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Report Name: Grain and Feed Update

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Report Highlights:

In the final month of 2023, Korea finally completed allocating its country specific quota (CSQ) for rice imports totaling 408,000 MT (milled basis) under its 2023 tariff rate quota (TRQ) scheme. However, with most tenders fulfilled in the second half of calendar year (CY) 2023, deliveries will take place in CY 2024 instead of marketing year (MY) 2022/23. Touting the success of its new Strategic Crop Direct Payment Plan in 2023, the Ministry of Agriculture, Food, and Rural Affairs (MAFRA) announced it will expand the program by 66 percent in its 2024 budget plan, allocating 186 billion Korean won (U.S. \$143 million) in subsidies for farmers who switch from growing table rice to an expanded list of substitute crops. This report also includes updates to the total consumption of rice in MY 2020/21 from the MAFRA statistics yearbook.

Rice

Rice Production

The MY 2023/24 rice production forecast remains unchanged at 3.7 million metric ton (MMT) from [the 2023 Rice Production Update](#).

Government Policy

In December 2023, the Ministry of Agriculture, Food and Rural Affairs (MAFRA) released its final 2024 budget plan. Considering the declining trend in domestic rice consumption, the plan includes important production-related policies to maintain the proper level of rice production, such as increasing the subsidy for rice acreage reduction and supporting the rice for flour industry. The plan highlights a new carbon neutralization policy, which will introduce 9 billion KRW (\$6.9 million) in subsidies for farmers who proactively implement carbon reduction technologies during the 2024 growing season, such as adding methane reducers to feed, reducing protein content in compound feed, or reducing water usage during the rice crop cycle.

The 2024 budget plan also includes demand-side policies, such as expanding the 1,000 Korean Won (KRW) (\$0.8) breakfast project subsidy to reach 3.97 million university students, up from 2.33 million in 2023. The 1,000 KRW breakfast aims to increase rice consumption for young Koreans in their 20s, who rarely have breakfast every day. The Korean government will continue supporting companies that develop new products using rice for flour (especially for noodles and snacks), targeting to increase the country's grain self-sufficiency rate by reducing wheat imports. In line with this movement, in December 2023, MAFRA and Starbucks Korea signed a memorandum of understanding (MOU) to 'Promote consumption of domestic agricultural products and mutual growth of the agriculture and food service industries' and agreed to develop new products utilizing rice for flour by the first half of 2024. While that single agreement may not dramatically affect the total usage of rice for flour, the strong willingness by major food companies to increase rice for flour in response to the government initiative is noteworthy.

Strategic Crop Direct Payment Plan

To relieve the oversupply of rice, the Korean government implemented a rice acreage reduction policy in early 2023 giving subsidies for farmers who substitute rice with other grains. According to MAFRA's 2024 budget plan, the Strategic Crop Direct Payment Plan showed an increase of 74 billion KRW (\$57 million) from 2023 for a total of 186 billion KRW (\$143 million). Additionally, MAFRA stated that it would expand the range of grains within the 'substitute crops' category and increase the subsidy to facilitate further reductions in rice acreage (Table 2).

In 2023, cultivated area to substitute crops reached 125,100 hectares, which was 98.5 percent of the targeted 127,000 ha. Considering that similar rice policies to reduce the rice acreage had performed less than expected in the past, the relative success of the 2023 program appears to have motivated the Korean government to expand the policy in 2024. In 2024, the target is for 156,500 ha to be planted to substitute crops, which now also include all beans and pulses, and food use corn.

Table 1
Rice Acreage Reduction by Strategic Crop Direct Payment Plan

Rice Production Reduction Target and Result in MY2023/24				
(1,000 hectare, Milled Basis)				
	Item	Target	Result	Percent
Summer Crop	Rice for Flour	2.0	2.0	100.0%
	Soybean (in paddy field)	18.0	18.6	103.3%
	Forage Feed	7.0	5.3	75.7%
	Sub Total	27.0	25.9	95.9%
Winter Crop	Wheat	12.0	8.9	74.2%
	Forage Feed	60.0	66.1	110.2%
	Others	28.0	24.2	86.4%
	Sub Total	100.0	99.2	99.2%
Total		127.0	125.1	98.5%

Source: MAFRA press release (on November 28, 2023)

Table 2
Major Changes in Strategic Crop Direct Payment Plan from 2024

	Major Changes
Item	(Formerly) Beans, rice for flour, feed forage (summer crop), wheat (Revised) All beans/pulses (previously soybean only) (Newly added) Corn (for food)
Subsidy (million KRW/ha)	(Formerly) 1.0 (soybean and rice for flour), 0.5 (wheat), 4.3 (forage feed, summer crop) (Revised) 1.0→2.0 (rice for flour), (Newly Added) 1.0 (Corn for food), 1.0 (beans/pulses)
Additional Incentives	Farmers who plant substitute grains for the full year (for example, wheat or forage feed during winter and beans/pulses or rice for flour in summer) will receive an additional payment of 1 million KRW/ha (\$769)

Source: MAFRA

Rice for Flour

The Korean government has decided to dramatically increase the budget for the rice for flour industry to 16.9 billion KRW (\$13 million) in 2024, more than double last year's budget of 7.1 billion KRW (\$5.5 million). This is in line with the aim of strengthening food security by limiting table rice over-production and increasing the self-sufficiency rate of grains. Its plan includes increasing the production area of rice for flour to 10,000 hectares from 2,000 hectares last year, and at the same time supporting research and development on new products for food manufacturers to promote domestic demand. Beyond products well known as heavy users of imported grains (noodles, bread, and snacks), the Rural Development Administration (RDA) recently announced that it is conducting research to commercialize 'gochujang' (hot pepper paste) using rice for flour. This staple Korean condiment is normally made with rice, but RDA succeeded in developing a technology for making gochujang with rice for flour.

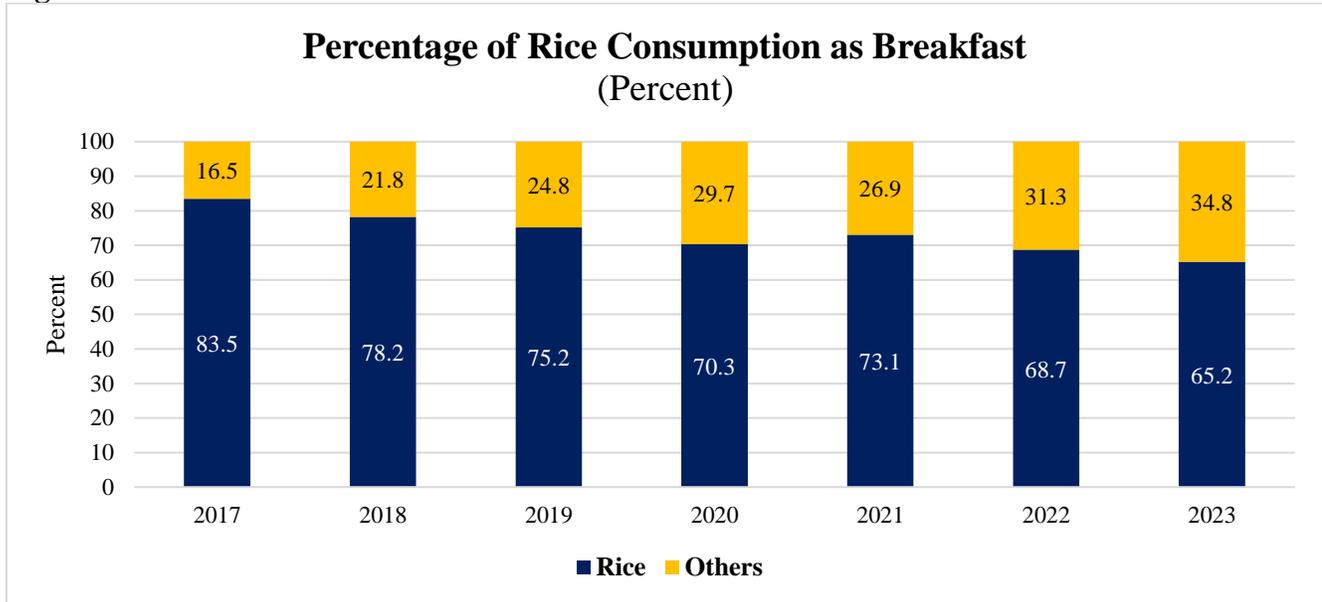
Rice Consumption

In December 2023, MAFRA released final rice consumption data for MY 2021/22 in the MAFRA statistical yearbook. In MY 2021/22, rice consumption except export was 3.7 MMT, significantly down by 440,000 MT from MY 2020/21, due to the large decrease of 430,000 MT in the loss/other category. This change does not accompany any notable change in rice consumption patterns in Korea, as total consumption except loss/other category remains the same at 3.6 MMT from the previous report. Usually, the loss/other category is used to adjust for statistical errors over the course of the year and had ranged between 200,000 MT to 400,000 MT in normal years. According to MAFRA, the government purchase of 450,000 MT of rice starting October 2022 brought private sector physical stocks (farmers) into government stocks, resulting in a significant reduction of the loss/other number along with an increase in ending stock level. The previous report's estimate of MY 2022/23 rice consumption by FAS/Seoul remains unchanged at 3.9 MMT. The increase from the previous year is because of the return of loss/other category level to normal years.

Per capita rice consumption in Korea has been continuously down, with the latest record of 56.7 kg in MY 2021/22 from 56.9kg in MY 2020/21. It is mainly because the rate of Koreans skipping breakfast continues to rise. According to a recent survey conducted by the Korea Rural Economic Institute (KREI), even when people do eat breakfast, consumption of rice alternatives (such as bread and sandwiches) is increasing (Figure 1). Despite policy efforts by MAFRA to boost rice consumption, including the expansion of subsidies on 1,000 KRW (\$0.8) breakfast projects, per capita consumption of table rice has been gradually decreasing. Only slight increases in rice consumption in the processing industry have partially offset the decrease in total consumption.

According to a demographics announcement from Korea Statistics (KOSTAT), the portion of single-person households in Korea exceeded 34.5 percent in 2022. Considering that the portion of single-person households from residence registration data exceeded 42 percent as of December 2023 according to the Ministry of the Interior and Safety (MOIS), the official number of single-person households is expected to increase further. While the two government organizations' data definitions differ slightly, they reflect the same trend on an annual basis. While KOSTAT data are based on the number of family members, MOIS data show the actual residence site registration status by each family member. The KOSTAT announcement pointed out that single households have 2.8 percent lower expenses in the food sector out of total expenses compared to the overall average of 17.6 percent. The lower food expenditures of single-person households are attributable to a nearly 60-percent rate of people skipping breakfast, with those under the age of 29 accounting for 19.2 percent of all single-person households and relatively low incomes. Considering that the portion of single person households is expected to continuously increase, the trend of decreasing per capita consumption of table rice is projected to remain or strengthen.

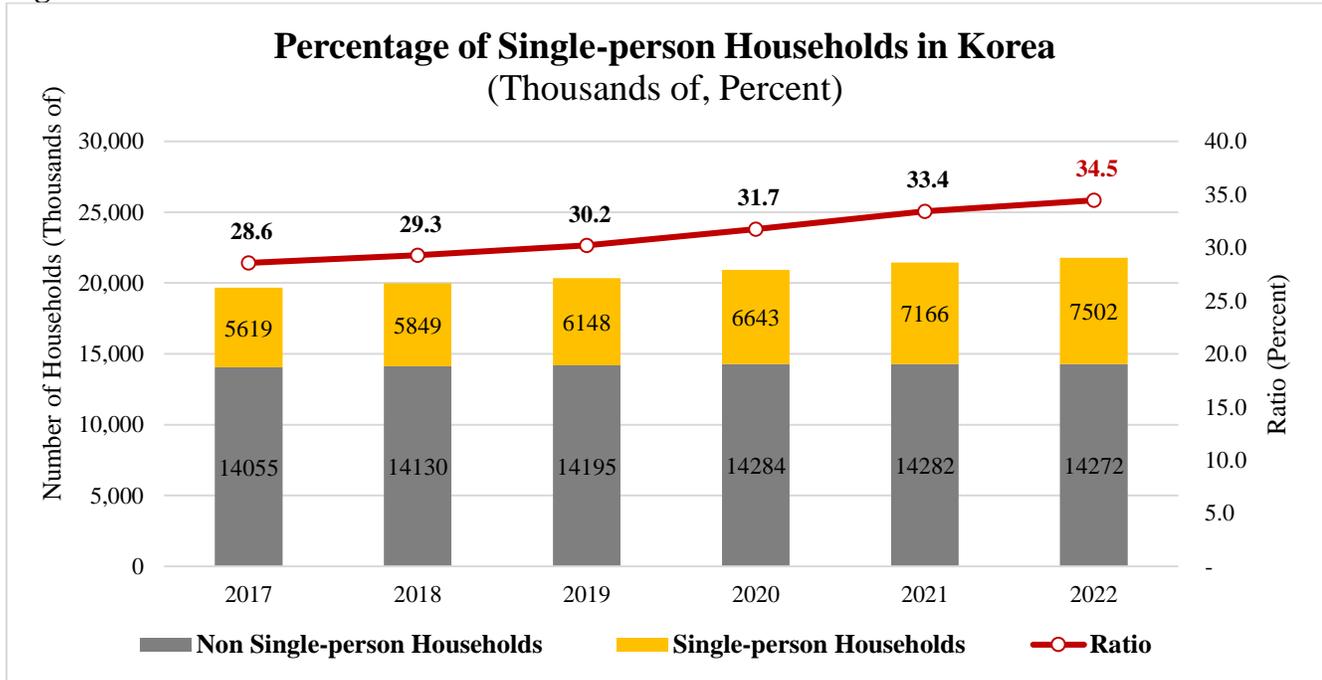
Figure 1



Source: Consumer Behavior Survey Result 2023 by Korea Rural Economic Institute (KREI)

Note: Recipients are total 6,951, including all age sample groups selected by KREI from 10s to 70s.

Figure 2



Source: Korea Statistics (KOSTAT)

Rice Trade

In accordance with WTO commitments, Korea imports 0.41 MMT of rice annually on a Most Favored Nation (MFN) basis at the current duty level of 5 percent under the TRQ regime implemented in 2015. At the end of 2019, Korea allocated 0.39 MMT of country-specific quotas (CSQ) within the TRQ for five trading partners (the United States, China, Vietnam, Thailand, and Australia) following negotiations to resolve a WTO dispute on rice tariffication. The remaining 0.02 MMT is allocated on an MFN basis and is also available to the five countries with CSQs. Tariffs outside the quota remain prohibitively high at 513 percent.

Korea has completed the 2023 CSQ allocation, but the awarding pace was slower than normal, resulting in significant reductions in imports in MY 2022/23. FAS/Seoul revised MY 2022/23 imports to 257,000 MT with 39,000 MT from the United States, as almost all U.S. rice was awarded in the second half of 2023, making the delivery periods fall in calendar year (CY) 2024.

Table 3
2023 WTO Rice TRQ Contracts Status

2023 WTO Rice TRQ Contracts Status by Country (Metric Tons, Milled Basis, as of December 31, 2023)				
Country	Allocated TRQ	Contracts	Open	Contractual Rate (%)
USA	132,304	132,304	0	100.0
China ¹⁾	157,195	157,195	0	100.0
Vietnam	55,112	55,112	0	100.0
Thailand	28,494	28,494	0	100.0
Australia	15,595	15,595	0	100.0
MFN ²⁾	20,000	20,000	0	100.0
Total	408,700	408,700	0	100.0

1) Private Negotiation of Chinese Brown Rice on 4th tender

2) MFN 15,000 MT from Thailand and 5,000 MT from Vietnam

Market Distribution of Imported Table Rice (aT Auctions)

Under the TRQ scheme, Korea Agro-Fisheries and Food Trade Corporation (aT) continues to sell imported table rice to consumer distribution channels on a weekly basis through a public auction system (www.atbid.co.kr). aT distributes imported processing rice directly to end-users, such as food processors and alcoholic beverage producers, at a set price throughout the year.

Sales of U.S. rice have been slow, with rice imported under the 2021 TRQ still being sold. Only about 5 percent of the 2021 TRQ U.S. rice imports have been auctioned off, since aT had paused and resumed the weekly auction of U.S. rice in June 2023.

Table 4
aT Rice Tender Results by the Month of Arrival Due

Monthly Delivery Schedule for Rice Contracts under 2023 TRQ			
(Metric Tons, Milled Basis, As of Final Due of Periods of Arrival)			
Year	Contractual Estimated Time of Arrival (ETA)	Volume of Contracts	from USA
2023	January	0	0
	February	0	0
	March	0	0
	April	0	0
	May	0	0
	June	23,007	0
	July	1,000	0
	August	0	0
	September	82,299	0
	October	0	0
	November	40,000	0
	December	31,995	0
2023 Arrivals Subtotal		178,300	0
2024	January	900	0
	February	62,069	37,454
	March	47,531	4,950
	April	30,000	30,000
	May	30,000	20,000
	June	19,950	14,950
	July	4,950	4,950
	August	10,000	10,000
	September	0	0
	October	15,000	10,000
	November	10,000	0
	December	0	0
2024 Arrivals Subtotal		230,400	132,304
Total		408,700	132,304

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

Note: Above months are based on the date due for arrival and may not match the actual arrival months.

Table 5
2023 WTO Rice TRQ Contracts Status by Country

Status of aT Selling Auctions for Table Rice under 2023 TRQ (Metric Tons, Milled Basis, as of January 16, 2024)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price ^{1/}
U.S. Medium Grain	#1	0	0	0	0	N/A
Thai Long Grain (Sep. 11, 2023, ~)	#1	3,100	1,487	1,613	48	2,084
Vietnamese Long Grain	#1	0	0	0	0	N/A
Total		3,100	1,487	1,613	48	N/A

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

1/ Weighted average in Korean Won per Kg

Table 6
2022 WTO Rice TRQ Contracts Status by Country

Status of aT Selling Auctions for Table Rice under 2022 TRQ (Metric Tons, Milled Basis, as of January 16, 2024)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price ^{1/}
U.S. Medium Grain	#1	10,000	0	10,000	0	N/A
Thai Long Grain (Jul. 4, 2022, ~)	#1	3,000	2,903	97	97	1,416
Vietnamese Long Grain (Apr. 24, 2023, ~)	#1	1,000	997	3	100	1,731
Total		14,000	3,901	10,099	28	N/A

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

1/ Weighted average in Korean Won per Kg

Table 7
2021 WTO Rice TRQ Contracts Status by Country

Status of aT Selling Auctions for Table Rice under 2021 TRQ (Metric Tons, Milled Basis, as of January 16, 2024)						
Commodity (Period of Auctions)	USDA Grade	Total Table Rice TRQ	Auctioned Off	Balance	Auctioned Off (%)	Auctioned Price ^{1/}
U.S. Medium Grain (Jun. 19, 2023 ~)	#1	41,500	2,201	39,299	5.3	2,252
Thai Long Grain (Aug. 23, 2021 ~Jun. 27, 2022)	#1	1,400	1,400	0	100	1,248
	#1 ^{a/}	100	100	0	100	3,107
Vietnamese Long Grain (Jan. 24, 2022 ~Jul. 6, 2022)	#1	1,000	991	9	99	1,208
Total		44,000	4,692	39,308	11	

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

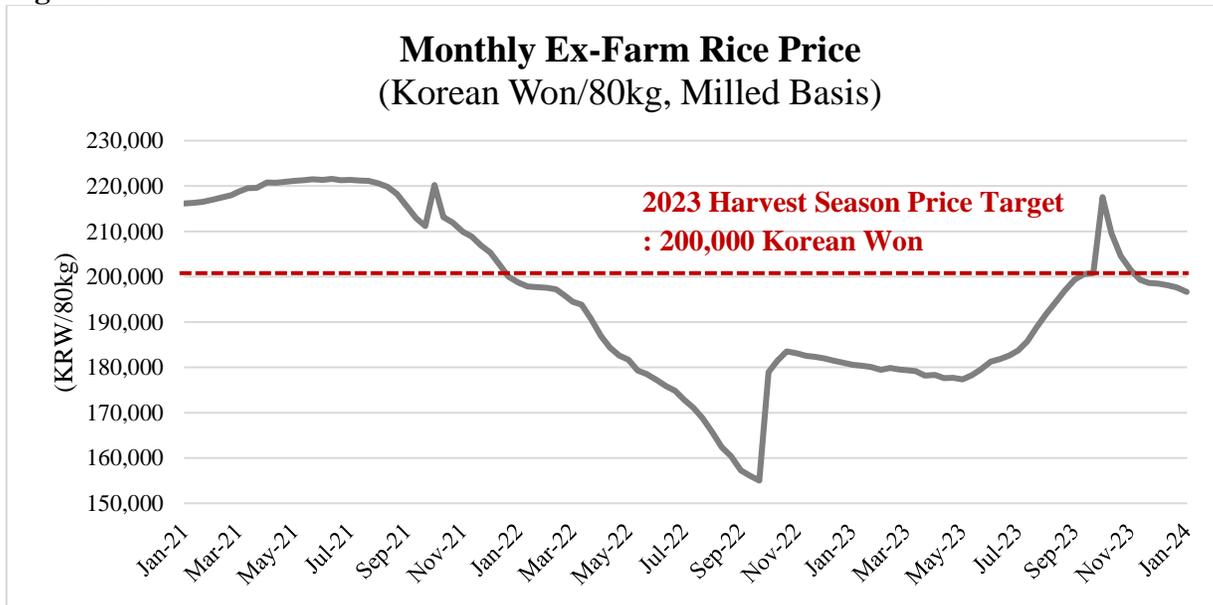
1/ Weighted average in Korean Won per Kg

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Domestic Price

For the 2023 harvest season, MAFRA has set a target rice price of 200,000 Korean won (\$153) per 80kg and is working to maintain that price after reaching it in September 2023.

Figure 3



Source: Korea Statistical Information Service (KOSIS)

Table 8
Production, Supply and Distribution: Rice

Rice, Milled Market Year Begins	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2023	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	732	732	727	727	708	708
Beginning Stocks (1000 MT)	1,018	1,018	1,334	1,593	1,352	1,661
Milled Production (1000 MT)	3,882	3,882	3,764	3,764	3,702	3,702
Rough Production (1000 MT)	5,211	5,211	4,998	4,998	4,954	4,900
Milling Rate (.9999) (1000 MT)	7,450	7,450	7,531	7,531	7,473	7,555
MY Imports (1000 MT)	437	448	262	268	460	488
TY Imports (1000 MT)	430	440	300	257	460	488
TY Imports from United States (1000 MT)	86	88	-	39	N/A	N/A
Total Supply (1000 MT)	5,337	5,348	5,360	5,625	5,514	5,851
MY Exports (1000 MT)	53	53	58	58	100	108
TY Exports (1000 MT)	55	54	55	61	100	108
Consumption and Residual (1000 MT)	3,950	3,702	3,950	3,906	3,930	3,930
Ending Stocks (1000 MT)	1,334	1,593	1,352	1,661	1,484	1,813
Total Distribution (1000 MT)	5,337	5,348	5,360	5,625	5,514	5,851
Yield (Rough) (MT/HA)	7.1	7.1	6.9	6.9	7.0	6.9

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

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023

Attachments:

No Attachments