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Korea, Republic of

Grain and Feed

Quarterly Grain and Feed Trade Report

2005

Approved by:

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Report Highlights:

Korean importers have shifted to Chinese corn. National Assembly will scrutinize side deals before ratifying the rice agreement in June.

Includes PSD Changes: No
Includes Trade Matrix: No
Quarterly Report
Seoul [KS1]
[KS]

Wheat

No PSD changes from the previous report (KS5015).

Feed millers purchased 100,000 metric tons (MT) of feed wheat for delivery by the end of May on an optional origin basis on 3/18/05. The March purchase increased the amount of total feed wheat contracted for delivery to Korea in MY 2004/05 to 1 million metric tons (MMT). To date, 90,000 MT of feed wheat has been contracted for MY 2005/06 delivery (55,000 MT at US\$ 142.89/MT, CNF for July arrival (ETA) and 35,000 MT at US\$ 147/MT, CNF for August arrival). In contrast, Chinese corn is reportedly priced at US\$ 135/MT, CNF to Korea.

Corn

No PSD changes from the previous report (KS5015).

Korea has already contracted for 6.5 MMT of corn for delivery during the first ten and half months of MY 2004/05. Corn contracts to date include 4.4 MMT from optional origin, 0.95 MMT from the United States, 0.86 MMT from China and 0.27 MMT from South America. Buyers have relied on optional origin purchases since MY 2003/04 because of the lack of certainty regarding availability of Chinese corn. Options under the contracts include China, the United States and South America. In a departure from optional origin purchasing, buyers have purchased 0.86 MMT to date of Chinese corn for delivery in MY 2004/05. The Chinese-origin corn was purchased at discounts of \$5 to 10/MT to U.S. and South American corn. The majority of optional origin contracts been fulfilled with Chinese corn recently.

Korea imported 1.7 MMT of corn from the United States through the first six months of MY 2004/05 during a period when the availability of Chinese corn was limited. Reflecting perceived Korean consumer concerns about biotechnology, corn processors have imported roughly 160,000 MT of U.S. non-GM/identity preserved (IP) corn to date in MY 2004/05.

The Korean Food and Drug Administration (KFDA) reacted to reports that a variety of corn unapproved in Korea (Bt10) had been released in small amounts in the United States by requiring testing to confirm all food corn imports are free of Bt10. Until a test can be developed for Bt10, the KFDA requirement is expected to impede prospects for U.S. corn to compete with Chinese corn for Korean processing demand.

Lacking a test that will isolate Bt10 corn, KFDA is currently requiring shipments of U.S. corn for food purposes that were shipped after March 25 to be tested for Bt11 corn as a means of screening imports for Bt10 as well. U.S. food corn that is already in the Korean corn processing system is also being tested for the presence of Bt11 as a screening mechanism for Bt10 content.

Rice

No PSD changes from the previous report (KS5015).

WTO members approved Korea's request to delay tariffication of its rice market for another 10 years on April 6, 2005. As part of the agreement, Korea agreed to expand its minimum market access (MMA) commitment. The terms of the agreement must still be ratified by the Korean National Assembly. Ratification could occur by June 2005 in which case imported rice for table use would be introduced into the retail market for consumers after September 2005. However, National Assembly members have raised questions about the agreement.

In particular, criticism has focused on side deals that were struck with trading partners participating in the rice negotiations.

MAF officials have announced to the Korean press that Korea agreed to purchase an average of 9,121 MT of milled rice annually from India for the next 10 years and make a one time purchase of 20,000 MT of Egyptian milled rice in 2006 or after. The rice from India and Egypt will reportedly be used for food aid purposes and will not enter the Korean market.

In addition to the side deals with India and Egypt on rice, the Korean government also agreed to deals on other commodities including:

- Argentina: Agreed to expedite the process to establish sanitary and phytosanitary requirements to allow Argentine chicken and oranges into Korea. The process for establishing import conditions for Argentine chicken and oranges is expected to take six months and four months, respectively.
- China: Agreed to expedite Korean phytosanitary assessments on Chinese apples, pears, cherries, longan and litchi fruit to determine whether they are suitable for import. Also agreed to lower the tariff rate applicable for imports of live sea bass and sea bream from China.
- Canada: Agreed to lower the import tariff rates to zero from 2 percent on Canadian peas for feed. Korea also agreed lower the import tariff on crude and refined rapeseed oil from 10 percent to 8 percent and from 30 percent to 10 percent, respectively.

In reaction to the information released about the side deals, lawmakers of the ruling and opposition parties have called for a parliamentary review of the results of rice negotiation to determine if the government was fully transparent about the results of the rice negotiations.

Korea: Monthly Wheat Import				
(1,000 MT)				
Month	Feed Wheat		Milling Wheat	
	MY 2003/04	MY 2004/05	MY 2003/04	MY 2004/05
July	66	87	202	211
August	134	59	205	173
September	117	81	199	189
October	77	127	220	206
November	48	107	218	196
December	72	83	185	234
January	52	138	166	214
February	22	83	192	168
March	86	120	234	197
Subtotal	674	885	1,821	1,788
April	87	na	178	na
May	101	na	218	na
June	59	na	177	na
Total	921	na	2,394	na

Source: Korea Customs Service

Korea: Monthly Wheat Use				
(1,000 MT)				
Month	Feed Wheat		Milling Wheat	
	MY 2003/04	MY 2004/05	MY 2003/04	MY 2004/05
July	124	79	188	188
August	107	83	193	198
September	107	90	190	192
October	96	104	203	201
November	71	109	192	192
December	70	102	201	191
January	52	92	192	232
February	45	87	184	156
March	59	92	213	192
Subtotal	731	838	1,756	1,742
April	63	na	216	na
May	70	na	197	na
June	78	na	183	na
Total	942	na	2,352	na

Source: Korean Feed Association (KFA)
Korean Flour Millers Industry Association (KOFMIA)

Korea: MY 2004/05 Monthly Wheat Imports By Origin					
(1,000 mt, based on Customs Clearance)					
Country	U. S.	Australia	Canada	Other 1/	Total
Milling Wheat					
2004 July	100	88	23	0	211
August	92	76	5	0	173
September	111	67	11	0	189
October	98	95	13	0	206
November	107	81	8	0	196
December	135	97	2	0	234
2005 January	120	76	18	0	214
February	98	68	2	0	168
March	104	93	0	0	197
Total	965	741	82	0	1,788
Feed Wheat					
2004 July	0	64	0	23	87
August	0	49	0	10	59
September	0	58	0	23	81
October	0	80	0	47	127
November	0	25	0	82	107
December	0	0	82	1	83
2005 January	0	0	138	0	138
February	0	0	83	0	83
March	0	0	120	0	120
Total	0	276	423	186	885
Total Wheat					
2004 July	100	152	23	23	298
August	92	125	5	10	232
September	111	125	11	23	270
October	98	175	13	47	333
November	107	106	8	82	303
December	135	97	84	1	317
2005 January	120	76	156	0	352
February	98	68	85	0	251
March	104	93	120	0	317
Total	965	1,017	505	186	2,673

1/ included 71,000 MT from China, 9,000 MT from India and 106,000 MT from Ukraine from July 2004 to March 2005.

Source: Korea Customs Service

Korea: MY 2004/05 Monthly Corn Imports By Origin					
(1,000 mt, based on Customs Clearance)					
Country	U. S.	China	Brazil	Others	Total
Feed Corn					
2004 Oct.	481	0	87	17	585
Nov.	238	67	104	6	415
Dec.	365	233	7	0	605
2005 Jan.	123	411	3	0	537
Feb.	149	271	1	0	421
Mar.	146	567	0	0	713
Subtotal	1,502	1,549	202	23	3276
Processing					
2004 Oct.	87	0	79	3	169
Nov.	5	0	144	0	149
Dec.	34	0	207	1	242
2005 Jan.	29	0	55	0	84
Feb.	1	1	115	0	117
Mar.	3	24	113	0	140
Subtotal	159	25	713	4	901
Total					
2004 Oct.	568	0	166	20	754
Nov.	243	67	248	6	564
Dec.	399	233	214	1	847
2005 Jan.	152	411	58	0	621
Feb.	150	272	116	0	538
Mar.	149	591	113	0	853
Grand Total	1,661	1,574	915	27	4,177

Source: Korea Customs Service

Korea: Corn Contracts per Estimated Time of Arrival (ETA) (Unit: MT, as of 4/25/05)					
ETA	U.S.	China	SOAM 1/	Others 2/	Total
Oct. 2004	160,000	0	160,000	157,500	477,500
Nov.	367,500	35,000	0	165,000	567,500
Dec.	157,500	30,000	55,000	362,500	605,000
Jan. 2005	0	80,500	55,000	427,500	563,000
Feb.	102,500	100,000	0	427,500	630,000
Mar.	105,000	302,000	0	325,000	732,000
Apr.	52,500	36,000	0	585,000	673,500
May	0	12,500	0	742,500	755,000
Jun.	0	103,500	0	482,500	586,000
Jul.	0	157,500	0	432,500	590,000
Aug.	0	0	0	322,500	322,500
Total	945,000	857,000	270,000	4,430,000	6,502,000
Comparison Rate	14.5%	13.2%	4.2%	68.1%	100%

1/ South American Countries

2/ include optional origins

3/ weighted average

Source: Local Grain Traders

Korea: Monthly Corn Use (1,000 MT)				
Month	Feed Corn		Processing Corn	
	MY 2003/04	MY 2004/05	MY 2003/04	MY 2004/05
October	597	530	173	170
November	564	520	169	159
December	655	582	176	154
January	565	552	161	161
February	516	502	162	133
March	601	568	196	na
Subtotal	3,498	3,254	645 a/	777 a/
April	529	na	181	na
May	543	na	183	na
June	524	na	172	na
July	517	na	173	na
August	489	na	164	na
September	502	na	147	na
Total	6,602	na	2,057	na

a/ cumulative from October to February.

Source: Korean Feed Association (KFA)

Korean Flour Millers Industry Association (KOFMIA)