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# GAIN Report

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## **Korea - Republic of**

### **Grain and Feed Update**

#### **2012 MMA Rice Purchasing Plan Released**

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**Report Highlights:**

The Korean government recently released the 2012 Minimum Market Access (MMA) rice purchasing plan. Under the MMA, Korea will purchase nearly 368,006 MT of rice, comprised of 162,778 MT under the global quota (GQ) and several country specific quotas (CSQ) totaling 205,228 MT. The United States is expected to receive around 100,000 MT, or 27 percent of the total MMA taking into account the U.S. CSQ and the medium grain allocation. Eighty percent of the US CSQ quota has been allocated to table rice this year, compared to 55 percent in 2011.

**Post:**  
Seoul

## **Author Defined:**

### **Overview:**

The Korean government announced the release of the 2012 Minimum Market Access (MMA) rice purchasing plan, which is included at the end of this report. [1] Under the 2012 MMA, Korea plans to purchase its commitment of 368,006 MT of rice, up 20,347 MT or about 6 percent from last year.

The MMA is divided between the MFN global quota (GQ) of 162,778 MT and the country specific quotas (CSQ) totaling 205,228 MT. The GQ is further allocated by variety of rice: 25.1 percent to medium grain, 30.7 percent to short grain, 16 percent to long grain and the remainder to optional varieties. The United States is expected to receive 100,000 MT, or roughly 27 percent of the total MMA volume. The U.S. share is calculated by adding the 50,076 MT U.S. CSQ and the 50,000 MT GQ medium grain allocation.

The United States portion could potentially increase up to several thousand tons depending on whether Australia fills its medium grain CSQ and if not how Australia's quota is redistributed under the global quota. Despite repeated requests in the past that all of the Australian CSQ be retained as medium grain under the global quota, Korea has maintained only the table rice portion as medium grain. Korea is likely to adhere to this position, which means an additional amount of 4,858 MT of table rice out of the 9,030 MT Australian CSQ this year could be available to U.S. suppliers.

This year's announcement of the grain purchasing plan was released earlier than in years past in part because Korea is trying to expedite the tendering and delivering of rice to stabilize the domestic rice market. According to press reports, Korean farmers have been holding rice stocks in hopes of receiving higher prices later in the season. The tendering process is expected to be completed during the first half of the year. The delivery of most of the brown rice for processing is scheduled to be completed by the end of November 2012, while U.S. milled rice shipments are scheduled for delivery from June through July 2012, Chinese milled rice from July through September, Thai milled rice in July, and Australian milled rice in September, respectively.

Looking at the 2012 MMA in its entirety, Korea will import 110,401 MT of table rice and 257,605 MT of processing rice. While both these amounts continue to grow each year, the percentage of table rice is fixed at 30 percent of the overall MMA. Refer to Table 1 to see how these volumes have changed over time.

### *Global Quota*

This year's GQ is 162,778 MT, up 20,348 MT from last year. The GQ is generally for processing rice and is usually divided based on type: small, medium, or long grain rice. This year, short grain (SG), medium grain (MG) and long grain (LG) will represent 31, 25, and 16 percent of the GQ respectively. The United States is the primary supplier of MG rice to the Korean market, while China supplies all the SG and Thailand supplies most of the LG. See table 2 for the historical GQ allocations.

The remaining 28 percent is made-up of an optional variety allocation, which was first introduced in the 2008 MMA as a means of curbing government outlays on imported rice. Since that time this particular allocation, which includes traditional processing brown rice, broken rice and sweet rice, has grown each year and has doubled in size to 46,000 MT. The optional variety specification favors cost-competitive Southeast Asian suppliers, like Thailand and Vietnam. In addition, as this allocation increases in size it causes the GQ allocation for medium grain rice to grow at a slower rate, which limits opportunities that otherwise would have gone to U.S. suppliers. In fact, the MG allocation increased by 5,000 MT this year to 40,825 MT. On the other hand, the percentage of MG as part of the total GQ remains unchanged at 25 percent from last year.

### *Country Specific Quotas*

Meanwhile, the aggregate CSQ volume remains fixed each year at 205,228 MT. The United States, Australia, Thailand and China each have CSQs. These quotas are comprised of both processing and table rice. Although the individual CSQs are fixed, the volume of table rice increases each year with an offsetting reduction in the volume of processing rice. Under the 2012 CSQ's, Korea will purchase 110,401 MT of table rice and 94,827 MT of processing rice. See Table 3 for breakdown of CSQs.

The 2012 U.S. CSQ, totaling 50,076, is made up of 40,056 MT of table rice and 10,020 MT for processing. The U.S. table rice allocation of 40,056 MT compares to 27,473 MT in 2011 - or a 45 percent increase. The percentage of the US CSQ allocated to processing has consequently been reduced from 22,603 MT in 2011.

As a result, the U.S. share of total Korean table rice imports will be 36.3 percent in 2012, which is nearly 12 percentage points higher than last year. In years past, the U.S. share of table rice CSQs has fluctuated between 26 and 30 percent, depending on the redistribution of the Thai CSQ. The increased table rice allocation for the United States is due to a redistribution of reduced allocation of Chinese and Thai rice for table purpose. The rate for the latter is 24.4 percent based on historical trade patterns. The long grain Thai table rice has a very limited demand in Korea and as such has been re-allocated based on local market conditions. In recent years, Chinese table rice has also undergone slow auctioning. Due to the aforementioned market conditions, the U.S. table rice allocation under the 2012 MMA is 13,118 MT higher than it would have otherwise been. Please refer to Table 4.

Korea continues to designate U.S. table rice by #1 and #3 grades, despite calls from both industry and USG for the entire allocation to be designated as #1. According to the U.S. rice industry, since #3 grade table rice is not produced in the United States, U.S. suppliers are reportedly selling #1 rice as if it were #3 grade rice. However, aT and MIFAFF, continue to maintain a 90-10 ratio to meet market demand for both #1 and #3 in Korea.

This year, the Korean government has allocated all 10,020 MT of the US CSQ for processing to U.S. medium grain brown rice. For the past two consecutive years, the government tried to purchase 4,500 MT of U. S. long grain rice but was unsuccessful.

Table 1.

Korea: Rice Import Schedule (MT, Milled Rice)				
Calendar Year	Total	Processing	Table Purpose	Rate of Table Rice (%)
2005	225,575	203,018	22,557	10
2006	245,922	211,493	34,429	14
2007	266,270	218,342	47,928	18
2008	286,617	223,562	63,055	22
2009	306,964	227,154	79,810	26
2010	327,311	229,118	98,193	30
2011	347,658	243,361	104,297	30
<b>2012</b>	<b>368,006</b>	<b>257,605</b>	<b>110,401</b>	<b>30</b>
2013	388,353	271,848	116,505	30
2014	408,700	286,090	122,610	30

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

Table 2.

Korea: Global Quota Allocation per Rice Variety (MT, Milled rice)						
Year	Medium Grain	Short Grain	Long Grain	Optional Variety		Total
				Unbroken	Broken	

2005	6,104	11,192	3,052	na	na	na	20,347
%	30	55	15	na	na	na	100
2006	13,022	21,568	6,104	na	na	na	40,694
%	32	53	15	na	na	na	100
2007	19,534	32,351	9,156	na	na	na	61,041
%	32.0	53	15	na	na	na	100
2008	19,534	32,352	9,156	20,347 <sup>a/</sup>	na	na	81,389
%	24.0	39.8	11.2	25.0	na	na	100
2009	31,270	40,119	9,000	na	20,347 <sup>b/</sup>	1,000 <sup>c/</sup>	101,736
%	30.7	39.4	8.9	na	20.0	1.0	100
2010	33,325	42,411	15,347	5,000 <sup>d/</sup>	25,000 <sup>b/</sup>	1,000 <sup>c/</sup>	122,083
%	27.3	34.7	12.6	4.1	20.5	0.8	100
2011	35,825	44,911	20,694	10,000 <sup>d/</sup>	30,000 <sup>b/</sup>	1,000 <sup>c/</sup>	142,430
%	25.2	31.5	14.5	7	21.1	0.7	100
<b>2012plan</b>	<b>40,825</b>	<b>49,911</b>	<b>26,042</b>	<b>10,000<sup>d/</sup></b>	<b>35,000</b>	<b>1,000</b>	<b>162,778</b>
<b>%</b>	<b>25.1</b>	<b>30.7</b>	<b>16.0</b>	<b>6.1</b>	<b>21.5</b>	<b>0.6</b>	<b>100</b>

Source: MIFAFF

1/ MIFAFF introduced an optional variety allocation in the 2008 MMA in order to minimize outlays due to rising international grain prices.

a/ Optional Variety among medium, short and long grain

b/ Broken rice with an optional variety

c/ Sweet rice with an optional variety

d/ Optional Variety between medium and short grain

Table 3

Korea: Import Schedule of Table Rice (Milled Rice, MT)						
Calendar Year	Total MMA	(Col. 1) Total Table Rice CSQs	Rate of Table Rice (%)	(Col 2) U.S. Share of Total Table Rice CSQs (%)	(Col 3) US CSQ for Table	US CSQ for Processing
2005	225,575	22,557	10	24.4	5,504	44,572
2006	245,922	34,429	14	30.3 <sup>a/</sup>	10,414	39,662
2007	266,270	47,928	18	29.6 <sup>a/</sup>	14,193	35,883
2008	286,617	63,055 <sup>b/</sup>	22	30.1 <sup>a/</sup>	18,989	31,087
2009	306,964	79,810 <sup>c/</sup>	26	29.8 <sup>a/</sup>	23,760	26,316
2010	327,311	98,193	30	26.7 <sup>a/</sup>	26,219	23,857
2011	347,658	104,297	30	26.3 <sup>a/</sup>	27,473	22,603
<b>2012</b>	<b>368,006</b>	<b>110,401</b>	<b>30</b>	<b>36.3<sup>d/</sup></b>	<b>40,056</b>	<b>10,020</b>
2013	388,353	116,505	30	24.4	28,427	21,649
2014	408,700	122,610	30	24.4	29,917	20,159

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF)

Note: Estimates for 2012-14 are calculated using the following formula:

Total CSQ table rice CSQs (col. 1) X U.S. share of total table rice CSQs (col. 2) = US Table Rice Allocation (col. 3)

a/ include reallocation of Thai table rice allocation

b/ 24,934MT of Chinese rice was diverted to the processing purpose

c/ 33,303 MT of Chinese rice and 1,500 MT of Thai rice are diverted to the processing purpose

d/ include reallocation of Chinese and Thai table rice allocation that were slow in selling auctions

Table 4

Korea: CSQ Table Rice Allocation (MT, Milled rice)					
Year	USA	China	Thailand	Australia	Total

2005	5,504	12,767	3,293	993	22,557
%	24.4	56.6	14.6	4.4	100
2006	10,414	21,500	1,000	1,515	34,429
%	30.3	62.4	2.9	4.4	100
2007	14,193	29,626	2,000	2,109a/	47,928
%	29.6	61.8	4.2	4.4	100
2008	18,989	39,292	2,000	2,774b/	63,055
%	30.1	62.3	3.2	4.4	100
2009	23,760	49,462	3,078 c/	3,510b/	79,810
%	29.8	62.0	3.8	4.4	100
2010	26,219	65,556	2,100 c/	4,318a/	98,193
%	26.7	66.8	2.1	4.4	100
2011	27,473	67,135	5,100c/	4,589a/	104,297
%	26.3	64.4	4.9	4.4	100
<b>2012 plan</b>	<b>40,056</b>	<b>62,487</b>	<b>3,000c/</b>	<b>4,858</b>	<b>110,401</b>
<b>%</b>	<b>36.3</b>	<b>56.6</b>	<b>2.7</b>	<b>4.4</b>	<b>100</b>

Source: MIFAFF

a/ USA won the Australian CSQ allocation converted to MFN due to Australia's inability to fulfill quota due to drought conditions.

b/ China won the Australian CSQ allocation converted to MFN due to Australia's inability to fulfill quota due to drought conditions.

c/ included 90MT of Jasmin rice

Table 5.

Korea: U.S. #1 vs #3 Table Rice Allocation (MT, Milled rice)			
Year	#1	#3	Total
2005	2,752	2,752	5,504
%	50	50	100
2006	6,248	4,166	10,414
%	60	40	100
2007	9,935	4,258	14,193
%	70	30	100
2008	15,191	3,798	18,989
%	80	20	100
2009	21,384	2,379	23,760
%	90	10	100
2010	23,597	2,622	26,219
%	90	10	100
2011	24,726	2,747	27,473
%	90	10	100
<b>2012 plan</b>	<b>36,050</b>	<b>4,006</b>	<b>40,056</b>
<b>%</b>	<b>90</b>	<b>10</b>	<b>100</b>

Source: MIFAFF

Table 6.

Korea: Processing Rice Allocation Based on CSQ (MT, Milled rice)					
Year	USA	China	Thailand	Australia	Total
2005	44,572	103,392	26,670	8,037	182,671
%	24.4	56.6	14.6	4.4	100

2006	39,662	94,659	28,963	7,515	170,799
%	23.2	55.4	17	4.4	100
2007	35,883	86,533	27,963	6,921a/	157,300
%	22.8	55.0	17.8	4.4	100
2008	31,087	76,867	27,963	6,256a/b/	142,173
%	21.9	54.1	19.6	4.4	100
2009	26,316	66,697	26,885	5,520c/	125,418
%	21.0	53.2	21.4	4.4	100
2010	23,857	50,603	27,863	4,712c/	107,035
%	22.3	47.3	26.0	4.4	100
2011	22,603	49,024	24,863	4,441b/d/	100,931
%	22.4	48.6	24.6	4.4	100
<b>2012 plan</b>	<b>10,020</b>	<b>53,672</b>	<b>26,963</b>	<b>4,172</b>	<b>94,827</b>
<b>%</b>	<b>10.6</b>	<b>56.6</b>	<b>28.4</b>	<b>4.4</b>	<b>100</b>

Source: MIFAFF

a/ Thailand won the Australian CSQ allocation converted to MFN due Australia's inability to fulfill quota due to drought conditions.

b/ broken rice

c/ Pakistan won the Australian CSQ allocation converted to MFN due to Australia's inability to fulfill quota due to drought conditions.

d/ Vietnam won the Australian CSQ allocation converted to MFN due to Australia's inability to fulfill quota due to drought conditions.

#### Plan for 2012 MMA

#### **Quota allocation for 2012 MMA**

(Unit : M/T, milled rice basis)

Item	Type	Allocation by Grade				
		Non Table rice	Table rice			
			US.No.1	US.No.3	Total	
CSQ (205,228)	China (116,159)	Short	53,672	37,492	24,995	62,487
		Long	0	-	-	-
	US (50,076)	Medium	10,020	36,050	4,006	40,056
		Long	0	-	-	-
	Thailand (29,963)	Long	26,963	3,000	0	3,000
	Australia (9,030)	Medium	4,172	2,429	2,429	4,858
<b>Total</b>			94,827	78,971	31,430	110,401
MFN (162,778)	(Short)49,911; (Medium)40,825; (Long)26,042; (Short/Medium)10,000; (Broken)35,000; (Glutinous)1,000					

<sup>[1]</sup> All statistics are reported on a milled basis.

