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Korea - Republic of

Poultry and Products Annual

Annual

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Report Highlights:
Although local supplies of domestic pork are expected to recover, broiler meat production in 2012 is forecast to continue its upward trend in response to strong consumer demand, reaching a record 720,000 MT. In response to growing broiler production figures, the 2012 chicken import estimate is forecast to dip slightly to 90,000MT, with imports from the United States accounting for 55,000MT of the total.

Production:

The Korean poultry industry was hit by a series of outbreaks of highly pathogenic avian influenza (HPAI) from December 2010 to May of this year. Nearly 1 million broilers were culled to stem the spread of the disease. However, these wide spread HPAI outbreaks did not have a noticeable impact on 2011 production since the disease affected less than one percent of the country's total inventories. See KS1120 for more details.

In fact, broiler inventories as of June 2011 actually grew to a record 110 million on the back of strong farm gate prices due to increased consumer demand resulting from the shortage of local pork and fears about fishery products being contaminated by radiation from the nuclear power plant meltdown in Japan.

While feed accounts for 60 percent of production costs, rising grain prices have not had a noticeable impact on broiler production since farm gate prices are hovering at record highs. From Jan-Jun of this year, farm gate prices, which are found at the end of this report, hit a record 1,971 won/kg ($1.84/kg). Average compound feed prices during the month of July were 536 won/kg ($ 0.49/kg), up about 15 percent from the 2010 average of 468 won/kg ($ 0.38/kg).

In response to growing consumer demand, farmers are expected to continue to build stocks this year and into next year. The 2011 broiler production forecast is accordingly raised to 686,000 MT.

The anticipated return of domestic pork to the market in 2012 is not expected to dampen prospects for broiler meat production next year as consumer demand is expected to remain strong. The 2012 production estimate is therefore forecast to hit a record 720,000 MT, an increase of 5 percent from the previous year's estimate.

Korea: Broiler Inventories as of June (1,000 birds)		
Year	Farms	Birds
2008	1,807	77,853
2009	2,249	99,983
2010	2,238	101,690
2011	2,268	110,122

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry

Consumption:

The HPAI outbreaks last winter did little to impact consumption since consumers have already weathered past outbreaks and understand that the virus, if present in the meat, would be destroyed through cooking.

Broiler meat consumption during 2011 is expected to grow more than originally forecast because increased demand resulting from the shortage of local pork and fears about radiation-contaminated fishery products from areas affected by the nuclear meltdown in Japan. Demand is also up since broiler meat is a relatively cheap source of protein and is also considered to be a health-conscious alternative to red meat. The consumption estimate is accordingly revised upward to 775,000 MT.

In July, the Korea Rural Economic Institute (KREI), a local agricultural think-tank, conducted a consumer survey to see what consumers were buying since local pork supplies were scarce. Of the 745 individuals surveyed, about 83 percent had replaced some of their pork consumption with other meat. The top choice was chicken, selected by 36 percent of consumers. See table below for breakdown for other substitutes.

Consumers' preferred substitute for domestic pork Unit: Percent

Survey Period	Chicken	Hanwoo beef	Duck	Imported beef	Imported pork	Eggs	Fish
May, 2011	21.3	11.0	15.5	10.0	10.2	16.3	15.7
July, 2011	36.0	17.9	16.0	15.1	11.9	3.1	N/A

Source: KREI

Note: KREI did not provide "fish" as an alternative to domestic pork in its survey conducted in July 2011.

Starting in August 2010, local fried chicken delivery services had to start carrying the origin of the meat on their menus. Anecdotal evidence suggests that this new labeling requirement has resulted in a slight uptick in demand for domestic chilled meat in place of imported frozen chicken. However, the overall impact of this labeling requirement on consumption of imported meat is expected to be negligible for a couple of reasons. First, imported chicken is cheaper than domestic broiler meat. Second, 60-70 percent of all imported chicken goes for processing, while almost all the rest is for restaurant use. Of note, imported chicken, which is almost always frozen, is not normally sold through retail or wholesale outlets as consumers prefer fresh chicken meat.

Based on 2010 import statistics, roughly 85 percent of imported chicken cuts were leg quarters, while the remaining 15 percent was more or less divided evenly between breast meat and wings. As noted above, the majority of the imported meat goes for processing into items such as nuggets, popcorn chicken and sandwich meat. The remainder is used at restaurants in barbeque chicken dishes that are growing in popularity. On the processed side, heat-treated products from Thailand and China are warmed on skewers and sold by roadside vendors.

In 2012, consumption is projected to increase 3 percent to a record 798,000 MT as local production increases to respond to growing demand from health conscious consumers. The return of domestic pork to the market is not expected to have a sizeable impact since per capita consumption, which is currently at 16 kg/person, still has room to keep growing. The local industry is hoping to see this figure grow to

20 kg/person over the next few years. In comparison, per capita consumption in Japan is slightly higher at 16.5 kg/person, while that of the United States is three times higher at 44.5 kg/person.

Beyond 2012, demand for chicken cuts is expected to continue growing, especially amongst the younger generation. According to local industry estimates, 35 percent of total chicken consumption in 2011 was made-up of cuts rather than whole birds, which still account for the bulk of consumption. The share of cuts is expected to continue climbing upward in the future.

Trade:

Korea imported 73,381 tons of frozen broiler meat from Jan-Jun 2011, up 46 percent from the same period from the previous year. The increase was largely attributed to the replacement demand for pork as well as the 50,000 MT zero-duty TRQ for frozen chicken meat to help mitigate against rising food inflation (see KS1122). The quota was announced in May and was reportedly filled by July.

While imports were up significantly from Jan-Jun, the pace of imports is expected to slacken during the second half of this year because of an abundance of chicken already on the market. The broiler meat import estimate for 2011 has therefore been trimmed slightly to 100,000 MT, of which roughly 90 percent is made-up chicken cuts. The import forecast for U.S. chicken is revised upward to 62,000 MT in part because it is more competitively priced than Brazilian broiler meat.

As noted above, the implementation of the country of origin labeling requirements for fried chicken delivery services will likely result in some restaurant owners opting for local broiler meat. However, in the long-run this practice is not expected to have much of an impact for a couple of reasons. First, U.S. chicken legs and wings are on average 70-80 percent cheaper than the same locally produced cuts. See price comparison table below. Second, while consumers prefer domestic chicken, they are willing to eat imported meat.

Price Comparison (Unit: Korean Won per Kilogram) 1/

Cuts	Domestic 2/	Imports 3/		
		U.S.	Brazil 4/	Denmark
Leg	6,626	1,488	3,278	1,818
Wing	7,808	2,292	3,108	2,777
Breast	7,508	5,874	3,152	-

Source: Korea Chicken Council & Korea Customs Service
1/ Average exchange rate (1$=1102.05 Korean won) for January – June 2011 period
2/ Chilled products, average retail price for January 1 – June 30, 2011 period
3/ Average CIF prices between January1 through June 30, 2011
4/ Mostly frozen trimmed bone-less products

The United States and Brazil are the first and second largest chicken suppliers to the Korean market. Thailand is third and China is fourth. Each country has a different portfolio of products depending on their respective competitive advantages and disease restrictions. When breaking it down by product, the United States ships the most frozen leg quarters, and Brazil the most frozen wings and breast meat. China and Thailand ship heat-treated product given the two country's poultry disease status. See import trade matrix at end of report for more details.

The implementation of the Korea-EU FTA on July 1, 2011, is expected to give Denmark – the fifth largest overall supplier and the second largest supplier of wings – a slight price advantage on frozen wings since the 20 percent duty has now been cut to 18.5 percent. The duty on EU-origin frozen wings will be phased-out over 14 years, whereas the tariff on U.S. frozen wings will be reduced over 12 years under the KOR-US FTA.

In 2012, Korea's broiler imports are forecast to decrease to 90,000 tons, down 10 percent from the previous year due to the anticipated increase in local production. The U.S. chicken import estimate is scaled back to 55,000 MT.

Korea's chicken exports in 2011 are forecast to hold relatively steady at 11,000 MT. In 2012, the export volume is forecast climb slightly to 12,000 MT. The top destinations for Korean chicken are Vietnam and Japan. Korea ships around 10,000 MT of spent hen meat to Vietnam, and 2,000-3000 MT of processed meat products to Japan, like the traditional chicken ginseng soup dish. See export trade matrix at end of report for details.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Korea, Republic of	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Inventory (Reference)	78	76	80	80		84	(MIL HEAD)
Slaughter (Reference)	725	725	740	750		780	(MIL HEAD)
Beginning Stocks	5	5	0	9		9	(1000 MT)
Production	647	653	660	686		720	(1000 MT)
Whole, Imports	0	0	0	0		0	(1000 MT)
Parts, Imports	106	106	110	100		90	(1000 MT)
Intra-EU Imports	0	3	0	3		3	(1000 MT)
Other Imports	0	0	0	0		0	(1000 MT)
Total Imports	106	106	110	100		90	(1000 MT)
Total Supply	758	764	770	795		819	(1000 MT)
Whole, Exports	1	2	1	1		1	(1000 MT)
Parts, Exports	15	14	14	10		11	(1000 MT)
Intra EU Exports	0	0	0	0		0	(1000 MT)
Other Exports	0	0	0	0		0	(1000 MT)
Total Exports	16	16	15	11		12	(1000 MT)
Human Consumption	742	741	755	775		798	(1000 MT)
Other Use, Losses	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	742	741	755	775		798	(1000 MT)
Total Use	758	757	770	786		810	(1000 MT)
Ending Stocks	0	9	0	9		10	(1000 MT)
Total Distribution	758	766	770	795		820	(1000 MT)
CY Imp. from U.S.	30	55	0	62		55	(1000 MT)
CY Exp. to U.S.	0	0	0	0		0	(1000 MT)
Balance	0	2	0	0		1	(1000 MT)
Inventory Balance	-5	4	0	0		1	(1000 MT)
Production Change	6	6	2	5		5	(PERCENT)
Import Change	49	49	4	-6		-10	(PERCENT)
Export Change	45	45	-6	-31		9	(PERCENT)
Trade Balance	-90	-90	-95	-89		-78	(1000 MT)
Consumption Change	9	9	2	5		3	(PERCENT)
Population	48,636,068	48,636,068	48,754,657	48,636,068		48,636,068	(PEOPLE)
Per Capita Consumption	15	15	16	16		16	(KG)

Frozen Chicken Cut Imports by Country

Country	CY 2010		CY 2011 (January- June)	
	Volume (MT)	Value (US$1,000)	Volume (MT)	Value (US$1,000)
<Leg>				
U.S.	52,148	65,433	49,655	66,907
Brazil	23,355	54,801	7,467	21,822
Denmark	342	550	82	136
Chile	176	477	134	450
Sub Total	76,021	121,261	57,338	89,315
<Wing>				
U.S.	0	0	96	199
Brazil	4,657	12,039	2,741	7,717
Denmark	2,009	4,823	1,771	4,470
Hungary	94	185	199	445
Sub Total	6,760	17,047	4,807	12,831
<Breast>				
U.S.	48	248	40	213
Brazil	5,411	14,966	3,215	9,209
Japan	320	305	0	0
Denmark	0	2	0	0
Sub Total	5,779	15,521	3,255	9,422
<Total by Country>				
U.S.	52,196	65,681	49,791	67,319
Brazil	33,423	81,806	13,423	38,748
Denmark	2,351	5,375	1,853	4,606
Japan	320	305	0	0
Chile	176	477	134	450
Hungary	94	185	199	445
Total	**88,560**	**153,829**	**65,400**	**111,568**

Source: Korea Customs Service (KCS)

Processed Chicken Imports by Country

Country	CY 2010		CY 2011 (January- June)	
	Volume (MT)	Value (US$1,000)	Volume (MT)	Value (US$1,000)
China	4,246	14,170	1,985	6,481
Thailand	8,829	32,022	5,175	19,342
United States	161	656	87	376
Total	**13,236**	**46,849**	**7,247**	**26,200**

Source: Korea Customs Service (KCS)

Countries that are currently allowed to export to Korea are as follows:

Approved Suppliers	Items
United Kingdom, Australia, New Zealand, Taiwan, Denmark, France, Spain, Germany, Netherlands, Canada, Hungary, Poland and United States	Poultry birds, hatching eggs, day old chicks
United Kingdom, France, Chile, Denmark, Taiwan, Australia, Brazil, Netherlands, Hungary, Canada, Poland and United States	Fresh, chilled, or frozen poultry meat
United Kingdom, France, Chile, Denmark, Taiwan, Australia, Brazil, Japan, United States, Thailand, Netherlands, Hungary, China, Poland and Canada	Heat-treated poultry meat

Source: The Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF)

Korea: Production Costs of Broilers 1/

(Korean Won per Kilogram in Live Weight)

Year	Operating Cost	Production Cost	Farm Price
2002	951	1,010	1,155
2003	943	1,003	938
2004	1,026	1,085	1,415
2005	953	1,008	1,440
2006	954	1,001	1,195
2007	881	930	1,118
2008	1,049	1,097	1,567
2009	1,255	1,311	1,936
2010	1,292	1,342	1,913

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry

Korea: Monthly Average Foreign Exchange Rate

(Unit: Korean Won / 1U$)

Month	2009	2010	2011
Jan.	1346.10	1138.82	1120.07
Feb.	1429.46	1157.08	1118.14

Mar.	1461.98	1137.64	1122.45
Apr.	1341.90	1117.11	1086.84
May	1258.71	1163.11	1083.54
Jun.	1261.35	1212.33	1081.27
Jul.	1263.97	1207.30	-
Aug.	1238.40	1179.92	-
Sep.	1219.15	1167.01	-
Oct.	1175.25	1123.45	-
Nov.	1164.23	1126.20	-
Dec.	1166.45	1147.55	-

Source: Industrial Bank of Korea

Korea: Production Cost of Broilers
(Korean Won per Kilogram in Live Weight)

Item	CY 2009		CY 2010	
	Average Cost	Component Ratio (%)	Average Cost	Component Ratio (%)
Feed	771	59	796	59
Chicks	320	24	334	25
Family Labor	46	4	39	3
Vet & Medicine	29	2	28	2
Water, Power, etc.	27	2	31	2
Other	117	9	113	8
Total	1,310	100	1,341	100
By Product	1	-	1	-
Cost Total	1,311	-	1,342	-

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry

PRICE TABLES

Korea: Year Average Broiler Prices
(Korean Won/Kg, boneless basis)

Year	2007	2008	2009	2010	2011 1/
Farm Price	1,118	1,567	1,936	1,913	1,971
Wholesale Price	2,030	2,739	3,431	3,529	3,626
Consumer Price	3,627	4,259	5,335	5,708	6,212

1/ Average price, January through June 2011
Source: National Agricultural Cooperative Federation

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram			
Year Month	2009	2010	2011	% Change comparing to previous year
Jan.	2,245	2,305	1,874	-19
Feb.	1,904	2,213	2,128	-4
Mar.	1,954	2,355	2,414	3
Apr.	1,976	2,167	2,478	14
May	2,105	1,703	1,544	-9
Jun.	1,939	1,933	1,389	-28
Jul.	2,100	2,043	-	-3
Aug.	1,838	1,783	-	3
Sep.	1,510	1,637	-	8
Oct.	1,679	1,647	-	-2
Nov.	1,994	1,608	-	-19
Dec.	2,029	1,564	-	-23

Source: National Agricultural Cooperative Federation (NACF) and Agricultural & Fishery Marketing Corporation

Korea: Wholesale Price for Chicken Meat

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram			
Year Month	2009	2010	2011	% Change comparing to previous year
Jan.	3,716	4,066	3,444	-15
Feb.	3,372	3,905	3,764	-4
Mar.	3,432	4,171	4,092	-2
Apr.	3,445	3,879	4,127	6
May	3,656	3,260	3,268	0
Jun.	3,372	3,610	3,061	-15
Jul.	3,646	3,644	-	0
Aug.	3,223	3,329	-	3
Sep.	2,814	3,144	-	12
Oct.	3,205	3,106	-	-3
Nov.	3,640	3,144	-	-14
Dec.	3,698	3,088	-	-16

Source: National Agricultural Cooperative Federation (NACF) and Agricultural & Fishery Marketing Corporation

Korea: Consumer Price for Chicken Meat

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram			
Year Month	2009	2010	2011	% Change comparing to previous year
Jan.	5,061	5,550	5,518	-1
Feb.	5,191	5,594	6,612	18
Mar.	5,269	5,915	6,983	18
Apr.	5,145	6,246	6,911	11
May	5,547	5,984	6,004	0
Jun.	5,501	5,811	5,242	-10
Jul.	5,636	6,210	-	10
Aug.	5,690	5,909	-	4
Sep.	5,303	5,681	-	7
Oct.	4,836	5,263	-	9
Nov.	5,313	5,080	-	-4
Dec.	5,507	5,250	-	-5

Source: National Agricultural Cooperative Federation and Agricultural & Fishery Marketing Corporation

TRADE MATRIX

Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
Commodity: Chicken Meat			Unit: MT & U$1,000, RTC Basis					
Imports for	**CY 2009**		**CY 2010**		**Jan.-Jun. 2010**		**Jan.-Jun. 2011**	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	29,423	38,363	54,745	69,539	24,956	32,071	49,958	67,876
Others								
Thailand	5,341	18,318	8,829	32,022	3,679	13,174	5,175	19,342
P.R.C.	3,516	12,377	4,246	14,170	2,043	6,804	1,985	6,481
Canada	0	0	0	0	0	0	0	0
Denmark	2,065	4,457	3,339	6,755	1,406	2,787	2,461	5,442
France	0	0	0	0	0	0	0	0
U.K.	0	0	0	0	0	0	0	0
Chile	0	0	176	478	0	0	134	450
Japan	96	177	26	28	277	260	11	12
Brazil	30,161	61,603	34,025	83,179	17,933	39,804	13,423	38,748
Australia	0	5	0	0	0	0	0	0
Other	23	59	417	493	23	33	234	493
Total for Others	41,202	96,996	51,058	137,125	25,361	62,862	23,423	70,968
Grand Total	70,625	135,359	105,803	206,664	50,317	94,933	73,381	138,844

1/ HS 0207.1X.XXXX plus HS 1602.32.XXXX

Source: Korea Customs Service

Korea: Export Matrix for Chicken Meat 1/

Export Trade Matrix								
Country: Korea								
Commodity: Chicken Meat	Unit: MT & U$1,000, RTC Basis							
Imports for	**CY 2009**		**CY 2010**		**Jan.-Jun. 2010**		**Jan.-Jun. 2011**	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	1	29	0	1	0	1	0	0
Others								
Hong Kong	548	870	946	1,445	312	530	130	340
Japan	867	4,298	1,350	6,920	464	2,300	857	4,392
P.R.C.	0	1	4	44	1	7	0	0
Taiwan	407	1,470	394	1,373	186	654	153	597
Thailand	0	2	1	3	0	0	0	0
Vietnam	9612	10,690	13,261	16,714	5,987	7,337	5,239	7,816
Iraq	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0
Australia	9	65	13	61	9	36	11	58
Russia	0	0	0	0	0	0	0	0
Other	28	261	22	110	4	28	46	105
Total for Others	11,471	17,657	15,991	26,670	6,963	10,892	6,436	13,308
Grand Total	11,472	17,686	15,991	26,671	6,963	10,893	6,436	13,308

1/ HS 0207.1X.XXXX plus HS 1602.32.XXXX

Source: Korea Customs Service