

Trends in THE KOREAN RICE INDUSTRY

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The consumption of rice in the Republic of Korea (South Korea) is thought to have started around 3000 years ago. Rice is the staple food of Korea to the point that people commonly say that the power of Korea comes from rice, with 30-40 percent of their daily energy believed to come from eating it.

Although rice has been Korea's staple food for a long time, Table 1 shows that the consumption per capita has been continuously decreasing. According to a survey by Statistics Korea, rice consumption per capita in 2020 was 57.7 kg, a decrease of 2.5 percent compared to the previous year. The decrease in consumption is due to several factors. The Korean diet has become increasingly westernised, and fewer people are eating breakfast.



It is also believed that the diversification of food along with the increase in the national income has resulted in shifting food choices. More people are choosing to eat grain products like bread and noodles for variety and their perceived health benefits.

Meeting the challenges of a changing economy

In order to meet the challenges of a changing economy, the Korean government has reviewed farmhouse protection policies and instituted measures to expand rice exports and enhance international competitiveness.

In the 1994 Uruguay Round Agricultural Agreement, Korea removed non-tariff barriers on all agricultural products and opened up the market instead of reducing the impact of market opening by gradually lowering tariffs. Rather than continuing to extend the deferral of rice tariffs, in 2004, Tariff Rate Quotas (TRQ) were established.



Since 2015, the Korean government has been negotiating with the WTO to instate tariffs on rice, and in 2019, allocated quotas by country based on the recent performance of the five major exporting countries (US, China, Vietnam, Thailand, Australia) in relation to TRQ operation.

In 2020, processed rice exports amounted to US\$137.56 million, an increase of 26.9 percent from the previous year and the highest ever recorded. The reason for the increase in exports is the five-year plan for the promotion of the rice processing industry carried out by the government. After the enactment of the Rice Processing Industry Act in 2011, the first “Five-Year Basic Plan” was established and promoted in 2014. In June 2019 the second plan was established and is currently being implemented.

In addition, in 328 facilities between 1991 and 2001, rice milling facilities or Rice Processing Complexes (RPC) have been scaled up and modernized in order to maintain industrial competitiveness. The goal between 2007 and 2019 was to foster 100 representative rice brands.

The second generation of the RPC has been continuously disseminated in response to the declining trend in rice consumption from 5.81 million tons in 2010 down to 3.50 million tons in 2020. Despite the general decline in rice consumption, the demand for processed rice products is increasing.

According to the 2020 report of the Ministry of Agriculture, Food, and Rural Affairs (MAFRA), the retail market of major processed rice products, including processed rice, rice cakes, porridge, rice crackers, rice noodles, brown rice milk, and rice bread amounted to 884 billion (KRW) Korean Won (US\$752 million) in 2019, an increase of about 10.9 percent from the previous year.

In response to the societal changes triggered by the outbreak of the coronavirus, rice producers and processing and distribution industries are also promoting new marketing activities that meet the needs of changing consumer behaviour.



Diversity of rice-based processed foods

Another notable change in the rice market is the diversity of rice-based processed foods and the addition of value-added rice. In the past these foods have mainly consisted of rice cakes, alcoholic beverages, and other processed rice foods. As the demand for home-cooked meals has increased substantially as a result of the social distancing implemented after the coronavirus, large corporations are moving to target the growing home-cooked meal market.



Whilst consumption of new types of rice, such as home meal replacement and instant rice, is increasing, large food companies are expanding investment in aseptic rice facilities to secure market share. The domestic convenience food market is KRW4 trillion (US \$3.4 trillion) in 2019 and is expected to exceed five trillion KRW (US\$4.25 trillion) in 2022.

The primary reason for the growth besides the current social distancing policies is believed to be an increasing proportion of single-person and dual-income households. In line with the times, home convenience food is evolving into a product which can replace frozen foods and home-cooked foods while considering health, taste, and nutrition.

More opportunities to eat at home

As there are now more opportunities to eat at home than eat out, the tendency to value quality over quantity is increasing. For example, functional GABA rice is gaining popularity because it contains a large amount of ingredients which help to prevent dementia, lower diabetes levels, lower blood pressure, and also improve cerebral blood flow and promote brain cell metabolism.

In 2021, the Korean government decided to expand technological development and human resource training and investment in order to develop into a value-added economy. One of their hopes is to create new market demands for home meal replacement and value-added rice in order to revitalise rice consumption.

Loan support (50 billion KRW) for facilities/renovation, operation/purchasing funds for rice processing companies, and an increased limit for the facility support funds from 7 billion KRW to 10 billion KRW have also been created. Although the production and consumption of functional rice are still insignificant, Korea is transforming its staple food into one which better appeals to consumers' growing interests in health.

New challenges and opportunities

Changes in rice consumption patterns have presented new challenges and opportunities for the Korean rice industry. To stay competitive, rice producers will need to enhance their facilities in order to suit consumer palettes for high quality rice products.

With the help of government support policies, contract cultivation, and improvements to storage and processing facilities, producers must make an effort to develop products which are responsive to changing consumer demands.

Table 1. Annual rice consumption per capita in Korea

1990	1999	2008	2011	2020
119.6kg	96.9kg	75.7kg	71.2kg	57.7kg

(Source: Statistics Korea)