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Korea - Republic of

Livestock and Products Annual

Annual

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Report Highlights:

Korea's production of beef is expected to decrease in 2015 and 2016 due to reduced cattle supplies. At the same time consumption will increase slightly allowing for greater imports including U.S. beef. Total pork production will continue to increase into 2016, as pork prices remain high. Consumption will also increase slightly. The United States has increased its pork exports to Korea by over 20 percent during the first half of 2015.

Executive Summary:

While domestic Hanwoo beef prices have remained high, Korea's production of beef is expected to decrease in 2015 and 2016 due to reduced cattle supplies. At the same time consumption will increase slightly allowing for greater imports including U.S. beef, which although down slightly in market share for the first half of 2015 is expected to rebound in the latter half of the year.

Total pork production is projected to continue its upward trend into 2016, as pork prices remain high. Pork consumption in 2015 will increase slightly despite high pork prices, as consumer demand at restaurants and for use at home remains strong, and will lead to a 4 percent increase in imports in 2015 over 2014. The United States has increased its pork exports to Korea by over 20 percent during the first half of 2015, compared to the same period in 2014 due to increased price competitiveness over EU suppliers.

Commodities:

Animal Numbers, Cattle

Production:

Korean cattle inventories in 2015 will remain at a reduced size decreasing slightly and continuing to drop in 2016. The downward trend is projected to last for the next 2-3 years and then climb upwards. This trend is partially because many farmers with small-sized operations, consisting mostly of breeding farms, are exiting the cattle business. The total number of farm households dropped 5.1 percent (5,293 households) during the first half of 2015. The low cattle inventory was also affected by government efforts to reduce herds through incentives for slaughtering heifers and cows provided in 2012 and 2013. A total of 200,000 head of cows were slaughtered from early 2012 to May 2013 under the "cattle reduction program," which was enforced to increase the live cattle price. An additional 30,000 to 40,000 head were slaughtered as a result of the government support program to provide direct payment to farmers who stopped raising cattle in 2014. These incentive programs are showing results 40 months later as live cattle prices have soared to record high levels.

However there are efforts to replenish current stocks and longer term efforts to increase stocks. The percentage of cows slaughtered has dropped from 52.8 percent in 2013, to 48.9 percent in 2014, and 48.3 percent for the first 7 months of 2015, reflecting the fact that farmers are holding on to their cattle and replenishing stocks as live cattle prices have begun to increase. Additionally, Hanwoo semen sales have picked up since August 2014 although increased inseminations will not have an immediate impact on Korea's total herd size for approximately 40 months, including 10 months gestation and 27-30 months of feeding before the cows are ready for slaughter. Most research institutes are projecting that the inventory will slowly begin to pick up in 2017.

According to a survey conducted by the Korea Rural Economic Institute, 79.6 percent of farmers hire specialists to artificially inseminate their cows, 20.0 percent of farmers conduct the artificial insemination on their own, while only 0.3 percent of farmers depend on natural breeding.

Korea: Farmers' Intention for Cattle Herd Size

Year	Month	Farmers' Plan		
		Maintain same level	Will Increase herd size	Will reduce herd size
2010	March	94.3	5.2	0.4
	June	95.4	3.9	0.3
	September	95.5	4.1	0.5
	December	90.9	8.7	0.4
2011	March	95.7	4.3	0.0
	June	94.8	3.5	1.7
	September	93.8	2.5	3.7
	December	95.5	1.6	2.8
2012	March	93.2	3.1	3.8
	June	96.1	2.2	1.7
	September	91.6	1.3	7.1
	December	93.5	2.1	4.4
2013	March	96.8	1.4	1.8
	June	95.2	1.1	3.7
	September	90.4	0.5	9.1
	December	94.5	1.0	4.5
2014	March	95.3	1.1	3.6
	June	92.7	2.2	5.1
	September	92.1	1.3	6.6
	December	92.1	1.5	6.4
2015	March	95.8	1.2	3.0
	June	97.4	0.3	2.3
	September	97.0	1.5	1.5

Source: KREI

Hanwoo Semen Sales (Unit: 000 straws)

Month	2011 1/	2012	2013	2014	2015	Change 2/
Jan	0	105	102	121	120	99.2
Feb	0	113	98	108	115	106.5
Mar	282	169	133	129	136	105.4
Apr	211	175	150	151	148	98.0
May	249	179	166	159	138	86.8
Jun	276	217	184	188	222	118.1
Jul	256	238	216	206	229	111.2
Aug	225	200	157	197		
Sep	197	156	162	190		
Oct	177	139	153	163		
Nov	137	113	125	152		

Dec	105	111	131	145		
Total	2,115	1,915	1,777	1,909		

Source: GS&J and KREI

Note:

1/ The jump in semen sales in March 2011 is due to a rush to inseminate cows after a ban on transporting animal related products was instituted following the FMD outbreak in Nov. 2010.

2/ The change is a comparison of 2015 sales over the same month in 2014.

Monthly Cattle Slaughter Trend

Year	Month	Cow		Bulls/steers		Total	
		Heads	Percent of total	Heads	Percent of total	Sub-total	Percent of annual
2013	Jan	70,327	52.96	62,454	47.04	132,781	12.39
	Feb	40,453	58.49	28,713	41.51	69,166	6.46
	Mar	37,233	53.54	32,308	46.46	69,541	6.49
	Apr	44,242	53.49	38,476	46.51	82,718	7.72
	May	45,534	55.17	36,998	44.83	82,532	7.70
	Jun	37,098	53.16	32,693	46.84	69,791	6.51
	Jul	46,680	55.14	37,981	44.86	84,661	7.90
	Aug	51,245	51.31	48,638	48.69	99,883	9.32
	Sep	59,667	54.97	48,871	45.03	108,538	10.13
	Oct	44,282	49.54	45,103	50.46	89,385	8.34
	Nov	41,297	49.98	41,322	50.02	82,619	7.71
	Dec	47,063	47.20	52,649	52.80	99,712	9.31
	Total	565,121	52.75	506,206	47.25	1,071,327	100.00
2014	Jan	63,427	48.63	66,989	51.37	130,416	12.52
	Feb	29,989	48.73	31,558	51.27	61,547	5.91
	Mar	38,731	49.00	40,313	51.00	79,044	7.59
	Apr	44,280	49.71	44,794	50.29	89,074	8.55
	May	39,458	52.25	36,056	47.75	75,514	7.25
	Jun	36,640	51.58	34,400	48.42	71,040	6.82
	Jul	42,694	50.13	42,479	49.87	85,173	8.18
	Aug	59,438	48.09	64,159	51.91	123,597	11.86
	Sep	36,691	49.74	37,071	50.26	73,762	7.08
	Oct	40,200	47.51	44,422	52.49	84,622	8.12
	Nov	34,605	47.21	38,696	52.79	73,301	7.04
	Dec	43,321	45.71	51,444	54.29	94,765	9.10
	Total	509,474	48.90	532,381	51.10	1,041,855	100.00
2015	Jan	48,953	44.30	61,549	55.70	110,502	18.59
	Feb	40,504	46.32	46,942	53.68	87,446	14.71
	Mar	36,937	45.86	43,608	54.14	80,545	13.55
	Apr	41,380	47.88	45,040	52.12	86,420	14.54

	May	36,557	50.79	35,414	49.21	71,971	12.11
	Jun	40,798	51.67	38,157	48.33	78,955	13.28
	Jul	42,126	53.65	36,395	46.35	78,521	13.21
	Total	287,255	48.33	307,105	51.67	594,360	100.00

Source: Quarantine Inspection Agency

According to data released by the Korea Institute of Animal Products Quality Evaluation, Korean farmers profited on over 92 percent of all cattle slaughtered in 2014. As cattle prices increased further in 2015, farmers have made profits regardless of the carcass grade. However, the negative effect coming from such high cattle prices is that more farmers are selling lower grade cattle. In order to sell their cattle while the prices are high, farmers are reducing the feeding period and bringing their herd to the slaughter market. This has increased the percentage of lower carcass grades (Grade #2 and #3) from 31.0 percent in 2014 to 36.5 percent during the first 7 months of 2015.

Farm Income per Head of Beef Cattle (estimate based on 600 Kg. cattle)

Description			Carcass Grade				
			1++	1+	1	2	3
Income	Thousand won	2011	1,420	672	169	-830	-1,764
		2012 a/	1,339	683	108	-998	-1,941
		2013 a/	1,553	750	194	-676	-1,444
		2014 a/	1,906	1,247	776	102	-466
		2015 b/	2,891	2,277	1,948	1,263	538
Ratio of carcass in each grade	Percent	2011	9.2	22.6	30.6	25.5	11.6
		2012	8.1	17.8	25.5	26.7	22.0
		2013	9.2	21.0	31.0	27.1	11.2
		2014	11.4	25.7	31.6	23.1	7.9
		2015 c/	8.6	21.5	33.2	26.6	9.9

a/ Estimate

b/ Income for August 2015.

c/ January – July, 2015 average

Source: KREI and Korea Institute of Animal Products Quality Evaluation

Korea: Live Hanwoo Beef Cattle Prices (Thousand won / head)

Month	Calf						Cow			Steer		
	Female			Male								
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Jan	787	1278	1664	1552	1968	1997	3533	4135	4571	4216	4228	4290
Feb	869	1584	1490	1588	1903	2066	3518	4233	4571	4121	4180	4020
Mar	707	1067	1769	1500	1828	2251	3492	4130	4802	3905	4091	4468
Apr	656	1236	1934	1660	2100	2582	3393	4112	4682	3680	4047	4163
May	852	1189	2156	1763	2472	2633	3203	4082	4700	3582	3932	4088
Jun	883	1269	2199	1707	2527	2870	3190	4186	4748	3539	4107	4325

Jul	817	1526	2423	1643	2687	2902	3202	4430	5107	3508	4216	4880
Aug	769	1648	2461	1779	2642	3139	3379	4371	5543	3698	4105	5217
Sep	935	1626		1995	2678		3529	4542		3853	4194	
Oct	1022	1731		1807	2329		3772	4651		4190	4289	
Nov	1189	1454		1874	2260		4116	4519		4407	4277	
Dec	1212	1442		1879	2151		4151	4581		4378	4564	

Source: National Agricultural Cooperative Federation

Exchange rate US\$1 = 1,186.70 won (As of September 15, 2015)

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Market Begin Year Korea, Republic of	2014		2015		2016	
	Jan-14		Jan-15		Jan-16	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	3342	3342	3190	3190	0	3058
Dairy Cows Beg. Stocks	304	304	305	305	0	305
Beef Cows Beg. Stocks	1166	1166	1123	1123	0	1100
Production (Calf Crop)	900	900	910	865	0	860
Total Imports	0	0	0	0	0	0
Total Supply	4242	4242	4100	4055	0	3918
Total Exports	0	0	0	0	0	0
Cow Slaughter	509	509	446	476	0	450
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	533	533	544	511	0	510
Total Slaughter	1042	1042	990	987	0	960
Loss	10	10	10	10	0	10
Ending Inventories	3190	3190	3100	3058	0	2948
Total Distribution	4242	4242	4100	4055	0	3918
(1000 HEAD)						

Commodities:

Meat, Beef and Veal

Production:

Beef production will drop in 2015 as lower cattle inventories result in a lower number of cattle slaughters. Beef production is expected to continue to drop in 2016. The current increase in semen sales indicates there will be increases in herd size in two to three years. Furthermore, the number of cattle under 1-year old has increased from 758,000 head in March 2015 to 776,000 head in June 2015. Although the increase in the number of cattle in this age group is a positive indicator that a greater number of cattle will be put up for slaughter, these animals will not be ready until 2017. Therefore, the total slaughter number in 2016 will continue to decline until 2017.

Consumption:

Beef consumption is expected to increase slightly in 2015 and again in 2016, despite higher prices for both domestic beef and imported beef. Hanwoo beef prices are currently high due to a number of factors: 1) reduced Hanwoo cattle inventory and higher cattle prices, 2) increased demand from market promotion and an increase in butcher shop style restaurants, and 3) substitute demand coming from high pork prices. In May 2015, a scare associated with the outbreak of Middle East Respiratory Syndrome (MERS) in Korea impacted the restaurant business for about a month but sales recovered to the previous level after August as no more positive cases were detected.

Promotional activities have helped to maintain demand for beef. The following table shows promotional activities for Hanwoo beef conducted by various marketing entities. As indicated by the table, roughly 5 percent of Hanwoo beef is sold through promotions. In addition to promotional activities, livestock cooperatives have continued to increase butcher-shop style beef restaurants to provide consumers with less expensive beef. Consumers at this type of restaurant purchase beef at retail price and are exempt from the 10 percent value added tax. They pay a service charge for cooking the beef at the restaurant located in the same facility, but are able to enjoy beef at a lower price than they would at a regular restaurant.

The Hanwoo Cattle Growers Association announced that it would intensify its market promotion activities during the second half of 2015 to attract consumers to eat more Hanwoo beef, despite high prices. The association will increase its financial support to retailers by 720 million won (about \$700,000) so that the retailers can provide discounts on the price of Hanwoo beef.

Number of Hanwoo cattle sold through beef promotional activities

Unit: head

Year	National Agricultural Cooperative Federation	Private Stores	Other	Sub-total (A)	Total Hanwoo cattle slaughtered (B)	A. / (B)
	Number of Hanwoo cattle used (heads)					Percent
2011	7,453	-	-	7,453	716,357	1.0
2012	22,251	12,423	1,614	36,288	842,726	4.3
2013	24,380	22,057	683	47,120	959,752	4.9
2014 (Jan- May)	12,691	5,490	824	19,005	387,195	4.9
Total	66,775	39,970	3,121	109,866		

Source: KREI

The price competitiveness of U.S. beef over Korean beef has diminished as U.S. beef prices increased in 2015 at a faster rate than local beef prices. The price of U.S. chilled and frozen beef increased by 6 percent and 8 percent, respectively, in 2015 over the 2014 level. In addition to record high Hanwoo cattle prices, Hanwoo beef prices continued to increase by 5 percent and 6 percent for Grade 1 and Grade 3 during the same period. It remains to be seen if U.S. beef prices will be more competitive as U.S. cattle stock increases in 2015 and 2016. Korean consumers generally prefer local beef if the price is affordable, so U.S. beef will face stiff price competition in the frozen beef market and will need to enhance its marketing efforts in the chilled beef sector to increase its market share.

Comparison of Average Retail Price for Bulgogi Cut Beef and Korean Pork (Won per 100 gram)

Origin	Quality	2013	2014	2015 a/	Change in price		Price ratio over U.S. chilled beef		
					2014 over 2013	2015 over 2014	2013	2014	2015 a/
Korean Hanwoo	Grade 1	3109	3360	3566	1.08	1.06	1.33	1.27	1.27
	Grade 3	2154	2262	2381	1.05	1.05	0.92	0.85	0.85
U.S. Beef	Chilled	2334	2654	2815	1.14	1.06	1.00	1.00	1.00
	Frozen	1487	1576	1703	1.06	1.08	0.64	0.59	0.61
Australian Beef	Chilled	1903	2125	2234	1.12	1.05	0.82	0.80	0.79
	Frozen	1249	1322	1440	1.06	1.09	0.52	0.50	0.51
Korean Pork		1609	1929	2028	1.20	1.05	0.69	0.73	0.72

a/ Average retail price between January – July 2015.

Source: National Agricultural Cooperative Federation

Exchange rate US\$1 = 1,186.70 won (As of September 15, 2015)

Retail Prices for Beef Short Ribs (2013 – 2015)

Unit: Won per 100 gram

Year	Month	Domestic Hanwoo (chilled)		U.S. A.		Australia	
		#1 Grade	#3 Grade	Chilled	Frozen	Chilled	Frozen
2014	January	4,469	2,700	-	2,340	2,348	1,719
	February	4,471	2,700	-	2,338	2,553	1,759
	March	4,557	2,700	-	2,367	2,405	1,763
	April	4,470	2,700	-	2,254	2,145	1,740
	May	4,403	2,700	-	2,248	2,229	1,739
	June	4,399	2,700	-	2,260	2,313	1,738
	July	4,394	2,700	-	2,260	2,391	1,734
	August	4,454	2,700	-	2,296	2,377	1,734
	September	4,518	2,700	-	2,279	2,292	1,748
	October	4,467	2,700	-	2,338	2,389	1,802
	November	4,456	2,700	-	2,355	2,285	1,846
	December	4,405	2,700	-	2,353	2,498	1,846
2015	January	4,463	2,700	-	2,352	2,313	1,839
	February	4,531	2,700	-	2,363	2,446	1,841
	March	4,487	2,700	-	2,352	2,425	1,824
	April	4,541	2,700	-	2,333	2,218	1,825
	May	4,518	-	-	2,335	2,119	1,832
	June	4,495	-	-	2,335	1,925	1,821
	July	4,541	-	-	2,347	1,977	1,819

	August	4,670	-	-	2,323	2,039	1,814
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Source: National Agricultural Cooperative Federation

Exchange rate US\$1 = 1,186.70 won (As of September 15, 2015)

Trade:

As consumer confidence in U.S. beef rises, the market share for U.S. beef has also increased from 34.4 percent in 2013 to 36.4 percent in 2014. However, U.S. market share dropped to 33.5 percent during the first half of 2015. While the labor strikes at U.S. west coast ports allowed Korean importers to sell off inventories of U.S. beef purchased at higher prices than the current export price, at the same time, it resulted in Korea importing less U.S. beef. As Korea increases its imports in 2015 to make up for the drop in domestic beef production, U.S. beef imports are expected to rebound during the second half of 2015. However, U.S. beef will have to face competition with Australian beef, which is now enjoying a lower duty under the FTA with Korea. Canada also has a FTA with Korea, but due to a BSE finding on February 13, 2015, imports have been suspended. The following table provides an analysis of the price comparison between U.S. and Australian imported beef prices.

Korea: Beef Imports (Thousand dollars and metric tons)

Country	Annual 2013		Annual 2014		January – June 2015	
	Value	Volume	Value	Volume	Value	Volume
Australia	758,386	147,198	847,850	152,427	478,413	80,829
United States	529,351	92,158	706,371	101,774	357,451	46,714
New Zealand	96,010	25,343	102,705	22,100	45,843	10,019
Mexico	669	232	515	198	164	61
Canada	9,748	2,147	13,140	2,302	6,931	1,137
Others	2,566	660	4,885	1,109	4,037	813
Total	1,396,730	267,738	1,675,466	279,910	892,839	139,573

Source: KITA

Product equivalent basis

Includes HS 0201 (fresh/chilled), HS 0202 (frozen), HS 021020 and 160250 (processed beef products)

Commodity		KORUS FTA	Korea – Australia FTA	Korea – Canada FTA
Beef	Content of Free Trade Agreement	Duty phased out in 15 years plus Agricultural Safeguard (Already in 4 th year of phase out)	Duty phased out in 15 years plus Agricultural Safeguard (Already in 2 nd year of phase out)	Duty phased out in 15 years plus Agricultural Safeguard (In its 1 st year of phase out)
	Base duty	40%	40%	40%
	Applied duty in 2015	29.3%	34.7%	37.3%

Note: Beef imports from Canada have been suspended due to the finding of a BSE case on February 13, 2015.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Market Begin Year Korea, Republic of	2014		2015		2016	
	Jan-14		Jan-15		Jan-16	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	1042	1042	990	987	0	960
Beginning Stocks	80	80	59	59	0	21
Production	335	335	320	317	0	310
Total Imports	392	392	400	400	0	454
Total Supply	807	807	779	776	0	785
Total Exports	3	3	3	5	0	5
Human Dom. Consumption	745	745	740	750	0	755
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	745	745	740	750	0	755
Ending Stocks	59	59	36	21	0	25
Total Distribution	807	807	779	776	0	785

(1000 HEAD) ,(1000 MT CWE)

Commodities:

Animal Numbers, Swine

Production:

Total sow numbers have continued to increase since December 2013. The continued upward trend in total inventory has been possible due to high pork carcass prices. The swine industry perceives carcass prices of 4,000 won/kg as the breakeven point. The carcass price has well exceeded this level since March 2014. The continued high price of pork carcass is projected to increase the total inventory further for the second half of 2015 as well as 2016. As can be seen from the following table, the intention of farmers to gradually increase their total herd size as well as sow numbers during the second half of 2015 is high, compared to the same period in 2014.

Description	Total sow number		Total herd size	
	September	December	September	December
2015 (A)	109.1	109.6	106.6	105.7
2014 (B)	100.0	100.4	100.0	96.8
Change (A)/(B)	9.1	9.2	6.6	9.2

1/ Base month is September 2014

Source: KREI

The effect from increased sow numbers that began in March 2014, and has continued to increase up to June 2015, will result in an increased total swine inventory in 2016, following the 4 month gestation period and about 6 months needed to raise the piglets. This high inventory will manifest in increased slaughter numbers in 2016. In addition, compound feed sales for piglets during the May-July, 2015

period has increased 4.1 percent over the same period in 2014. These piglets will be slaughtered during the period from September to December, 2015, allowing for the total 2015 slaughter to increase by 2 percent over the 2014 level.

The profit level for swine producers has continued to increase after suffering a loss in 2013 when carcass prices dropped below the breakeven point of 4,000 won/kg. The average carcass price in 2014 was 5,022 won/kg. in 2014, and is maintaining an average of 5,380 won/kg. as of August, 2015. Such high profits will induce farmers to increase their herd size during the second half of 2015, and the increased herd size will also impact the total herd size in 2016 with a continued increase.

Unit: Won per head

Year	2012	2013	2014	2015 a/
Carcass price per Kilogram	4,135	3,840	5,022	5,380
Carcass price	339,903	294,488	396,553	425,934
Production cost	331,097	323,644	313,608	313,608
Profit per head	8,806	-29,156	82,945	112,326

Source: Meat Journal

a/ Estimate

Exchange rate US\$1 = 1,186.70 won (As of September 15, 2015)

Number of sows and swine by age (Thousand heads)

Year	Month	Sow 1/	Number of swine by age				
			Under 2 month	2-4 month	4-6 month	6-8 month	Over 8 month
2010	Dec	976	2966	3020	2875	108	911
2011	Mar	732	2149	2079	2034	85	688
	Jun	793	2272	2217	2003	115	724
	Sep	835	2416	2340	2155	117	756
	Dec	903	2586	2457	2188	119	821
2012	Mar	950	2772	2698	2376	144	862
	Jun	969	2921	2940	2537	144	890
	Sep	962	3075	3077	2770	118	897
	Dec	962	3073	3076	2749	113	904
2013	Mar	973	3089	3109	2882	112	914
	Jun	952	3116	3161	2904	98	902
	Sep	897	3078	3196	2972	88	854
	Dec	895	2940	3130	2900	99	844
2014	Mar	910	2921	3000	2805	112	859
	Jun	925	2934	2980	2789	113	864
	Sep	925	3011	3102	2876	115	861
	Dec	937	3043	3108	2949	120	869
2015	Mar	940	3094	2992	2898	110	877
	Jun	948	3116	3085	2827	111	879

Source: Korea Statistic Administration

- 1/ Swine over eight months are sows and part of the swine herd that are 6-8 months old are sows.
 2/ The sow numbers are based on the first day of each month and do not match with PS&D sow numbers, which are based on Dec, 31.

Monthly Swine Slaughter

Year	Month	Slaughter number (heads)		
		Total	Gilt/Sows	Boar
2013	Jan	1,484,824	787,283	697,541
	Feb	1,255,499	665,199	590,300
	Mar	1,370,818	722,826	647,992
	Apr	1,605,656	727,386	878,270
	May	1,340,713	708,506	632,207
	Jun	1,132,980	599,761	533,219
	Jul	1,259,886	665,878	594,008
	Aug	1,242,801	668,091	574,710
	Sep	1,212,485	648,494	563,991
	Oct	1,570,333	832,306	738,027
	Nov	1,463,834	739,722	724,112
	Dec	1,419,339	704,042	715,297
	Total	16,359,168	8,469,494	7,889,674
2014	Jan	1,414,842	699,807	715,035
	Feb	1,337,191	660,793	676,398
	Mar	1,322,833	655,912	666,921
	Apr	1,380,395	686,169	694,226
	May	1,252,662	622,815	629,847
	Jun	1,133,590	563,502	570,088
	Jul	1,228,387	610,187	618,200
	Aug	1,253,412	622,084	631,328
	Sep	1,220,100	602,212	617,888
	Oct	1,422,951	700,942	722,009
	Nov	1,292,060	642,906	649,154
	Dec	1,428,039	731,003	697,036
	Total	15,686,462	7,798,332	7,888,130
2015	Jan	1,366,402	696,574	669,828
	Feb	1,165,598	593,112	572,486
	Mar	1,422,262	710,240	712,022
	Apr	1,372,147	691,010	681,137
	May	1,188,375	600,116	588,259
	Jun	1,225,876	628,910	596,966
	Jul	1,287,986	655,585	632,401
	Total	9,028,646	4,575,547	4,453,099

Source: NACF

Swine Carcass Prices

Month	2010	2011	2012	2013	2014	2015
	Won per kilogram					
January	3859	6342	4725	3032	3629	4635
February	3920	6372	4451	3044	3994	4756
March	3989	6565	4401	3061	4959	4900
April	4325	5786	4309	3778	4991	5233
May	4272	7200	4873	3857	5301	6145
June	4647	7675	4971	4679	6173	6016
July	4663	6572	4600	4369	5524	6062
August	4802	6322	4356	4577	5571	5895
September	4535	5384	3561	4228	5269	
October	3817	4495	2992	3272	4922	
November	3963	5619	3814	4110	5787	
December	4344	6336	3485	4078	5232	

Source: NACF

Exchange rate US\$1 = 1,186.70 won (As of September 15, 2015)

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Market Begin Year Korea, Republic of	2014		2015		2016	
	Jan-14		Jan-15		Jan-16	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	9912	9912	10090	10090	0	10200
Sow Beginning Stocks	895	895	937	937	0	950
Production (Pig Crop)	16812	16812	17600	17108	0	17350
Total Imports	2	2	2	2	0	2
Total Supply	26726	26726	27692	27200	0	27552
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	15686	15686	16200	16000	0	16252
Total Slaughter	15686	15686	16200	16000	0	16252
Loss	950	950	1000	1000	0	1000
Ending Inventories	10090	10090	10492	10200	0	10300
Total Distribution	26726	26726	27692	27200	0	27552

(1000 HEAD)

Commodities:

Meat, Swine

Production:

Pork production is projected to continue to increase into 2016 as a result of high total swine inventories. The effect on total pork production from the FMD outbreak that began on December 3,

2014, is minimal so far with the total number of swine culled up to August, 2015 limited to 117,000 head from 185 farms. Considering that the average daily slaughter number is around 60,000 head and total swine inventory is over 10 million head, the culled number has not dampened total pork production in 2015. As swine carcass prices continue to maintain a level that attracts producers to increase their herd size, the total pork production is projected to continue its upward trend into 2016. One potential threat presented by increased production is a possible drop in carcass prices if stocks increase to the point of an oversupply. However, demand for domestic pork is projected to remain strong, due to a camping/barbequing boom, higher income consumer preferences for domestic pork, the speedy eradication of MERS and resumption in eating out along with the seasonal demand in late November/early December when consumers boil pork to enjoy with freshly made winter kimchi.

Consumption:

Pork consumption in 2015 increased slightly despite high pork prices. There are several reasons for increased pork consumption including: 1) substitute demand in place of duck and poultry consumption as over 30 percent of the duck inventory was culled due to HPAI; 2) popularity of television programs featuring families camping has spurred consumption of pork for BBQ purposes; 3) policy allowing butcher shops to produce and sell processed meat products since October 30, 2013 has increased the demand for unpopular cuts such as picnic, ham and tenderloins; 4) promotional activities by the Korea Swine Association to increase the consumption of cuts other than pork belly, thereby increasing the overall consumption of pork; 5) increased use of pork by the catering industry and processed pork products.

As can be seen from the following table, the market share of pork sold at butcher shops has dropped significantly from 37 percent in 2012 to 26 percent in 2014, and has switched to huge discount stores and supermarkets that have the financial capability to conduct aggressive promotional activities, such as free tasting, discounted prices, etc.

Marketing channel of pork meat in Korea

Unit: Percent

Marketing channel	2012	2013	2014	Change in 2014 over 2013
Large sized hypermarkets	18	12	17	142
Supermarkets	5	5	15	300
Butcher shops	37	46	26	57
Restaurants	7	6	7	117
Department stores	1	1	1	100
Catering	5	6	7	117
Processing	16	13	18	138
Other	11	11	11	100
Total	100	100	100	100

Source: Meat Journal

As can be seen from the following consumption pattern, the amount of single-rib bellies, which traditionally have been the most favorite and most expensive cut, is gradually dropping, whereas consumption of pork ribs, collar butts and loin are increasing. This phenomenon is due to the

promotional activities of the Korea Swine Association to increase consumption of other cuts and increased use for processed pork products.

Percent of household purchase of various pork cuts (Unit: Percent)

Cut	2011	2012	2013	2014
Single rib bellies	36.5	33.9	31.8	32.2
Collar butt	12.5	12.6	13.0	12.2
Ribs	6.0	6.6	7.3	6.5
Picnic / Ham	21.0	23.4	23.8	23.5
Loin / Tenderloin	4.7	4.5	5.2	5.8
Other cuts	19.4	19.0	19.0	19.8

Source: KREI

Trade:

Pork imports increased by 35 percent during the first half of 2015 compared to the same level in 2014. High domestic pork prices have caused importers to increase pork imports during the first half of 2015 but have resulted in increased stock of imported pork as the level of increased pork imports exceeded the level of increased consumption. The high inventory of imported pork is expected to reduce pork imports during the second half of 2015, resulting in an overall increased import of 4 percent over the 2014 level.

The United States has increased its pork exports to Korea by over 20 percent during the first half of 2015, compared to the same period in 2014. This is attributable to the increase in its price competitiveness over EU suppliers as U.S. pork supply increased by 5.1 percent in 2015. Low feed costs in the United States have allowed for higher carcass weights. The following table shows that U.S. pork prices will be more price-competitive against EU pork price in 2015, largely due to lower FTA duties.

Category	Country	Unit	2014	2015	2019	2024
Exchange rate		Won / US dollar	1,053	1,095	1,035	1,038
Import price	U.S.A.	U.S. dollar / Kg.	3.08	3.03	3.03	3.07
	EU		3.38	3.32	3.32	3.37
	Other		2.55	2.50	2.50	2.54
Import duty	U.S.A.	Percent	8.0	4.0	0.0	0.0
	EU		15.0	13.0	3.0	0.0
	Other		25.0	25.0	25.0	25.0
Purchase price by wholesaler	U.S.A.	Won / Kg.	4,034	3,976	3,623	3,681
	EU		4,697	4,699	4,067	4,035
	Other		3,834	3,917	3,706	3,765

Source: KREI

Korea: Pork Imports

Unit: Thousand dollars and Metric Tons

Country	Annual 2013		Annual 2014		January - June 2015	
	Value	Volume	Value	Volume	Value	Volume
United States	289880	103899	372590	111706	254092	76554
Canada	72839	39676	77144	34854	47101	22559
Chile	101751	30367	93293	25169	59550	14626
Austria	37999	10632	60639	16739	31834	9128
France	29796	7262	43853	10529	20132	5051
Netherlands	37133	9191	40118	10027	25826	7450
Spain	42267	18446	113247	38136	79956	29573
Belgium	28815	8213	37668	10562	18073	5481
Germany	112928	32338	217147	65512	121807	39488
Denmark	29394	11564	30735	11843	24333	8276
Hungary	8691	3216	18471	6089	8695	2460
Poland	28480	9818	18680	5826	74	22
Mexico	19651	7067	34356	8880	16030	4621
Others	15319	6908	35910	13011	18950	7360
Total	854943	298597	1193851	368883	726453	232829

Source: KITA

Product Weight Equivalent basis

Includes: HS 020311, 020312, 020319 (fresh/chilled), HS 020321, 020322, 020329 (frozen), 021011, 021012, 021019, 160241, 160242, and 160249 (processed pork products)

Production, Supply and Demand Data Statistics:

Meat, Swine Market Begin Year Korea, Republic of	2014		2015		2016	
	Jan-14		Jan-15		Jan-16	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	15686	15686	16200	16000	0	16252
Beginning Stocks	100	100	41	41	0	23
Production	1200	1200	1240	1224	0	1243
Total Imports	480	480	510	500	0	510
Total Supply	1780	1780	1791	1765	0	1776
Total Exports	2	2	2	2	0	2
Human Dom. Consumption	1737	1737	1750	1740	0	1750
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1737	1737	1750	1740	0	1750
Ending Stocks	41	41	39	23	0	24
Total Distribution	1780	1780	1791	1765	0	1776

(1000 HEAD) ,(1000 MT CWE)

