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**Prepared By:** Hye Rim Chun

**Approved By:** Lisa Allen

**Report Highlights:**

Domestic production is projected to drop to 1.93 million tons in 2023 after reaching 1.98 million tons in 2021. Milk production is expected to show a downward trend due to the decreasing number of dairy farms, decreasing number of milk cows, and falling demand coinciding with the falling birth rate. On the other hand, cheese consumption, as well as demand for other dairy products such as cream and butter, is gradually increasing due to evolving tastes as well as increased awareness of the healthy proteins in dairy products. However, imports in 2023 may experience an unusual drop due to high inflation and the weakening Korean won exchange rate, particularly against the U.S. dollar.

## **Executive Summary:**

Korea's milk production is forecast to decrease to 1.90 million tons in 2024. An unusually hot summer and cold winter, and the gradual decrease of dairy farms caused milk production to fall to 1.93 million tons in 2023. Milk consumption continues to decrease as Koreans have fewer children. However, sales of premium milk products are increasing as consumer demand for healthier and immune-boosting foods grew during the COVID pandemic. Hypermarkets and supermarkets will continue to be major distribution channels for fresh milk sold in multipacks.

Cheese consumption is forecast to stay stable at 185,000 tons in 2024. Per capita cheese consumption has almost doubled in ten years, with an increase in both the consumer market and food processing industry. Within the cheese market, local production of processed cheese is showing fast growth. Cheese imports continue to increase mainly due expanded consumer palates as well as tariff reductions and tariff rate quota (TRQ) increases under international trade agreements. However, cheese imports in 2023 are expected to fall as inflation and the high won-dollar exchange rate has pressured Korean importers.

Average nonfat dry milk (NFDM) stocks during the first half of 2023 were 5,711 tons, down 29.7 percent from 8,123 tons during the same period in 2022. The NFDM inventory level is in a downward trend from 2022, due to continued decrease in milk production. NFDM is used mainly for infant formula, bakery use, and use in other dairy products. Dairy product manufacturers, facing weak fluid milk and infant formula demand due to the country's low fertility rates, are working to diversify their business portfolios. Processors are increasingly looking to target the adult and senior powdered milk market.

## Overview of Korean Dairy Market

The Korean dairy industry is facing many challenges as overall consumption has been slow and production cost has increased. Also, with an extremely low fertility rate of 0.78, South Korea is losing population each year and experiencing more deaths than births. For these reasons, the drinking milk market is very pessimistic, as the number of children is declining, and they are the major milk drinking population. The consumption of other dairy products, which has been showing an upward trend, experienced a significant decrease in 2022 primarily due to inflation. However, as the economy and other factors recover, consumption of dairy products, in general, is also expected to recover.

The local raw milk price is more than two times higher than the price of imported raw milk. Due to the price issue, more than 85% goes into producing drinking milk products, and only around 10% is used for manufacturing processed dairy products. Therefore, the Korean dairy industry is dependent on imports.

Dairy imports have been continuously increasing as imported products have price competitiveness as tariffs are going down every year due to Free Trade Agreements (FTAs), and as consumption of processed dairy products is in an increasing trend. Dairy imports, however, were slow in 2022 due to inflation and unstable exchange rates. Imports are expected to decrease once again in 2023 due to continued inflation and a weak Korean won but should recover as the economy recovers.

**Table 1. Korea's Key Dairy Product Imports (Metric Tons)**

	2018		2019		2020		2021		2022	
	U.S.	Total								
Cheese HS 0406	53,359	123,850	61,432	131,354	61,821	148,002	67,541	156,523	67,372	154,096
NFDM HS 0402.10	8,061	24,775	7,293	23,765	4,561	17,469	4,182	14,510	5,977	14,690
WFDM HS 0402.21	157	5,282	460	5,207	456	5,515	572	4,545	881	6,857
Mixed Milk HS 0404.90 HS1901.90.20	628 4 624	53,917 41,192 12,779	486 3 483	57,264 43,952 13,312	686 18 668	63,197 45,950 17,247	681 32 649	68,759 47,508 21,251	492 71 421	66,503 48,522 17,981
Butter HS 0405.10	976	6,807	1,364	9,791	1,096	11,282	1,985	17,865	4,824	22,667
Whey Powder HS 0404.10	15,102	34,633	16,532	38,372	11,613	33,241	14,248	37,378	14,635	35,959
Ice Cream HS 2105	1,477	7,917	1,903	7,513	3,066	9,229	3,849	10,671	3,777	13,238
<b>Total (U.S. M/S)</b>	<b>79,760 (48%)</b>	<b>165,042</b>	<b>89,470 (33%)</b>	<b>273,266</b>	<b>83,299 (29%)</b>	<b>287,935</b>	<b>93,058 (30%)</b>	<b>310,251</b>	<b>97,958 (31%)</b>	<b>314,010</b>

Source: Korea Customs Office

**Commodities:**

Dairy, Milk, Fluid

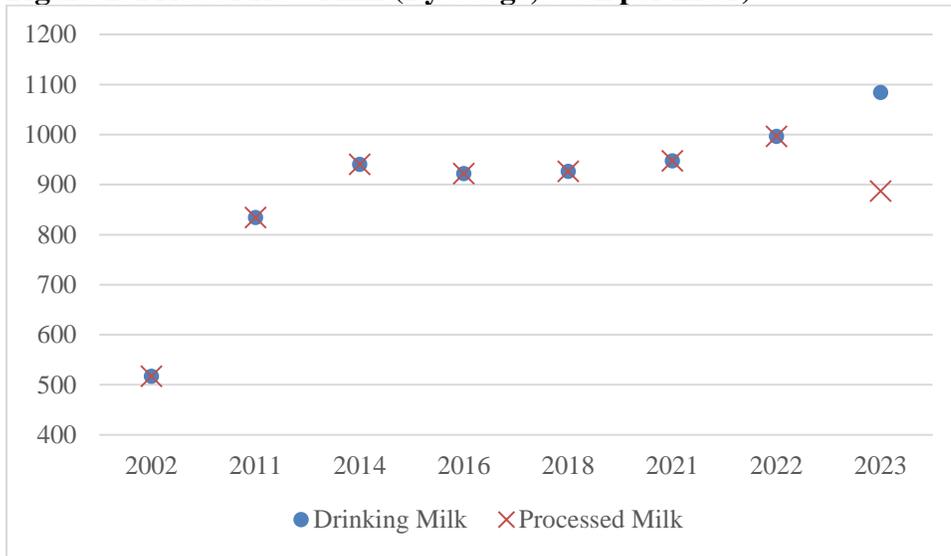
**Table 2. Commodity, Dairy, Milk, Fluid, Production, Supply and Distribution**

<b>Dairy, Milk, Fluid</b>	<b>2022</b>		<b>2023</b>		<b>2024</b>	
<b>Market Year Begins</b>	<b>Jan 2022</b>		<b>Jan 2023</b>		<b>Jan 2024</b>	
<b>Korea, Republic of</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Cows In Milk (1000 HEAD)</b>	203	195	200	190	0	188
<b>Cows Milk Production (1000 MT)</b>	2040	1975	2020	1930	0	1900
<b>Other Milk Production (1000 MT)</b>	0	0	0	0	0	0
<b>Total Production (1000 MT)</b>	2040	1975	2020	1930	0	1900
<b>Other Imports (1000 MT)</b>	10	0	10	0	0	0
<b>Total Imports (1000 MT)</b>	10	0	10	0	0	0
<b>Total Supply (1000 MT)</b>	2050	1975	2030	1930	0	1900
<b>Other Exports (1000 MT)</b>	5	0	5	0	0	0
<b>Total Exports (1000 MT)</b>	5	0	5	0	0	0
<b>Fluid Use Dom. Consum. (1000 MT)</b>	1535	1725	1520	1670	0	1650
<b>Factory Use Consum. (1000 MT)</b>	510	250	505	260	0	250
<b>Feed Use Dom. Consum. (1000 MT)</b>	0	0	0	0	0	0
<b>Total Dom. Consumption (1000 MT)</b>	2045	1975	2025	1930	0	1900
<b>Total Distribution (1000 MT)</b>	2050	1975	2030	1930	0	1900
(1000 HEAD), (1000 MT)						

**Production:**

Domestic fluid milk production in 2024 is forecast to decrease to 1.90 million tons. Due to increased production costs and the decreasing milk consumption trend, dairy farmers are pessimistic about the industry, and an increasing number of farmers are considering closing their farms. In fact, over the last two years, over 300 dairy farms went out of business. As the number of dairy farms and number of cows in production continue to decrease, milk production will continue to show a declining trend. However, the raw milk price increased substantially in October 2023 and supply of feed is becoming more stable, so the declining production trend is expected to slow down.

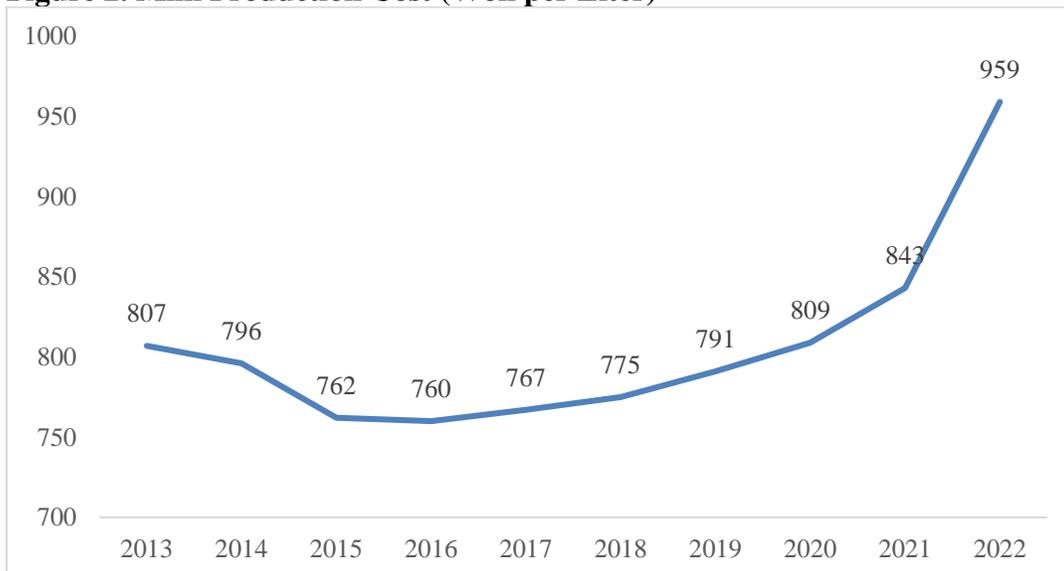
**Figure 1. Price of Raw Milk (By Usage, Won per Liter)**



Source: Korea Dairy Industries Association

Projected fluid milk production in 2023 fell to 1.93 million tons, down 47,000 tons from 2022. This is mainly due to a decrease in the number of cows in production. The production cost has increased 13.7% compared to last year. Among the many factors that affect the production cost, the cost of feed increased the most, by 20.7%, which led many farms to cut down the number of cows. Also, the record-breaking heat wave that hit South Korea during the summer negatively impacted production as Holstein cows are vulnerable to heat stress. The heat stress will continue to impact production over the fall season.

**Figure 2. Milk Production Cost (Won per Liter)**



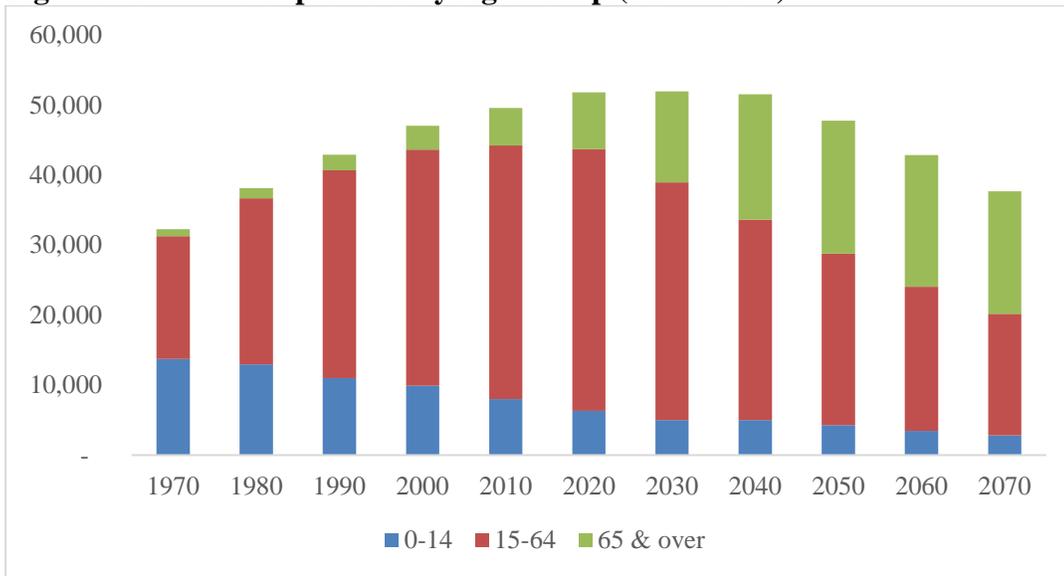
Source: Korea Dairy Industries Association

### Consumption:

Korea’s domestic milk consumption in 2024 is forecast to decrease to 1.90 million tons. 2023 fluid milk consumption is forecast at 1.93 million tons, down 45,000 tons from 2022. 2022 milk consumption is estimated at 1.975 million tons based on the Ministry of Agriculture, Food and Rural Affairs (MAFRA) statistics.

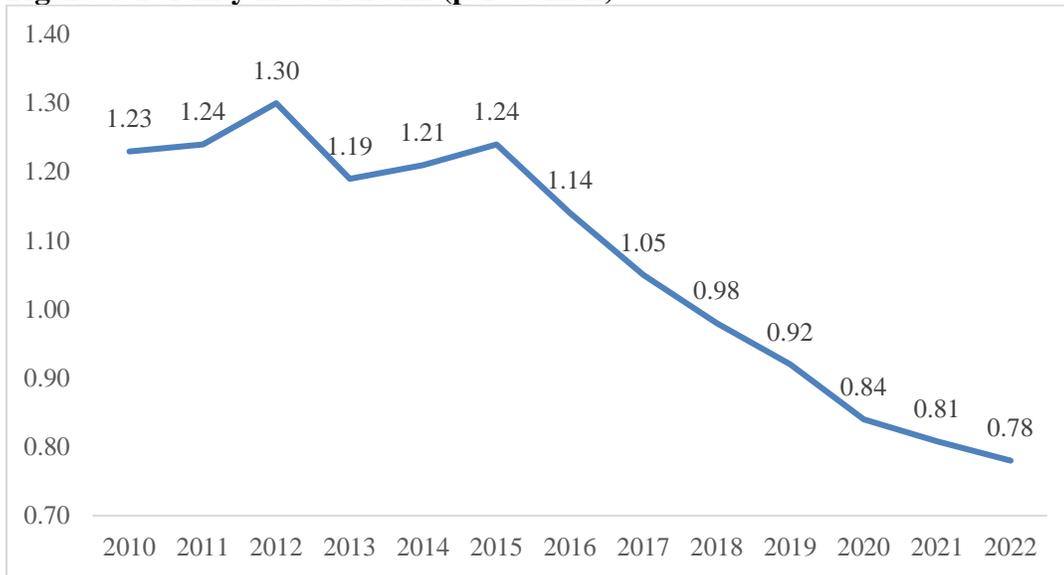
White milk consumption per capita in 2022 was 26.2 kg, a 0.4 kg decrease from 2021 and is showing an overall downward trend. Low fertility rates are the primary force driving the decline of milk consumption in Korea. In 2018, the fertility rate fell below one child per woman, and it has been continuously decreasing. In 2022, the fertility rate was 0.78 children per woman, setting another record low. The number of children (age 0 to 14) dropped from 9.91 million in 2000 to 5.86 million in 2022. Statistics Korea forecasts that the population of children aged 0 to 14 will drop to 3.45 million by 2060 and to 2.82 million by 2070, reflecting accelerating demographic trends toward fewer or delayed marriages and rapidly declining birthrates. As children and teenagers are the main milk consumers in the Korean market, demand for fresh milk is expected to fall along with the drop in the number of children. However, as adults’ interest in health is growing, there is substantial demand for protein among adult and senior consumers. As a result, demand for processed milk in beverages targeting adults is expected to stay robust and could lead to sales of processed milk exceeding the sales of fresh milk in coming years.

**Figure 3. Forecast Population by Age Group (Thousands)**



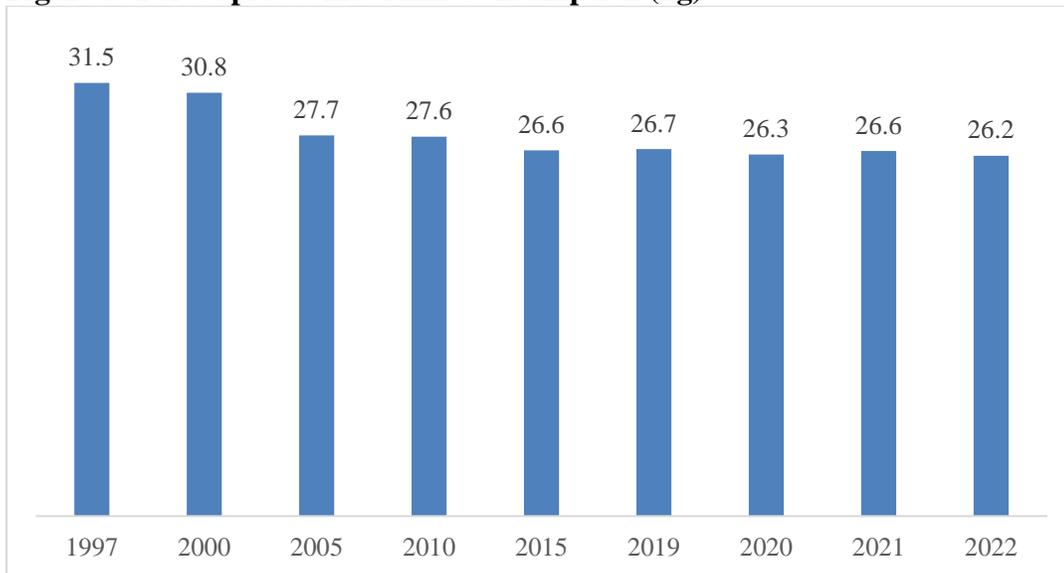
Source: Statistics Korea

**Figure 4. Fertility Rate 2010-22 (per woman)**



Source: Statistics Korea

**Figure 5. Per Capita White Milk Consumption (kg)**



Source: MAFRA

### **Marketing:**

Hypermarkets and supermarkets are the main distribution channels for fresh milk products, which, along with flavored milk drinks, are sold in multipacks targeting families. Online retailers have become a growing sales channel for milk products. While consumers refrained from purchasing milk products online in the past, orders can now be safely delivered to homes through quick delivery services offered by most retailers. Consumers can receive their purchases well packed in insulated packages within a few hours. According to a survey conducted by Korea Dairy & Beef Farmers Association in December

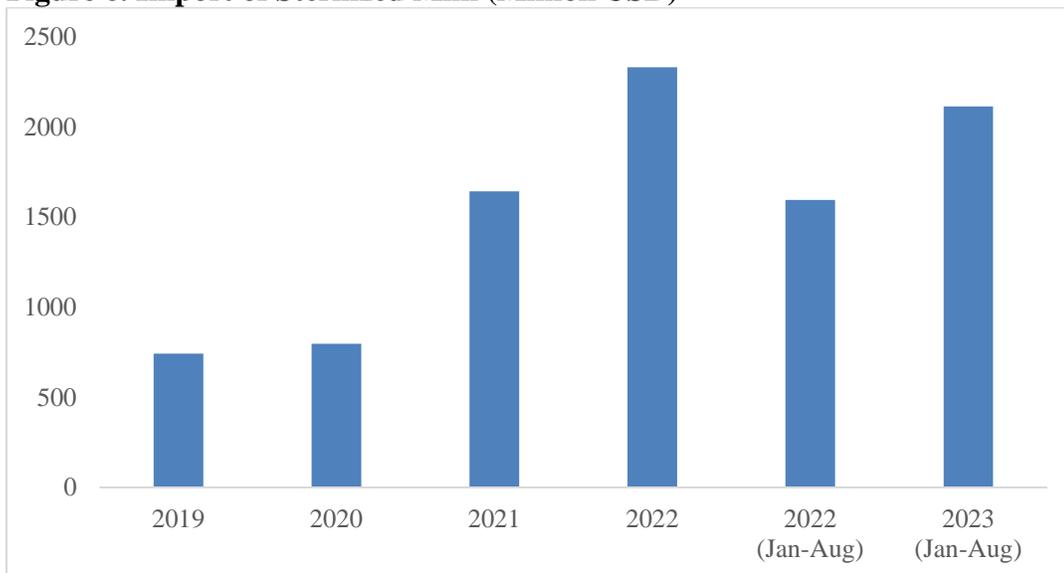
2022, 55.1% of the consumers responded that they purchase milk in hypermarkets, followed by supermarkets (25.3%) and online (7.3%).

In Korea, milk sales to primary schools account for around 5.5 percent of domestic consumption. However, sales have dropped along with the falling birth rate. The share of fresh milk products sold through direct selling (home delivery of milk subscription) also declined, as fewer consumers drink milk daily. Meanwhile, the share of fresh milk products sold at convenience stores and mixed retailers, which sell smaller packs or individual serving products, has increased.

With the rise in income and increased interest in health and environmental concerns, consumers continue to seek out premium-priced products such as organic, antibiotic-free, and animal welfare approved milk products. Demand for healthier and premium products has grown even more since the outbreak of COVID-19. The organic milk market reached 104 billion Korean won (\$88 million) in 2020, up from only 5 billion Korean won in 2008. Korean consumers are anxious about food safety issues and parents want to provide their children with the best products available, with a careful eye on health and safety issues. Regardless of the high price, premium products such as Dongwon F&B’s “Denmark Alive Premium Milk” and S-Food’s “Sulsung Milk” are popular among families with kids.

In 2022 and 2023, there was an increase in raw milk price by 49 won per liter and 88 won per liter respectively, which led to a sudden increase in the price of drinking white milk. Consumers, and especially café owners, turned to a more affordable option - imported sterilized milk. Sterilized milk in the Korean market is mostly imported from Australia, Germany, United Kingdom (UK), Italy, Poland, France, Austria. Products from Poland are popular for their low prices, which are priced at 1600-1800 won per liter. Imports of sterilized milk in the first half of 2023 were 18,379 tons, up 25.2% compared to the import in 2022.

**Figure 6. Import of Sterilized Milk (Million USD)**



Source: MAFRA

**Policy:**

All U.S. dairy product exports to Korea intended for human consumption must be accompanied by a dairy export certificate issued by USDA's Agricultural Marketing Service (AMS). The requirement for an AMS export certificate applies to all dairy products shipped to Korea on or after July 1, 2021. This includes dairy products containing eggs, such as ice cream. The AMS dairy certificate is available in the [Agriculture Trade Licensing & Attestation Solution \(ATLAS\)](#) system. Exporters will first need to create an ATLAS account with AMS to access the system.

Certificate requirements are summarized in an FAS GAIN report: [Update on New Korean Dairy Certificate](#) and on the USDA [AMS website](#). Inquiries about ATLAS and the certificate application process can be directed to [DairyExportsQuestions@usda.gov](mailto:DairyExportsQuestions@usda.gov).

Additionally, establishments of dairy products entering Korea must first be registered with Korea's Ministry of Food and Drug Safety (MFDS). This process is initiated by the exporting government. Details on registration requirements are available in the [South Korea Food and Agricultural Import Regulations and Standards \(FAIRS\) country report](#). For U.S. exporters, required documents should be sent to FAS/Seoul ([agseoul@fas.usda.gov](mailto:agseoul@fas.usda.gov)).

**Commodities:**

Dairy, Cheese

**Table 3. Commodity, Dairy, Cheese, Production, Supply and Distribution**

Dairy, Cheese	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks (1000 MT)</b>	23	23	26	29	0	17
<b>Production (1000 MT)</b>	47	40	45	35	0	38
<b>Other Imports (1000 MT)</b>	154	154	140	140	0	145
<b>Total Imports (1000 MT)</b>	154	154	140	140	0	145
<b>Total Supply (1000 MT)</b>	224	217	211	204	0	200
<b>Other Exports (1000 MT)</b>	1	0	2	2	0	2
<b>Total Exports (1000 MT)</b>	1	0	2	2	0	2
<b>Human Dom. Consumption (1000 MT)</b>	197	188	195	185	0	185
<b>Other Use, Losses (1000 MT)</b>	0	0	0	0	0	0
<b>Total Dom. Consumption (1000 MT)</b>	197	188	195	185	0	185
<b>Total Use (1000 MT)</b>	198	188	197	187	0	187
<b>Ending Stocks (1000 MT)</b>	26	29	14	17	0	13
<b>Total Distribution (1000 MT)</b>	224	217	211	204	0	200
(1000 MT)						

**Production:**

Domestic cheese production is forecast to increase 3,000 tons in 2024 to 38,000 tons. Cheese production for 2022 is lowered to 39,543 tons based on dairy statistics from MAFRA.

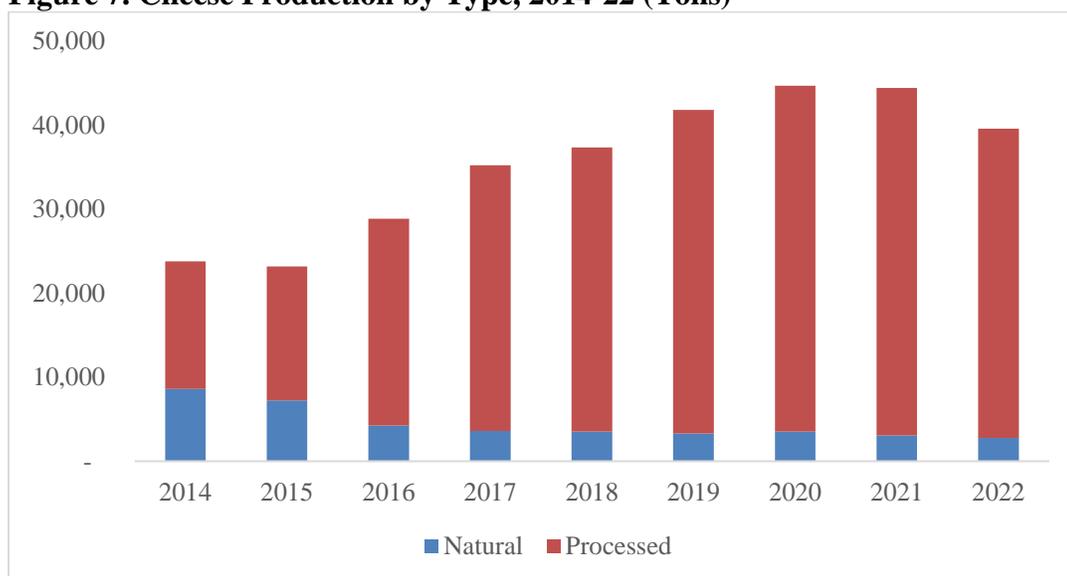
Very little cheese is made with domestic milk due to its cost. Previously, the price of raw milk was based on the production cost. In October 2023, the Korean government introduced a new price scheme through which the raw milk price is set according to whether the milk is for fluid use or other processing use. The Government introduced this policy to motivate processors to use local raw milk as ingredient for processed dairy products such as cheese, butter, and ice cream. Currently, most of the dairy processors use imported ingredients.

The price of raw milk for processing use is 887 won per liter, which is 18% lower than raw milk for fluid use, but still around twice higher than imported raw milk which is ranged at around 400-500 won per liter. The new pricing scheme is only applied to 100,000 tons of raw milk for processing use, which is less than 10% of the total raw milk used to produce processed dairy products. The long-term objective of the pricing scheme, which lowers the price of the raw milk for processing use, is to increase to use of

local raw milk. However, while the scheme will be eventually applied to larger amount of raw milk, the timeframe for this is unknown. Therefore, we expect that local raw milk will be only used for premium products in the short term.

In contrast to fresh cheese production, processed cheese production has been growing in recent years. Between 2014 and 2022, fresh cheese production dropped 68 percent while processed cheese production increased 242 percent. Domestic cheese manufacturers have been launching new products to boost sales. The Korean dairy sector is dominated by several large companies due to high initial investment costs. Major dairy companies include Seoul Dairy Cooperative, Maeil Dairies, Namyang Dairy Products, and Dongwon F&B.

**Figure 7. Cheese Production by Type, 2014-22 (Tons)**



Source: MAFRA

### Consumption:

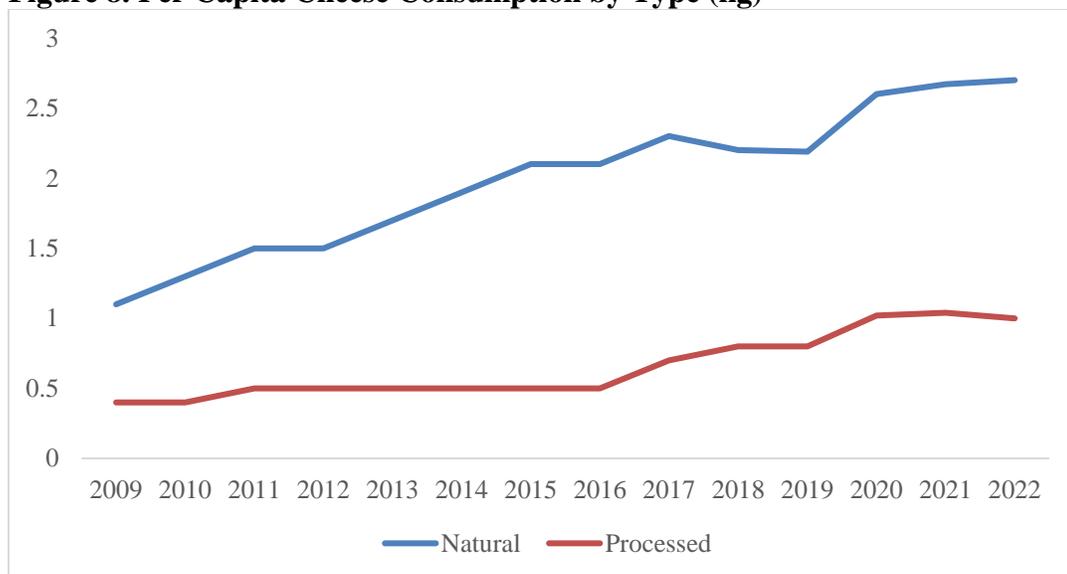
Cheese consumption is forecast to remain stable in 2024 to 185,000 tons. Per capita cheese consumption has increased by 185% over the last ten years. In the past, cheese consumption was limited to cheddar slices for sandwiches and hamburgers, or mozzarella for pizzas. Until 2010, sliced cheese accounted for around 50 percent of the products in the Korean cheese market. Since then, Korea’s food culture and tastes have become more westernized. Cheese is now consumed in more diverse ways and a wider variety of cheeses have been introduced.

Cheese has become a popular snack for both kids and adults. It is increasingly considered a nutritious snack for children in Korea, and per capita cheese consumption is highest among toddlers (age 1-2). Manufacturers are launching products targeted at children. Additionally, cubed and portion cheese products are a popular snack amongst adults to consume with alcohol. Soft cheese, ricotta, brie, and other gourmet cheeses have also increased in popularity.

Cheese is also commonly used in the food processing industry and in prepared foods. Packaged prepared meals are increasingly being sold in convenience stores, bakery stores, hypermarkets, and coffee shops, either for takeout or dine in. Food processors are launching hot and spicy packaged convenience food products with cheese ingredients.

With evolving taste preferences and innovative products, cheese consumption in the long term is expected to continue increasing both for direct consumption and in the food processing industry.

**Figure 8. Per Capita Cheese Consumption by Type (kg)**

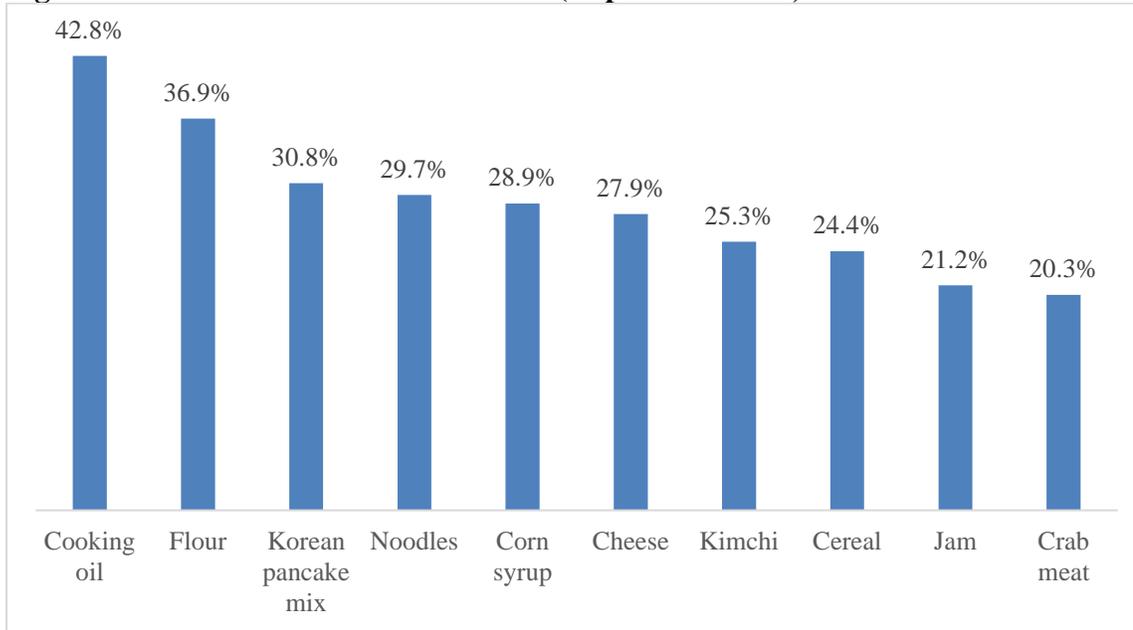


Source: Korea Dairy Industries Association

However, in 2022, the food sector was severely affected by the inflation surge that hit the Korean economy after the pandemic. Food-away-from-home prices and processed food product prices have increased more than consumer prices. The gap between the food prices and consumer prices is becoming even larger over the years. As a result, consumers are trying to stick to bulk staples and buy less of other grocery items. Cheese felt the effects of these consumer decisions as it was one of the top products for which prices increased – rising 27.9% between October 2021 and October 2022. Cheese consumption totaled 188,323 tons in 2022, down 1.6% from 191,429 tons in 2021, according to MAFRA statistics.

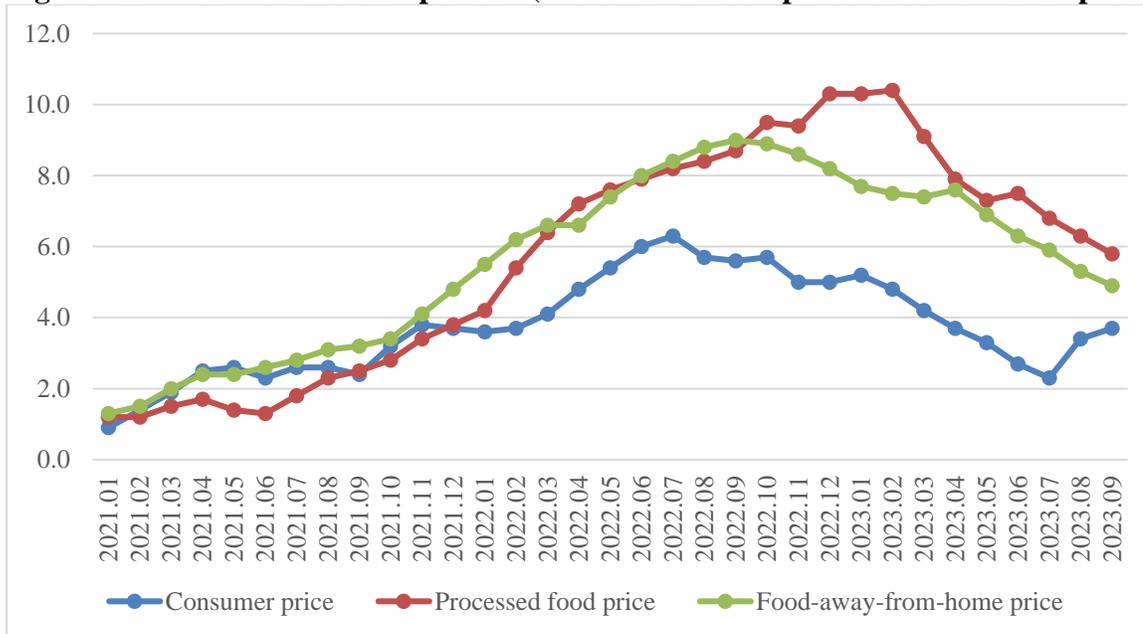
A similar trend is continuing in 2023. As of August 2023, the processed food product price increase (6.3%) has exceeded the consumer price increase (3.4%) for 21 months in a row. Cheese is still one of the products showing high price increase. Cheese prices rose by 21.2% between August 2022 and August 2023. Therefore, cheese consumption in 2023 is expected to decrease to around 185,000 tons. According to Bank of Korea, consumer prices are forecast to rise by 2.4% in 2024. While the inflation is expected to gradually ease, food prices remain uncertain due to various factors such as adverse weather conditions, spike in energy prices, high agricultural commodity prices, and unstable exchange rates.

**Figure 9. Processed Food Price Increase (Top 10 Products, October 2021 – October 2022)**



Source: Statistics Korea

**Figure 10. Price Increase Comparison (Increase rate compared to same month previous year, %)**



Source: Statistics Korea

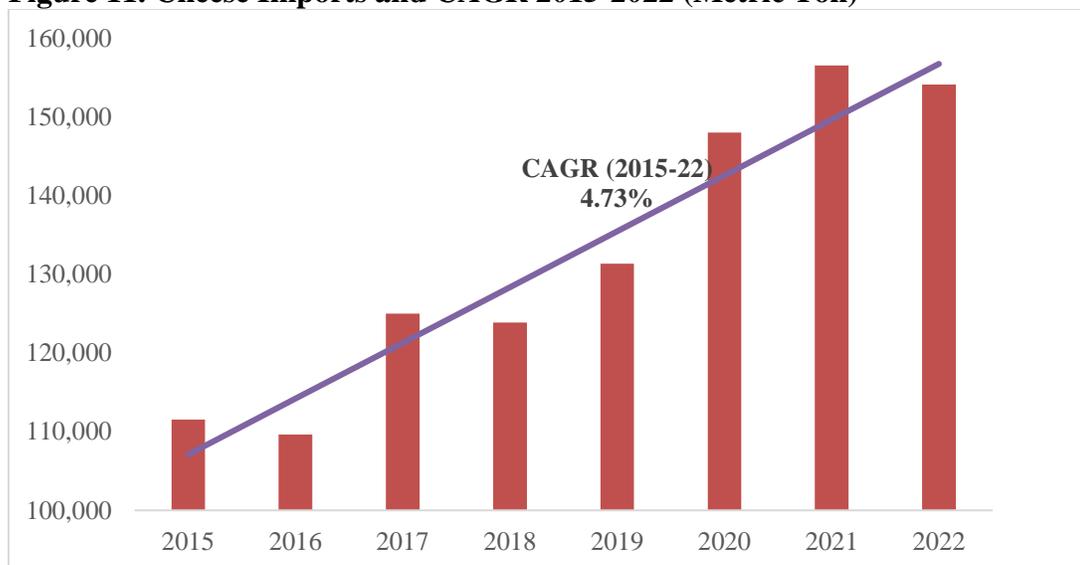
**Trade:**

Cheese imports in 2024 are forecast to increase to 145,000 tons. The demand for cheese is continuously growing, but the importers have been having difficult times more recently due to fluctuations in the exchange rate and weakening Korean won. Nevertheless, cheese imports show an increasing trend

overall due to tariff reductions, tariff-rate quota (TRQ) increases, consumption growth, and limited domestic production.

In 2022, cheese imports reached 154,096 metric tons, with a compound annual growth rate (2015-2022) of 4.73%. With the Korean cheese market being sluggish recently due to high food price increase, cheese imports have been slow since 2022. Cheese imports in 2023 is forecast to decrease to around 140,000 tons.

**Figure 11. Cheese Imports and CAGR 2015-2022 (Metric Ton)**



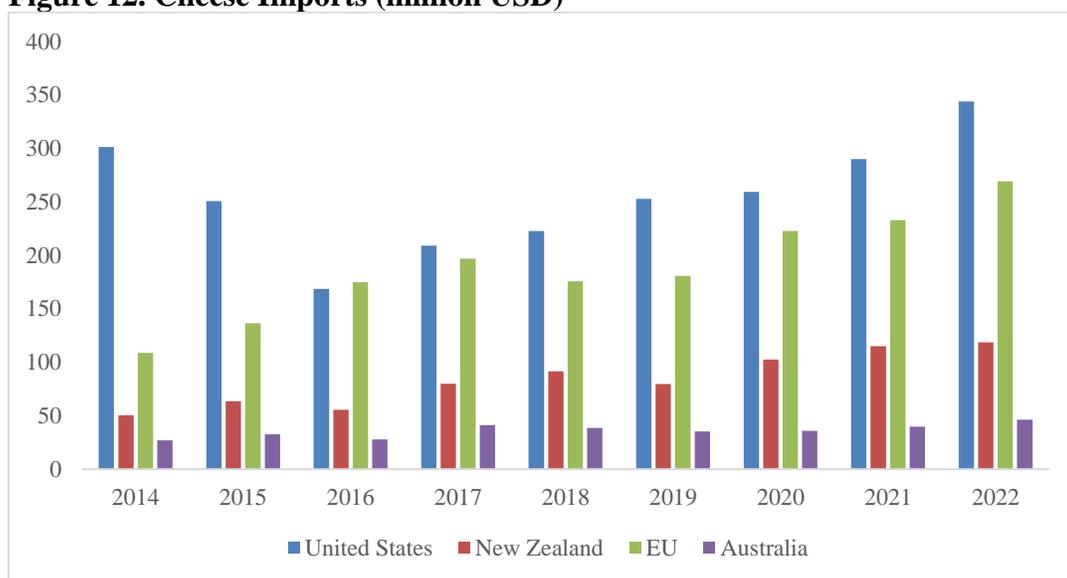
Source: Korea Customs Office 2016, HS 0406, Cheese and Curd

In 2022, the top cheese exporters to Korea, by value, were the United States (43.4%), European Union (34.0%), New Zealand (15.0%), and Australia (5.8%). Korea has free trade agreements with all these countries, reducing import duties and making imported cheese increasingly more affordable. The won-dollar exchange rate has been highly volatile since 2022 which caused many importers to turn from U.S. products to more price competitive products from EU and New Zealand. Also, because of continued inflation and as consumers seek to spend less on groceries, it is expected that importers will continue to look for lower priced products.

Tariff reductions and TRQ increases under the U.S.-Korea Free Trade Agreement (KORUS FTA) have helped boost U.S. cheese exports. Korea imported 67,372 tons (\$343.70 million) of cheese from the United States in 2022. However, the market is highly competitive. The European Union (EU) signed a free trade agreement with Korea in 2011, before the KORUS FTA was implemented in 2012, giving EU products an early advantage in the market. In addition, Korea became a target export market for the EU after Russia put restrictions on European agricultural exports. Korea implemented FTAs with New Zealand and Australia in 2016, resulting in more cheese imports from these countries as well.

The KORUS FTA created a zero-duty tariff-rate quota for cheeses covered under tariff lines 0406101000, 0406200000, 0406300000, and 0406900000. The in-quota amount is 9,690 tons in 2023, and all U.S. cheese will enter duty-free by 2026. The Korea Dairy Industries Association administers the TRQs and allocates the in-quota quantity to historical and new importers through a licensing system.

**Figure 12. Cheese Imports (million USD)**



Source: Korea Customs Office 2016, HS 0406, Cheese and Curd

**Table 4. Cheese Tariff Phase-Out Schedule under the United States-Korea FTA**

HS Code	Description	Base Rate	2012	2013	2014	2015	...	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406102000	Curd	36.0%	32.4%	28.8%	25.2%	21.6%	...	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0406200000	Grated or powdered cheese of all kinds	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406300000	Processed cheese, not grated or powdered	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406400000	Blue-veined cheese	36.0%	32.4%	29.0%	25.4%	21.8%	...	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0406900000	Cheese, NES, including cheddar	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
	TRQ Volume (MT)		7,000	7,210	7,426	7,649	...	9,133	9,407	9,690	9,980	10,278	10,584

**Table 5. Cheese Tariff Phase-Out Schedule under the European Union-South Korea FTA**

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406102000	Curd	36.0%	9.8%	6.5%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
0406200000	Grated or powdered cheese of all kinds	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406300000	Processed cheese, not grated or powdered	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406400000	Blue-veined cheese	36.0%	9.8%	6.5%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
0406900000	Cheese, NES, including cheddar	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
	TRQ Volume (MT)		5,444	5,608	5,776	5,949	6,128	6,314	6,508	6,711

**Table 6. Cheese Tariff Phase-Out Schedule under the Korea-New Zealand FTA**

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	21.0%	18.0%	15.0%	12.0%	9.0%	6.0%	3.0%	0.0%
0406102000	Curd	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406200000	Grated or powdered cheese of all kinds	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406300000	Processed cheese, not grated or powdered	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406400000	Blue-veined cheese	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406900000	Cheese, NES, including cheddar	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
	TRQ Volume (MT)				5,669	5,839	6,014	6,194	6,379	6,569

**Table 7. Cheese Tariff Phase-Out Schedule under the Korea-Australia FTA**

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	24.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%
0406102000	Curd	36.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%	4.8%
0406200000	Grated or powdered cheese of all kinds	36.0%	25.2%	23.4%	21.6%	19.8%	18.0%	16.2%	14.4%	12.6%
0406300000	Processed cheese, not grated or powdered	36.0%	24.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%
0406400000	Blue-veined cheese	36.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%	4.8%
0406900000	Cheese, NES, including cheddar	36.0%	25.2%	23.4%	21.6%	19.8%	18.0%	16.2%	14.4%	12.6%
	TRQ Volume (MT)		5,367	5,528	5,694	5,865	6,041	6,222	6,408	6,599

**Commodities:**

Dairy, Milk, Nonfat Dry

**Table 8. Commodity, Dairy, Milk, Nonfat Dry, Production, Supply and Distribution**

Dairy, Milk, Nonfat Dry	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks (1000 MT)</b>	13	8	12	6	0	5
<b>Production (1000 MT)</b>	9	6	8	8	0	8
<b>Other Imports (1000 MT)</b>	15	15	7	7	0	10
<b>Total Imports (1000 MT)</b>	15	15	7	7	0	7
<b>Total Supply (1000 MT)</b>	37	29	27	21	0	23
<b>Other Exports (1000 MT)</b>	0	0	0	0	0	0
<b>Total Exports (1000 MT)</b>	0	0	0	0	0	0
<b>Human Dom. Consumption (1000 MT)</b>	25	23	20	16	0	18
<b>Other Use, Losses (1000 MT)</b>	0	0	0	0	0	0
<b>Total Dom. Consumption (1000 MT)</b>	25	23	20	16	0	18
<b>Total Use (1000 MT)</b>	25	23	20	16	0	18
<b>Ending Stocks (1000 MT)</b>	12	6	7	5	0	5
<b>Total Distribution (1000 MT)</b>	37	29	27	21	0	23
(1000 MT)						

**Production:**

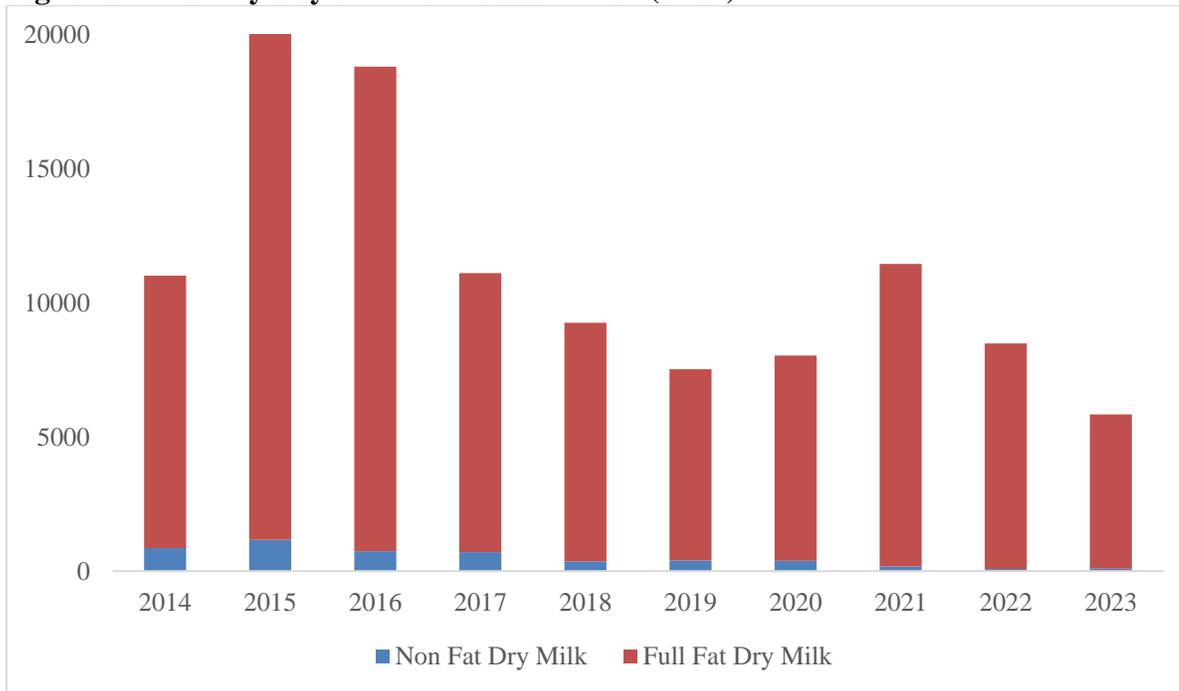
Local nonfat dry milk (NFDM) production is forecast to stay stable at 8,000 tons in 2024. With the decrease in milk production due to high production cost and adverse weather conditions, the NFDM inventory will continue to show a downward trend. After decreasing for several years, dried milk stocks started to increase again in 2021 due to decreasing fluid milk consumption. Stocks reached 12,163 tons in March 2021, up 24 percent from March 2020 and the highest level in more than four years. However, as raw milk production decreased in 2022, NFDM stock levels fell to 5,596 tons in June 2023.

The Korean Government implemented a policy to increase milk production in 2010 after 30,000 milk cows were slaughtered due to an outbreak of foot and mouth disease. The policy resulted in excess milk production in 2014 and 2015. The excess milk was turned into dried milk, and dried milk stocks increased from 7,053 tons in 2013 to 17,532 tons in 2014. The government has sought to manage milk production and decrease dried milk stocks since 2014. As a result, dried milk production is expected to

gradually decrease over the next several years. The industry is targeting 5,000 to 6,000 tons as a normal range for inventories.

Due to continued decrease in milk production, 2022 NFDM production and inventory dropped and remains low. In the end of 2022, it eventually led to shortage fresh cream for a few months, as fresh cream is made from the dairy fat that is removed when making NFDM from milk. There was also an unprecedented shortage of NFDM as bakery ingredient in 2023.

**Figure 13. January Dry Powdered Milk Stocks (Tons)**



Source: Korea Dairy Industries Association

**Consumption:**

Domestic consumption is forecast to increase to 18,000 tons in 2024. NFDM is primarily used in baked goods, infant formula, and as an ingredient in other dairy products.

Korea’s fertility rate is steadily declining, and dropped to 0.7 during the second quarter of 2023, according to Statistics Korea -- a record low. Due to this decline, dairy product manufacturers, facing weak fluid milk and infant formula demand, are working to diversify their business portfolios.

Processors are looking to target the adult and senior powdered milk market. In 2018, Maeil Dairies was the first to enter the market by launching a brand for nutritional meals for adults called ‘Selects,’ and a powdered milk product for adults called ‘Core Protein.’ Namyang launched a powdered milk product for adults in 2019, and Lotte Food and Ildong Food also entered the market with similar products in 2020.

**Trade:**

NFDM imports are forecast to increase in 2024 to 10,000 tons.

Korea maintains a TRQ for NFDM. The TRQ is allocated through an Imports Rights Auction (IRA). The quasi-governmental Korea Agro Fisheries & Food Trade Corporation (also known as “aT”) manages these auctions. The Korea Customs Service reimburses the 176 percent out-of-quota tariff to importers when they have re-exported processed dairy-based products made from imported NFDM. Korean dairy manufacturing companies are looking forward to expanding market opportunities for exporting to China. Local food processors import NFDM for processing into infant formula, bakery use, and use in other dairy products, and re-export.

**Table 9. NFDM Tariff and TRQ Schedule on Korea-US FTA Implementation**

HS Code	Description	Base Rate	2012	2013	2014	2015	...	2019	2020	2021	2022	2023	2024
040210	In powder, fat content not exceeding 1.5%	176%	176%	176%	176%	176%	...	176%	176%	176%	176%	176%	176%
	Duty free quota (MT)*		5,000	5,150	5,304	5,463	...	6,150	6,334	6,524	6,720	6,922	7,130

\* Additional compound increase of 3% every year

**Attachments:**

No Attachments