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Korea - Republic of

Grain and Feed Annual

Grain and Feed Annual

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Report Highlights:

MY 2011/12 wheat imports are projected at 4.2 million tons, up 5 percent from the current marketing year, of which 2.2 million tons are for milling (including flour on a wheat equivalent basis) and 2.0 million tons for feed. However, MY 2011/12 corn consumption is forecast to decline to 7.8 million MT, down 0.3 million MT from the current marketing year estimate, due to an anticipated decrease in demand for feed corn due to the FMD outbreak that hit the swine industry. MY 2011/12 rice production is forecast to stay around 4.3 million tons. MY 2011/12 ending stocks (as of end of October 2012) are forecast to decrease to about 1.2 million tons, 25 percent of total consumption.

Commodities:

Wheat

Production:

MY 2011/12 wheat production is forecast to increase to 51,000 tons because of the growing demand for domestically grown milling wheat. The government's loan program to finance purchases also has helped increase the demand for domestic milling wheat. Additionally, the government also has provided drying and storing facilities to local wheat producers. Wheat production for MY 2010/11 is estimated to increase from the previous year, up approximately 11,000 tons due to a sharp increase of planted areas.

Recently, the Korean Government revised its ambitious target date for reaching 200,000 tons of milling wheat production by setting 2015 as the new target date instead of 2017. This production target will increase the country's self sufficiency rate from its current level of 1.2 percent to 10 percent by 2015. Local milling wheat will be double-cropped with rice and the total planted area is targeted to reach 57,000 hectares (HA) by 2015. Wheat has replaced barley as the crop likely to be double-cropped with rice because the government will end its barley purchase program in the CY 2012.

Korea: Wheat Production			
Crop Year	Harvested Area (Hectare)	Yield (MT/HA)	Production (MT)
2006	1,738	3.34	5,810
2007	1,928	3.81	7,624
2008	2,549	4.06	10,359
2009	5,067	5.15	26,087
2010a/	12,548	3.00	37,000
2011b/	15,000	3.40	51,000

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ FAS/Seoul estimate; yield is based on preliminary administrative survey data.
b/ FAS/Seoul forecast; yield is based on government project and five year average.

Consumption:

MY 2011/12 consumption is forecast at 4.2 million tons, an increase of nearly 200,000 tons from the current marketing year due to the anticipated increase in the availability of competitively priced feed wheat.

MY 2011/12 milling wheat consumption is forecast at 2.2 million tons, remaining unchanged from the current marketing year. The government continues its "R 10" campaign to reduce the oversupply of rice by encouraging the local food processing industry to replace 10 percent of wheat flour with rice flour. This program is not expected to have any sizable impact on milling wheat consumption since local industry generally prefer using wheat flour. Please refer to Corn and Wheat PSDs Update Reflecting FMD Outbreak (KS2119) for the estimated wheat consumption for MY 2010/11.

CY 2010 per capita flour consumption increased to 33.1 kilograms, returning to the average level of per capita consumption prior to 2008. Since then, the Korean wheat flour consumption has been hit by a strong bullish global grain market. Nearly

44.1 percent of flour consumption is used for local noodle manufacturing, followed by 12.9 percent for baking products and 8 percent for confectionary products.   The remainder is used by the following - restaurants (8 percent), households (7.7 percent), pet food (6.3 percent), soy sauce (4.6 percent), brewing (1.1 percent), traditional chewy cakes (1.0 percent), industrial use (0.8 percent) and others (2.2 percent). Some flour is also exported, mostly to Japan.

In MY 2011/12, major noodle manufacturers who prefer using Australian wheat flour are expected to use additional U.S. wheat flour as they change their noodle flour formulation by replacing 20 percent of Australian wheat flour with U.S. wheat flour. This comes on the heels of another shortage of Australian noodle wheat export to Korea in the latter half of 2010. Noodle manufacturers changed their formulation by replacing 50 percent of Australian wheat flour with U.S. wheat flour from CY 2007 through CY 2008. In CY 2009, noodles manufacturers returned to using 100 percent of Australian wheat.

Korea: Post Estimates of Domestic Wheat Use
(1,000 MT, July/June)

Year	2007/08	2008/09	2009/10	2010/11 a/
Imported Milling Wheat	2,267	2,041	2,136	2,100
Flour Imports b/	105	69	127	100
Flour Exports b/	73	56	59	50
Local Wheat	8	10	26	27
FSI Consumption c/	2,307	2,064	2,230	2,177
Feed Wheat	686	942	2,172	1,800
Total Consumption	2,993	3,006	4,402	3,977

Source: Korea Feed Association (KFA) and Korea Flour Millers Industry Association (KOFMIA)

a/ FAS/Seoul forecast

b/ Wheat basis

c/ exclude wheat used for the volume of wheat flour exports, including imports of wheat flour.

Korea: Wheat Flour Utilization
(1,000 MT)

Calendar Year	2005	2006	2007	2008	2009	2010
Total Consumption 1/	1,735	1,772	1,740	1,618	1,615	1,728
Per Capita (Kg/Year) 2/	33.2	33.9	33.7	31.3	31.4	33.1

Source: Korea Flour Mills Industrial Association (KOFMIA)

1/ based on flour millers' sales including exports, imports and animal feed purposes.

2/ excludes animal feed and exports from total consumption, including imports of wheat flour.

Trade:

Trade:

MY 2011/12 wheat imports are projected at 4.2 million tons, of which 2.2 million tons are for milling (including flour on a wheat equivalent basis) and 2.0 million tons for feed.   The import estimate hinges to a large extent on the continued availability of feed wheat.   International traders expect Korea to import between 2.0 million and 2.5 million tons of feed wheat depending on the 2011 crop situation in Ukraine, Russia and Eastern European countries - the traditional feed wheat exporters to Korea. In addition, wheat import would also depend on the supply from Australia, which experienced heavy floods during the harvest season. Post puts its initial forecast conservatively at 2.0 million tons of feed wheat imports. Imports of U.S. wheat in MY 2011/12 are forecast to stay around 1.3 million tons, which is lower than the current marketing year due to less than expecting exports of U.S. feed grade wheat. On the other hand, the United States is expected to export more milling wheat to make up possible short supply from Australia.

MY 2010/11 wheat import estimate is expected to reach 4.0 million tons since imports for both milling wheat and feed wheat were higher than expected during the first eight months of the marketing year because of stable international prices and a strong local currency. Please refer to Corn and Wheat PSDs Update Reflecting FMD Outbreak (KS2119) for more details.

Competitors

Australia and Canada have become the United States' principal competitors in the Korean milling wheat market. In 2008, the Australian Wheat Board (AWB) was restructured to create a new entity - the Wheat Export Authority (WEA). 22 wheat exporters have been accredited under the WEA. Among these exporters, AWB and Cooperative Bulk Handling group (CBH) continue to dominate the Korean wheat market by providing specific marketing services such as pre-blending in order to secure customers. Australian wheat exporters have supplied Australian Noodle Wheat (ANW), a sub-class of Australian Standard White Wheat (ASW), as a specifically blended variety for Korean noodle producers. In CY 2010, for example Australian premium wheat (APW) was introduced to Korean market for the first time.

Tariff

In late December, the Ministry of Strategy and Finance (MOSF) released its adjusted tariffs and tariff rate quotas (TRQ) for CY 2011. Please refer to KS1105 for more details. A TRQ covering milling wheat was set at 2.4 million metric tons at zero percent, down from 1.8 percent of the base rate for the first half of CY 2011. The out-of-quota duty remained fixed at 1.8 percent. Of note, the feed wheat TRQ and its corresponding duty were eliminated in 2007. Flour import tariff rate for all imports was initially decreased to 2.5 percent from 4.2 percent of the local base rate for the same period. Additionally, the government announced that it would cut the import duty to zero for the related period.

Korea: Wheat Import Tariff Rates for CY 2011
(Percent)

Commodity		Applied Tariff Rate		Bound Tariff Rate	
		2010	2011	2010	2011
Durum Wheat	1001.10.0000	3	3	9.0	9.0
Meslins	1001.90.1000	3	3		
Seed Wheat	1001.90.9010	1.8	1.8	1.8	1.8
Feed Wheat	1001.90.9020	0	0	0	0
Milling Wheat	1001.90.9030	1.8	0	1.8	1.8
Others	1001.90.9090	1.8	0		

Source: Korea Customs Service (KCS)

Flour Trade:

MY 2011/12 flour imports are forecast to stay around 100,000 tons (wheat equivalent), as food processors continue searching for the most competitively priced flour in a bullish global wheat market. MY2010/11 flour imports are expected to reach 73,000 tons (100,000 tons wheat equivalent) due to a lower import tariff rate which was reduced to zero percent from 4.2 percent of local base rate. Lowering the tariff rate was to avoid inflation pressures amid a recent 9 percent surge in flour prices. Small-sized restaurants and noodle manufactures have been loyal users of cheaper priced flour.

As domestic flour prices increase, MY 2010/11 flour export is estimated at around 50,000 tons (wheat equivalent), down nearly 15 percent from last year.

Korea: Wheat Imports
(1,000 MT, Customs Cleared Basis)

Marketing Year (July/June)	Feed Wheat	Milling Wheat	Flour Imports	Total

			1/	
04/05	1,089	2,385	29	3,503
05/06	1,536	2,220	41	3,797
06/07	976	2,298	69	3,343
07/08	565	2,317	105	2,987
08/09	1,151	2,058	69	3,278
09/10	2,164	2,071	127	4,362
10/11 a/	1,800	2,100	100	4,000

Source: Korea Customs Service

1/ Wheat basis

a/ FAS Seoul forecast based on the buying contracts to date.

b/ based on the first eight months imports

Korea: MY 2010/11 Feed Wheat Contracts by Estimated Time of Arrival (ETA)
(Unit: 1,000 MT, as of April, 2011)

ETA	Quantity	Price (US$/MT)[1/]
Jul. 2010	165	211
Aug.	275	256
Sep.	165	206
Oct.	275	200
Nov	165	196
Dec	110	193
Jan. 2011	110	250
Feb.	110	258
Mar	165	308
Apr.	110	307
May	110	302
Jun.	55	306
Total	1,815	

Source: Local Grain Traders

1/ CNF on Weighted Average

Korea: MY 2011/12 Feed Wheat Contracts by Estimated Time of Arrival (ETA)
(Unit: 1,000 MT, as of March, 2011)

ETA	Quantity	Price (US$/MT)[1/]
Jul. 2010	110	3070
Total	110	

Source: Local Grain Traders

1/ CNF on Weighted Average

Korea: Wheat Flour Imports
(Metric Ton, July/June)

Country	MY2005	MY2006	MY2007	MY2008	MY2009	MY2010a/
U.S.A.	315	594	771	425	873	509
Canada	16,416	28,595	35,662	11,206	34,213	17,823

Australia	1,250	2,510	1,721	1,979	1,252	729
China	8,510	12,037	27,045	815	1,328	875
Turkey	2,488	4,671	1,981	6,685	24,568	13,055
Indonesia	360	942	4,709	4,462	7,647	10,103
Hungary	0	0	0	5,601	8,893	0
Others	424	1,211	5,103	18,951	14,112	11,142
Total	**29,763**	**50,560**	**76,994**	**50,124**	92,886	52,234
Wheat Basis	39,684	67,413	105,328	68,570	127,068	74,192

Source: Korea Customs Service (KCS)

a/ estimated year-round imports of wheat flour based on the first eight months imports.

Korea: Wheat Flour Exports (Metric Ton, July/June)						
Country	MY2005	MY2006	MY2007	MY2008	MY2009	MY2010a/
Total	70,027	61,922	54,740	41,789	44,234	49,995
Wheat Basis	93,369	82,563	72,987	55,719	58,979	66,660

Source: Korea Customs Service (KCS)

a/ estimated year-round exports of wheat flour based on the first eight months exports.

Production, Supply and Demand Data Statistics:

Wheat PS&D

Wheat Korea, Republic of	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	5	5	7	13		15	(1000 HA)
Beginning Stocks	1,137	1,137	1,078	1,064		1,051	(1000 MT)
Production	26	26	27	37		50	(1000 MT)
MY Imports	4,470	4,362	4,200	4,000		4,200	(1000 MT)
TY Imports	4,470	4,362	4,200	4,000		4,200	(1000 MT)
TY Imp. from U.S.	1,231	1,116	0	1,400		1,300	(1000 MT)
Total Supply	5,633	5,525	5,305	5,101		5,301	(1000 MT)
MY Exports	105	59	100	50		50	(1000 MT)
TY Exports	105	59	100	50		50	(1000 MT)
Feed and Residual	2,200	2,172	1,800	1,800		2,000	(1000 MT)
FSI Consumption	2,250	2,230	2,200	2,200		2,200	(1000 MT)
Total Consumption	4,450	4,402	4,000	4,000		4,200	(1000 MT)
Ending Stocks	1,078	1,064	1,205	1,051		1,051	(1000 MT)
Total Distribution	5,633	5,525	5,305	5,101		5,301	(1000 MT)
Yield	5.	5.2	4.	2.8462		3.3333	(MT/HA)

TS=TD		0		0		0

WHEAT -- STATISTICAL TABLES

Korea: Import Trade Matrix of Wheat

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Wheat		
Time Period	July/June	Units:	1,000MT
Imports for:	2008		**2009**
U.S.	1148	U.S.	1116
Others		Others	
Australia	762	Australia	853
China	1133	Ukraine	1469
Canada	147	Canada	570
Russia	3	Russia	124
Total for Others	2045		3016
Others not Listed	16		103
Grand Total	3209		4235

Note: Matrix does not include wheat flour imports

Korea: Monthly Wheat Imports
(1,000 MT)

Month	Feed Wheat		Milling Wheat	
	MY 2009/10	MY 2010/11	MY 2009/10	MY 2010/11
July	114	163	103	221
August	157	111	170	113
September	236	127	184	225
October	163	241	169	241
November	110	186	151	181
December	257	265	201	86
January	188	91	218	356
February	130	144	150	160

Sub Total	**1,355**	**1328**	**1,346**	**1,583**
March	264	Na	172	Na
April	180	Na	138	Na
May	215	Na	208	Na
June	150	Na	207	Na
Total	**2,164**	Na	**2,071**	Na

Source: Korea Customs Service

Korea: MY 2010/11 Monthly Wheat Imports by Origin
(1,000 MT, based on Customs Clearance)

Country	U. S.	Australia	Canada	Ukraine	Other	Total
Milling Wheat						
2010 July	147	57	16	0	1	221
August	25	70	17	0	0	112
September	107	113	4	0	1	225
October	137	86	17	0	1	241
November	100	79	2	0	0	181
December	34	40	12	0	0	86
2011 January	174	164	19	0	0	357
February	57	75	28	0	0	160
Total	781	684	115	0	3	1,583
Feed Wheat						
2010 July	65	0	94	0	4	163
August	65	0	46	0	0	111
September	99	0	3	8	17	127
October	67	0	0	75	100	242
November	11	0	0	51	124	186
December	1	0	0	48	216	265
2011 January	0	0	53	13	25	91
February	0	22	97	12	13	144
Total	308	22	293	207	499	1,329
Total Wheat						
2010 July	212	57	110	0	5	384
August	90	70	63	0	0	223
September	206	113	7	8	18	352
October	204	86	17	75	101	483
November	111	79	2	51	124	367
December	35	40	12	48	216	351
2011 January	174	164	72	13	25	448
February	57	97	125	12	13	304
Total	1,089	706	408	207	502	2,912

Source: Korea Customs Service

Korea: Monthly Wheat Use
(1,000 MT)

Month	Feed Wheat		Milling Wheat a/	
	MY 2009/10	MY 2010/11	MY 2009/10	MY 2010/11

July	162	199	180	183
August	153	141	164	186
September	169	120	190	183
October	171	146	153	195
November	174	165	160	190
December	196	180	183	198
January	174	173	184	222
February	170	134	156	160
Sub Total	**1,369**	**1,258**	**1,370**	**1,517**
March	191	Na	176	Na
April	203	Na	177	Na
May	204	Na	165	Na
June	207	Na	178	Na
Total	2,172	Na	2,066	Na

Source: KFA and KOFMIA

a/ Milling wheat use data includes wheat flour exports, but excludes the portion used in soy-sauce production

Korea: Milling Wheat Imports by Variety
(Arrival Basis, Calendar Year)

Origin	Variety	CY 2009		CY 2010	
		(1,000 MT)	%	(1,000 MT)	%
United States	No. 1 WW/SW	434.9	21.7	373.3	17.5
	No. 1 WW/SW 9.5 max.	75.3	3.8	78.3	3.7
	No. 1 WW/SW 8.5 max.	28.4	1.4	37.2	1.7
	No. 1 White Club	0	0.0	0	0
	No. 1 Hard White	0	0.0	0	0
	No. 1 HRW 11.5 min.	231.9	11.6	250.3	11.7
	No. 1 DNS 14.0 min.	286.5	14.3	319.6	15.0
	No. 1 DNS 13.5 min.	0	0.0	12.7	0.6
	No. 2 SRW	4.9	0.2	5.9	0.3
	Sub Total	**1,061.9**	**53.0**	**1,077.3**	**50.5**
Australia	ASW [a/]	643.2	32.1	775.6	36.4
	AH [b/]	98.6	4.9	101.0	4.7
	ANW [c/]	48.6	2.4	21.0	1.0
	APW [d/]	0	0	8.2	0.4
	Sub Total	**790.4**	**39.4**	**905.8**	**42.5**
Canada	No. 2 CWRS 13.5 min. [e/]	**145.2**	**7.2**	**140.1**	**6.6**
Russia	RMW	**5.9**	**0.3**	**7.2**	**0.3**
Others [e/]	Organic Wheat	**1.6e/**	**0.1**	**1.0f/**	**0**
	Grand Total	**2,005.0**	**100.0**	**2,131.4**	**100.0**

Source: Korea Flour Mills Industrial Association (KOFMIA)

a/ Australian Standard White Wheat

b/ Australian Hard Wheat

c/ Australian Noodle Wheat

d/ Australian Premium Wheat

e/ Canada Western Red Spring

f/ Australian Wheat

Commodities:

Corn

Production:

Corn production is negligible and accounts for about less than one percent of total consumption. Planted area for MY 2011/12 is expected to remain steady at around 16,000 hectares, while production is forecast at 78,000 MT based on the preceding five-year average yield.

Korea: Corn Production			
Crop Year	Area (HA)	Yield (MT/HA)	Production (MT)
2000	15,808	4.06	64,205
2001	14,208	4.03	57,218
2002	17,344	4.22	73,223
2003	16,966	4.14	70,242
2004	18,218	4.26	77,616
2005	15,176	4.84	73,470
2006	13,661	4.73	64,623
2007	16,981	4.82	83,513
2008	18,366	5.05	92,830
2009	15,326	5.02	76,975
2010a/	15,528	4.70 b/	73,000

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ FAS/Seoul forecast
b/ based on preliminary survey data

Consumption:

MY 2011/12 corn consumption is forecast to decline to 7.8 million MT, down 0.3 million MT from the current marketing year estimate, due to an anticipated decrease in demand for feed corn due to the FMD outbreak that hit the swine industry. Feed corn consumption is projected to decrease to 5.7 million MT, down 0.3 million MT from the estimated current marketing year level in large part due to anticipated declines in compound feed production in the swine sector and a greater feed wheat consumption caused by an abundant supply of feed grade wheat from Australia. However, food, seed and industrial (FSI) corn consumption is expected to stay around 2.1 million MT to meet a constant demand of high fructose corn syrup (HFCS) from the soft drink industry. Since the second half of 2009, the price for HFCS has been much more competitive than sugar.

MY 2010/11 corn consumption is expected to decline to 8.1 million MT, down 0.3 million MT from the previous year due mainly to a sharp decrease in the swine numbers caused by FMD. The increase in processing corn is expected to prevent corn consumption from sliding further. The FSI corn consumption will increase to 2.1 million MT, up 3 percent from the previous year due to a greater demand for high fructose corn syrup (HFCS) replacing sugar demand in the soft drink industry during the current marketing year. Please refer to Corn and Wheat PSDs Update Reflecting FMD Outbreak (KS2119) for more details.

Compound feed production is expected to hold steady in MY 2010/11 and MY 2011/12, staying around 16 million metric tons, down 7 percent from MY 2009/10. Feed corn is the main ingredient used in compound feed, accounting for 35 to 40 percent of total ingredients. This ratio is projected to remain relatively constant for the foreseeable future based on the preferences of local livestock producers. Rising feed wheat use has impacted total corn demand in recent years.

Corn processors have continued using non-biotech IP corn imported from the United States and traditional corn imported from other countries such as Hungary, Serbia and South Africa. The perceived public concern over biotech continues to exert pressures on imported processing corn, especially biotech corn that is used to manufacture cooking oil and HFCS. Many food processing companies have been reluctant to use ingredients sourced from biotech corn. Some companies using starch and corn syrup have sourced ingredients imported from China since these items are reportedly derived from non-biotech corn.

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)				
Marketing Year	Feed	Processing a/	Food b/	Total
2007/08	7,046	1,494	98	8,638
2008/09	6,368	1,418	108	7,894
2009/10	6,362	1,928	92	8,382
2010/11 c/	6,000	2,000	100	8,100
2011/12 c/	5,700	2,000	100	7,800

Source: Korea Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)

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. Imported white corn for popping has been included since MY 2004.

c/ FAS Seoul forecast.

Korea: Feed Ingredient Use for Compound Feed Production (October/September, 1,000 MT)				
Items	MY 2008/09	MY 2009/10[/]	MY 2010/11[a/]	MY 2011/12[a/]
Sub. Total Grains and Grain Substitutes	**10,274**	**10,954**	**10,000**	**10,000**
- Wheat	1,416	2,149	1,600	2,000
- Corn	6,368	6,362	6,000	5,700
- Other Grains and Grain Substitute b/	2,490	2,443	2,400	2,300
Others c/	**6,060**	**6,301**	**6,000**	**6,000**
Grand Total	**16,334**	**17,255**	**16,000**	**16,000**

Source: Korea Feed Association (KFA)

a/ FAS Seoul forecast.

b/ includes Tapioca, bran and gluten feed.

c/ includes vegetable protein meal, animal protein, minerals/additives, tallow, DDGS and molasses.

Korea: Compound Feed Production by Species (October/September, 1,000 MT)				
Species	MY 2008/09	MY 2009/10	MY 2010/11a/	MY 2011/12a/
Poultry	4,413	4,564	4,600	4,700
Swine	5,307	5,465	4,500	4,200
Cattle	5,550	5,915	6,000	6,100
Others b/	1,009	1,233	900	1,000
Total	16,279	17,177	16,000	16,000

Source: Korea Feed Association (KFA)

a/ FAS/ Seoul forecast

b/ include ducks, pet food, rabbit, horse, sheep, deer, quail etc.

Trade:

MY 2011/12 corn imports are projected to decline to 7.7 million MT, down 300,000 tons from the current marketing year estimate due to a drop in feed corn imports to 5.7 million MT. The decline in feed corn imports is due to an expected 2 MT of feed wheat imports. In addition, the severe contraction of the swine inventory since the FMD outbreak in late November 2010 has slowed the growth of feed corn imports considerably.

MY 2011/12 U.S. corn imports are forecast to stay around 5.5 million MT or 71 percent of total Korean corn imports, but could reach as much as 6.0 million MT depending on the corn supply situation of other major exporters as well as the availability of traditional corn from eastern Europe.

Corn imports for MY 2010/11 are estimated to decrease to 8.0 million MT, down 0.5 million tons from the previous year due to a lower demand from feed millers. Please refer to Corn and Wheat PSDs Update Reflecting FMD Outbreak (KS2119) for more details.

As of early April 2011, importers have contracted for 6.4 million MT of corn delivering from October 2010 to July 2011. Most of the contracted purchases to date are for U.S. corn and/or optional origin at seller's option among the United States, South America, South Africa or Europe with a price range of $212-335 per metric ton CNF for feed corn. Meanwhile corn processors have contracted for U.S. No. 2 non-GM yellow corn and Eastern European conventional corn with a price range of $236-355 per metric ton CNF for the same period.

MY 2010/11 U.S. corn imports are estimated at staying around 6 million tons and could reach 6.5 million tons based on the records of U.S. corn imports for the first five months.

In MY 2009/10, the United States enjoyed a lion's share of 89 percent of total corn imports in Korea, representing 94 percent of total feed corn imports and 70 percent of total food processing corn imports, respectively.

Korean Consortium to Establish an International Grain Trader:

The Korean government is intensely concerned about the prospect for speculation in international grains and oilseeds markets. Thus, the government is strengthening its food security policies by developing an overseas agricultural production system and exploring an advanced system for securing food grains and oilseeds.

This food security strategy is being initiated by the Ministry of Strategy and Finance (MOSF). The state-run Korea Agro-Fisheries Trade Corporation (aT) formed a consortium with four private companies (Samsung C&T Corporation, STX Corporation, CJ Corporation and Hanjin Shipping) to implement the strategy last December. The goal of the strategy is to directly secure at least 20 percent or 2.5 million MT of the nation's total annual imports of grains and oilseeds, including 1.5 million MT of corn by 2015.

On April 25, 2011, the consortium signed an agreement to set up an international grain trading company in Chicago. However, CJ Corporation dropped out of the consortium.

Through this consortium, the government plans to import 50,000 MT of U.S. corn and soybeans, respectively and expand the volume of grain and soybean imports to 920,000 MT next year. The company also plans to invest in commodity trading facilities as well as river and port elevators through strategic partnerships with grain traders in the United States.

Furthermore, on March 2011, Korea signed a memorandum of understanding (MOU) with Brazil and business agreements with Russia and Ukraine to diversify the procuring of grains and oilseeds. The Korean government continues to explore importing grains from Southeast Asian countries such as Philippines, Laos, Malaysia, Indonesia, Cambodia, etc.

Korea: Corn Imports
(1,000MT, Customs Cleared Basis)

Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Processing	Total	Feed	Processing	Total	%
05/06	6,507	1,975	8,482	4,813	561	5,374	63
06/07	6,860	1,871	8,731	4,036	150	4,186	48
07/08	7,680	1,629	9,309	7,259	1,077	8,336	90
08/09	5,781	1,431	7,212	4,883	921	5,804	80
09/10	6,457	2,003	8,460	6,097	1,407	7,504	89
10/11 a/	6,000	2,000	8,000	5,000	1,000	6,000	75

Source: Korea Customs Service

a/ FAS/Seoul forecast

Korea: Corn Contracts by Estimated Time of Arrival (ETA) (Unit: 1,000 MT, as of April, 2010)					
ETA	U.S.	Europe	South Africa	Others 1/	Total
Oct. 2010	385	55	0	273	713
Nov.	220	0	0	275	495
Dec.	705	165	0	0	870
Jan. 2011	385	55	55	218	713
Feb.	55	53	0	536	644
Mar.	103	48	48	546	745
Apr.	389	0	0	486	875
May	309	48	0	55	412
Jun.	510	55	0	55	620
Jul.	180	48	0	55	283
Total	3,241	527	103	2,499	6,370

Source: Local Grain Traders

1/ optional origins at seller's option

In late December 2010, the MOSF released its adjusted tariffs and temporary tariff rate quotas (TRQ) for CY2011 (Jan-Dec). These adjusted TRQs cover a variety of agricultural products, including feed and processing corn. The TRQs for these commodities were expanded with feed corn set at 9 million MT, with a zero percent duty and processing corn was fixed at 2.234 million MT, with a duty of one percent. Please refer to KS1105 for more details.

On February 28, 2011, the government cut import duties further to zero for processing corn as a move to stabilize rising domestic food prices. Please refer to KS1113 for more details. The out-of-quota duty for both feed and processing corn remained fixed at 328 percent.

Of the annual TRQ for feed corn, 9 million MT has been allocated to feed millers who are members of the Korean Feed Association (KFA) and Nonhuyp Feed Inc. (NOFI). The Korea Corn Processing Industry Association (KOCPIA) manages the 2.2 million MT of processing corn TRQ.

Korea: Import Tariff Rate for CY 2011							
Commodity	In-Quota				Out-of-Quota Rate	Bound Tariff Rate	
	Current Market Access Quota		Temporary Quota			In-Quota	Out-of-Quota
	Volume	%	Volume	%	%	%	%
Feed Corn 1005.90.1000	6,102,100 MT	1.8	9,050,000 MT a/	0	328	1.8	328

Processing Corn 1005.90.9000		3	2,234,000 MT [b/]	0	328	3	328
Pop Corn 1005.90.2000		1.8	10,000 MT [c/]	1.8	630	1.8	630

Source: Korea Customs Service (KCS)

a/ include 50,000 MT for mushrooms cultivation

b/ include 10,000 MT of white corn for popping

c/ governed by the CMA quota

Production, Supply and Demand Data Statistics:

Corn PS&D

Corn Korea, Republic of	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	15	15	16	16		16	(1000 HA)
Beginning Stocks	1,466	1,466	1,592	1,634		1,607	(1000 MT)
Production	77	77	80	73		78	(1000 MT)
MY Imports	8,461	8,460	8,000	8,000		7,700	(1000 MT)
TY Imports	8,461	8,460	8,000	8,000		7,700	(1000 MT)
TY Imp. from U.S.	6,795	7,504	0	6,000		5,500	(1000 MT)
Total Supply	10,004	10,003	9,672	9,707		9,385	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
TY Exports	0	0	0	0		0	(1000 MT)
Feed and Residual	6,362	6,362	6,000	6,000		5,700	(1000 MT)
FSI Consumption	2,050	2,032	2,100	2,100		2,100	(1000 MT)
Total Consumption	8,412	8,394	8,100	8,100		7,800	(1000 MT)
Ending Stocks	1,592	1,634	1,572	1,607		1,585	(1000 MT)
Total Distribution	10,004	10,028	9,672	9,707		9,385	(1000 MT)
Yield	5.	5.1333	5.	4.5625		4.875	(MT/HA)
TS=TD		25		0		0	

CORN -- STATISTICAL TABLES

Korea: Import Trade Matrix of Corn

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Corn		
Time Period	Oct/Sept	Units:	1,000MT
Imports for:	2008		**2009**
U.S.	5804	U.S.	7504
Others		Others	
China	0	China	12
Brazil	715	Brazil	201
Hungary	342	Hungary	289
Argentina	167	Argentina	243
Australia	51	Australia	19
		Serbia	103
Total for Others	1275		867
Others not Listed	133		89
Grand Total	7212		8460

Korea: Corn Imports
(1,000MT, Customs Cleared Basis)

Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Food	Total	Feed	Food	Total	%
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
04/05	6,739	1,895	8,634	2,303	190	2,493	29
05/06	6,507	1,975	8,482	4,813	561	5,374	63
06/07	6,860	1,871	8,731	4,036	150	4,186	48
07/08	7,680	1,629	9,309	7,259	1,077	8,336	90
08/09	5,781	1,431	7,212	4,883	921	5,804	80
09/10	6,457	2,003	8,460	6,097	1,407	7,504	89
10/11 a/	6,000	2,000	8,000	5,000	1,000	6,000	75

Source: FAS Seoul

a/ FAS/Seoul forecast.

Korea: Monthly Corn Import (1,000 MT)				
Month	Feed Corn		Processing Corn	
	MY 2009/10	MY 2010/11	MY 2009/10	MY 2010/11
October	521	589	155	133
November	426	350	143	202
December	568	649	110	74
January	420	577	155	281
February	406	480	153	137
Subtotal	**2,341**	**2,645**	**761**	**827**
March	586	Na	135	Na
April	557	Na	188	Na
May	666	Na	200	Na
June	547	Na	210	Na
July	644	Na	160	Na
August	547	Na	205	Na
September	569	Na	189	Na
Total	**6,457**	Na	**2,003**	Na

Source: Korea Customs Service

Korea: MY 2010/11 Monthly Corn Imports by Origin (1,000 MT, based on Customs Clearance)						
Country	U. S.	South Africa	Brazil	Argentina	Others1/	Total
Feed Corn						
2010 Oct.	514	75	0	0	0	589
Nov.	302	48	0	0	0	350
Dec.	591	0	53	5	0	649
2011 Jan.	479	97	0	0	0	576
Feb.	459	21	0	0	0	480
Subtotal	2345	241	53	5	0	2,644
Processing						
2010 Oct.	99	0	6	0	28	133
Nov.	60	29	34	0	78	202
Dec.	45	0	13	0	15	73
2011 Jan.	75	21	17	0	168	281
Feb.	96	0	0	0	41	137
Subtotal	375	50	70	0	330 1/	825
Total						
2010 Oct.	613	75	6	0	28	722
Nov.	362	77	34	0	78	551
Dec.	636	0	66	5	15	722
2011 Jan.	554	118	17	0	168	857
Feb.	555	21	0	0	41	617
Grand Total	2,720	291	123	5	330	3469

Source: Korea Customs Service

1/ mainly non-GM corn originated from Hungary (149,909 MT), Serbia (156,976 MT), Sweden (13,659MT), Australia (7,453 MT), Paraguay (1,726 MT) and New Zealand (263 MT)

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)

Marketing Year	Feed	Processing a/	Food b/	Total
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	6,614	2,057	51	8,722
2004/05	6,619	1,966	81	8,666
2005/06	6,510	1,996	73	8,579
2006/07	6,897	1,856	63	8,833
2007/08	7,046	1,495	92	8,633
2008/09	6,368	1,418	108	7,894
2009/10	6,362	1,940	92	8,394
2010/11 c/	6,000	2,000	100	8,100

Source: Korea Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)

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. Imported white corn for popping has been included since MY 2004.

c/ FAS Seoul forecast.

Korea: Processing Corn Consumption (Oct./Sept., 1,000 MT)			
Marketing Year	Wet Milling	Dry Milling	Total
1998/99	1,670	216	1,886
1999/00	1,783	221	2,004
2000/01	1,880	204	2,092
2001/02	1,911	181	2,092
2002/03	1,929	180	2,109
2003/04	1,892	165	2,057
2004/05	1,837	129	1,966
2005/06	1,896	100	1,996
2006/07	1,752	105	1,857
2007/08	1,405	90	1,495
2008/09	1,343	74	1,417
2009/10	1,864	76	1,940

Source: Korea Corn Processing Industry Association (KOCPIA)

Korea: Monthly Corn Use (1,000 MT)				
Month	Feed Corn		Processing Corn	
	MY 2009/10	MY 2010/11	MY 2009/10	MY 2010/11
October	504	573	137	182
November	507	583	137	173
December	565	612	140	173
January	510	550	159	177
February	483	420	151	151
Subtotal	**2,569**	**2,738**	**724**	**856**
March	551	Na	171	Na
April	554	Na	169	Na
May	538	Na	166	Na

June	537	Na	179	Na
July	525	Na	182	Na
August	522	Na	176	Na
September	566	Na	161	Na
Total	6,362	**Na**	1,928	**Na**

Source: Korea Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)

Korea: Animal Inventory
(1,000 Head, 1,000 Birds)

Animal	Year	March	June	September	December
Beef Cattle	2007	2,043	2,179	2,220	2,201
	2008	2,241	2,448	2,470	2,430
	2009	2,481	2,599	2,645	2,635
	2010	2,706	2,889	2,949	2,915
	2011	2,868	3,013	2,960[d/]	2,942[d/]
Dairy Cattle	2007	461	456	455	453
	2008	451	445	445	446
	2009	448	439	438	445
	2010	449	432	429	430
	2011	392	390	391[d/]	393[d/]
Swine [a/]	2007	9,345	9,462	9,659	9,606
	2008	8,981	9,153	9,284	9,087
	2009	9,177	9,044	9,381	9,585
	2010	9,768	9,728	9,901	9,881
	2011[d/]	7,000	6,500	7,000	7,652
Layer [b/]	2006	53,520	55,200	55,388	57,238
	2007	56,525	56,542	55,117	56,093
	2008	57,850	59,720	58,200	59,170
	2009	60,240	61,140	61,998	62,967
	2010	62,524	61,586	60,095	61,700
	2011	59,840	57,380	60,000[d/]	61,000[d/]
Broiler [c/]	2006	63,935	84,279	57,713	55,375
	2007	63,350	87,359	59,946	56,227
	2008	67,010	77,850	55,560	54,480
	2009	68,690	99,983	68,123	67,194
	2010	72,692	101,690	71,271	74,050
	2011	73,490	100,000[d/]	73,000[d/]	76,000[d/]

Source: Korea Rural Economic Institute, MIFAFF

a/ includes 864,000 heads of statistical difference between FAS/Seoul and Korean government.

b/ Excluding breeders.

c/ Excluding multi-use broilers.

d/ FAS/Seoul forecast based on KREI data

Korea: Feed Ingredients Use for MY2008-MY2009
(1,000 MT)

INGREDIENT	MY2008/2009			MY2009/2010		
	TOTAL	DOM [1/]	%	TOTAL	DOM [1/]	%
GRAINS						
CORN	6,368	0	39.0	6,362	0	36.9

SORGHUM	0	0	0	0	0	0
WHEAT	1,416	3	8.7	2,150	0	12.5
BARLEY	27	5	0.2	24	4	0.1
RYE	0	0	0	0	0	0
OATS	2	0	0.0	2	0	0.0
GSP/BROKEN GRAIN	41	41	0.3	47	47	0.3
TAPIOCA	486	0	3.0	289	0	1.7
LUPIN SEED	90	24	0.6	208	38	1.2
OTHERS	142	114	0.9	123	119	0.7
SUB TOTAL	**8,572**	**187**	**52.5**	**9,205**	**208**	**53.3**
GRAIN BY-PRODUCTS						
WHEAT BRAN	686	393	4.2	653	390	3.8
RICE BRAN	160	160	1.0	175	175	1.0
BARLEY BRAN	0	0	0	1	1	0
CORN BRAN	0	0	0	0	0	0
GLUTEN FEED	648	373	4.0	639	411	3.7
OTHERS	253	189	1.5	282	217	1.6
SUB TOTAL	**1,747**	**1,115**	**10.7**	**1,750**	**1,194**	**10.1**
ANIMAL PROTEIN						
FISH MEAL	28	20	0.2	23	16	0.1
MEAT & BONE MEAL	18	18	0.1	18	18	0.1
OTHERS	84	83	0.5	87	87	0.5
SUB TOTAL	**130**	**121**	**0.8**	**128**	**121**	**0.7**
VEGETABLE PROTEIN						
SOYBEAN MEAL	2,271	539	13.9	2,176	576	12.6
RAPESEED MEAL	386	1	2.4	306	0	1.8
SESAMESEED MEAL	17	17	0.1	15	15	0.1
PERILLA SEED MEAL	6	6	0.0	5	5	0.0
CORN GLUTEN MEAL	79	67	0.5	86	79	0.5
DDGS	350	144	2.1	474	136	2.7
COTTONSEED MEAL	8	1	0.0	5	0	0.0
PARM KERNEL MEAL	502	8	3.1	596	0	3.5
COPRA MEAL	389	1	2.4	523	1	3.5
OTHERS	182	131	1.1	228	85	1.3
SUB TOTAL	**4,190**	**915**	**25.7**	**4,414**	**897**	**25.6**
ADDITIVES/MINERALS						
CALCIUM PHOSPHATE	84	68	0.5	82	65	0.5
LIMESTONE	399	399	2.4	435	435	2.5
SALT	58	58	0.4	64	62	0.4

OTHER	206	201	1.3	224	224	1.3
SUB TOTAL	**747**	**726**	**4.6**	**805**	**786**	**4.7**
OTHER INGREDIENTS						
TALLOW	364	321	2.2	365	331	2.1
MOLASSES	423	358	2.6	401	344	2.3
UREA	1	1	0.0	1	1	0.0
OTHER	160	151	1.0	187	176	1.1
SUB TOTAL	**948**	**831**	**5.8**	**954**	**852**	**5.5**
GRAND TOTAL	**16,334**	**3,895**	**100.0**	**17,256**	**4,058**	**100.0**

Source: Korea Feed Association (KFA)

1/ Domestic Products

Commodities:

Rice, Milled

Production:

MY 2011/12 rice production is forecast to stay around 4.3 million tons due to lower planting intentions caused by bearish rice market prices for the last two years and the ongoing government rice reduction program. According to a recent Korea Rural Economic Institute (KREI) survey of 1,615 rice farmers from December 27, 2010 – January 5, 2011, area planted is expected to decline to 855,000 HA, down 4.1 percent from last year. As planted area decline, rice production will likely level off. Information about the 2010 rice crop is available in Rice Production Update (KS1031).

Yield

Rice farmers prefer planting high yield varieties because of government direct payment programs designed to support rice farmers' income. Consequently, increased yields are expected to offset the effects of declining paddy land.

Korea: Rice Area, Yield and Production

Crop Year	Area (1,00HA)	Yield (KG/10A)	Production (Milled, 1,000 MT)
2002 [a/]	1,053	471	4,927
2003 [b/]	1,016	441	4,451
2004	1,001	504	5,000
2005	980	490	4,768
2006	955	489	4,680
2007	950	464	4,408
2008	936	518	4,843
2009	925	532	4,916
2010	892	482	4,295
2011 [c/]	855	497	4,300

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

a/ Heavy rains during the summer and the effects of typhoon Rusa (Aug 31 – Sep 1)

b/ Cool and rainy days during the growing season and the effects of typhoon Maemi (Sep 9 - 12).

c/ FAS/Seoul forecast based on rice farmers' planting intention surveyed by Korean government.

Production Policy:
The Korean government encourages and promotes self-sufficiency in rice production. Due to the current oversupply of rice the Korean government is seeking to divert rice area to other crops. Rice farmers receive two types of income support payments under the Rice Income Compensation Act (RICA), an area payment and a deficiency payment. In CY 2010, combined support payments totaled 1.37 trillion won ($1.19 billion). An explanation of how these payments are calculated follows.

Area Payment: This payment is made on a per hectare basis and is calculated using the average area of rice production during the base period 1998-2000. The 2010 area payment was 703,163 won ($608) on average per hectare. Paddy area covered under this support program declined to 885,000 hectare, slightly down 1 percent from the previous.

Deficiency Payment: The deficiency payment is 85 percent of the difference between the national-average market price during the 2010 harvest season (Oct-Jan) and the 2010 target price, less the area payment. In 2010 the deficiency payment amounted to 194.9 won/kg ($0.17/kg), while the average harvest price of 1,727.9 won ($1.49) per kilogram (milled) was lower than the target price of 2,126 won ($1.84) per kilogram (milled). The area payment of 703,163 won per hectare is converted to a kilogram equivalent (143.6 won/Kg) by dividing it by the 1999-2003 Olympic average yields*.

Deficiency payments have surged from 600 billion won ($471 million) in 2009 to 750 billion won ($649 million) in 2010. The reason for this significant increase is due to bearish farm gate prices during the recent harvest seasons. The deficiency payment calculation is shown below.

[(Target Price W/kg - Average Harvest Price W/kg) x .85] - Area Payment per HA /Avg. National Yield per HA

[W 2,126 – W 1,727.9] x .85] – W 703,163/4,880 = W 194.9 per kilogram

Note: *Olympic average yields: an average during a 5-year period, dropping the highest and lowest values.

PSSE: Korea revised its Grain Management Act in March 2005 to replace the government purchasing program with a Public Storage System for Emergencies (PSSE). The PSSE was introduced as a means to ensure food security. The government supports farmers through direct purchase of domestic rice through the PSSE program. Under this program, the Korean government purchases domestic milled rice during the harvest season (Oct-Dec) paying the average market price and then sells it during the non-harvest periods at the prevailing domestic market price.

The government purchased 340,000 MT (milled) of paddy rice, or 7.9 percent of the 2010 crop at an average price of 1,718 won ($1.49) per kilogram based on #1 grade. In addition to the government purchase of 340,000 MT, the National Agricultural Cooperative Federation (NACF) on behalf of the government purchased another 86,000 MT at government purchasing price to stabilize farm gate prices during the harvest period.

In 2011, the government plans to maintain its purchase under the PSSE and is expected to buy 340,000 MT, which will be 50 percent of government held domestic rice under the PSSE program.

Rice Reduction Plan:
The government is encouraging rice farmers to cultivate other crops because of the surplus rice produced by consecutive bumper crops in 2008 and 2009. The Korean government has revised relevant regulations supporting the area direct payment of 700,000 won ($608) on average per hectare to eligible farmers for cultivating other crops in their paddy fields. In addition, the government tentatively plans to provide support of 3 million won ($2,600) per hectare for farmers who cultivate other crops in their rice paddy fields. However, the deficiency direct payment is not payable for farmers who participate in this program.

The tentative plan is to have rice farmers cultivate other crops in 40,000 HA paddy land from 2011-2013. The government's target is to reduce rice production by 200,000 MT annually.

Korea: Direct Payment Program for Rice Income Compensation							
Year	Area Payment (A)			Deficiency Payment (B)			Total (Billion Won) (A)+(B)
	Area (1,000 HA)[1/]	Payment (Won/HA)	Total (Billion Won)	Production (1,000 MT)[2/]	Payment (Won/Kg)	Total (Billion Won)	
2005	1,007	600,000	604.2	4,586	196.4	900.6	1,504.8
2006	1,024	700,000	716.8	4,637	94.2	437.1	1,153.9
2007	1,018	700,000	712.6	4,553	61.3	279.3	991.9
2008	1,014	700,000	709.8	4,499	none	0	709.8
2009	894	703,696	629.1	3,977	150.4	598.2	1,227.3
2010	885	703,163	622.3	3,850	194.9	750.4	1,372.7

Source: FAS/Seoul estimate based on MIFAFF data

1/ Those eligible for payment include farmers, farming union corporations, agricultural corporations, or anyone producing rice on a minimum of 0.1 HA of farmland between Jan 1, 1998 and Dec 31, 2000.

2/ based on the Olympic average rice yield is 4,880 Kg per hectare for 1999-2003 and actual cultivated area registered under the program.

Korea: Government Rice Purchases under PSSE			
Crop Year	Production(1,000 MT)	Purchase(1,000 MT)	%
2005	4,768	719	15.1
2006	4,680	504	10.8
2007	4,408	417	9.5
2008	4,843	400	8.3
2009	4,916	370	7.5
2010	4,295	340	7.9
2011	na	340[a/]	na

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

a/ Plan

Korea: NACF Rice Purchases a/			
Crop Year	Production(1,000 MT)	Purchase(1,000 MT)	%
2005	4,768	1,071	22
2006	4,680	1,306	28
2007	4,408	1,227	28
2008	4,843	1,617	33
2009	4,916	1,950	40
2010	4,295	1,380	32

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

a/ exclude independent RPC purchases

Consumption:

Korean consumers prefer short grain table rice to all other rice varieties. MY 2011/12 consumption is forecast at 4.8 million tons, the same as the current marketing year. Imported rice represents only 7 percent of total consumption.

Per capita table rice consumption continues to decline as eating habits change due to rising incomes and the growing popularity of Western foods. Annual per capita table rice consumption reached its peak at 136.4 Kg in 1970 and has gradually declined. FAS/Seoul forecast a fall in per capita table rice consumption to a record low of 70.5 Kg in MY 2011/12 based on the declining trend of table rice consumption.

Korea is self sufficient in rice production and 83 percent of production is consumed as table rice. Korea also consumes a small volume of imported rice as part of its commitment under the WTO Minimum Market Access (MMA) rice agreement. MY 2011/12 consumption of imported rice is projected at 350,000 metric tons.

In MY 2011/12, Korea's food processing industry is forecast to use about 700,000 tons of rice (milled), of which a third will be imported. Nearly 63 percent of processing rice is used for food processing and about 37 percent is used for liquor processing according to the latest official statistics. Consumption of processing rice is expected to grow gradually in the coming years as the government continues its efforts to globalize Korean cuisine, which includes rice cakes and other rice based snacks.

The country's rice surplus has also pressed the government to support the rice processing industry through government research and development (R &D) programs to develop rice based recipes. Additional support is being provided to rice processors to help set up processing facilities. The government has set an annual budget for R&D at one billion Korean won and floated 60 billion Korean won for a facility funding program in CY 2011. The government has also continued the "R-10 Korea" campaign, which encourages consumers to switch from wheat to rice-based products.

Korea: Rice Utilization Pattern (1,000 MT, milled)				
Rice Year (Nov.- Oct.)	MY 2008/09 [a/]	MY 2009/10 [b/]	MY 2010/11 [c/]	MY 2011/12 [c/]
Table Rice	3,683	3,638	3,600	3,550
Processing	366	554	650	700
(for food)	(278)	(347)	(450)	(500)
(for liquor)	(88)	(207)	(200)	(200)
Seed	40	39	39	39
Other, including loss	702	467	500	500
Total Demand	**4,791**	**4,698**	**4,789**	**4,789**
Per Capita Table Rice Consumption (Kg)	74.0	72.8	71.8	70.5

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

a/ Revised b/ Preliminary c/ FAS/Seoul Forecast

Korea: Processing Rice Consumption Pattern (1,000 MT, milled)			
Purpose	MY 2008/09	MY 2009/10[a/]	MY 2010/11[b/]
KRFA	132	180	220
KALIA	88	207	200
Others [c/]	189	167	230
Total	366	554	650

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)

a/ MIFAFF preliminary

b/ FAS/Seoul forecast

c/ traditional foods or beverage made of local rice.

Note: Korea Rice Foodstuffs Association (KRFA), Korea Alcohol & Liquor Industry Association (KALIA)

Korea: Rice Supply for Processing Purposes to KRFA Members (Metric Ton, Milled)			
Calendar Year	Local Rice	Imported Rice	Total
1996	130,632	3,000	133,632
1997	30,171	57,957	88,128
1998	933	77,259	78,192
1999	0	74,214	74,214
2000	0	67,112	67,112
2001	0	66,850	66,850
2002	79	73,884	73,963
2003	306	84,851	85,157
2004	249	91,624	91,873

2005	215	96,020	96,235
2006	67	97,250	97,317
2007	210	101,064	101,274
2008	572	109,552	110,124
2009	806	131,344	132,150
2010	24,887	154,821	179,708
2011[a/]	na	na	220,000

Source: Korea Rice Foodstuffs Association (KRFA)
a/ KRFA's forecast

Korea: 2010 Rice Supply for Processing Purposes to KRFA Members (Metric Ton, Milled)		
Item	Quantity	Ratio (%)
Cake/Noodle	78,586	44
Confectionary	7,911	4
Flour	31,117	17
Alcohol	44,906	25
Sticky Sweet	9,704	5
Traditional Food	1,554	1
Others	5,930	3
Total	179,708	100

Source: Korea Rice Foodstuffs Association (KRFA)

Trade:

Korea imports rice as part of its WTO Minimum Market Access (MMA) rice agreement. Import volumes will continue to grow according to the predefined MMA schedule until the end of 2014.

Tariffication

The government-sponsored rice sub-committee presented a comprehensive proposal for early tariffication to the government in early October 2010. The plan contains strong pro and con arguments on tariffication from farmer groups. The sub-committee recommended that the government should implement an early tariffication policy after establishing domestic support measures reflecting small-and-medium sized farmers' concerns. Accordingly, based on the sub-committee's recommendation, the government has established a "Five-Year Comprehensive Plan for Rice Industry Development" that was initially set to be released by the end of 2010 but was delayed because of the FMD outbreak. The government's internal procedures for implementing early tariffication could start soon after the National Assembly ratifies the KORUS FTA. If implemented as planned, early tariffication would open up the Korean rice market beginning January 2012.

Imports:

MY 2011/12 rice imports are forecast at about 347,658 tons (milled), up 20,347 tons from the previous year. Under the 2011 MMA, Korea is committed to purchase 347,658 tons (milled) of rice, which will likely occur in the second half of 2011. Of the total committed purchase amount, approximately 100,000 MT (milled), or 29 percent of the 2011 MMA, will be U.S. medium grain rice, under Country Specific Quota (CSQ) and Most Favored Nation (MFN) quota allocations.

2010 MMA Purchases Completed:

The 2010 MMA tendering process was completed in late December 2010. Korea purchased a total of 327,311 metric tons (MT) of rice from the United States, China, Thailand and Pakistan. The U.S. share was 28.6 percent, with contracts totaling 93,719 MT (milled), worth of $83 million. The bulk of the U.S. contracts, roughly 69,000 MT, were for brown rice and the remaining 31,537 tons were for milled table rice. More details on the tender results are available in KS1116 (2010 MMA Rice Tender Results). Of note, Korea also purchased 1,000 MT of glutinous milled rice for processing purpose from the United States for the first time.

The contracted price for U.S. #1 table rice was $950/MT, CFR, on average, up approximately 10 percent from the previous year in part due to a bullish international grain market. U.S. #3 table rice was at $908/MT, CFR, up 10 percent from the previous contracted price. Chinese #1 table rice prices increased 13 percent up to $971/MT, CFR, from the previous year while Thai #1 table rice prices fell to $616/MT, CFR, down 5 percent from the previous year, respectively.

Korea: Rice Contracts by Country, 2010 MMA
(Unit: MT, Milled Basis)

Country	Global Quota		CSQ		Total (%)
	Processing	Table	Processing	Table	
USA	39,325	4,318	23,857	26,219	93,719
China	42,411	0	50,603	65,556	158,570
Thailand	40,347	0	27,863	2,100	70,310
Pakistan	4,712	0	0	0	4,712
S.Total	126,795	4,318	102,323	93,875	327,311
G. Total	**131,113**		**196,198**		**327,311**

Source: Korea Agro-Fishery Corporation (aT)

Korea: Value of U.S. Rice Sales to Korea, 2010 MMA

Contracts	Milled rice(MT)	Brown rice(MT)	Arrival unit price	Amount
			($/MT)	($)
1		5,556a/	676.00	3,755,856
2		20,000a/	736.00	14,720,000
3		17,028a/	758.00	12,907,224
4	13,597		928.00	12,618,016
5	2,622		908.00	2,380,776
6	1,000a/b/		1,120.00	1,120,000
7		21,508	812.00	17,464,496
8		5,000	809.89	4,049,450
9	10,000		975.00	9,750,000
10	4,318a/		958.00	4,136,644
total	**31,537**	**69,092**		**82,902,462**

Source: Korea Agro-Fishery Corporation (aT), totaling 93,719MT on milled basis.
a/ under the Global Quota
b/ Sweet rice for processing purpose

Auctions:
The government's state trading arm, the Korea Agro-Fishery Trade Corporation (aT), manages the purchase and sale of imported rice. The aT sells the table rice shipments through a public auction system. The Ministry of Food, Agriculture, Forestry, and Fisheries (MIFAFF) sells the processing rice to end-users throughout the year. The 2010 MMA shipments started arriving in late 2010 and will continue till the end of November 2011. Approximately 98,193 MT of table rice will be delivered over this period.

The aT kicked off table rice auctions for Thai rice and Chinese rice in early April 2011. The auctions for U. S. rice started at the end April due to late arrivals. However, the progress of auctions has been very slow not much better than in past two years. The slow auctions are partly due to bearish domestic rice market prices caused by high supplies of local rice and strengthened country of origin labeling (COOL) requirements which apply to rice served in all restaurants.

In response to sluggish sales of imported rice under the 2009 MMA, aT dropped its selling floor prices three times, from 1,350 won ($1.17) per Kg to 900 won ($0.78) for U.S. #1 medium grain rice, while Chinese #1 short grain price declined from 1,300 won ($1.12) per Kg to 850 won ($0.74). The price for Thai #1 long grain was also reduced to 550 won ($0.48) per Kg from 950 won ($0.82). In March, aT successfully sold the total amount of U.S. imported table rice but was unable sell all of the imported rice from China and Thailand. The unsold table rice from China and Thailand was diverted to producing alcohol according to the agreements between Korea and the two countries.

Korea: Status of Rice Auction for Table Rice under 2009 CSQ
(Unit: metric tons, milled basis, as of March 24, 2011)

Commodity	USDA Grade	Total Table Rice CSQ	Auctioned Off	Balance	Rate of Auctioned Off (%)
U.S. Medium Grain	#1	21,384	20,955	429 [a/]	98
	#3	2,376	2,373	3	100
Chinese Short Grain	#1	29,682	18,833	10,849 [b/]	63
	#3	19,780	639	19,141 [b/]	3
Chinese Medium Grain	#1	3,510	197	3,313 [b/]	6
Thai Long Grain	#1	3,078	1,578	1,500 [c/]	51
Total		79,810	44,575	35,235	56

Source: Korea Agro-Fishery Trade Corporation (aT)
a/ Of them, 418 MT was damaged quantities.
b/ to be diverted to the alcohol processing purpose at Korean won 285 per Kg (US$0.25) from late April through early August 2011.
c/ to be diverted to the alcohol processing purpose soon after an agreement with Thai government.

Korea: Status of Rice Auction for Table Rice under 2008 CSQ
(Unit: metric tons, milled basis, as of May 31, 2010)

Commodity	USDA Grade	Total Table Rice CSQ	Auctioned Off	Balance	Rate of Auctioned Off (%)
U.S. Medium Grain	#1	15,191	15,186	5	100
	#3	3,798	3,784	14	100
Chinese Short Grain	#1	23,575	16,975	6,600[a/]	72
	#3	15,717	0	15,717[a/]	0
Chinese Medium Grain	#1	2,774	157	2,617[a/]	6
Thai Long Grain	#1	2,000	2,000	0	100
Total		63,055	38,102	24,953	60

Source: Korea Agro-Fishery Trade Corporation (aT)
a/ diverted to the alcohol processing purpose at Korean won 229 per Kg (US$0.18) from May through July 2010.

Korea: Auctioned-Off Prices of Imported Table Rice Comparing with Local Rice
(Unit: Korean Won per Kg on Average)

Auctioning-off Period	U.S. Medium Grain		Chinese Short Grain (Medium Grain)		Thai Long Grain	Korean Short Grain Wholesale	
	#1	#3	#1	#3	#1	High Quality	Medium Quality
2006 April-September (2005 MMA)	1,138	991	1,274	1,133	555	1,861	1,812
2007 March-August (2006 MMA)	1,363	1,211	1,357	1,303	953	1,961	1,916
2008 February-August	1,542	1,510	1,487	1,558	1,132	2,034	1,983

(2007 MMA)							
2009 February-May 2010 (2008 MMA)	1,160	994	1,125 (1,100)	na	1,329	1,913	1,845
2010 February-March 2011 (2009 MMA)	970	881	914 (850)	893	672	1,692	1,635

Source: Korea Agro-Fishery Trade Corporation (aT)

Exports:

Since CY2008, Korea has exported negligible amount of rice to other countries. In CY 2010, Korea exported 3,765 MT of milled rice with Australia importing 1,815 MT or 48 percent of total Korean rice exports followed by 35 other countries. The U.S. imported 272 MT of Korean rice for the period. The South Korean Red Cross donated 5,000 MT of milled rice to the Red Cross Society of the Democratic People's Republic of Korea (DPRK) in 2010.

Stocks:

MY 2011/12 ending stocks (as of end of October 2012) are forecast to decrease to about 1.2 million tons, 25 percent of total consumption, as domestic rice consumption for processing purpose will continue increasing due to a government supported program. MY 2010/11 stocks (as of end of October 2011) are forecast at 1.34 million tons, equivalent to roughly 28 percent of domestic consumption.

Ending stocks of imported rice continue to level off as the government encourages the use of rice in food processing. Imported rice stocks for MY 2011/12 are expected to remain at 100,000 metric tons the same for the previous year.

Korea: Status of Rice Stocks
(Milled rice, 1,000 MT, as of end October)

Rice Year (Nov.-Oct.)	2006/07	2007/08	2008/09	2009/10[a/]	2010/11[b/]	2011/12[c/]
Total	702	694	996	1,511	1,344	1,191
Government Stock	596	608	805	818	800	800
-Domestic Rice	456	510	698	636	700	700
-Imported Rice	140	98	107	182	100	100
NACF [d/]	0	0	151	616	500	350
Civil Stock	106	86	40	77	44	41

Source: FAS/Seoul Estimate based on MIFAFF data.
a/ MIFAFF Preliminary
b/ FAS/Seoul Preliminary
c/ FAS/Seoul forecast
d/ NACF purchase under the government loan program.

Production, Supply and Demand Data Statistics:

Rice PS&D

Rice, Milled Korea, Republic of	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	924	924	892	892		855	(1000 HA)
Beginning Stocks	996	996	1,453	1,511		1,344	(1000 MT)
Milled Production	4,916	4,916	4,300	4,295		4,300	(1000 MT)
Rough Production	6,643	6,502	5,811	5,804		5,811	(1000 MT)
Milling Rate (.9999)	7,400	7,561	7,400	7,400		7,400	(1000

							MT)
MY Imports	310	306	330	330		350	(1000 MT)
TY Imports	320	320	330	330		350	(1000 MT)
TY Imp. from U.S.	94	95	0	95		100	(1000 MT)
Total Supply	6,222	6,218	6,083	6,136		5,994	(1000 MT)
MY Exports	9	9	5	3		3	(1000 MT)
TY Exports	9	9	5	3		3	(1000 MT)
Consumption and Residual	4,760	4,698	4,800	4,789		4,800	(1000 MT)
Ending Stocks	1,453	1,511	1,278	1,344		1,191	(1000 MT)
Total Distribution	6,222	6,218	6,083	6,136		5,994	(1000 MT)
Yield (Rough)	7.	7.0368	7.	6.5067		6.7965	(MT/HA)
TS=TD		0		0		0	

RICE -- STATISTICAL TABLES

Korea: Import Trade Matrix of Rice

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Rice, Milled		
Time Period	Jan/Dec	Units:	1,000MT
Imports for:	2009		**2010**
U.S.	70	U.S.	95
Others		Others	
China	151	China	160
Thailand	20	Thailand	59
		Pakistan	6
Total for Others	171		225

Others not Listed	0	0
Grand Total	241	320

Korea: Farm Gate Price Index of Non-Glutinous Rice (2005=100)		
Year and Months	Price Index	
2001	108.8	
2002	106.0	
2003	110.4	
2004	110.8	
2005	100.0	
2006	95.8	
2007	98.7	
2008	104.0	
2009	98.3	
2010	88.5	
Quarterly	**2009**	**2010**
First	105.4	91.2
Second	103.5	87.3
Third	97.6	85.3
Fourth	92.9	89.4

Source: Statistics Korea (KOSTAT)

Korea: Monthly Wholesale Price of Milled Rice (High Quality)						
Month\Year	CY 2009		CY 2010		CY 2011	
	Won/Kg	US$/Kg	Won/Kg	US$/Kg	Won/Kg	US$/Kg
January	2,060	1.53	1,710	1.50	1,764	1.58
February	2,051	1.43	1,710	1.48	1,794	1.60
March	2,048	1.40	1,693	1.49	1,873	1.67
April	2,040	1.53	1,677	1.50	1,934	1.78
May	2,018	1.61	1,639	1.41	Na	Na
June	1,951	1.55	1,630	1.34	Na	Na
July	1,917	1.52	1,630	1.35	Na	Na
August	1,867	1.51	1,619	1.37	Na	Na
September	1,830	1.51	1,605	1.38	Na	Na
October	1,756	1.50	1,605	1.43	Na	Na
November	1,711	1.47	1,710	1.52	Na	Na
December	1,710	1.47	1,740	1.52	Na	Na

Average	1,913	1.50	1,665	1.44	Na	Na

Source: Korea Agricultural Marketing Information Service (KAMIS)
Note: Monthly Average Exchange Rate is applied.

Korea: Monthly Retail Price of Milled Rice (High Quality)						
Month\Year	CY 2009		CY 2010		CY 2011	
	Won/Kg	US$/Kg	Won/Kg	US$/Kg	Won/Kg	US$/Kg
January	2,302	1.71	2,101	1.84	2,064	1.84
February	2,299	1.61	2,090	1.81	2,098	1.87
March	2,298	1.58	2,080	1.83	2,138	1.91
April	2,287	1.72	2,102	1.88	2,214	2.03
May	2,281	1.82	2,086	1.80	Na	Na
June	2,255	1.79	2,057	1.70	Na	Na
July	2,221	1.76	2,052	1.70	Na	Na
August	2,204	1.78	2,054	1.74	Na	Na
September	2,201	1.81	2,031	1.74	Na	Na
October	2,188	1.87	2,039	1.82	Na	Na
November	2,139	1.84	2,017	1.79	Na	Na
December	2,110	1.81	2,020	1.76	Na	Na
Average	2,093	1.64	2,061	1.78	Na	Na

Source: Korea Agricultural Marketing Information Service (KAMIS)
Note: Monthly Average Exchange Rate is applied.

Korea: Allocation of the MMA for 2005-2014 (MT, Milled rice)							
Calendar Year	Total	Global Quota	Country Specific Quota (CSQs)				
			Total	USA	China	Thailand	Australia
2005	225,575	20,347[a/]	205,228	50,076	116,159	29,963	9,030
2006	245,922	49,724[b/]	196,198	50,076	116,159	29,963	[c/]
2007	266,270	70,072[d/]	196,198	50,076	116,159	29,963	[c/]
2008	286,617	90,419[e/]	196,198	50,076	116,159	29,963	[c/]
2009	306,964	110,766[f/]	196,198	50,076	116,159	29,963	[c/]
2010	327,311	131,113[g/]	196,198	50,076	116,159	29,963	[c/]
2011	347,658	142,430	205,228	50,076	116,159	29,963	9,030
2012	368,006	162,778	205,228	50,076	116,159	29,963	9,030
2013	388,353	183,125	205,228	50,076	116,159	29,963	9,030
2014	408,700	203,472	205,228	50,076	116,159	29,963	9,030

Source: MIFAFF and Korea Agro-Fishery Trade Corporation (aT)
a/ Global quota allocations: United States 6,104 MT; China 11,191 MT; and Thailand 3,052 MT.
b/ Global quota allocations: United States 13,025 MT; China 23,080 MT; and Thailand 13,619 MT.
c/ Australia CSQ allocation converted to MFN due inability to fulfill quota.
d/ Global quota allocations: United States 21,643MT; China 32,352MT; and Thailand 16,077 MT.
e/ Global quota allocations: United States 19,534MT; China 35,126MT; and Thailand 35,759 MT.
f/ Global quota allocations: United States 31,270MT; China 43,629MT; Thailand 30,347 MT; and Pakistan 5,520MT
g/ Global quota allocations: United States 43,643MT; China 42,411MT; Thailand 40,347 MT; and Pakistan 4,712MT

Korea: Import Schedule of Table Rice (MT, Milled Rice)			
Calendar Year	Total	Table Purpose	Rate of Table Rice (%)
2005	225,575	22,557	10
2006	245,922	34,429	14
2007	266,270	47,928	18

2008	286,617	63,055[a/]	22
2009	306,964	79,810[b/]	26
2010	327,311	98,193	30
2011	347,658	104,297	30
2012	368,006	110,401	30
2013	388,353	116,505	30
2014	408,700	122,610	30

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ Of them, 24,934MT of Chinese rice was diverted to the processing purpose in CY2010
b/ Of them, 33,303 MT of Chinese rice and 1,500 MT of Thai rice are diverted to the processing purpose in CY2011

Korea: Rice allocation per Country on the buying tender under MMA
(Milled basis, MT)

Calendar Year	MMA Quota	U.S.A.	China	Thailand	Australia	Vietnam	Pakistan	India
1995	51,307	0	0	0	0	0	0	51,307
1996	64,134	0	64,134	0	0	0	0	0
1997	76,961	0	58,961	18,000	0	0	0	0
1998	89,787	0	83,487	6,300	0	0	0	0
1999	102,614	0	80,114	13,500	0	9,000	0	0
2000	102,614	0	84,614	18,000	0	0	0	0
2001	128,268	27,000	63,000	18,000	20,268	0	0	0
2002	153,921	36,000	95,421	22,500	0	0	0	0
2003	179,575	49,500	103,075	27,000	0	0	0	0
2004	205,228	58,500	117,028	29,700	0	0	0	0
2005	225,575	56,179	127,351	33,015	9,030	0	0	0
2006	245,922	63,101	145,343	37,478	0	0	0	0
2007	266,270	71,719	148,511	46,040a/	0	0	0	0
2008	286,617	69,610	151,285	65,722	0	0	0	0
2009	306,964	81,346	159,788	60,310	0	0	5,520	0
2010	327,311	93,719	158,570	70,310	0	0	4,712	0
Total	2,813,068	606,674	1,640,682	419,835	29,298	9,000	10,232	51,307

Source: FAS/Seoul
a/ Thai suppliers delivered only 8,470 MT of the total contracted amount

Korea: Foreign Exchange Rate
(Korean Won against US$)

Month	2010	2011
January	1,139	1,119
February	1,155	1,119
March	1,136	1,120
April	1,116	1,088 [a/]
May	1,161	na
June	1,212	na
July	1,205	na
August	1,179	na
September	1,164	na
October	1,123	na

November	1,128	na
December	1,146	na
Average	**1,156**	**na**

Source: Global Financial Service
a/ an average for April 1-18, 2011