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Korea, Republic of

Tobacco Update

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Report Highlights:

Korea's 1999 production increased 15 percent over the 1998 crop, due in part due to favorable weather at harvest. Stock levels are higher than previously projected but are still lower than year-ago levels. The Korean Tobacco and Ginseng Coop. (KT&GC) set its 1999 procurement price 2.9 percent higher, on-average. They have filed Korea's first-ever wrongful death lawsuit for cigarette smoking, more such lawsuits are expected. In September, the government announced measures to curb teen smoking. KT&GC revised its 1998 joint venture agreement with North Korea to broaden market access.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Seoul [KS1], KS

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Current Situation and Outlook

The 1999 preliminary production data released by the Korea Tobacco & Ginseng Cooperative (KT&GC) shows a 15 percent increase over the 1998 crop. Farm sales weight and dry weight production exceeded initial projections for production of burley and flue-cured tobacco. Availability of production inputs, marginally higher planted acreage and favorable weather conditions are credited for the higher total output. Rainfall patterns played an important role as the harvest period experienced limited moisture enabling producers to harvest a fully matured, higher quality crop. KT&GC set its 1999 procurement price at 5,963 won per Kg for burley tobacco and 5,351 won per Kg for flue-cured tobacco, on-average up 2.9 percent over the comparable 1998 figure.

Earlier this summer the family of a deceased smoker filed the first-ever wrongful death liability lawsuit in Korea against KT&GC and the Korean government. Lawyers for the plaintiff state their goal is to force the defendants to reveal the dangers of tobacco smoking to educate the public of the health risks associated with tobacco use. Other such lawsuits are expected to follow in coming months as the Korean Association of Smoking and Health, the nation's best-known anti-smoking organization, has said it would file for 10 sick smokers. Survey data show smoking among middle and high school students to be rising rapidly.

Beginning September 10, 1999, the government required manufacturers of all tobacco products to place on the label the phrase "The sale of this product to adolescents under the age of 19 is banned." This phrase is required to cover one-fifth of the pack's back label. Under the new regulation, manufacturers who fail to meet the labeling requirement face a prison term of up to two years or a fine of 10 million won (\$8,300). Also, the government announced it would soon start enforcing a new labeling requirement showing the cigarette's tar and nicotine level. Currently, only one local brand (Expo Mild) and two imported brands (KENT and PHILIP MORRIS) label the cigarette content. Other brands label state only "low/ultra low tar and nicotine." While the government has made no direct linkage between the ban and new labeling requirements with the lawsuit noted previously, industry analysts believe these measures are clearly in response to that lawsuit.

On October 30, 1999, KT&GC and a North Korean company revised its September 1998 joint venture agreement. Through the revision the two Korean companies agreed: (1) to cultivate leaf tobacco (flue-cured) in North Korea on a contractual basis, (2) to jointly produce and market a new cigarette brand named Hanmaum, starting in January 2000, and (3) to allow KT&GC to supply and install production machinery at the North Korean plant near Pyongyang in December 1999 free of charge. The revision calls for North Korean production of up to 200 million packs a year (each containing 20 cigarettes) for five years, with 80 percent of the output to be marketed in South Korea, the balance in North Korea. KT&GC views North Korea as a market with high potential. The Hanmaum brand will be a premium-class cigarette priced at 1,500 won (\$1.25) per pack in South Korea.

In September 1999, separate from the KT&GC's joint venture, a private South Korean trading company began to import and distribute North Korean cigarettes named "Pyung Yang." Produced in North Korea for export only, "Pyung Yang" is retailed at 1,500 won per pack in South Korea. Domestic retailers are showing strong receptivity to the untested brand as they expect consumer curiosity for a product produced in North Korea to be strong. In the first three months of marketing, six million packs have been released on the market. Additional imports will depend on consumer satisfaction with this "curiosity" product.

In October 1999 the government auctioned 15 percent of its 34.4 percent stake in KT&GC through an initial public offering. The government plan is to sell its remaining stake in KT&GC by the end of 2000. Note: As part of an ongoing restructuring program, KT&GC spun off its ginseng processing business earlier this year.

PSD Tables

PSD Table - Tobacco Unmfg, Total

PSD Table						
Country:	Korea, Republic of					
Commodity:	Tobacco, Unmfg.					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	27181	27181	25730	25796	0	24886
Beginning Stocks	149637	158085	133151	148793	118877	132329
Farm Sales Weight Prod	54388	54388	52040	55534	0	64096
Dry Weight Production	48949	48949	46836	49980	0	57686
U.S. Leaf Imports	6984	6984	10000	4461	0	6000
Other Foreign Imports	5943	5943	8000	7398	0	6000
TOTAL Imports	12927	12927	18000	11859	0	12000
TOTAL SUPPLY	211513	219961	197987	210632	118877	202015
Exports	2642	2642	500	6501	0	6000
Dom. Leaf Consumption	62460	55266	64310	57607	0	55817
U.S. Leaf Dom. Consum.	6260	6260	7000	6995	0	7800
Other Foreign Consump.	7000	7000	7300	7200	0	6300
TOTAL Dom. Consumption	75720	68526	78610	71802	0	69917
TOTAL Disappearance	78362	71168	79110	78303	0	75917
Ending Stocks	133151	148793	118877	132329	118877	126098
TOTAL DISTRIBUTION	211513	219961	197987	210632	118877	202015

PSD Table - Burley Tobacco

Production Table						
Country:						
Commodity:	Burley					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	8231	8231	7860	7899	0	7432
Beginning Stocks	55970	63352	48795	61821	40383	57905
Farm Sales Weight Prod	18250	18250	17320	19188	0	22087
Dry Weight Production	16425	16425	15588	17269	0	19878
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	72395	79777	64383	79090	40383	77783
Exports	0	0	0	3121	0	5000
Dom. Leaf Consumption	23600	17956	24000	18064	0	17238
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	23600	17956	24000	18064	0	17238
TOTAL Disappearance	23600	17956	24000	21185	0	22238
Ending Stocks	48795	61821	40383	57905	40383	55545
TOTAL DISTRIBUTION	72395	79777	64383	79090	40383	77783

PSD Table - Flue Cured Tobacco

Production Table						
Country:						
Commodity:	Flue Cured					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	18950	18950	17870	17897	0	17454
Beginning Stocks	89470	90536	81216	83832	74654	71086
Farm Sales Weight Prod	36138	36138	34720	36346	0	42009
Dry Weight Production	32524	32524	31248	32711	0	37808
U.S. Leaf Imports	6984	6984	10000	4461	0	6000
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	6984	6984	10000	4461	0	6000
TOTAL SUPPLY	128978	130044	122464	121004	74654	114894
Exports	2642	2642	500	3380	0	1000
Dom. Leaf Consumption	38860	37310	40310	39543	0	38579
U.S. Leaf Dom. Consum.	6260	6260	7000	6995	0	7800
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	45120	43570	47310	46538	0	46379
TOTAL Disappearance	47762	46212	47810	49918	0	47379
Ending Stocks	81216	83832	74654	71086	74654	67515
TOTAL DISTRIBUTION	128978	130044	122464	121004	74654	114894

Production Table

	Area Planted			Production		
	(HECTARES)			(Metric Tons)		
	1997	1998	1999	1997	1998	1999
Burley	8231	7899	7432	18250	19188	22087
Dark Air & Sun Cured	0	0	0	0	0	0
Dark Air Cured	0	0	0	0	0	0
Dark Fire Cured	0	0	0	0	0	0
Flue Cured	18950	17897	17454	36138	36346	42009
Light Air Cured	0	0	0	0	0	0
Oriental	0	0	0	0	0	0
Tobacco, Unmfg.	27181	25796	24886	54388	55534	64096

Trade Matrix

Korea: Unmfg. Tobacco Cumulative Imports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
U.S.A.	4,365	40,118	4,531	38,952
Greece	3,583	25,564	2,078	13,297
Turkey	3,815	19,367	3,784	19,456
Other	0	0	0	0
Total	11,763	85,049	10,393	71,705

Source: Korea Trade Information Services (KOTIS)

Korea: Flue-Cured Tobacco Cumulative Imports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
U.S.A.	4,365	40,118	4,531	38,952
Other	0	0	0	0
Total	4,365	40,118	4,531	38,952

Source: Korea Trade Information Services (KOTIS)

Korea: Oriental Tobacco Cumulative Imports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
Greece	3,583	25,564	2,078	13,297
Turkey	3,815	19,367	3,784	19,456
Other	0	0	0	0
Total	7,398	44,931	5,862	32,753

Source: Korea Trade Information Services (KOTIS)

Korea: Total Unmfg. Tobacco Cumulative Exports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
U.S.A.	72	253	612	1,267
Turkey	1,331	5,637	1,212	5,473
Spain	0	0	306	1,077
Bulgaria	0	0	45	189
France	194	923	84	379
Greece	9	40	74	270
Belgium	0	0	16	34
Other	0	0	46	95
Total	1,606	6,853	2,395	8,784

Source: Korea Trade Information Services (KOTIS)

Korea: Burley Tobacco Cumulative Exports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
U.S.A.	72	253	612	1,267
Spain	0	0	306	1,077
Bulgaria	0	0	45	189
France	194	923	84	379
Greece	9	40	54	190
Turkey	1,331	5,637	1,212	5,473
Other	0	0	46	95
Total	1,606	6,853	2,359	8,670

Source: Korea Trade Information Services (KOTIS)

Korea: Flue-Cured Tobacco Cumulative Exports: January-October 1998 and 1999

	1998 (Jan-Oct)		1999 (Jan-Oct)	
	MT	\$1,000	MT	\$1,000
U.S.A.	0	0	0	0
Belgium	0	0	16	34
Greece	0	0	20	80
Other	0	0	0	0
Total	0	0	36	114

Source: Korea Trade Information Services (KOTIS)