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Korea, Republic of

Grain and Feed

Quarterly Grain and Feed Trade Report

2005

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Report Highlights: MY 2004/05 wheat imports are expected to total 3.47 MMT, which are 133,000 MT more than last year's. The increase is due mainly to greater than expected feed wheat imports. The estimate for MY 2004/05 corn imports is currently 8.55 MMT. This is 500,000 MT lower than last reported. The pace of both food and feed corn imports is slower than last year due to the impact of Korea's sluggish economy on demand. The Korean Government recently announced that it will provide 500,000 MT of rice aid to North Korea this year. The rice aid will not include rice imported under WTO quotas. Meanwhile, the National Assembly has yet to ratify the agreement the ROK reached with WTO members last year to extend and further liberalize Korea's system of quantitative restrictions on rice imports.

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

Wheat

Total MY 2004/05 wheat imports have been increased from the previous year's by 133,000 MT (to 3.47 MMT) due mainly to the increased importation of feed wheat. Meanwhile, imports of milling wheat have decreased slightly because of falling demand for domestically milled wheat flour. During the first six months of 2005 the confectionary/bakery sector sharply increased use of imported wheat flour, mainly from Canada followed by China. This imported wheat flour has been very competitive, with prices 20-25 percent below those of locally produced wheat flour.

Milling wheat imports from the United States were 1.28 MMT, or 53.5 percent of the milling wheat market; followed by Australian milling wheat imports of 1 MMT, or 41.9 percent of the milling wheat market.

To date, feed millers have mostly purchased feed wheat on an optional origin basis for early December delivery. Contractual quantities of feed wheat to be delivered during the period from July to early December 2005 have reached 610,000 MT. Imports of feed wheat will continue at a pace similar to that of imports during the same period last year. Total projected MY 2005/06 Korean wheat imports remain unchanged from the previous forecast of 3.5 MMT with the importation of milling wheat declining to 2.4 MMT and the importation of feed wheat increasing to 1.1 MMT.

Corn

During the first nine months of MY 2004/05 (October 2004 to June 2005), Korea imported 6.49 MMT of corn (4 percent less than during the same period in MY 2003/04). Feed corn imports have declined to 5.13 MMT (0.7 percent less than during the same period in MY 2003/04). Food corn imports have declined to 1.36 MMT (15.3 percent less than during the same period in MY 2003/04).

Therefore, in order to reflect the slower pace of imports, FAS/Seoul has reduced its MY 2004/05 corn import estimate to 8.55 MMT, down 500,000 MT from the previous estimate of 9.05 MMT. The 8.55 MMT estimate represents 6.7 MMT of feed corn imports and 1.85 MMT of food corn imports. During the first nine months of MY 2003/04, feed corn consumption has declined to 4.96 MMT, down 2.7 percent; and during the first eight months of MY 2003/04, food corn consumption has declined sharply to 1.248 MMT, down 11 percent.

Corn consumption for food processing has continued to decline due to a sluggish economy, which, since the second half of 2004, has had a negative impact on the soft drink and beverage markets. Korean corn processors have suffered from competition from Chinese corn products that are becoming more competitive in both quality and price. A surplus of corn products in China has led to low prices for Chinese cornstarch and syrup. Korean glue and soft drink manufacturers, therefore, imported the cheaper Chinese inputs, which substituted for higher priced Korean products.

For the first nine months of MY 2004/05 (October 2004 to June 2005), Korea imported 1.86 MMT of corn from the United States, consisting of 1.69 MMT of feed corn and 0.17 MMT of food corn. FAS/Seoul reduced its MY 2004/05 estimate of Korean corn imports from the United States to 2.5 MMT, down 500,000 MT from previous estimates. The 2.5 MMT estimate represents 2.3 MMT of feed corn and 0.2 MMT of food corn.

The Korea Feed Association (KFA) has filed a claim against suppliers who delivered 213,363 MT of U.S. No. 3 yellow corn from February through April 2005 alleging that upon arrival in Korea moisture and broken kernel content exceeded KFA contract provisions. Article 13 of

the contract states that "even though KFA purchases commodities based on the quality and weight to be final at the loading port by the certificates issued by the government and/or independent surveyor, KFA shall reserve the right to claim against the supplier in case of occurrence of exceeding allowance between the specification in the contract and the results of analysis done by the KFA laboratory (Feed Industry Research Institute: FIRI) at discharging port." Due to costly claims that have resulted from the application of this provision, major traders have asked KFA to remove it from its contracts. KFA, however, not surprisingly, has insisted on retaining its original terms and conditions. Because of problems with high broken content, some feed millers who need high quality corn to produce flaked and rolled corn rations, are now looking for sources of premium-priced corn that can be guaranteed to arrive without a high content of broken kernels.

Rice

The Korean Government recently announced that it will provide 500,000 MT of rice aid to North Korea (Democratic People's Republic of Korea—DPRK) this year. Delivery will take place from the end of July through the end of December. The rice will include 400,000 MT of Korean rice and 100,000 MT of foreign rice. The rice will reportedly be sold under a 30-year loan at \$300 per MT. Interest-only payments will accrue during the first ten years. The interest rate to be applied is one percent.

The 2005 concessional sales are similar to previous agreements to provide the DPRK with 300,000 MT of rice aid in 2002; 400,000 MT in 2003; and 400,000 MT again, in 2004. The Ministry of Agriculture and Forestry (MAF) will source 400,000 MT of rice from domestically produced rice harvested in 2001. Due to insufficient supplies of locally produced rice and slightly lower crop prospects for 2005, the inter-ministerial group overseeing the food aid sale, decided to source 100,000 MT from the international market. In 2004, the Korean Government purchased 300,000 MT of Thai rice to fulfill its agreement to provide 400,000 MT of rice to the DPRK. MAF is expected to hold an international tender for 100,000 MT of long grain rice in early September to be delivered to the DPRK before the end of December 2005.

As in past years, ROK officials confirmed that rice imported under WTO quotas will not be re-exported to the DPRK. Similarly, ROK officials have agreed that rice purchased from the international market to supply the DPRK will not count against the ROK's rice import commitments under WTO agreements.

Despite the efforts of the Ministry of Foreign Affairs and Trade and MAF, to date, the ROK National Assembly has not ratified the agreement that the ROK Government reached with WTO members at the end of 2004 to extend and further liberalize quantitative restrictions on rice imports. It is possible that the agreement will be ratified too late in 2005 for the ROK to fully import the amounts of rice that are required under the 2004 agreement. The rice agreement between the ROK and the WTO, which was announced by the WTO in April 2005, does not stipulate that it is contingent upon ROK National Assembly ratification. Therefore, Korea's WTO trading partners fully expect that the ROK will import the full quantity of rice stipulated for 2005 under the new WTO agreement.

Recently, MAF revised the rice labeling rules contained in the Grain Management Act, which is a ministerial decree. The revisions, which went into effect on July 1, 2005, require that rice be labeled for origin to allow consumers to distinguish between domestic and foreign rice. This revision was occasioned by stipulations in the new Minimum Market Access (MMA) WTO rice agreement that require that some of the MMA rice be made available to consumers through normal retail outlets. Formerly, no imported rice was allowed for sale for household use. The new labeling rules require sellers to specify: 1) commodity name, 2) crop year,

3) weight, 4) variety, 5) origin, 6) milling date, and 7) name, address and telephone number of producer, processor or seller. In the case of imported rice, the importer or retailer should specify his/her company name, address, and telephone number on the label. If the specific variety is not known, the rice should be specified as short, medium, or long grain.

When domestic rice is mixed with other grains, steamed rice, and/or processed products of food grains, the mixing ratio or weight should be indicated. MAF maintains that the measure is designed to prevent distortion or mislabeling that could run counter to consumer interests, and that it does not unfairly discriminate against imports, because it applies equally to imported and domestic products.

Korea's state trading company, the Korea Agro-Fisheries Trade Corporation (formerly the Agricultural & Fishery Marketing Corporation) will provide exporters with instructions how to comply with Korea's Korean language labeling requirements in its invitation to tender bids. In general, the Korea Customs Service requires that all labeling requirements be met before products are allowed to clear customs.

To strengthen the monitoring of labeling compliance, MAF has established a supervisory organization composed of farmer and consumer groups, which is designated to report labeling violations. MAF will pay informants one million won (\$980) for each labeling violation reported. Surveillance for quality and wholesomeness of consumer food products is the responsibility of the National Agricultural Products Quality Management Service (NAQS).

PSD Table

Country	Korea, Republic of						
Commodity	Wheat						
					(1000 HA)	(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [DA]	Official [DA]	Estimate [DA]	Official [DA]	Estimate [New]	
Market Year Begin		07-2003		07-2004		07-2005	MM/YYYY
Area Harvested	2	2	3	4	3	4	(1000 HA)
Beginning Stocks	985	603	958	600	943	608	(1000 MT)
Production	10	10	10	13	10	12	(1000 MT)
TOTAL Mkt. Yr. Imports	3434	3341	3700	3474	3700	3500	(1000 MT)
Jul-Jun Imports	3434	3341	3700	3474	3700	3500	(1000 MT)
Jul-Jun Import U.S.	1466	1371	0	1277	0	1300	(1000 MT)
TOTAL SUPPLY	4429	3954	4668	4087	4653	4120	(1000 MT)
TOTAL Mkt. Yr. Exports	131	79	125	100	125	100	(1000 MT)
Jul-Jun Exports	131	79	125	100	125	100	(1000 MT)
Feed Dom. Consumption	920	942	1200	1107	1200	1100	(1000 MT)
TOTAL Dom. Consumption	3340	3275	3600	3379	3600	3372	(1000 MT)
Ending Stocks	958	600	943	608	928	648	(1000 MT)
TOTAL DISTRIBUTION	4429	3954	4668	4087	4653	4120	(1000 MT)

Import Trade Matrix

Country Korea, Republic of
Commodity Wheat

Time Period	July/June	Units:	1,000MT
Imports for:	2003		2004
U.S.	1371	U.S.	1277
Others		Others	
Australia	922	Australia	1276
Canada	127	Canada	732
China	736	China	72
India	184	India	10
		Ukraine	106
Total for Others	1969		2196
Others not Listed	1		1
Grand Total	3341		3474

Korea: Monthly Wheat Import				
(1,000 MT)				
Month	Feed Wheat		Milling Wheat 1/	
	MY 2003/04	MY 2004/05	MY 2003/04	MY 2004/05
July	66	88	202	211
August	134	59	205	173
September	117	81	199	189
October	77	127	220	205
November	48	107	218	195
December	72	83	185	234
January	52	138	166	214
February	22	83	192	168
March	86	120	234	197
April	87	93	178	168
May	101	98	218	212
June	59	11	177	1712
Total	921	1,089	2,394	2,338

1/ Does not include approximately 60,000 MT of milling wheat used annually in the manufacture of preparations such as bean paste, soy sauce, etc.

Source: Korea Customs Service

Korea: Monthly Wheat Use				
(1,000 MT)				
Month	Feed Wheat		Milling Wheat 1/	
	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
April	63	88	216	185
May	70	91	197	186
June	78	90	183	186
Total	942	1,107	2,352	2,299

1/ Does not include approximately 60,000 MT of milling wheat used annually in the manufacture of preparations such as bean paste, soy sauce, etc.

Source: Korean Feed Association

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	105	88	23	0	216
August	95	76	5	0	176
September	119	67	11	0	197
October	102	95	12	0	209
November	110	81	7	0	198
December	138	97	2	0	237
2005 January	123	76	18	0	217
February	101	68	2	0	171
March	106	93	0	0	199
April	90	70	12	0	172
May	89	116	9	0	214
June	99	73	6	1	179
Total	1,277	1,000	107	1	2,385
Feed Wheat					
2004 July	0	64	0	24	88
August	0	49	0	10	59
September	0	58	0	24	82
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
April	0	0	93	0	93
May	0	0	98	0	98
June	0	0	11	0	11
Total	0	276	625	188	1,089
Total Wheat					
2004 July	105	152	23	24	304
August	95	125	5	10	235
September	119	125	11	24	279
October	102	175	12	47	336
November	110	106	7	82	305
December	138	97	84	1	320
2005 January	123	76	156	0	355
February	101	68	85	0	254
March	106	93	120	0	319
April	90	70	105	0	265
May	89	116	107	0	312
June	99	73	17	1	190
Total	1,277	1,276	732	189	3,474

Source: Korea Customs Service

PSD Table

Country Commodity	Korea, Republic of Corn						UOM
	(1000 HA)			(1000 MT)			
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official	Estimate [DA]	Official [DA]	Estimate [DA]	Official [DA]	Estimate [New]	
Market Year Begin	10-2003		10-2004		10-2005		MM/YYYY
Area Harvested	17	17	18	18	19	19	(1000 HA)
Beginning Stocks	1285	1462	1428	1598	1006	1598	(1000 MT)
Production	70	70	78	78	80	80	(1000 MT)
TOTAL Mkt. Yr. Imports	8783	8776	8300	8550	8500	8600	(1000 MT)
Oct-Sep Imports	8783	8776	8300	8550	8500	8600	(1000 MT)
Oct-Sep Import U.S.	3952	3257	0	2500	0	2000	(1000 MT)
TOTAL SUPPLY	10138	10308	9806	10226	9586	10278	(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	6602	6602	6700	6700	6800	6700	(1000 MT)
TOTAL Dom. Consumpti	8710	8710	8800	8628	8900	8680	(1000 MT)
Ending Stocks	1428	1598	1006	1598	686	1598	(1000 MT)
TOTAL DISTRIBUTION	10138	10308	9806	10226	9586	10278	(1000 MT)

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
Apr.	80	382	0	64	525
May	32	519	0	107	659
June	73	548	0	49	670
Subtotal	1,687	2,998	202	243	5,130
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
Apr.	1	122	0	0	123
May	4	162	15	0	181
June	8	147	0	0	155
Subtotal	182	456	728	4	1,360
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
Apr.	81	504	0	64	648
May	36	681	15	107	840
June	81	695	0	49	825
Grand Total	1,859	3,454	930	246	6,490

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	795,000	807,500
Jun.	52,500	103,500	0	480,000	636,000
Jul.	0	209,600	0	530,000	739,600
Aug.	85,000	109,000	0	427,500	619,000
Sept.	157,500	172,000	0	262,500	592,000
Total	1,237,500	1,190,100	270,000	4,945,000	7,642,600
Comparison Rate	16.2%	15.6%	3.5%	64.7%	100%

1/ South American Countries

2/ Includes 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	148
April	529	554	181	153
May	543	577	183	169
June	524	570	172	na
Subtotal	5,049	4,955	1,401 a/	1,248 a/
July	517	na	173	na
August	489	na	164	na
September	502	na	147	na
Total	6,602	na	2,057	na

a/ Based on October 2004 to May 2005.

Source: Korean Feed Association

Korean Flour Millers Industry Association

PSD Table

Country Commodity	Korea, Republic of Rice, Milled						UOM
	(1000 HA)			(1000 MT)			
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official	Estimate [DA]	USDA Official	Estimate [DA]	USDA Official	Estimate [New]	
Market Year Begin	11-2003		11-2004		11-2005		MM/YYYY
Area Harvested	1016	1016	1001	1001	985	975	(1000 HA)
Beginning Stocks	1025	1025	821	821	1300	870	(1000 MT)
Milled Production	4451	4451	5000	5000	4900	4750	(1000 MT)
Rough Production	6015	6151	6737	6737	6622	6418	(1000 MT)
MILLING RATE (.9999)	7400	7236	7422	7422	7400	7401	(1000 MT)
TOTAL Imports	193	193	220	220	250	250	(1000 MT)
Jan-Dec Imports	188	188	230	230	250	250	(1000 MT)
Jan-Dec Import U.S.	45	63	0	50	0	50	(1000 MT)
TOTAL SUPPLY	5669	5669	6041	6041	6450	5870	(1000 MT)
TOTAL Exports	211	211	0	400	0	0	(1000 MT)
Jan-Dec Exports	105	105	0	400	0	0	(1000 MT)
TOTAL Dom. Consumption	4637	4637	4741	4771	4663	4663	(1000 MT)
Ending Stocks	821	821	1300	870	1787	1207	(1000 MT)
TOTAL DISTRIBUTION	5669	5669	6041	6041	6450	5870	(1000 MT)

Korea: Rice Utilization Pattern			
(1,000 MT)			
Rice Year (Nov.- Oct.)	MY 2002/03	MY 2003/04 a/	MY 2004/05 b/
Beginning Stock	1,447	1,100	1,014
Production	4,927	4,451	5,000
Import	180	205	226
Total Supply	6,554	5,756	6,240
Table Rice	3,987	3,952	3,858
Processing	313	241	269
Seed	43	43	43
Others, including loss	711	401	601
Total Demand	5,054	4,637	4,771
Export c/	400	105	400
Ending Stocks	1,100	1,014	1,069
Total Distribution	6,554	5,756	6,240
Per Capita Consumption (Kg)	83.2	82.0	79.5
Population (1,000)	47,926	48,213	48,503
Self-Sufficiency Rate (%)	97.5	96.0	104.8
Ending Stock Rate (%)	21.8	21.9	22.4

a/ Preliminary (MAF)

b/ Projected (MAF)

c/ Long-term-credit food aid to the DPRK.

Source: Ministry of Agriculture and Forestry (MAF)

Korea: Rice Aid to North Korea				
(Unit: MT, Domestic Rice)				
Month of Shipment	CY 2002	CY 2003	CY 2004	CY 2005 a/
January	0	42,200	0	0
February	0	0	0	0
March	0	0	0	0
April	0	0	5,000	0
May	0	0	0	0
June	0	0	0	0
July	0	76,534	15,926	0
August	0	80,231	30,114	100,000
September	24,100	64,935	30,955	100,000
October	102,100	72,800	23,085	100,000
November	108,800	78,400	0	100,000
December	122,800	27,100	0	0
Total	357,800	442,200	105,080	400,000
Marketing Year (Nov/Oct)	MY 2001/02	MY 2002/03	MY 2003/04	MY 2004/05
	126,200	568,300	210,500	300,000

a/ tentative plan.

Source: Ministry of Unification

North Korea: Grain Aid on Long-Term Credit by South Korean Government					
Year	Commodity	Quantity (MT)	Price (US\$/MT)	Amount (million US\$)	Origin
2000	Corn	200,000	109	22	China
	Rice	300,000	220	66	Thailand
2002	Rice	400,000	265	106	South Korea
2003	Rice	400,000	265	106	South Korea
2004	Rice	100,000	300	30	South Korea
	Rice	300,000	294	88	Thailand
2005 a/	Rice	400,000	300	120	South Korea
	Rice	100,000 b/	na	na	TBD

a/ To be delivered by the end of 2005.

b/ To be tendered in early September 2005.

Source: Ministry of Unification