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2014 MMA Rice Purchasing Plan

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Report Highlights:

The Korean government has announced the rice purchasing plan for the 2014 Minimum Market Access (MMA) agreement. Under the 2014 MMA, Korea plans to purchase its commitment of 408,700 MT of rice (milled basis), up 20,347 MT, an increase of approximately 5 percent over last year. The United States is expected to supply from 120,000 to 130,000 MT, or roughly 29-32 percent of the total MMA volume.

General Information:

Overview:

The Korean government has announced the rice purchasing plan for the 2014 Minimum Market Access (MMA) agreement. Under the 2014 MMA, Korea plans to purchase its commitment of 408,700 MT of rice (milled basis), up 20,347 MT, an increase of approximately 5 percent over last year.

The 2014 MMA quota is divided into the MFN global quota (GQ) of 203,472 MT and the country specific quotas (CSQ) totaling 205,228 MT. The GQ is further allocated by rice variety: 21.3 percent to medium grain, 22.9 percent to short grain, 9.8 percent to long grain and the remainder to optional varieties. The United States is expected to supply from 120,000 to 130,000 MT, or roughly 29-32 percent of the total MMA volume. The anticipated U.S. share is calculated by adding the GQ of 43,270 MT allocated to medium grain as well as some portion of optional varieties allocated under GQ, to the 50,076 MT of U.S. CSQ.

According to the Korea Agro-Fisheries & Food Trade Corporation (aT), its tendering process is expected to be completed earlier than previous years. They intend to conclude purchasing in the first half of this year in order to finalize delivery of most of the 2014 MMA by the end of the year.

Looking at the 2014 MMA in its entirety, Korea will import 122,610 MT of table rice and 286,090 MT of food processing rice. While both of these amounts continue to grow each year, the percentage of table rice is fixed at 30 percent of the overall MMA. Refer to Table 2 to see how volumes have changed over time.

Global Quota:

This year's GQ is 203,472 MT, up 20,348 MT from last year. The GQ is generally for processing rice and is usually divided based on type: short, medium, or long grain rice. This year, short grain (SG), medium grain (MG), long grain (LG), optional variety between SG and MG, and broken rice will represent 21, 23, 10, 30 and 16 percent of the GQ, respectively. The optional variety has included some milled rice for table purpose since 2013. The United States and Australia are the primary suppliers of MG rice to the Korean market, while China supplies all SG rice. India and Southeast Asian countries dominate most of the LG quota.

The optional variety allocation between medium and short grain rice consists of 21,090 MT of milled rice for table purpose and 40,000 MT (milled) of brown rice for processing purpose. The 21,090 MT of milled rice that the Korean government has allocated under the global quota offsets the decrease in table rice portion of Chinese CSQ which has suffered a slow demand in selling at auctions since 2008.

Country Specific Quotas:

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 2014 CSQ's, Korea will purchase 101,520 MT of table rice (see table 5), up 5 percent from the previous year.

The 2014 U.S. CSQ, totaling 50,076 MT, is made up of 44,507 MT of table rice and 5,569 MT for processing. The U.S. table rice allocation of 44,507 MT compares to 42,291 MT in 2013, a 5 percent increase in response to a greater demand of U.S. medium grain in the Korean consumer market. The percentage of the US CSQ allocated to processing has consequently been reduced to 5,569 MT or 28 percent of the total CSQ.

The increased table rice allocation for the United States is attributed to a reduced allocation of Chinese and Thai rice for table purpose due to a lack of consumer confidence. Thai long grain table rice has a very limited demand in Korea and has been re-allocated based on local market conditions. Chinese table rice has also undergone slow auctioning to retail markets. Due to the aforementioned market conditions, the U.S. table rice allocation under the 2014 MMA is 19,736 MT higher than it would have been otherwise (see table 5). Assuming that U.S. bidders win 21,090 MT of table purpose tenders under the

global quota with optional biddings of SG/MG, U.S. medium grain milled rice for table purpose could exceed 65,000 MT, or 54 percent of total table rice.

Korea continues to designate U.S. table rice by USDA No. 1 and No. 3 grades, despite calls from both industry and USG for the entire allocation to be designated as USDA No. 1. According to the U.S. rice industry, No. 3 grade table rice is not produced in the United States and U.S. suppliers are reportedly selling USDA No. 1 grade rice as if it were No. 3 grade rice. However, aT and MAFRA continue to implement a 90-10 ratio to meet market demand for both USDA No. 1 and No. 3 grades in Korea respectively (see table 6).

Table 1

Korea: Rice Quota Allocation for Buying Tenders under 2014 MMA (Unit : M/T, milled rice basis)						
Item	Type	Allocation by Grade				
		Non Table rice	Table rice			Total
			USDA No.1	USDA No.3		
CSQ (205,228)	China (116,159)	Short	67,851	28,985	19,323	48,308
	US (50,076)	Medium	5,569	40,056	4,451	44,507
	Thailand (29,963)	Long	26,653	3,310	0	3,310
	Australia (9,030)	Medium	3,635	2,697	2,698	5,395
	Total		103,708	75,048	26,472	101,520
MFN (203,472)	(Short) 46,612; (Medium) 43,270; (Long) 20,000; (Short/Medium) 61,090 ^a ; (Broken Rice) 32,500					
	a/ Optional Variety between medium and short grain consisting of 40,000 MT for processing purpose and 21,090 MT for table purpose, which consists of 18,980 MT of USDA No. 1 and 2,110 MT of USDA No. 3.					

Source: Ministry for Agriculture, Food, and Rural Affairs (MAFRA) and Korea Agro-Fisheries and Food Trade Corporation (aT)

Table 2

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
2012	368,006	257,605	110,401	30
2013	388,353	271,848	116,505	30
2014	408,700	286,090	122,610	30

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

Table 3

Korea: Global Quota Allocation per Rice Variety (MT, Milled rice)							
Year	Medium Grain	Short Grain	Long Grain	Optional Variety			Total
				Unbroken	Broken	Sweet	
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 ^{a/}	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 ^{b/}	1,000 ^{c/}	101,736
%	30.7	39.4	8.9	na	20.0	1.0	100
2010	33,325	42,411	15,347	5,000 ^{d/}	25,000 ^{b/}	1,000 ^{c/}	122,083
%	27.3	34.7	12.6	4.1	20.5	0.8	100
2011	35,825	44,911	20,694	10,000 ^{d/}	30,000 ^{b/}	1,000 ^{c/}	142,430
%	25.2	31.5	14.5	7	21.1	0.7	100
2012	40,825	49,911	26,042	10,000 ^{d/}	36,000 ^{b/}	0	162,778
%	25.1	30.7	16.0	6.1	22.1	0.0	100
2013	37,498	46,627	36,000	60,000 ^{e/}	0	3,000	183,125
%	20.5	25.5	19.7	32.7	0	1.6	100
2014 plan	43,270	46,612	20,000	61,090^{f/}	32,500	0	203,472
%	21.3	22.9	9.8	30.0	16.0	0.0	100

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

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

e/ Optional Variety between medium and short grain consisting of 40,000 MT for processing purpose and 20,000 MT for table purpose.

f/ Optional Variety between medium and short grain consisting of 40,000 MT for processing purpose and 21,090 MT for table purpose

Table 4

Korea: Import Schedule of Table Rice (Milled Rice, MT)						
Calendar Year	Total MMA	(Col. 1) Total Table Rice	Rate of Table Rice (%)	(Col 2) U.S. Share of Total Table Rice (%)	(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 ^{a/}	10,414	39,662
2007	266,270	47,928	18	29.6 ^{a/}	14,193	35,883
2008	286,617	63,055 ^{b/}	22	30.1 ^{a/}	18,989	31,087
2009	306,964	79,810 ^{c/}	26	29.8 ^{a/}	23,760	26,316
2010	327,311	98,193	30	26.7 ^{a/}	26,219	23,857
2011	347,658	104,297	30	26.3 ^{a/}	27,473	22,603
2012	368,006	110,401	30	36.3 ^{d/}	40,056	10,020
2013	388,353	116,505 ^{e/}	30	36.3 ^{d/}	42,291	7,785
2014 plan	408,700	122,610^{f/}	30	36.3^{d/}	44,507	5,569

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

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 were diverted to the processing purpose

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

e/ include 20,000 MT of global quota

f/ include 21,090 MT of global quota

Table 5

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
2012	40,056	62,487	3,000c/	4,858	110,401
%	36.3	56.6	2.7	4.4	100
2013	42,291	45,942	3,146c/	5,126d/	96,505
%	43.8	47.6	3.3	5.3	100
2014 plan	44,507	48,308	3,310 c/	5,395	101,520
%	43.8	47.6	3.3	5.3	100.0

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

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

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

Table 6

Korea: USDA No. 1 vs No. 3 Table Rice Allocation (MT, Milled rice)			
Year	USDA No. 1	USDA No. 3 EndFragment	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
2012	36,050	4,006	40,056
%	90	10	100
2013	38,062	4,229	42,291
%	90	10	100

2014 plan	40,056	4,451	44,507
%	90	10	100

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

Table 7

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
2012	10,020	53,672	26,963	4,172	94,827
%	10.6	56.6	28.4	4.4	100
2013	7,785	70,217	26,817	3,904	108,723
%	7.1	64.6	24.7	3.6	100
2014 plan	5,569	67,851	26,653	3,635	103,708
%	5.4	65.4	25.7	3.5	100.0

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

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.