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## **Korea - Republic of**

### **Grain and Feed Update**

#### **Rice Exports Increase with Donation to DPRK**

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**Report Highlights:**

The 2019/20 Marketing Year rice production forecast is unchanged from the previous report at 3.88 million metric tons (MMT), as price supports offset the government's attempts to reduce rice paddy area through the rice reduction program. The rice consumption estimate is also unchanged from the previous report at 4.49 MMT. The rice export quantity is revised upward by 50,000 MT to account for food assistance expected to be donated to North Korea (DPRK).

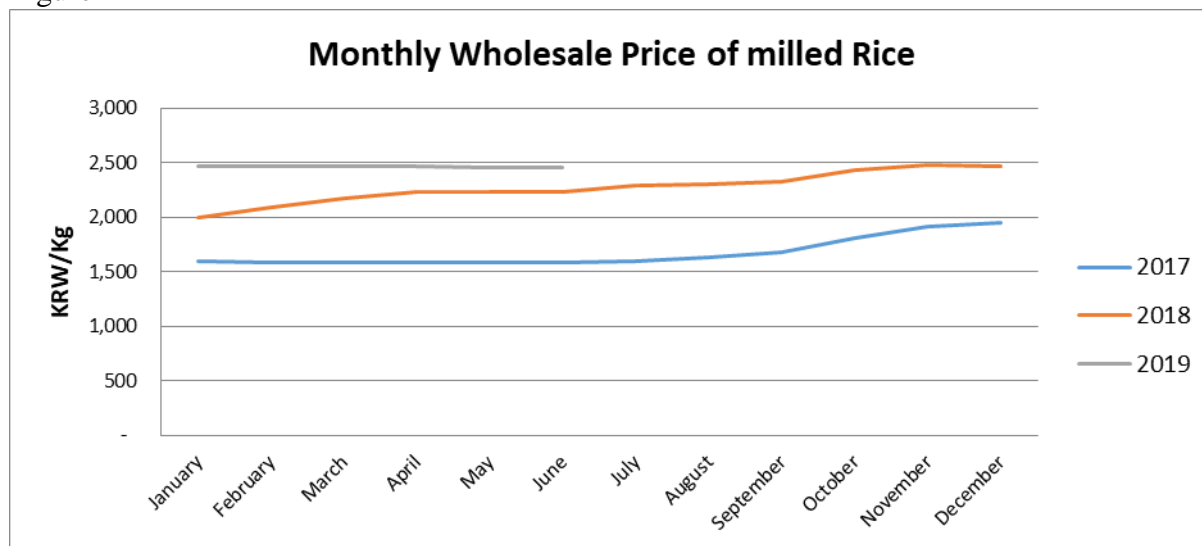
### Production:

The MY 2019/20 rice production forecast is around 3.88 million metric tons (MMT) – essentially unchanged from the initial forecast, even though actual rice planting area declined by 1,000 ha (based on the Korean Rural Economic Institute's (KREI) planting survey done May 2-10, 2019 with the five-year average yield applied). Despite the government's attempt to reduce rice paddy area under the rice reduction program, rice farmers still demonstrate a preference for growing rice because the crop's pricing continues to be supported (Table 1 & Figure 1).

### Area

Rice area has continued to decrease annually – with decreases ranging from 5,000 ha to 38,000 ha every year since 2001. In 2019, rice planting area decreased by 7,000 ha, down 0.9% from the previous year. A bullish domestic rice market (Figure 1 & Table 11) as well as rice subsidy programs that are attractive compared to those for other crops nullified government programs targeting a reduction in rice area of 55,000 ha to relieve the burden of heavy stocks that have been accumulating since MY 2013/14.

Figure 1



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

Table 1

Korea: 2019 Rice Production Forecast		
	2018 Rice Production	2019 Rice Production Forecast <sup>1/</sup>
Area (1,000 ha)	738	731
Yield (kg/ha)	5,244	5,302
Production (1,000MT)	3,868	3,875

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

1/ KREI forecast based on planting acreage surveyed by KREI during May 2-10, 2019 and previous five year average yield

Table 2

Korea: Rice Area, Yield and Production			
Crop Year	Area (1,000ha)	Yield (kg/ha)	Production (Milled, 1,000 MT)

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	738	5,244	3,868
2019	731a/	5,302b/	3,875

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

a/ KREI Survey for May 2-10, 2019

b/ based on average yield for past five years

### Production Policy:

**Deficiency Payment:** The deficiency payment is 85 percent of the difference between the national-average market price during the 2018 harvest season (Oct. 2018 - Jan. 2019) and the 2018 target price set by the government, less the area payment. As the target price is reviewed by the National Assembly every five years, a decision on the 2018 target price is still pending a discussion between the National Assembly and government agencies. As yet, political turbulence between ruling and opposition parties has delayed reaching final agreement on a rice target price.

The total deficiency payment for the 2018 rice crop is subject to the level of the revised target price. If it is revised up to more than 210,988 per 80 Kg (equivalent to 2,637 Korean Won (KW) per kg), a deficiency payment will be made.

### Consumption:

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

For the first six months in MY 2018/19, Korean feed millers used 300,840 MT of brown rice for animal feed, down 7.8 percent over the same period of the previous marketing year, with the total expected to reach about 600,000 MT (milled), as FAS Seoul projected in our initial forecast (Tables 3 & 4).

Table 3

Korea: Rice Utilization Pattern (1,000 MT, milled)				
Rice Year (November - October)	MY 2016/17 <sup>a/</sup>	MY 2017/18 <sup>b/</sup>	MY 2018/19 <sup>c/</sup>	MY 2019/20 <sup>c/</sup>

Table Rice	3,199	3,100	3,060	3,020
Processing	1,086	1,414	1,420	1,240
(for food)	(492)	(500)	(520)	(540)
(for liquor)	(216)	(243)	(300)	(300)
(for feed)	(378)	(671)	(600)	(400)
Seed	33	32	32	32
Other and Loss	117	200	200	200
Total Demand	4,435	4,746	4,712	4,492
Per Capita Table Rice Consumption (kg)	61.8	60.0	59.2	58.4

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

A/ Revised

B/ Preliminary

B/ FAS/Seoul forecast

Table4

Korea: Rice Consumption for Animal Feed (Marketing Year, Brown rice basis, MT)									
Month	MY 2016/17			MY 2017/18			MY 2018/19		
	Domesti c Rice	Importe d Rice	Total	Domesti c Rice	Importe d Rice	Total	Domesti c Rice	Importe d Rice	Total
November	7,530	86	7,616	53,806	0	53,806	66,286	1,009	67,295
December	4,853	12	4,865	48,340	0	48,340	53,349	2,021	55,370
January	4,652	0	4,652	43,163	0	43,163	42,868	116	42,984
February	24,796	0	24,796	54,117	0	54,117	43,080	8	43,087
March	36,128	0	36,128	62,448	0	62,448	50,442	26	50,468
April	36,820	0	36,820	64,516	0	64,516	41,629	6	41,635
<b>Sub Total</b>	<b>114,779</b>	<b>98</b>	<b>114,877</b>	<b>326,390</b>	<b>0</b>	<b>326,390</b>	<b>297,654</b>	<b>3,186</b>	<b>300,840</b>
May	40,923	0	40,923	64,816	850	65,666	na	na	na
June	44,980	0	44,980	64,187	1,655	65,842	na	na	na
July	45,140	0	45,140	58,654	2,235	60,889	na	na	na
August	52,046	0	52,046	65,027	913	65,940	na	na	na
Septembe r	55,944	0	55,944	67,160	1,003	68,163	na	na	na
October	48,695	0	48,695	72,529	1,428	73,957	na	na	na
<b>Total</b>	<b>402,505</b>	<b>98</b>	<b>402,603</b>	<b>718,763</b>	<b>8,084</b>	<b>726,847</b>	na	na	na
<b>Total (milled)</b>	<b>362,255</b>	<b>88</b>	<b>362,343</b>	<b>646,887</b>	<b>7,276</b>	<b>654,162</b>	na	na	na

Source: Korea Feed Association (KFA)

Note: actual rice consumption for feed is slightly different from government's estimate of feed use

**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. 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.

### **2019 TRQ Tendering Process:**

Under the 2019 Tariff Rate Quota (TRQ) purchasing plan, Korea will purchase 408,700 MT of rice (milled basis) under the rice tariffication system that has been in effect since 2015. Under the 2019 TRQ, Korea has recently announced a tender invitation for 20,000 MT of USDA #3 brown rice for processing as the first international open tender and then purchased Chinese short grain brown rice at USD 759.68/MT,CIP. Korea is expected to continue holding buying tenders after completing rice negotiations with five countries who have reserved their positions on ROKG's rice tariffication at the WTO.

### **Auctions for Imported Table Rice:**

Under the 2016 TRQ regime, the Korean government has suspended auctions for medium and short grain rice as of September 24, 2018 to prop up domestic rice prices during the harvest period. Unsold U.S. medium grain rice levels equaled 23,084 MT (milled) or 58 percent of total medium grain imports, while unsold Vietnamese short grain was at 546 MT (milled) or 18 percent of total short grain imports. The unsold portion of Vietnamese short grain has already been converted to alcohol processing but the unsold portion of U.S. medium grain is still sitting in storage for eventual conversion to alcohol processing because it is reportedly too rancid to sell in the rice consumer markets for table use (Table 6). This is a result of the ministry (MAFRA) not moving the 2016 TRQ imports into the market in a timely manner.

Under the 2017 TRQ regime, Korea imported 37,000 MT of 2017 crop U.S. #1 medium grain milled rice for table use in the first half of 2018. Korea started auctioning-off this rice on Jan. 23, 2019 and sold 14,696 MT or 40 percent of total imports as of June 10, 2019. At the current pace of auctioning, it is expected to take more than seven months to complete sales of the remaining portion. By comparison, sixty-two percent of total imported Vietnamese long grain, or 1,852 MT of milled table rice, has already been auctioned (Table 7).

Under the 2018 TRQ regime, Korea imported 37,000 MT of 2018 crop U.S. #1 medium grain milled rice in the first half of 2019 and 2,800 MT of Vietnamese #1 long grain milled rice in December 2018. This rice is currently in storage pending auctioning, but only after sales are complete for table rice imported under the 2017 TRQ (Table 8).

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 (2005-2014)					
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 <sup>a/</sup>	22	38,121	24,934
2009	306,964	79,810 <sup>b/</sup>	26	45,007	34,803
2010	327,311	98,193 <sup>c/</sup>	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 <sup>d/</sup>	30	65,072	57,538
<b>Total</b>	<b>3,171,376</b>	<b>799,785</b>	<b>25</b>	<b>676,893</b>	<b>122,892</b>
TRQ Regime (Since 2015)					
2015	408,700	60,000e/	15	7,041	52,959
2016	408,700	50,000f/	12	26,310	23,690
2017	408,700	40,000g/	10	16,548	na
2018	408,700	39,800h/	9.7	na	na

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

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

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

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

d/ of which, 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/ of which, 34,035 MT of U.S. rice and 18,924 MT of Chinese rice have been converted to alcohol processing purpose in CY 2018

f/ suspended auctions for 23,084 MT of U.S. medium grain and 546 MT of Vietnamese short grain as of September 24, 2018 but completed auctioning-off for 7,000 MT of Thai long grain as of January 2, 2019. 546 MT of Vietnamese short grain has already converted to alcohol processing in CY 2019

g/ consisting of 37,000MT of U.S. medium grain and 3,000MT of Vietnamese long grain under the ongoing selling auctions

h/ consisting of 2,800 MT of Vietnamese long grain delivered in December 2018 and 37,000 MT of U.S. medium grain to be delivered during April - May 2019 based on contracts

Table 6

<p><b>Korea: Status of Rice Auction for Table Rice under 2016 TRQ<sup>2/</sup></b> (Unit: metric tons, milled basis, as of January 2, 2019)</p>
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Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price 1/
U.S. Medium Grain (Apr. 2018 ~Sep. 21, 2018)	#1	40,000	16,916	23,084	42	1,585
Vietnamese Short Grain (Apr. 2018 ~Sep. 21, 2018)	#1	3,000	2,454	546	82	1,332
Thai Long Grain (Oct. 2016 ~Jan. 2, 2019)	#1	7,000	6,940	60	99.1	966
<b>Total</b>		<b>50,000</b>	<b>26,310</b>	<b>23,690</b>	<b>52.6</b>	

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

1/ Weighted average in Korean Won per Kg

2/ Suspended auctions for U.S. medium grain and Vietnamese short grain since September 21, 2018 but completed auctioning-off for 7,000 MT of Thai long grain as of January 2, 2019

Table 7

<b>Korea: Status of Rice Auction for Table Rice under 2017 TRQ</b> (Unit: metric tons, milled basis, as of June 10, 2019)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price 1/
U.S. Medium Grain 2/ (Jan. 23, 2019~ )	#1	37,000	14,696	22,304	40	1,761
Vietnamese Long Grain (Jan. 9, 2019 ~ )	#1	3,000	1,852	1,148	62	958
<b>Total</b>		<b>40,000</b>	<b>16,548</b>	<b>23,452</b>	<b>41</b>	

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

1/ Weighted average in Korean Won per Kg

2/ imported in the first half of 2018 with 2017 crop

Table 8

<b>Korea: Status of Rice Auction for Table Rice under 2018 TRQ</b> (Unit: metric tons, milled basis)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price 1/
U.S. Medium Grain 2/	#1	37,000	none	37,000	0	na
Vietnamese Long Grain3/	#1	2,800	none	2,800	0	na
<b>Total</b>		<b>39,800</b>	<b>none</b>	<b>39,800</b>	<b>0</b>	

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

1/ Weighted average in Korean Won per Kg

2/ imported in the first half of 2019 with 2018 crop, sitting in the warehouse for selling auctions later

3/ imported in December 2018, sitting in the warehouse for selling auctions later

## Exports:

Korea's rice exports are expected to increase to 104,000 MT in 2018/19, comprised of:

- a 50,000 MT rice donation under the Food Assistance Convention (FAC)

- a 1,000 MT donation to Myanmar and Laos under the ASEAN Plus Three Emergency Rice Reserve (APTERR),
- a 50,000 MT planned donation from the Korean government to the DPRK through the World Food Program (WFP), and
- approximately 3,000 MT of commercial trade.

Korea shipped 50,000 MT of 2017 crop domestic rice (milled) to four countries in Africa and the Middle East in May 2019: 19,000 MT to Yemen, 16,000 MT to Ethiopia, 10,000 MT to Kenya and 5,000 MT to Uganda, through the WFP. Korea made the first shipment of 15,000 MT (milled) drawing from the 2017 rice crop in Ulsan Port on May 2, 2019, which was delivered to Kenya and Uganda, a second shipment of 16,000 MT to Ethiopia at Kunsan Port on May 6, and a third shipment of 19,000 MT to Yemen at Mokpo Port on May 20, 2019. In March 2019, Korea shipped 500 MT of 2017 crop domestic rice to Myanmar and 500 MT to Laos under APTERR to cope with possible disasters in both countries. The Korean government also recently announced intentions to donate 50,000 MT of rice to the DPRK through the WFP, but the details for the when the commodity will ship have yet to be finalized.

Table 9

<b>Korea: Rice Exports</b> (Milled)				
Calendar Year	To the World		To the United States	
	Quantity (MT)	Value (USD1,000)	Quantity (MT)	Value (USD1,000)
2009	4,183	7,300	443	777
2010	3,765	6,394	272	587
2011	3,782	6,277	161	244
2012	2,223	4,424	90	185
2013	1,517	3,363	86	180
2014	1,684	3,894	123	303
2015	1,987	4,472	365	1,148
2016	2,313	4,847	477	1,175
2017	2,767	5,641	540	1,390
2018	64,164a/	43,823	425	1,171
2019	104,000b/	na	na	na

Source: Korea Customs Service (KCS), Global Trade Atlas (GTA)

a/ includes 60,000 MT of food assistance in 2018.

b/ forecast including 101,000 MT of food assistance in 2019

### Stocks:

The forecast of MY 2019/20 ending stocks (at the end of October 2020) has been reduced by 0.76 MMT, down seven percent from the previous forecast due to the rice donation to the DPRK as well as a lower production forecast attributable to a smaller planting area.



MY 2018/19 ending stocks estimates (at the end of October 2019) are projected to slide to 1.02 MMT, a decrease of five percent from the previous report. Based on the forecast 2019/20 stock levels, even with all the policy challenges around rice production and trade, the Korean government may be able to show a reduction of grain on hand by close to 50% in five years' time.

Table 10

<b>Korea: Status of Rice Stocks</b> (Milled rice, 1,000 MT, as of end October)						
Rice Year (Nov.-Oct.)	2014/15a/	2015/16a/	2016/17b/	2017/18c/	2018/19d/	2019/20d/
Total Stock	1,406	1,831	2,000	1,560	1,022	762
Government Stock	1,406	1,831	2,000	1,560	1,022	762
Total Domestic Consumption	4,197	4,212	4,435	4,746	4,712	4,492
Stock to Use Ratio (%)	33.5	43.5	45.1	32.9	21.7	17.0

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 PS&D

Rice, Milled Market Begin Year Korea, Republic of	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	755	755	738	738	732	731
Beginning Stocks	2000	2000	1560	1560	1073	1022
Milled Production	3972	3972	3868	3868	3880	3875
Rough Production	5296	5286	5157	5195	5173	5167
Milling Rate (.9999)	7500	7514	7500	7446	7500	7500
MY Imports	398	398	410	410	410	410
TY Imports	386	386	410	410	410	410
TY Imp. from U.S.	91	91	0	160	0	160
Total Supply	6370	6370	5838	5838	5363	5307
MY Exports	64	64	53	104	55	53
TY Exports	64	64	53	104	55	53
Consumption and Residual	4746	4746	4712	4712	4500	4492
Ending Stocks	1560	1560	1073	1022	808	762
Total Distribution	6370	6370	5838	5838	5363	5307
Yield (Rough)	7.0146	7.0013	6.9878	7.0393	7.0669	7.0684

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

Table 11

<b>Korea: Monthly Wholesale Price of Milled Rice</b> (High Quality)						
Month\Year	CY 2017		CY 2018		CY 2019	
	Won/kg	USD/kg	Won/kg	USD/kg	Won/kg	USD/kg
January	1,602	1.35	1,994	1.87	2,469	2.20
February	1,590	1.39	2,094	1.94	2,469	2.20
March	1,590	1.40	2,174	2.03	2,470	2.18
April	1,590	1.40	2,234	2.09	2,464	2.16
May	1,590	1.41	2,227	2.07	2,459	2.08
June	1,590	1.41	2,236	2.05	2,459a/	2.08
July	1,598	1.41	2,286	2.04	na	na
August	1,626	1.44	2,299	2.05	na	na
September	1,677	1.48	2,330	2.08	na	na
October	1,814	1.61	2,428	2.15	na	na
November	1,917	1.74	2,478	2.20	na	na
December	1,952	1.80	2,469	2.20	na	na
Average	1,678	1.49	2,271	2.07	na	na

Source: Korea Agricultural Marketing Information Service (KAMIS)

a/ June 1-5, 2019

Note: Monthly Average Exchange Rate is applied.

Table 12

<b>Korea: Monthly Retail Price of Milled Rice</b> (High Quality)						
Month\Year	CY 2017		CY 2018		CY 2019	
	Won/kg	USD/kg	Won/kg	USD/kg	Won/kg	USD/kg
January	1,805	1.53	2,167	2.03	2,665	2.38
February	1,806	1.58	2,215	2.06	2,662	2.37
March	1,803	1.59	2,286	2.14	2,658	2.35
April	1,804	1.59	2,368	2.22	2,653	2.33
May	1,768	1.57	2,367	2.20	2,645	2.24
June	1,745	1.54	2,380	2.18	2,635a/	2.22
July	1,728	1.53	2,403	2.14	na	na
August	1,742	1.54	2,443	2.18	na	na
September	1,931	1.71	2,473	2.20	na	na
October	2,023	1.79	2,664	2.36	na	na
November	2,118	1.92	2,678	2.38	na	na
December	2,136	1.97	2,676	2.39	na	na

Average	1,867	1.65	2,427	2.21	na	na
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Source: Korea Agricultural Marketing Information Service (KAMIS)

a/ June 1-5, 2019

Note: Monthly Average Exchange Rate is applied.

Table 13

<b>Korea: Foreign Exchange Rate</b> (Korean Won against USD)			
Month	CY 2017	CY 2018	CY 2019
January	1,183	1,065	1,121
February	1,143	1,077	1,121
March	1,133	1,070	1,131
April	1,132	1,067	1,140
May	1,126	1,075	1,182
June	1,130	1,092	1,185a/
July	1,133	1,122	na
August	1,129	1,120	na
September	1,130	1,122	na
October	1,128	1,130	na
November	1,101	1,126	na
December	1,083	1,122	na
Average	1,129	1,099	na

Source: Global Financial Service

a/ June 1-5, 2019

### **Commodities:**

Rice, Milled