

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary - Public

Clearance Office: Office of Global Analysis (OGA)

Date: 6/22/2009

GAIN Report Number: KS9026

Korea - Republic of

Post: Seoul

Korea Allows End-Users Directly to Import Food Grade Soybeans

Report Categories:

Oilseeds and Products

Approved By:

Susan B. Phillips

Prepared By:

Sunyoung Choi / Michael Francom

Report Highlights:

The Korea Agro-Fishery Trade Corporation (aT), the government's state trading arm, recently established a pilot program to allow several industry associations to directly import a total of 30,000 tons of IP non-biotech food grade soybeans out of the much larger 282,000 ton TRQ for CY 2009. The allotted volumes under this program are expected to grow depending on the outcome of this first year.

General Information:

Korea Allows End-Users Directly to Import Food Grade Soybeans

The Korea Agro-Fishery Trade Corporation (aT), the government's state trading arm, recently established a pilot program to allow several industry associations to directly import a total of

30,000 tons of IP non-biotech food grade soybeans out of the much larger 282,000 ton TRQ for CY 2009. The allotted volumes under this program are expected to grow depending on the outcome of this first year.

This is a significant development since these associations will now have the discretion of locking-in contracts for this specified volume earlier in the year instead of going through aT's rigid tendering process, which is generally held too late in the year for U.S. suppliers to participate. This added lead time from contract to delivery will improve the future prospects for increased imports of U.S. food grade soybeans.

It is also important to note that this program is very similar to how the food grade soybean TRQ will be managed when the KORUS FTA is ratified. More information on this particular TRQ and how it will be set-up and managed is available at the link below:

http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file961_12759.pdf

Although these industry associations will have greater flexibility under this new program, aT is expected to maintain tight oversight in order to minimize direct competition with local soybean production. In addition, the associations will likely be required to pay some type of quota rent in order to minimize any price difference with imported food grade soybeans purchased through aT's usual tendering process.

As noted above, the 30,000 ton allocation was divided between several industry associations. The Korea Federation of Soybean Curd Industry Cooperatives (KFSCIC) was given 15,300 tons. KFSCIC announced a tender for 7,500 tons from the '09 soybean crop with delivery before the end of the year. Four U.S. suppliers were later awarded equally sized contracts. The tender terms and conditions are included later in this report as a reference. KFSCIC plans to purchase the remaining 7,800 tons of its allocation on the spot market ('08 crop), as soon as possible.

The Korea Bean Sprouts Association (KBSA) was allocated 9,900 tons for sprouts with the Korea Soybean Foodstuffs Association (KSFA) for 100 tons and the Korea Food Industry Association (KFIA) was allocated 3,000 tons for other processed soybean products (soy milk, soy sauces etc). The KBSA has finished import contract for 2008 crops (6,500 tons) with Chinese soybean suppliers and the remaining quantities for 2009 crops (3,400 tons) will be held in September. The Korea Soybean Foodstuffs Association also has finished its import contract on 1,700 tons with Chinese soybean suppliers. The KFIA has not made an import contract for its 3,000 tons (2009 crop) yet but it has a plan to import 2,500 tons from the United States and 500 tons from Australia in October.

Food Grade Soybean Allocation for Direct Import		
Product	Volume	Allocated Industry Cooperative
Soybean curd	17,000 MT	Korea Federation of Soybean Curd Industry Cooperatives – 15,300 tons Korea Soybean Foodstuffs Association – 1,700 tons
Sprouts	10,000 MT	Korea Bean Sprouts Association– 9,900 tons Korea Soybean Foodstuffs Association – 100 tons
Other (Milk, soy sauce etc)	3,000 MT	Korea Food Industry Association – 3,000 tons
Total	30,000 MT	30,000 tons

The following is the general bid terms and conditions for 7,500 MT (2009 crop) for food-grade IP soybeans that the KFSCIC will import from the United States.

- Supplier(s) will be selected by bidding
- Bidding will be announced to suppliers in the United States through USSEC/STL
- No bid bonds are required (as opposed to 10% required by aT)
- 5% performance bonds (as opposed to 10% required by aT)
- Quantity: 7,500 MT of 2009 crop with partial shipment allowed.
- Quotation base: CNF Busan
- Payment by L/C
- Shipping method: Container
- Packing: 30 kg bag
- Shipping date: Soybeans should arrive within the time frame so that the soybeans can be cleared through customs no later than the end of December 2009.
- Due date for the quotation: April 30, 2009
- Method to submit the quotation: Email
- Announcement of the result of the bidding: May 1, 2009

Food Grade Soybean TRQ Management

The CY09 TRQ for food grade soybeans is set at 282,000 tons, which is about 100,000 metric tons more than the WTO mandated TRQ volume. The CY09 TRQ includes 22,000 metric tons of soybeans for sprouting, 30,000 metric tons for soy sauce and the remaining 230,000 metric tons for food processing use. The in-quota tariff rate is 5 percent, while the out-of-quota tariff rate is a prohibitive 487 percent or 956 won per kg, whichever is greater.

aT manages the purchase and distribution of this TRQ. These purchases, as previously noted, are often times held late in the year, which has resulted in a number of failed tenders since suppliers

need longer lead-times.

The soybeans are gradually sold to end-users with a mark-up for handling costs and cleaning of cargo, which is done by removing any foreign material and/or broken soybeans.