

6. Government Policies Affecting Grain and Agriculture

As a result of the bumper rice crops in the last three years and the reduction in per capita barley consumption (39.7 kg in 1975 to 12.9 kg in 1982), the self-sufficiency rate of Korea's staple food grains improved substantially in 1983. Government estimates indicate that the self-sufficiency rates were 97.7% (92.8% in 1982) for rice, 119.9% (85.9% in 1982) for barley, 6.0% for wheat, 2.7% for corn and 25.7% for soybeans with 50.2% for all good grains.

Taking the problems involved in the storage and the increasing deficit in the grain management fund (government's subsidy to rice and barley farmers) into consideration, the government decided early this year to use 207,000 tonnes of domestic barley for feed and 65,964 tonnes for alcohol in 1984. As the use of domestic barley would result in a 7-8% inflationary impact on domestic feed prices, however, the government has postponed the use of domestic barley through KFA until the latter part of this year. (If the government finally decides to use the barley for feed, the quantity will likely be reduced to approximately 140,000 tonnes provided that KFA imports the equivalent quantity of foreign barley or other grains to offset the price difference between the domestic and foreign barley). However, the members of Korea Alcohol & Liquor Industry Association (KALIA) began using their portion of the domestic barley last April. In order to reduce the deficit of the grain management fund and the importation of feed grains the government has recently decided to encourage barley growers to increase the acreage planted to rye or other feed grain crops instead of barley. The government will continue to encourage increased rice production.

Due to the expected poor rice crop in Japan this year and Japan's low rice inventory, the Japanese government recently requested the Korean government to "return" 260,000 tonnes of rice this year out of a total of 630,000 tonnes (330,000 tonnes in 1969 and 530,000 tonnes in 1970) which Korea had "borrowed" from Japan. In the meantime, Korea has paid since 1979 in cash equivalent to for 110,000 tonnes of rice. Korea still needs to return 520,000 tonnes of rice to Japan. The recent press reported, however, that the Korean government has agreed to return 150,000 tonnes of rice to Japan this year out of approximately 2,301,000 tonnes of rice in its inventory.

Korea continues to purchase approximately 2 million tonnes of wheat from the United States. In 1983 it imported approximately 69,000 tonnes of feed wheat from the United States and New Zealand. There were no wheat imports in 1983 under the World Food Program.

However, since the submission of last year's report, two major changes took place in the government's wheat import policy. KOFMIA was the exclusive authorized importer of wheat through tenders until the end of June 1983. Furthermore, the price and the quality of flour were controlled by the government until the end of September 1983. Effective July 1, 1983, however, KOFMIA, private millers and registered trading companies on behalf of millers were authorized to import wheat either through tenders or direct negotiations. Effective October 1st, the government also removed its control on prices as well as the quality of flour. As a result of these changes, millers have been allowed to import their wheat requirements from sources other than the United States depending on price and quality. Subsequent to these changes, three millers (Cheil, Daehan and Daesun) purchased a total of 6,000 tonnes of No. 1 CWRS wheat from Canada last December and early in 1984 in order to improve