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Report Highlights:

In marketing year (MY) 2006/07 (September - August), refined sugar consumption for use in food is projected to increase slightly to 1.205 MMT from 1.196 MMT from the previous. The slight increase is due to the recovery of Korea's economy. GDP growth in 2006 is forecast at 5 percent compared with 4 percent in the previous year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Table of Contents

I. Situation and Outlook..... 3
Domestic Sugar Market..... 3
Trade..... 3
Tariff 4
High Fructose Corn Syrup (HFCS)..... 4
II. Statistical Tables 5
 Sugar PS&D 5
 Trade Matrix 6
 KOREA: Raw Sugar Imports (Raw value) 6
 KOREA: Sugar Exports (Raw value) 6
 Korea: Refined Sugar Production 7
 Korea: HFCS Production by Corn Wet Millers 7
 Korea: Refined Sugar Wholesale Price..... 7
 Korea: Import Price of Raw Sugar..... 8
 Korea: Export Price of Refined Sugar 8

I. Situation and Outlook

In marketing year (MY) 2005/06 (September – August), Korea's raw sugar market is expected to grow marginally to meet domestic demand for refined sugar and greater demand for Korean refined sugar in overseas markets. Annual average production of refined sugar has remained at about 1.3 million metric tons (MMT) since calendar year (CY) 2002.

In MY 2006/07 (September – August), raw sugar imports are forecast to increase less than one percent from the previous year due to the assumption that demand for Korean refined sugar from China and Indonesia buyers will not increase.

Domestic refined sugar consumption for food has stabilized at about 1.2 MMT. In MY 2006/07, refined sugar consumption for food is projected to increase just slightly to 1.205 MMT from the previous 1.196 MMT. The small increase is the result of Korea's economic recovery. In 2006 GDP is forecast to grow at 5 percent as compared with 4 percent growth in 2005.

Domestic Sugar Market

The world market price for raw sugar price has skyrocketed since October 2005. As a result, in January 2006, local refineries raised their ex-factory price for refined sugar by 10 percent. This was the first time in five years that ex-factory prices rose. Local refined sugar prices had continuously declined since 2001. Therefore, since January 2006, the wholesale price of refined sugar has been Korean Won (KRW) 11,500 per 15 Kg bag (equivalent to US\$ 11.65), up 15 percent from the previous year.

In CY 2005, domestic sales of beverage industry declined by 6 percent from the previous year. Soft drink consumption dropped for two reasons, the relatively slow economy in 2005, coupled with consumers' growing preference for less-sweet drink substitutes. Thus, soft drink and juice sales declined sharply by 10 and 9 percent respectively, from the previous year. At the same time green tea and functional drinks that contain less sugar have become more popular among consumers. This is part of the Korean "well-being" trend that emphasizes eating healthily.

In MY 2005/06, raw sugar consumption for lysine is expected to decline 5,000 MT to 135,000 MT from the previous year due to higher raw sugar prices. As a result, molasses will be used in place of raw sugar. In MY 2006/07, raw sugar consumption for lysine is projected to remain unchanged from the previous year.

Trade

In MY 2005/06, raw sugar imports are expected to increase by only one percent to 1.67 MMT to meet the greater demand for Korean refined sugar from China and Indonesia. In the first five months (September 2005-January 2006) of MY 2005/06, China's imports of refined sugar from Korea has increased by 16 percent as compared with the same period in MY 2004/05 and Indonesia's imports have increased by 92 percent. China's imports of refined sugar from Korea have risen to meet greater demand from its growing food processing industry.

In MY 2004/05, raw sugar imports from Thailand declined sharply to 78,196 MT, down 59 percent from the previous year due to tight supplies. Raw sugar imports from Thailand in MY 2005/06 are expected to be 145,000 MT. This is due to the recovery of Thailand's raw sugar production. In the first five months of MY 2005/06, imports of Thai raw sugar have increased sharply by 80 percent as compared to the same period in the previous year.

In MY 2006/07, raw sugar imports are projected at 1.68 MMT, up less than one percent from the previous year due to unchanged Chinese and Indonesian demand for Korean refined sugar.

In MY 2006/07, Korea's refined sugar exports are forecast at 340,000 MT, up only slightly as compared with projections for MY 2005/06, because Chinese and Indonesian demand for Korean refined sugar is not expected to grow.

Tariff

In CY 2006, the Korean government announced that it would reduce the import tariff on refined sugar from the previous 50 percent to 40 percent.

High Fructose Corn Syrup (HFCS)

In MY 2004/05, the production of HFCS, which is a key sweetener for the Korean soft drink sector, decreased 5.9 percent to 424,000 MT due to the reduced domestic consumption of soft drinks. Meanwhile, the sales of unsweetened drinks, such as green tea, and vitamin and collagen drinks, increased 30 percent from the previous year. In MY 2005/06, the production of HFCS is forecast at 407,000 MT, down 4 percent from the previous year, once again due to sagging demand for carbonated drinks.

II. Statistical Tables

Sugar PS&D

PSD Table

Country Commodity	Korea, Republic of Sugar, Centrifugal						UOM
	(1000 MT)						
Market Year Begin	2005	Revised	2006	Estimate	2007	Forecast	MM/YYYY
	USDA Official 09-2004	Estimate[1]A 09-2004	Official	Estimate[1]A 09-2005	Official	Estimate[New] 09-2006	
Beginning Stocks	150	150	150	150	150	150	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	0	0	0	0	0	0	(1000 MT)
Raw Imports	1660	1652	1680	1669	0	1680	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	1660	1652	1680	1669	0	1680	(1000 MT)
TOTAL SUPPLY	1810	1802	1830	1819	150	1830	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	330	314	340	338	0	340	(1000 MT)
TOTAL EXPORTS	330	314	340	338	0	340	(1000 MT)
Human Dom. Consumpti	1190	1198	1200	1196	0	1205	(1000 MT)
Other Disappearance	140	140	140	135	0	135	(1000 MT)
Total Disappearance	1330	1338	1340	1331	0	1340	(1000 MT)
Ending Stocks	150	150	150	150	0	150	(1000 MT)
TOTAL DISTRIBUTION	1810	1802	1830	1819	0	1830	(1000 MT)

Trade Matrix
KOREA: Raw Sugar Imports (Raw value)

Country	MY 2005 (Sept – Aug)		MY 2006 1/	
	Volume (MT)	Value (US\$ 000)	Volume (MT)	Value (US\$ 000)
Australia	1,030,686	227,088	481,589	118,497
Guatemala	337,900	79,015	14,801	4,224
Thailand	78,196	16,876	62,061	15,488
South Africa	155,645	30,361	121,532	30,448
Philippines	47,483	10,257	0	0
Brazil	285	127	185	95
U.S.A.	745	1,083	394	483
India	0	0	0	0
Columbia	90	65	25,765	7,393
U.K.	27	40	0	0
Other	636	218	376	115
Total	1,651,692	365,621	706,702	176,698

1/ September 2005 – January 2006 data.

Source: Korea Trade Information Services (KOTIS)

KOREA: Sugar Exports (Raw value)

Country	MY 2005 (Sept – Aug)		MY 2006 1/	
	Volume (MT)	Value (US\$ 000)	Volume (MT)	Value (US\$ 000)
Hong Kong	127,772	31,817	54,872	15,945
P. R. China	121,681	33,266	58,090	17,489
Singapore	7,619	1,981	2,546	709
Philippines	18,512	5,356	8,717	2,767
Indonesia	21,780	6,380	16,069	4,856
Japan	1,562	514	511	195
Micronesia	1,532	614	397	167
Guam	835	314	363	150
Other	12,808	3,616	5,607	1,730
Total	314,101	83,858	147,172	44,008

1/ September 2005 – January 2006 data.

Source: Korea Trade Information Services (KOTIS)

Korea: Refined Sugar Production

(Unit: 1,000 MT)

Calendar Year	2000	2001	2002	2003	2004	2005
Volume	1,253	1,255	1,277	1,283	1,309	1316 1/
Change	7%	0%	2%	0.5%	1.9%	0.5%

1/ Estimated refined sugar production by FAS Seoul
Source: Korea Sugar Association

Korea: HFCS Production by Corn Wet Millers

(Sept – Aug; Unit: 1000 MT)

Marketing Year	Production	Raw Sugar Equivalent
1995/96	309	253
1996/97	349	286
1997/98	321	263
1998/99	329	270
1999/00	385	316
2000/01	427	350
2001/02	480	394
2002/03	432	354
2003/04	451	370
2004/05	424	348

Source: Korea Corn Processing Industry Association (KOCPIA)

Korea: Refined Sugar Wholesale Price

Date	March 2002	July 2002	March 2004	Feb. 2005	Jan. 2006
Price (US\$ / Kg)	0.534	0.561	0.570	0.651	0.776
Price (KRW/Kg)	704.65	666.00	666.00	666.00	766.70
Change	-3.0 %	-5.5 %	0 %	0 %	15.1 %
Exchange rate (KRW / US\$)	1318.72	1185.12	1166.96	1022.69	987.07

Note: Wholesale sugar price is based on 15 kg package.

Sources: Industry Data & Bank of Korea monthly average exchange rate

Korea: Import Price of Raw Sugar

H.S. Code 1701.11 (US\$/MT, CIF 1/)

Month	CY 2003	CY 2004	CY 2005	CY 2006	Change	Exchange Rate 2/
January	185	181	213	284	33.3 %	987.07
February	176	179	221		23.5 %	1022.69
March	181	181	237		30.9 %	1007.28
April	188	184	238		29.3 %	1011.00
May	205	194	250		28.9 %	1002.13
June	193	190	258		35.8 %	1010.68
July	192	191	248		29.8 %	1036.79
August	189	202	242		19.8 %	1020.96
September	189	206	236		14.6 %	1029.23
October	181	197	242		22.8 %	1045.89
November	181	206	262		27.1 %	1041.51
December	185	213	265		24.4 %	1024.42

1/: Cost, Insurance and Freight

2/: Korean Won / US Dollar

Source: Korea Trade Information Services (KOTIS)

Korea: Export Price of Refined Sugar

H.S. Code 1701.99 (US\$/MT, FOB 1/)

Month	CY 2003	CY 2004	CY 2005	CY 2006	Change	Exchange Rate 2/
January	243	231	296	358	20.9 %	987.07
February	247	230	291		26.5 %	1022.69
March	253	230	291		26.5 %	1007.28
April	248	231	299		29.4 %	1011.00
May	247	233	301		29.1 %	1002.13
June	244	238	301		26.5 %	1010.68
July	239	238	303		27.3 %	1036.79
August	238	253	301		19.0 %	1020.96
September	236	255	302		18.4 %	1029.23
October	229	258	313		21.3 %	1045.89
November	228	273	315		15.4 %	1041.51
December	234	264	322		22.0 %	1024.42

1/: Free on Board

2/: Korean Won / US Dollar

Source: Korea Trade Information Services (KOTIS)