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Korea, Republic of

Grain and Feed

Corn and Wheat PS&D Update

2004

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Report Highlights:
Contracts during the first half of MY 2004/05 indicate a rebound in feed wheat imports from the Black Sea region. Total Korean wheat imports are expected to increase to 3.95 MMT compared to 3.31 MMT in MY 2003/04 due to the increase in feed wheat imports. Because China has retreated from the world's corn markets since early 2004, U.S. corn exports to Korea are estimated in the 4 MMT to 5 MMT range and are expected to be the dominant optional contract source during the current marketing year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Seoul [KS1]
[KS]

WHEAT

Based on sales contracts to date and trade indications, post has increased its estimate of MY 2004/05 feed wheat imports to 1.5 MMT; a 600,000 MT increase over MY 2003/04 feed wheat imports. Milling wheat imports are expected to remain stable in MY 2004/05 at 2.45 MMT. Accordingly, total MY 2004/05 wheat imports have been raised to 3.96 MMT in this report.

Feed wheat contracts from the Black Sea rebounded during the first half of the marketing year. Compared with the feed wheat tonnage under contract at this time last year, 2004/05 contract quantities have improved considerably.

Traders report that feed wheat offering prices available to the Korean market are relatively attractive compared to prices for corn. Feed wheat use in MY 2003/04 amounted to 0.94 MMT according to Korean government and industry reports. Imports of milling wheat are expected to continue to experience 2-3 percent annual growth. The estimate for MY 2003/04 wheat imports was increased to 3.3 MMT to account for higher than expected imports for instant noodle production. Imports of U.S. milling wheat accounted for 1.35 MMT (56 percent) of the total milling wheat imports in MY 2003/04.

Wheat flour export estimates in the following PS&D reflect data provided by the Korea Flour Millers Industry Association (KOFMIA).

PSD Table

Country Korea, Republic of

Commodity Wheat

(1000 HA)(1000 MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		07-2002		07-2003		07-2004	MM/YYYY
Area Harvested	2	1	3	2	3	3	(1000 HA)
Beginning Stocks	1100	617	985	603	958	574	(1000 MT)
Production	6	6	10	10	10	10	(1000 MT)
TOTAL Mkt. Yr. Imports	4052	3936	3434	3315	4000	3950	(1000 MT)
Jul-Jun Imports	4052	3936	3434	3315	4000	3950	(1000 MT)
Jul-Jun Import U.S.	1218	1272	1466	1345	0	1350	(1000 MT)
TOTAL SUPPLY	5158	4559	4429	3928	4968	4534	(1000 MT)
TOTAL Mkt. Yr. Exports	123	81	131	79	125	80	(1000 MT)
Jul-Jun Exports	123	81	131	79	125	80	(1000 MT)
Feed Dom. Consumption	1670	1628	920	942	1500	1500	(1000 MT)
TOTAL Dom. Consumptio	4050	3875	3340	3275	3900	3880	(1000 MT)
Ending Stocks	985	603	958	574	943	574	(1000 MT)
TOTAL DISTRIBUTION	5158	4559	4429	3928	4968	4534	(1000 MT)

Import Trade Matrix

Country Korea, Republic of

Commodit Wheat

Time Period	July/June	Units:	1,000MT
Imports for:	2002		**2003**
U.S.	1272	U.S.	1345
Others		Others	
Australia	1012	Australia	922
Canada	123	Canada	127
Ukraine	617	China	736
China	572	India	184
India	183		
EU	45		
Russia	108		
Total for Others	2660		1969
Others not Liste	4		1
Grand Total	3936		3315

Korea: Wheat Imports (1,000 MT, Customs Cleared Basis)			
Marketing Year (July/June)	Feed	Flour	Total
95/96	272	2,235	2,507
96/97	1,197	2,253	3,450
97/98	1,717	2,200	3,917
98/99	2,453	2,237	4,690
99/00	1,304	2,479	3,783
00/01	691	2,410	3,101
01/02	1,498	2,369	3,867
02/03	1,667	2,268	3,935
03/04	921	2,394	3,315
04/05 a/	1,500	2,450	3,950

a/ FAS Seoul forecast
Source: Korea Customs Service

Korea: Post Estimates of Wheat Use (1,000 MT, July/June)				
Year	2001/02	2002/03	2003/04	2004/05 a/
Milling Wheat	2,367	2,322	2,412	2,460
Feed Wheat	1,415	1,628	942	1,500
Total	3,782	3,950	3,354	3,960

a/ FAS Seoul forecast
Source: Korean Feed Association (KFA), Korean Flour Millers Industry Association (KOFMIA)

CORN

Consumption

In MY 2004/05, FAS/Seoul revised total corn consumption down to 8.5 MMT from the previous forecast of 9.3 MMT because 1) corn consumption for processing purposes is expected to decline to 2 MMT from the previously forecast 2.3 MMT due to the slow economy, and 2) the feed corn consumption forecast, which was originally placed at 7 MMT, has been lowered to 6.5 MMT due to an expected increase in feed wheat imports.

In this report, the projected total compound feed production for MY 2004/05 is revised down to 15.0 MMT from the previous forecast of 15.6 MMT. In MY 2003/04, compound feed production dropped sharply and was less than 15.0 MMT because swine and poultry inventories fell due to a drop in the consumption of livestock products brought on by Korea's economic downturn. In MY 2003/04, in addition to weak demand, outbreaks of poultry and swine diseases plagued Korean producers.

Compound feed production for beef cattle, unlike for poultry and swine, has grown continuously since MY 2001/02. Meanwhile, dairy cattle numbers have tumbled. The production of compound feed, nonetheless, for cattle is expected to continue growing in the short to medium run due to the stronger than normal demand for Korean beef occasioned by the ban on U.S. beef which has been in place since late 2003 when a cow in Washington State was discovered to be infected with BSE. When that ban is lifted, the growth rate of Korea's cattle herd will likely slow or become negative.

In MY 2003/04, the frequent occurrence of swine diseases in the hog sector resulted in a 5 percent reduction in the production of swine compound feed as compared with the previous year. Outbreaks of Porcine Epidemic Diarrhea (PED) and Post-weaning Multi-systematic Wasting Syndrome (PMWS) during the March-May, 2004 period resulted in the loss of large numbers of young weaning pigs. This problem, and increased compound feed prices (which grew by 9 percent in January, 2004 and by another 9 percent in March, 2004) are the factors that led to the decline in feed demand. Nonetheless, pork prices were strong during the same period, but not strong enough to overcome the negative effects of the disease outbreaks and the heavy increases in compound feed prices.

In MY 2004/05, the consumption of swine compound feed will be further negatively affected by a new Korean government requirement that, by the end of 2004, all swine farms, with livestock growing facilities in excess of 50 square meters, must register with the Government. Farms subject to registration must have pollution control facilities and must meet certain minimum space per animal requirements. Due to the costs associated with such facilities, only 3.9 percent of the 8,970 hog operations subject to registration had registered as of mid-July 2004. Observers are also concerned that there may be a repeat of last year's disease outbreaks, which would result in an even more pronounced decline in swine compound feed production.

In MY 2004/05, the production of compound feed for poultry is expected to remain unchanged from MY 2003/04 at 3.8 MMT. Lack of growth of poultry compound feed production is due, once again, to the sluggish economy, and to disease outbreak problems. In MY 2003/04 poultry compound feed production fell 3 percent as compared with MY 2002/03 in most part because of an outbreak, in the first quarter of 2004, of Highly Pathogenic Avian Influenza (HPAI). Approximately 4 million birds, mostly layers and ducks, were depopulated. Consumption of poultry meat fell due to consumer concerns about "Bird Flu."

In MY 2004/05, feed demand for other animals (horses, pets, turkeys, duck, etc.) is expected to stay at about 0.8 MMT, down 6 percent from the previous year due to sharp decreases in duck inventories due to the Avian Influenza outbreaks. In MY 2003/04, compound feed production for other animals fell to 0.85 MMT, down 19 percent from the previous year, which comprised 5.7 percent of overall compound feed production.

In MY 2003/04, corn consumption for processing has fallen to 2.0 MMT, due to 1) declining demand for soft drinks, 2) a sharp increase in imports of starch and corn syrup from China, and 3) declining corn starch exports to Southeast Asian countries. Soft drink consumption is down due to the sluggish economy. A surplus of corn products in China led to low prices for Chinese cornstarch and corn syrup. Korean glue and soft drink manufacturers, therefore, imported the cheaper Chinese inputs, which substituted for higher priced Korean product. Meanwhile, high freight costs, resulting from high crude oil prices and increased demand for freight worldwide, rendered Korea's cornstarch too expensive for its markets in Asia, which turned to tapioca starch as a less expensive substitute. Korea's cornstarch exports have been in decline since the fourth quarter of MY 2003/04.

TRADE

In this report, the forecast for Korean corn imports for MY 2004/05 is revised down to 8.50 MMT from the previous forecast of 9.25 MMT. This reduction reflects expectations that Korea will import 1.5 MMT of feed wheat. These imports will be driven by the increased supply of Eastern European and Canadian feed wheat. The reduction also reflects the impact of a sluggish economy on feed demand. Based on the USDA forecast that China could export 4 MMT in MY 2004/05, Korea's corn imports from China are forecast at about 2 MMT. Each year since 1995, Korea has imported roughly half of China's total corn exports.

Since China's retreat from the world's corn markets in 2004, grain suppliers have sold feed corn to Korea with the option to load vessels in China, Argentina or the United States. Similarly, processing corn contracts provide for loading in China, Brazil or the United States. U.S. corn exports to Korea are estimated in the 4 to 5 MMT range and are expected to be the dominant optional contract source during the current marketing year. Korea is currently active on the world corn market, and has purchased many optional loading contracts for delivery by the end of January.

Korean corn imports for MY 2003/04 were revised down to 8.8 MMT based on Korea Customs Service data. Imports were lower than expected due to reduced demand from both feed and corn processing buyers. In MY 2003/04, in spite of the reduction in corn demand, U.S. corn exports to Korea were ten times higher than a year ago. Meanwhile, imports of Chinese corn were 50 percent below last year's total.

SECTION II. CORN -- STATISTICAL TABLES

Corn PS&D

Country	**Korea, Republic of**						
Commodity	**Corn**				(1000 HA)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		10-2002		10-2003		10-2004	MM/YYYY
Area Harvested	17	17	17	17	17	17	(1000 HA)
Beginning Stocks	1172	1341	1249	1462	1149	1579	(1000 MT)
Production	73	73	70	70	69	70	(1000 MT)
TOTAL Mkt. Yr. Imports	8786	8794	9300	8776	8900	8500	(1000 MT)
Oct-Sep Imports	8786	8794	9300	8776	8900	8500	(1000 MT)
Oct-Sep Import U.S.	274	330	0	3257	0	4500	(1000 MT)
TOTAL SUPPLY	10031	10208	10619	10308	10118	10149	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	6569	6569	7200	6602	6600	6500	(1000 MT)
TOTAL Dom. Consumptio	8782	8746	9470	8729	8920	8570	(1000 MT)
Ending Stocks	1249	1462	1149	1579	1198	1579	(1000 MT)
TOTAL DISTRIBUTION	10031	10208	10619	10308	10118	10149	(1000 MT)

Korea: Import Trade Matrix for Corn

Import Trade Matrix

Country Korea, Republic of
Commodit Corn

Time Period	OCT/SEP	Units:	1,000MT
Imports for:	2002		**2003**
U.S.	330	U.S.	3257
Others		Others	
China	7811	China	3671
Brazil	635	Brazil	1064
		Thailand	322
		India	235
		Argentina	203
Total for Others	8446		5495
Others not Liste	18		24
Grand Total	8794		8776

Korea: Corn Imports

Korea: Corn Imports (1,000MT, Customs Cleared Basis)							
Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Ind.	Total	Feed	Ind.	Total	%
93/94	4,049	1,647	5,696	199	181	380	7
94/95	6,463	1,760	8,223	6,192	1,420	7,612	93
95/96	7,166	1,797	8,963	6,855	1,699	8,554	95
96/97	6,455	1,881	8,336	3,869	1,629	5,498	66
97/98	5,755	1,773	7,528	1,610	1,699	3,309	44
98/99	5,593	1,921	7,514	4,543	1,891	6,434	86
99/00	6,618	2,060	8,678	1,610	1,620	3,230	37
00/01	6,568	2,155	8,723	2,169	1,120	3,289	38
01/02	6,474	2,128	8,602	1,487	111	1,598	19
02/03	6,657	2,137	8,794	306	24	330	4
03/04	6,659	2,117	8,776	2,921	336	3,257	37
04/05a/	6,500	2,000	8,500	na	na	na	Na

a/ FAS/Seoul forecast.
Source: FAS Seoul

Korea: Monthly Corn Imports in MY 2003/04 (1,000MT, Customs Cleared Basis)			
Oct. 2003	666	200	866
Nov.	449	155	604
Dec.	871	234	1,105
Jan. 2004	663	124	787
Feb.	356	148	504
Mar.	483	170	653
Apr.	701	189	890
May	470	200	670
Jun.	505	185	690
Jul.	476	158	634
Aug.	565	180	745
Sep.	454	174	628
Total	6,659	2,117	8,776

Source: Korea Customs Service

Korea: Total Corn Utilization

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)				
Marketing Year	Feed	Processing a/	Food b/	Total
1997/98	5,875	1,715	83	7,673
1998/99	5,560	1,886	80	7,526
1999/00	6,541	2,004	79	8,624
2000/01	6,460	2,092	64	8,616
2001/02	6,584	2,094	57	8,735
2002/03	6,569	2,145	68	8,782
2003/04 c/	6,600	1,900	70	8,570
2004/05 c/	6,500	2,000	70	8,570

a/ Used for wet and dry milling process based on imported corn.
b/ For on-farm human consumption (on-the-cob) or snack food consumed on-the-cob, as puffed kernels or as corn tea.
c/ FAS Seoul forecast.
Source: Korean Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)

Korea: Monthly Corn Consumption in MY 2003/04 (1,000MT, Customs Cleared Basis)			
Oct. 2003	597	173	770
Nov.	564	169	733
Dec.	655	176	831
Jan. 2004	565	161	726
Feb.	516	162	678
Mar.	601	196	797
Apr.	529	181	710
May	543	183	726
Jun.	524	172	696
Jul.	517	115	632
Aug.	489	105	594
Sep. 1/	500	100	600
Total	6,600	1,893	8,493

1/ FAS/Seoul forecast
Source: Korean Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)

Korea: Feed Ingredient Use for Compound Feed Production

Korea: Feed Ingredient Use for Compound Feed Production (October/September, 1,000 MT)				
Items	MY 2001/02	MY 2002/03	MY 2003/04 a/	MY 2004/05 b/
Sub. Total Grains and Grain Substitutes	**10,078**	**10,124**	**9,550**	**9,900**
- Wheat	1,508	1,608	850	1,500
- Corn	6,584	6,569	6,600	6,500
- Rye	83	52	Na	Na
-Barley	30	3	Na	Na
- Other Grains and Grain Substitute	1,873	1,892	2,100	1,900
Others	**5,302**	**5,296**	**5,350**	**5,100**
Grand Total	**15,380**	**15,420**	**14,900**	**15,000**

a/ Based on the first 11 months of MY 2003/04.
b/ FAS Seoul forecast
Source: Korea Feed Association (KFA)

Korea: Feed Production per Animal

Korea: Feed Production per Animal (October/September, 1,000 MT)			
Animal Type	MY 2002/03	MY 2003/04 a/	MY 2004/05 b/
Poultry	3,917	3,800	3,800
Swine	5,769	5,500	5,600
Cattle	4,611	4,750	4,800
Others c/	1,052	850	800
Total	15,349	14,900	15,000

a/ Based on the first 11 months of MY 2003/04.
b/ FAS/ Seoul forecast
c/ Includes ducks, pets, rabbits, horses, sheep, deer, quail, etc.
Source: Ministry of Agriculture and Forestry (MAF)

Korea: Animal Inventory

Korea: Animal Inventory (1,000 Heads, 1,000 Birds)					
Animal	Year	March	June	September	December
Beef Cattle	2002	1,371	1,448	1,461	1,410
	2003	1,337	1,423	1,464	1,480
	2004	1,521	1,627	1,676	1,701
Dairy Cattle	2002	548	545	543	544
	2003	552	541	526	519
	2004	517	509	507	505
Swine	2002	8,719	8,791	9,033	8,974
	2003	9,027	9,050	9,287	9,231
	2004	9,189	9,017	9,187	9,138
Layer a/	2002	50,471	49,589	50,299	50,191
	2003	48,740	49,100	49,380	48,350
	2004	47,910	48,060	48,430	48,270
Broiler b/	2002	52,436	72,193	47,118	45,005
	2003	47,490	66,760	41,960	42,140
	2004	39,760	58,160	41,660	Na

a/ Excludes breeder stock.
b/ Excludes multi-use broilers.
Source: Korea Rural Economic Institute (KREI)