT on milled basis) are for processing purpose, and 22,800 MT of USDA number 1 medium and long grain milled rice for table purpose. The bidding date was June 28, 2018 in Korean Time.

Table 3

Korea: Rice Contracts by Country under 2018 MFN TRQ ^{1/} (Unit: MT, Milled Basis, as of May 10, 2018)			
Country	MFN TRQ		Total (%)
	Processing Use	Table Use	

USA	0	0	0
China	18,000	0	18,000 (4.4)
Thailand	0	0	0
Australia	0	0	0
Vietnam	45,000	0	45,000(11.0)
India	0	0	0
S. Total	63,000	0	63,000(15.4)
Open Quota	345,700		345,700(84.6)
G. Total	408,700		408,700(100.0)

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

1/ under ongoing process of buying tenders since May 2018

Table 4

Korea: 2018 TRQ Rice Tender Results (as of May 10, 2018)									
Bid Date (mm-dd-yy)	Rice Type	Volume (Contract Basis)	Volume (Milled Rice Basis)	Origin	Price (US\$/MT)	Terms and Conditions	Delivery Date	Agent	Supplier
5/4/2018	SG #3 Brown	20,000	18,000	Vietnam	668	CIP	June 2018	The Ground Korea	Green Mountain
5/4/2018	SG #3 Brown	20,000	18,000	Vietnam	638	CIP	June 2018	The Ground Korea	Green Mountain
5/4/2018	SG #3 Brown	20,000	18,000	China	706	CIP	June 2018	Daewoo	COFCO
5/4/2018	SG #3 Brown	10,000	9,000	Vietnam	608	CIP	June 2018	The Ground Korea	Green Mountain
6/28/2018	SG #3 Brown	20,000	18,000			CIP	Sep 15, 2018		
6/28/2018	SG #3 Brown	20,000	18,000			CIP	Sep 15, 2018		
6/28/2018	SG #3 Brown	20,000	18,000			CIP	Sep 15, 2018		
6/28/2018	LG #3 Brown	10,000	9,000			CIP	Sep 30, 2018		
6/28/2018	LG #3 Brown	10,000	9,000			CIP	Sep 30, 2018		
6/28/2018	MG #1 Milled	10,000	10,000			CIF	Feb 28, 2019		
6/28/2018	MG #1 Milled	10,000	10,000			CIF	Feb 28, 2019		
6/28/2018	LG #1 Milled	2,800	2,800			CIF	Dec 2018		
Total		172,000	157,800						

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

Auctions for Imported Table Rice:

Korea Agro-Fisheries & Food Trade Corporation (aT) sells table rice shipments to consumers through a public auction system. Meanwhile, the Ministry of Agriculture, Food and Rural Affairs (MAFRA) distributes processing rice to end-users, such as food processors and alcoholic beverage producers, at a set price throughout the year.

The pace of auctions for imported rice for table use has been very slow, effectively reducing the volume of auctioned rice, due to heavy stocks of domestic rice caused by consistent crop overproduction since 2013. As large rice stocks have led to low domestic prices, farmers' groups have petitioned the government to slow down auctions for imported rice for table use and then asked the government to stop conducting auctions for imported medium and short grains because they compete with domestic rice. As a result, as of September 18, 2017, the government suspended auctions for medium and short grain table rice imported under the 2015 TRQ, because it was too rancid to be sold in the domestic table rice market (Table 8). The unsold imported rice for table use is expected to be converted to be used for alcohol processing purposes later, as Korea has previously converted unsold imported rice for table use to alcohol processing purposes (Table 5 & 6).

The Korean government started selling medium and short grain rice imported under 2016 TRQ in April 2018 (Table 9).

Table 5

Korea: Status of Table Rice Imports and Distribution (MT, Milled rice)					
Calendar Year	Total Rice Imports	Table Purpose	Rate of Table Rice of Total Imports (%)	Distribution to Consumers Market	Conversion to Processing
MMA Quota Regime					
2005	225,575	22,557	10	22,557	0
2006	245,922	34,429	14	34,429	0
2007	266,270	47,928	18	47,928	0
2008	286,617	63,055 ^{a/}	22	38,121	24,934
2009	306,964	79,810 ^{b/}	26	45,007	34,803
2010	327,311	98,193 ^{c/}	30	92,576	5,617
2011	347,658	104,297	30	104,297	0
2012	368,006	110,401	30	110,401	0
2013	388,353	116,505	30	116,505	0
2014	408,700	122,610 d/	30	65,072	57,538
Total	3,171,376	799,785	25	676,893	122,892
TRQ Regime					
2015	408,700	60,000	15	7,041	52,959 e/
2016	408,700	50,000	12	9,935f/	na
2017	408,700	40,000	10	g/	na

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

a/ Of them, 24,934MT of Chinese rice was diverted to alcohol processing purpose in CY 2010

b/ Of them, 33,303 MT of Chinese rice and 1,500 MT of Thai rice were diverted to alcohol processing purpose in CY 2011

c/ Of them, 5,671MT of Chinese rice were diverted to alcohol processing purpose in CY 2012.

d/ of them, 8,754 MT of U.S. rice, 43,386 of Chinese rice and 5,395 MT of Australian rice were converted to alcohol processing purpose in CY 2016

e/ not converted yet but is possible to convert to the processing purpose due to rancid quality of rice for table purpose

f/ ongoing auctioned-off as of June 20, 2018

g/ waiting for auction-off

Table 6

Korea: Status of Table Rice Distribution per Country under MMA Regime (2005-2014) (MT, Milled rice, Calendar Year Basis, as of Oct. 7, 2016)					
Year	USA	China	Thailand	Australia	Total
Total Imports (A)	289,548	470,964	28,027	11,246	799,785
Conversion to Processing (B)	8,754	107,294	1,500	5,395	122,943
Quantity for auctions (A-B)	280,794	363,670	26,527	5,851	676,842
Distribution to Markets	280,285	362,708	25,662	5,851	674,506
Loss	509	962	865	-	2,336

Source: FAS/Seoul

Table 7

Korea: Status of Rice Auction for Table Rice under 2014 CSQ (Unit: metric tons, milled basis, as of October 7, 2016)					
Commodity	USDA Grade	Total Table Rice CSQ	Auctioned Off	Balance	Auctioned Off (%)
U.S. Medium Grain	#1	40,056	31,302	8,754	78
	#3	4,451	4,450	1	100 (as of June 3, 2015)
Chinese Short Grain	#1	47,965	25,785	22,180	54
	#3	21,433	227	21,206	1
Australian Medium	#1	2,697	0	2,697	0

Grain	#3	2,698	0	2,698	0
Thai Long Grain	#1	3,220	3,218	2	100 (as of Oct. 7, 2016)
Thai Jasmine Rice	#1	90	90	0	100 (as of Aug. 26, 2015)
Total		122,610	65,072	57,538	53

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

Table 8

Korea: Status of Rice Auction for Table Rice under 2015 TRQ (Unit: metric tons, milled basis, as of September 18, 2017)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price 1/
U.S. Medium Grain (Oct. 2016~ Sep. 2017)	#1	40,000	5,965	34,035	15	1,357
Chinese Short Grain (Oct. 2016 ~ Sep. 2017)	#1	20,000	1,076	18,924	5	1,307
Total		60,000	7,041	52,959	12	

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

1/ Weighted average in Korean Won per Kg

Table 9

Korea: Status of Rice Auction for Table Rice under 2016 TRQ (Unit: metric tons, milled basis, as of June 20, 2018)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price 1/
U.S. Medium Grain (Apr. 2018 ~)	#1	40,000	4,161	35,839	10	1,647
Vietnamese Short Grain (Apr. 2018 ~)	#1	3,000	641	2,359	21	1,333
Thai Long Grain (Oct. 2016 ~)	#1	7,000	5,133	1,867	73	947
Total		50,000	9,935	40,065	19.9	

Source: Korea Agro-Fisheries and Food Trade Corporation (aT)

1/ Weighted average in Korean Won per Kg

Exports:

Joining the Food Assistance Convention (FAC) in early 2018, Korea allocated 50,000 MT of domestic rice (milled basis) to four countries in Africa and the Middle East: 17,000 MT to Yemen, 15,000 MT to Ethiopia, 13,000 MT to Kenya and 5,000 MT to Uganda, through the World Food Program (WFP). Korea made the first shipment of 22,000 MT (milled basis) drawing from the 2016 rice crop in Kunsan Port on May 10, 2018, being delivered to the four countries. The remainder of 28,000 MT was delivered to the four countries soon after the first shipment.

STOCKS

MY 2018/19 ending stocks (at the end of October 2019) are revised down 0.83 MMT, or 19 percent of total consumption as production forecast is revised down. Other data points remain unchanged from the previous report.

Table 10

Korea: Status of Rice Stocks (Milled rice, 1,000 MT, as of end October)

Rice Year (Nov.-Oct.)	2013/14	2014/15a/	2015/16b/	2016/17c/	2017/18d/	2018/19d/
Total Stock	887	1,406	1,831	1,784	1,220	834
Government Stock	887	1,406	1,831	1,784	1,220	834
Total Domestic Consumption	4,422	4,197	4,212	4,651	4,883	4,473
Stock to Use Ratio (%)	20.0	33.5	43.5	38.4	25.0	19.0

Source: FAS/Seoul Estimate based on MAFRA data

a/ MAFRA Revised

b/ MAFRA Preliminary

c/ MAFRA forecast

d/ FAS/Seoul forecast

Production, Supply and Demand Data Statistics:

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Nov 2016		Nov 2017		Nov 2018	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	779	779	755	755	730	705
Beginning Stocks	1831	1831	1729	1784	1228	1220
Milled Production	4197	4197	3972	3972	3850	3730
Rough Production	5596	5625	5296	5286	5133	4973
Milling Rate (.9999)	7500	7461	7500	7514	7500	7500
MY Imports	411	411	410	410	410	410
TY Imports	412	412	410	410	410	410
TY Imp. from U.S.	138	164	0	160	0	160
Total Supply	6439	6439	6111	6166	5488	5360
MY Exports	4	4	13	63	10	53
TY Exports	4	4	13	63	10	53
Consumption and Residual	4706	4651	4870	4883	4500	4473
Ending Stocks	1729	1784	1228	1220	978	834
Total Distribution	6439	6439	6111	6166	5488	5360
Yield (Rough)	7.1836	7.2208	7.0146	7.0013	7.0315	7.0539

(1000 HA) ,(1000 MT) ,(MT/HA)

Table 11

Korea: Monthly Wholesale Price of Milled Rice (High Quality)						
Month\Year	CY 2016		CY 2017		CY 2018	
	Won/kg	USD/ kg	Won/kg	USD/kg	Won/kg	USD/kg
January	1,810	1.51	1,602	1.35	1,994	1.87
February	1,810	1.49	1,590	1.39	2,094	1.94
March	1,810	1.53	1,590	1.40	2,174	2.03
April	1,810	1.58	1,590	1.40	2,234	2.09
May	1,810	1.54	1,590	1.41	2,227	2.07
June	1,810	1.55	1,590	1.41	2,232a/	2.08
July	1,810	1.58	1,598	1.41	na	na
August	1,802	1.62	1,626	1.44	na	na
September	1,705	1.54	1,677	1.48	na	na
October	1,546	1.37	1,814	1.61	na	na
November	1,620	1.40	1,917	1.74	na	na

December	1,620	1.37	1,952	1.80	na	na
Average	1,747	1.51	1,678	1.49	na	na

Source: Korea Agricultural Marketing Information Service (KAMIS)

a/June 1-15, 2018

Note: Monthly Average Exchange Rate is applied.

Table 12

Korea: Monthly Retail Price of Milled Rice (High Quality)						
Month\Year	CY 2016		CY 2017		CY 2018	
	Won/kg	USD/ kg	Won/kg	USD/kg	Won/kg	USD/kg
January	2,132	1.78	1,805	1.53	2,167	2.03
February	2,112	1.74	1,806	1.58	2,215	2.06
March	2,085	1.76	1,803	1.59	2,286	2.14
April	2,027	1.77	1,804	1.59	2,368	2.22
May	1,998	1.70	1,768	1.57	2,367	2.20
June	1,990	1.71	1,745	1.54	2,375a/	2.21
July	1,992	1.74	1,728	1.53	na	na
August	1,983	1.79	1,742	1.54	na	na
September	1,970	1.78	1,931	1.71	na	na
October	1,895	1.68	2,023	1.79	na	na
November	1,850	1.59	2,118	1.92	na	na
December	1,809	1.53	2,136	1.97	na	na
Average	1,985	1.71	1,867	1.65	na	na

Source: Korea Agricultural Marketing Information Service (KAMIS)

a/June 1-15, 2018

Note: Monthly Average Exchange Rate is applied.

Table 13

Korea: Foreign Exchange Rate (Korean Won against USD)			
Month	CY 2016	CY 2017	CY 2018
January	1,196	1,183	1,065
February	1,216	1,143	1,077
March	1,184	1,133	1,070
April	1,146	1,132	1,067
May	1,172	1,126	1,075
June	1,167	1,130	1,074 a/
July	1,142	1,133	Na
August	1,110	1,129	Na
September	1,107	1,130	Na
October	1,125	1,128	Na
November	1,160	1,101	Na
December	1,182	1,083	Na
Average	1,158	1,129	Na

Source: Global Financial Service

a/ June 1-17, 2018