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Korea, Republic of

Sugar

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Approved by:

Grant A. Pettrie
U.S. Embassy

Prepared by:

Stanley S. Phillips / Sunyoung Choi

Report Highlights:

Revised KS4018 on April 9, 2004.

Revised section: PS&D attached.

Raw sugar imports are expected to increase marginally in MY 2004/05 in response to improving demand from the soft drink sector and continued strength in refined sugar export demand from China. Increasing international corn prices could reduce the competition Korean sugar refiners face from high fructose corn syrup manufacturers in MY 2004/05.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Section I. Situation and Outlook

Sugar cane and sugar beet are not produced in Korea. However, Korea produces about 1.25 – 1.28 million metric tons (MMT) of refined sugar annually from imported raw cane sugar. Korea's raw sugar imports are led by three major refiners; CJ, Samyang and TS. The three leading importers accounted for over 90 percent of annual raw sugar imports. The remaining 10 percent is imported by the feed sector for lysine production. According to the Korea Sugar Association (KSA), Korea consumed about 74 percent of refined sugar domestically and exported the remainder in calendar year (CY) 2003.

Refined Sugar Consumption

Korea's refined sugar consumption is forecast to increase from 1.26 MMT in marketing year (MY) 2003/04 (September –August) to 1.27 MMT in MY 2004/05. The soft drink industry, a major demand factor for refined sugar in Korea, experienced a 3 percent sales decrease in CY 2003 reflecting dampened sugar consumption caused by the slow economy and cool summer weather. However, increased refined sugar exports to China and demand from the lysine production sector offset the decreased refined sugar consumption in domestic soft drink section in CY 2003. Korean soft drink consumption is expected to increase 3 – 4 percent in CY 2004 along with an expected economic recovery in the second half of CY 2004.

Trade

In MY 2004, Korea's raw sugar imports are expected to continue an upward trend amounting to 1.61 MMT. Increased imports will be driven by high demand for Korean refined sugar in China and a rebound in the domestic soft drink industry. Korea imported 849,820 MT of raw sugar from Australia in MY 2002/03; a 35 percent increase from MY 2001/02. Imports from Australia accounted for 53 percent of Korea's total raw sugar imports in MY 2002/03. Australian and South African raw sugar imports, along with lower quality imports from Guatemala and Brazil, will likely remain the primary sources of supply for Korean refiners. Raw sugar imports from Guatemala and Brazil decreased from 554,802 MT in MY 2002 to 392,420 MT in MY 2003.

Raw sugar imported by the Korean feed industry increased to 150,000 MT in CY 2003 from 140,000 in CY 2002 to meet demand for lysine exports to South-East Asian countries.

Korean refined sugar exports increased by 4 percent to 325,927 metric tons (MT) in MY 2002/03 from 314,297 MT in MY 2001/02. The primary export market for Korean refined sugar is China. Exports to China jumped 34 percent to 100,185 MT in MY 2003 from 74,819 MT in MY 2002. Increased exports to China offset reduced exports to Hong Kong and the Philippines. Hong Kong and China covered 68 percent of the Korean refined sugar exports in MY 2003. The Korean sugar industry expects China to increase demand for Korean refined sugar steadily as more Chinese diets shift to more processed foods and beverages in response to improved living standards.

Stock

According to local refiners, 27 – 30 days of raw sugar stocks, amounting to about 110,000 MT, are usually on hand for the production of refined sugar. The domestic retail price of refined sugar is 666 Korean Won (KRW) / kilogram (Kg) (US\$ 0.58 / Kg). Retail sugar prices have been steady since July 2002. Increased international future prices for raw sugar and increased freight costs will likely cause the Korean refined sugar industry to raise retail prices in the second half of CY 2004.

HFCS

HFCS, a key substitute for refined sugar is priced competitively against refined sugar in Korea. According to the local HFCS industry, HFCS is available at 450 - 460 KRW / Kg (US\$ 0.39 – 0.4 / Kg) in Korea. The soft drink industry consumes more than 80 percent of total HFCS production with the remainder going into confectionary and pharmaceutical products. Within the Korean soft drink industry, carbonated soft drinks accounted for the main consumption of HFCS. Carbonated soft drink consumption decrease 7 percent in CY 2003 due to cool summer weather and reduced domestic consumption stemming from the slow economy. Similarly, HFCS production decreased as well. The HFCS industry is expected to increase production in MY 2003/ 04 along with the anticipated rebound of domestic consumption driven by a strengthening local economy.

Section II. Statistical Tables
Sugar PSD

PSD Table

Country	Korea, Republic of						
Commodity	Centrifugal Sugar						(1000 MT)
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [1]	IA Official	Estimate [1]	IA Official	Estimate [New]	
Market Year Begin	09-2002			09-2003		09-2004	MM/YYYY
Beginning Stocks	110	110	110	110	110	110	(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 Productior	0	0	0	0	0	0	(1000 MT)
Raw Imports	1590	1590	1610	1600	0	1610	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	1590	1590	1610	1600	0	1610	(1000 MT)
TOTAL SUPPLY	1700	1700	1720	1710	110	1720	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	320	326	330	335	0	335	(1000 MT)
TOTAL EXPORTS	320	326	330	335	0	335	(1000 MT)
Human Dom. Consumpti	1130	1114	1140	1115	0	1125	(1000 MT)
Other Disappearance	140	150	140	150	0	150	(1000 MT)
Total Disappearance	1270	1264	1280	1265	0	1275	(1000 MT)
Ending Stocks	110	110	110	110	0	110	(1000 MT)
TOTAL DISTRIBUTION	1700	1700	1720	1710	0	1720	(1000 MT)

Trade Matrix

KOREA: Raw Sugar Imports (Raw value)

Country	MY 2003 (Sept – Aug)		MY 2004 1/	
	MT	US\$ 000	MT	US\$ 000
Australia	849,820	153,874	454,173	81,600
Guatemala	363,550	64,260	34,155	5,657
Thailand	166,719	27,956	94,037	15,927
South Africa	162,094	27,600	97,510	17,480
Brazil	28,940	3,411	2	1
Mozambique	18,544	4,870	0	0
U.S.A.	23	14	0	0
India	0	0	108	24
Columbia	0	0	3	3
U.K.	1	0	0	0
Other	3	21	0	8
Total	1,589,694	282,006	679,988	120,700

1/ September 2003 – January 2004 data.

Source: Korea Trade Information Services

KOREA: Refined Sugar Exports (Raw value)

Country	MY 2003 (Sept – Aug)		MY 2004 1/	
	MT	US\$ 000	MT	US\$ 000
Hong Kong	123,016	27,085	57,917	12,231
P. R. China	100,185	23,621	51,286	11,263
Singapore	33,536	6,941	14,587	2,851
Philippines	27,612	6,428	12,360	2,754
Indonesia	24,044	5,461	10,523	2,397
Japan	1,757	503	598	157
Micronesia	1,165	479	452	182
Guam	899	328	382	135
Other	13,713	3,204	298	115
Total	325,927	74,050	148,403	32,085

1/ September 2003 – January 2004 data.

Source: Korea Trade Information Services

Korea: Refined Sugar Production

(Unit: 1,000 MT)

Calendar Year	1998	1999	2000	2001	2002	2003
Volume	1,127	1,176	1,253	1,255	1,277	1,283
Change	-6%	4%	7%	0%	2%	0.5%

Source: Korea Sugar Association

Korea: HFCS Production by Corn Wet Millers

(Sept – Aug; Unit: 1000 MT)

Marketing Year	Production	Raw Sugar Equivalent
1993/94	298	244
1994/95	307	252
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

Source: KOCPIA (Korea Corn Processing Industry Association)

Korea: Refined Sugar Retail Price

Date	Nov. 2000	May 2001	March 2002	July 2002	March 2004
Price (US\$ / Kg)	0.596	0.559	0.534	0.561	0.570
Price (KRW/Kg)	686.62	726.44	704.65	666.00	666.00
Change	5.0%	5.8%	-3.0%	-5.5%	0%
Exchange rate (KRW / US\$)	1151.15	1298.46	1318.72	1185.12	1166.96

Note: retail 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/)

Year 2/	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	245	256	236	242	241	236	233	229	225	224	219	213
2002	211	210	200	197	190	189	184	168	169	177	171	175
2003	185	176	181	188	205	193	192	189	189	181	181	185
2004	181	-16%	-10%	-5%	8%	2%	4%	12%	12%	2%	6%	6%
Change	-2%											

1/: Cost, Insurance and Freight

2/: Calendar year.

Source: Korea Trade Information Services

Korea: Export Price of Refined Sugar

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

Year 2/	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	281	293	288	284	285	285	280	282	280	275	268	267
2002	269	264	257	254	245	249	245	243	244	242	240	237
2003	243	247	253	248	247	244	239	238	236	229	228	234
2004	231	-6%	-2%	-2%	-1%	-2%	-2%	-2%	-3%	-5%	-5%	-1%
Change	-5%											

1/: Free on Board

2/: Calendar year.

Source: Korea Trade Information Services