

Government Policies Affecting Grain and Agriculture (cont'd)

the baking quality for their respective customers. These were the first commercial sales of Canadian wheat to Korea. Unfortunately due to perhaps the lack of experience in milling Canadian CWRS wheat and baking (the same formula was used as with flour milled from U.S. DNS), they were unable to improve the quality of their end products. In 1984, Korea will likely import approximately 1.2 million tonnes of food wheat with KFX fund and 800,000 tonnes with \$130 million of CCC fund available for Korea from the United States. Korea will also likely import approximately 800,000 tonnes of feed wheat from Australia.

In addition to the wheat imports, Korea also imported a total of 4,057,000 tonnes of corn from the United States, Argentina, Thailand and Australia for food and feed, of which approximately 620,000 tonnes were imported by KCPA for food and industrial purposes and the balance by KFA and NACF for feed purposes.

As the feed grain import policy of the government in 1983 was to diversify the types of grains as well as the source of supply due to a surge in the price of corn as a result of the U.S. PIK program, Korea imported approximately 651,240 tonnes of various (other than corn) feed ingredients (sorghum - 159,000 tonnes, rye 75,278 tonnes, oats 6,484 tonnes and grain screening pellets 27,278 tonnes) including 383,000 tonnes of vegetable proteins (soybean meal 330,000 tonnes and rapeseed meal 53,000 tonnes). Canada supplied virtually all the rye, oats, grain screening pellets and rapeseed meal to the feed industry.

The 1984 policy of the government is to meet the total import of feed grains with 60% corn and the balance of other grains. Estimates indicate that Canada may be able to export more feed grains to this market than last year. Until the Korean government revised a ministerial decree effective May 1, 1984 on VAT for imported feed ingredients, Canada's major feed ingredients including barley, rye, oats and grain screening pellets were excluded from a 9% exemption of VAT. That exemption had applied only to wheat, corn, soybeans, sorghum, corn flour and sorghum flour.

The current policy of the government is to increase the current ratio (80.3%) of the commodity import liberalization to 91.6% by 1986, to 93.8% by 1987 and to 96.2% by 1988. However, most of the major agro and livestock products, including food products, have been excluded from the list except for items such as wheat flour, coffee, cottonseed oil, margarine etc., for the 1985 plan and horse meat, turkey meat, ham, bacon, soybean oil and sausage etc., for the 1986 plan. The government has also been studying the possibility of allowing the importation of compound feeds and a limited quantity of rapeseed from July 1, 1985.

Due to decreasing per capita consumption of rice and barley, Korea under good weather conditions is likely to achieve self-sufficiency in rice in the long term and barley (for human consumption) in the next few years. Korea's self-sufficiency rate in wheat and corn, however, will continue to decrease due to increasing human and animal populations plus a gradual change in the food pattern from ordinary Korean meals (from rice and barley to the instant foods). The changes in the wheat import mechanism will provide a limited opportunity for Canadian grain suppliers to compete with U.S. suppliers strictly on basis of the price and the quality. As all wheat purchases are made by private organizations, individual Canadian wheat suppliers should more actively pursue the market through their respective agents.