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Report Highlights:

Soft cattle prices resulting from an oversupply of domestic cattle is expected to spur an increase in the animals marketed in 2012. Rising slaughter will push cattle inventories down for the first time in over a decade to 3.25 million head. With beef production projected to climb higher, imports are forecast to come down to 400,000 MT. Imports of U.S. beef are forecast to hold steady at 160,000 MT, accounting for 40 percent of total imports. The swine industry is steadily recovering from the aftermath of FMD with pork production estimated at 982,000 MT, up 17 percent year-on-year. The increase in production is forecast to push imports down to 500,000 MT, a year-on-year decrease of nearly 100,000 MT. Imports of U.S. pork, though down from last year, are forecast to remain strong at 170,000 MT.

Commodities:

Animal Numbers, Cattle

Production:

After confronting Foot & Mouth Disease (FMD) in late 2010 and early 2011, Korean beef cattle farmers are now facing an even bigger challenge with plummeting cattle prices. Live steer prices have dropped over 35 percent between November 2010 just before the FMD outbreak and January 2012. See price series at end of cattle section for more detail. The main reason for the price drop is a surplus in local cattle inventories, which have increased 70 percent over the past decade and 26 percent over the last five years.

In order to buoy local cattle prices, the Ministry for Food, Agriculture, Forestry & Fisheries (MFAFF) recently announced a 30 billion won (\$26.7 million) incentive program to encourage cattle farmers to send lower-performing cows (e.g. inferior progeny) to market instead of breeding them. MFAFF is targeting to reduce the number of these substandard cows by 100,000 head in 2012 and another 100,000 head in 2013. Farmers will receive 500,000 won/head (\$444) for heifers and 300,000 won/head (\$267) for cows.

MFAFF has also announced plans to purchase 1,000 Holstein steer calves for veal production, which is an underdeveloped segment of the local beef market, in order to reduce inventories and stabilize prices. The government will also continue providing support to agricultural cooperatives under the NACF umbrella to carry discounted price promotion activities and will supply the military with domestic Holstein beef instead of imported Australian beef.

While cattle prices still remain far below pre-FMD levels, these concerted efforts have helped to stabilize the market and have put the brakes on production. In fact, according to a recent think-tank survey, more farmers are looking to reduce herd sizes this year due to the decline in cattle prices. See survey results below. However, based on strong Hanwoo semen sales last year, 2012 production is only forecast to come down 2 percent from the previous year to 990,000 head. Meanwhile, the production estimate for 2011 was raised to 1.0 million because of high insemination rates the previous year.

Cattle Industry Survey of Intention									
Farmers' Plan	2010				2011				2012
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Maintain the same level	94.3	95.8	95.5	90.9	95.7	94.8	93.8	95.5	93.2
Will increase herd size	5.2	3.9	4.1	8.7	4.3	3.5	2.5	1.6	3.1
Will reduce herd size	0.4	0.3	0.5	0.4	0.0	1.7	3.7	2.8	3.8

Source: KREI

Hanwoo Semen Sales (Unit: 000 straws)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2008	116	151	146	156	174	177	220	212	170	170	148	118	1,958
2009	119	140	138	162	177	216	238	270	207	185	143	135	2,130
2010	146	131	145	248	154	216	271	240	223	181	144	134	2,233

2011	5	0	303	215	274	279	304	225	215	168	129	136	2,253
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Source: GS&J

Note: The jump in semen sales in March 2011 was due to the lifting of the FMD-related movement restrictions.

Slaughter:

High inventories, low cattle prices, high feed costs and the government's plan to market lower-performing cows will push the 2012 total slaughter estimate upward to nearly 1.1 million head, an increase of about 27 percent over the previous year.

The ratio of cow slaughter as a percentage of total slaughter is expected to increase as live cattle prices remain soft and farmers pull back on production. As a general rule of thumb, when cattle prices are bearish, farmers generally first look to market their steers first since their prices generally drop at a faster rate than cow prices. For example, steer prices dropped about 36 percent last year, while cow prices dropped almost 24 percent. If the downturn is longer than expected, as is the case right now, farmers start marketing their cows.

The slaughter number for 2011 has been revised upward to 853,000 head because weaker cattle prices spurred an increase in the number of animals being marketed during the second half of the year. Nearly 57 percent of cattle were slaughtered from Jul-Dec 2011, up 4 percentage points from the same time the previous year.

According to the Korea Rural Economic Institute (KREI), a local agricultural think-tank, because of sagging cattle prices and relatively high feed costs, about 46 percent of the cattle slaughtered in 2011 resulted in the farmers losing money. These loss-generating animals were those that graded out at a 2 or 3, which is the lower end for quality grading scale. The remaining 54 percent of animals that yielded a profit received a grade of 1++, 1+ or 1.

2011 Farm Income per Head of Beef Cattle (Estimate based on 600 Kg. cattle)					
Unit: 000 won, percent					
Description	Carcass grade				
	1++	1+	1	2	3
• Gross Income (A)	6,002	5,254	4,751	3,752	2,818
• Expenses (B)	4,582	4,582	4,582	4,582	4,582
• Calf price	1,969	1,969	1,969	1,969	1,969
• Feed	2,169	2,169	2,169	2,169	2,169
• Other expenses	444	444	444	444	444
• Income [(A)-(B)]	1,420	672	169	-830	-1,764
• % by grade	7.8	19.4	26.9	25.8	20.1

Source: KREI and Korea Institute of Animal Products Quality Evaluation

Exchange rate: US\$1 = 1,125.7 won

Monthly Cattle Slaughter Trend							
Year	Month	Cow		Bull/steers		Total	
		Heads	Percent of total	Heads	Percent of total	Sub-total	Percent of annual
2010	Jan	32,820	42.4	44,588	57.6	77,408	10.3
	Feb	31,065	47.5	34,384	52.5	65,449	8.7

	Mar	25,785	46.2	30,025	53.8	55,810	7.4
	Apr	24,625	45.9	29,026	54.1	53,651	7.1
	May	23,300	45.8	27,608	54.2	50,908	6.8
	Jun	23,480	45.7	27,888	54.3	51,368	6.8
	Jul	25,553	48.7	26,920	51.3	52,473	7.0
	Aug	30,698	45.1	37,305	54.9	68,003	9.0
	Sep	41,003	47.1	45,977	52.9	86,980	11.6
	Oct	26,598	46.4	30,765	53.6	57,363	7.6
	Nov	29,018	44.2	36,686	55.8	65,704	8.7
	Dec	27,332	40.6	39,977	59.4	67,309	8.9
	Total	341,277	45.4	411,149	54.6	752,426	100.0
2011	Jan	32,297	37.8	53,045	62.2	85,342	10.0
	Feb	11,047	33.3	22,078	66.7	33,125	3.9
	Mar	24,217	43.6	31,310	56.4	55,527	6.5
	Apr	24,752	41.4	35,090	58.6	59,842	7.0
	May	26,947	40.0	40,349	60.0	67,296	7.9
	Jun	28,691	40.8	41,617	59.2	70,308	8.2
	Jul	28,130	42.8	37,663	57.2	65,793	7.7
	Aug	41,113	39.7	62,487	60.3	103,600	12.1
	Sep	34,732	44.5	43,296	55.5	78,028	9.2
	Oct	26,890	40.4	39,681	59.6	66,571	7.8
	Nov	31,289	41.0	45,112	59.0	76,401	9.0
	Dec	37,341	41.1	53,572	58.9	90,913	10.7
	Total	347,446	40.7	505,300	59.3	852,746	100.0

Source: Quarantine Inspection Agency

Stocks:

Livestock industry experts are predicting that it will take 2-3 years before the drop in cattle prices is actually reflected in the total inventory numbers in part because Hanwoo semen sales, which are directly correlated with insemination rates, remained relatively strong through the end of 2011 even though prices were dropping. Nonetheless, ending inventories in 2012 are projected to decline from last year's record to 3.25 million in large part because of the expected increase in slaughter. This decline, the first in more than a decade, signals the end of a long expansionary period in the local cattle sector.

Prices:

Korea: Live Beef Cattle Prices (000 won/head)

Month	Hanwoo calf		Hanwoo cow	Hanwoo steer
	Female	Male		
Jan., 2009	1,370	1,514	4,602	3,659
Feb., 2009	1,482	1,618	4,584	3,694
Mar., 2009	1,509	1,669	4,597	3,699

Apr., 2009	1,629	1,852	4,670	3,688
May, 2009	1,718	1,989	4,698	3,702
Jun., 2009	1,869	2,121	4,751	3,808
Jul., 2009	1,930	2,176	4,831	3,949
Aug., 2009	2,032	2,312	5,089	4,870
Sept., 2009	2,125	2,411	5,405	5,167
Oct., 2009	2,054	2,324	5,510	5,405
Nov., 2009	2,048	2,302	5,754	5,729
Dec., 2009	2,081	2,292	5,904	5,789
Jan., 2010	2,080	2,344	5,911	5,846
Feb., 2010	N/A	N/A	N/A	N/A
Mar., 2010	2,272	2,434	5,714	5,495
Apr., 2010	2,331	2,598	5,659	5,433
May, 2010	N/A	N/A	N/A	N/A
Jun., 2010	2,337	2,554	5,326	5,081
Jul., 2010	2,259	2,475	5,066	4,942
Aug., 2010	2,151	2,391	5,012	5,044
Sep., 2010	2,074	2,387	4,850	5,069
Oct., 2010	2,092	2,327	4,877	5,073
Nov., 2010	1,939	2,041	4,824	4,889
Dec., 2010	N/A	N/A	N/A	N/A
Jan., 2011	N/A	N/A	N/A	N/A
Feb., 2011	N/A	N/A	N/A	N/A
Mar., 2011	N/A	N/A	N/A	N/A
Apr., 2011	1,956	1,924	4,383	3,668
May, 2011	1,796	1,817	4,106	3,804
Jun., 2011	1,643	1,743	3,774	3,203
Jul., 2011	1,591	1,713	3,813	3,211
Aug., 2011	1,534	1,785	3,758	3,116
Sep., 2011	1,446	1,785	3,752	3,125
Oct., 2011	1,386	1,845	3,682	3,159
Nov., 2011	1,248	1,484	3,773	3,219
Dec., 2011	921	1,226	3,622	3,082
Jan., 2011	935	1,354	3,689	3,155

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,125.7 won)

Note: Live beef cattle prices are not available during the period Dec., 2010~Mar., 2011, as the live cattle market was closed during this period, due to FMD outbreak.

Commodities:

Meat, Beef and Veal

Production:

With the expected increase in the number of animals going to slaughter, beef production in 2012 is projected to climb above the previous estimate to 355,000 MT. Similarly, the beef production forecast

for 2011 is raised to 280,000 MT on account of the increase in animals marketed during the second half of the year.

Consumption:

With the expected increase in production and ongoing promotional activities, the beef consumption estimate is raised slightly from the earlier forecast to 700,000, but up more than 5 percent year-on-year.

In a bid to increase consumption of domestic beef, two of the largest hypermarket chain stores – E-mart and Lotte Mart – continue to sell Hanwoo beef at discounted prices. Prospects for U.S. beef consumption remains high as the percentage of the consumers that have tried U.S. beef has increased from 22 percent in 2010 to 52 percent in 2012, according to a KREI survey. In addition, a separate KREI survey revealed that 41 percent of consumers said they would purchase less Australian beef when purchasing U.S. beef. Meanwhile, nearly 30 percent said they would cut back on Hanwoo beef consumption when purchasing U.S. beef.

In mid December 2011, USMEF kicked-off the second phase of its ‘To Trust’ campaign that profiled world-class U.S. beef in two different commercials which ran on all the major TV networks until the end of February 2012. USMEF will conduct surveys to gauge consumers’ responses, but initial impressions seem positive. These and other types of promotional activities are considered as the key ingredients to propel consumption of U.S. beef in years to come.

Survey of consumers’ experience in purchase of U.S. beef Unit: Person (%)

Year	Have purchased U.S. beef	Have not purchased U.S. beef	Total
2010	169 (22.1)	595 (77.9)	764 (100.0)
2011	336 (48.0)	364 (52.0)	700 (100.0)
2012	357 (52.3)	326 (47.7)	683 (100.0)

The surveys were conducted in Dec., 2010, Feb., 2011 and Jan., 2012

Source: KREI

Survey of consumers’ intention to reduce other meat consumption when purchasing U.S. beef

Unit: Person (%)

Year	Hanwoo Beef	Australian Beef	Pork	Chicken	Will not reduce other meat consumption	Total
2010	30 (18.0)	79 (47.3)	22 (13.2)	6 (3.6)	30 (18.0)	167 (100.0)
2011	97 (35.5)	101 (37.0)	21 (7.7)	5 (1.8)	49 (17.9)	273 (100.0)
2012	96 (29.9)	133 (41.4)	38 (11.8)	4 (1.2)	50 (15.6)	321 (100.0)

Source: KREI

Survey of consumers’ intention to pay higher price for domestic Hanwoo beef

Unit: Multiple times

Description	Loin			Short rib		
	Dec.,	Feb.,	Jan.,	Dec.,	Feb.,	Jan.,

	2010	2011	2012	2010	2011	2012
Hanwoo beef / U.S. beef	3.40	3.16	3.04	2.85	2.28	2.17
Hanwoo beef / Australian beef	2.72	2.71	2.65	2.17	1.95	1.76

Source: KREI

The most popular beef cut is short ribs. In January 2012, the average retail price for 500 grams of domestic #1 grade chilled short ribs cost 22,000 won per 500 grams (\$19.50). In comparison, the same U.S. and Aussie chilled cut retailed for about half the price at 11,900 won (\$10.60) and 10,695 won (\$9.50) per 500 grams. The reason for the price difference between U.S. and Aussie short ribs is the price premium for grain feed beef; nearly all U.S. beef is grain feed while just 30 percent of Aussie beef is. See retail price series at end of beef section for more detail.

Trade:

In light of the anticipated increase in beef production, the 2012 beef import forecast has been trimmed to 400,000 MT, down 4 percent from the previous year. Imports of U.S. beef during this period are forecast to hold steady at 160,000 MT, accounting for 40 percent of total imports. The KOR-US FTA is not expected to have a significant impact on U.S. beef imports in 2012 since the tariff is only being reduced from 40 percent to 37.3 percent. More on the duty phase-outs under the agreement is available in our [Beef Product Brief](#). Imports of Canadian beef, which resumed this year, are expected to be very minor.

In 2011, beef imports climbed above the earlier estimate to 417,000 MT on the back of high domestic pork prices. Prior to FMD, domestic pork retail prices were about 1.3 times higher than frozen Australian beef, but jumped as high as 1.9 times and were still 1.7 times higher in December 2011. Imports of U.S. beef reached 157,000 MT during this period, accounting for about 38 percent of total imports. On a product weight basis, imports of U.S. beef totaled slightly more than 115,000 MT, valued at nearly \$600 million.

Korea: Beef Imports (\$000 and Metric Tons)

Country	Annual 2010		Annual 2011	
	Value	Volume	Value	Volume
Australia	571,648	138,524	770,061	152,739
United States	395,025	84,821	599,145	115,342
New Zealand	106,701	34,256	137,613	34,357
Mexico	7,364	3,574	16,449	5,236
Others	499	104	423	130
Total	1,081,237	261,279	1,523,691	307,804

Source: KITA

Product Weight Equivalent basis

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

Stocks:

Consumption was not commensurate with imports in 2011 resulting in a fair amount going into stocks. The GS&J research institute estimated that there was about 59,000 MT (PWE) of imported beef

waiting to clear Customs at the end of 2011. Ending stocks for 2011 are accordingly revised upward to 80,000 MT (CWE).

Prices:

Retail prices (2009 – 2012)

Unit: Won per 500 gram

Month	Hanwoo beef Loin (Top grade)	Australian Beef Loin (Chilled)	Australian Beef Loin (Frozen)	Domestic Pork
Jan., 2010	36,116	N/A	6,333	7,947
Feb., 2010	38,102	N/A	6,333	7,609
Mar., 2010	36,548	N/A	6,333	7,317
Apr., 2010	37,325	16,117	6,462	8,207
May, 2010	37,389	N/A	6,500	8,566
Jun., 2010	35,727	N/A	6,500	8,385
Jul., 2010	34,836	20,416	6,606	8,794
Aug., 2010	35,282	21,313	6,833	9,132
Sept., 2010	38,603	21,892	6,640	8,943
Oct., 2010	39,273	21,104	6,500	8,599
Nov., 2010	36,335	19,903	6,401	8,311
Dec., 2010	35,850	20,328	6,333	8,038
Jan., 2011	34,062	22,794	6,333	8,902
Feb., 2011	31,460	21,939	6,333	10,658
Mar., 2011	31,632	19,629	6,220	9,499
Apr., 2011	28,573	18,940	6,167	9,794
May, 2011	27,532	18,525	6,396	10,691
Jun., 2011	28,209	16,083	6,429	12,300

Jul., 2011	28,360	16,587	5,976	11,798
Aug., 2011	29,550	17,645	5,785	10,759
Sept., 2011	32,515	19,555	6,000	9,722
Oct., 2011	31,350	19,295	6,000	8,688
Nov., 2011	31,515	18,695	6,000	8,571
Dec., 2011	30,680	19,180	5,905	9,985
Jan., 2012	30,075	20,280	6,000	9,235

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,125.7 won)

Retail Prices for Beef Short Ribs (2010 – 2012)

Unit: Won per 500 gram

Month	Domestic Hanwoo (chilled)		U.S. A.		Australia	
	#1 Grade	#3 Grade	Chilled	Frozen	Chilled	Frozen
Jan., 2010	36,881	19,210	N/A	N/A	9,991	8,080
Feb., 2010	37,450	20,911	N/A	N/A	10,993	8,488
Mar., 2010	37,450	21,030	N/A	N/A	9,611	8,315
Apr., 2010	36,911	21,057	N/A	N/A	9,032	8,849
May, 2010	36,032	21,230	N/A	N/A	8,504	9,025
Jun., 2010	34,138	21,230	N/A	N/A	8,647	8,828
Jul., 2010	34,819	21,230	13,455	9,617	8,321	8,414
Aug., 2010	34,337	21,230	13,762	9,814	7,834	8,779
Sept., 2010	35,027	21,462	12,979	9,699	10,654	8,614
Oct., 2010	35,000	21,630	12,724	9,500	9,982	8,500
Nov., 2010	35,000	21,630	13,863	9,500	9,193	8,500
Dec., 2010	35,000	21,143	13,674	9,500	8,711	8,210
Jan., 2011	34,475	20,830	13,281	9,500	10,424	8,167
Feb., 2011	33,547	20,830	13,803	9,500	12,386	8,167
Mar., 2011	31,336	21,130	13,431	10,455	10,770	8,053
Apr., 2011	28,811	21,430	13,388	10,500	9,002	8,167
May, 2011	23,439	20,295	13,150	9,818	8,739	7,834
Jun., 2011	23,212	18,333	14,352	9,234	9,108	7,667
Jul., 2011	23,566	18,333	14,515	8,412	8,819	7,238

Aug., 2011	23,248	19,795	14,855	7,577	9,134	6,534
Sept., 2011	23,134	18,500	14,500	7,732	10,676	6,750
Oct., 2011	22,080	13,625	11,900	8,090	9,224	6,750
Nov., 2011	21,835	12,000	12,885	8,184	8,720	6,750
Dec., 2011	21,655	11,810	12,950	8,170	9,215	6,645
Jan., 2012	22,200	12,000	11,900	8,270	10,695	7,185

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,125.7 won)

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle 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
Total Cattle Beg. Stks	3,079	3,079	3,278	3,278	3,356	3,354
Dairy Cows Beg. Stocks	304	304	278	278	295	283
Beef Cows Beg. Stocks	1,085	1,085	1,147	1,147	1,250	1,249
Production (Calf Crop)	1,026	1,026	950	1,010	1,000	990
Total Imports	0	0	10	0	1	0
Total Supply	4,105	4,105	4,238	4,288	4,357	4,344
Total Exports	0	0	0	0	0	0
Cow Slaughter	341	342	350	348	405	500
Calf Slaughter	0	0	0	0	0	1
Other Slaughter	411	411	450	505	495	580
Total Slaughter	752	753	800	853	900	1,081
Loss	75	74	82	81	10	10
Ending Inventories	3,278	3,278	3,356	3,354	3,447	3,253
Total Distribution	4,105	4,105	4,238	4,288	4,357	4,344
CY Imp. From U.S.	0	0	0	0	0	0
CY Exp. To U.S.	0	0	0	0	0	0
1000 HEAD, PERCENT						

Meat, Beef and Veal 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
Slaughter (Reference)	752	753	800	853	900	1,081
Beginning Stocks	47	47	49	49	50	80

Production	247	247	262	280	295	355
Intra-EU Imports	0	0	0	0	0	0
Other Imports	366	366	410	417	420	400
Total Imports	366	366	410	417	420	400
Total Supply	660	660	721	746	765	835
Intra EU Exports	0	0	0	0	0	0
Other Exports	2	2	1	3	1	3
Total Exports	2	2	1	3	1	3
Human Dom. Consumption	609	609	670	663	700	700
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	609	609	670	663	700	700
Ending Stocks	49	49	50	80	64	132
Total Distribution	660	660	721	746	765	835
CY Imp. From U.S.	110	110	140	157	150	160
CY Exp. To U.S.	0	0	0	0	0	0

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

Commodities:

Animal Numbers, Swine

Production:

The swine industry is steadily recovering from the FMD outbreaks in late 2010 and early 2011 where over 3.4 million hogs were culled, or one-third of the total inventories. In an effort to help the swine industry rebuild, the government created a zero duty tariff rate quota (TRQ) for 31,000 head of breeding stock in 2011 and another 5,000 head during the first half of 2012.

Meanwhile farmers are working quickly to rebuild their herds and will continue to do so throughout the year. As can be seen from the KREI survey results below, swine growers are planning to expand current herd sizes 12 percent by this coming August. In order to make this happen, farmers are increasing sow inventories, which currently stand at about 93 percent from where they were prior to FMD. See the following two tables below for details.

Index of Farmers' Intention to Increase Herd Size in 2012

March	April	May	June	July	August
101.7	104.1	105.4	107.7	110.3	111.5

Source: KREI

Note: December 1, 2011 inventories were used as the benchmark (100) for the survey. Survey conducted Feb 6-15, 2012.

Number of sows and swine over 6 months of age (000 heads)

Age	Dec. 1, 2010 2/ (A)	Mar. 1, 2011	June 1, 2011	Sept. 1, 2011	Dec., 1, 2011 (B)	(B) / (A) (Percent)
6-8 months	108	85	115	117	119	110.2
Over 8	911	688	724	756	821	90.1

months						
Sows 1/	976	732	793	835	903	92.5

1/ Swine over 8 months are sows and part of the swine that are 6-8 months old are also sows.

2/ Dec 1 sow numbers do not match with PS&D figures since these are as of Dec 31.

High carcass prices are also helping drive the recovery. In December 2011, the average carcass price was 6,336 per kilogram (\$5.60), up 46 percent from a year earlier. Prices have, however, softened in January 2012 at 4,725 won (\$4.20) per kilogram. Furthermore, according to KREI, the average carcass price is projected to come down to 4,669 won/kg (\$4.10) in 2012 from 5,808 won/kg (\$5.20) in 2011.

While farmers are rebuilding, the expansion in production is occurring at a slower pace than was originally expected in large part because of the short supply of sows some of which because of overuse are declining in productivity. The pig production estimate in 2012 is accordingly reduced from 14.6 million to 13.9 million head. Although down from the earlier estimate, 2012 hog production is forecast to increase 5 percent year-on-year.

Over the longer-term, it is unlikely that the total hog inventories will reach pre-FMD levels of 9.8 million for the reasons listed below, many of which are policy related changes that were introduced to reduce the likelihood of future FMD and other infectious disease outbreaks.

- There is a short supply of sows in 2012 that will keep production in check.
- Swine farms can no longer be located within 500 meters of a residential area.
- Farmers are required to provide minimum barn space requirements; 1.4 square meters for a sow and 0.8 square meters for porkers.
- The prohibition on livestock manure disposal in the open sea became effective on January 1, 2012. As of November 2011, there were 360 swine farms that were dumping an estimated 60,000 MT of manure into the ocean each year.
- Large sized farms (e.g. 50 head of cattle or 1,000 head of swine) must cover 50 percent of the cost for FMD vaccination. The government will continue to subsidize the cost for smaller sized farms.
- Penalties have been imposed on farmers with animals that have less than 60 percent of the FMD antibody. A recent survey shows only half of the farms met this requirement.
- In October, 2012, Korea plans to introduce a pilot traceability program at a number of swine farms. The hogs will receive a group tracking number when they leave the farm. The government will furnish the farms participating in the trial program with the necessary technology. The traceability system will likely be expanded to all swine farms sometime in the future.
- At the end of 2012, all breeding farms, semen collection facilities and large livestock farms (9,000 farms) will be required to obtain a business permit. Also, small sized farms, regardless of size, will have to be registered and receive mandatory training.

Swine Carcass Prices

Month	Carcass price			
	2009	2010	2011	2012
	Won per Kilogram			

January	4,487	3,859	6,342	4,725
February	4,225	3,920	6,372	
March	5,031	3,989	6,565	
April	4,955	4,325	5,786	
May	4,245	4,272	7,200	
June	4,531	4,647	7,675	
July	4,826	4,663	6,572	
August	4,967	4,802	6,322	
September	4,475	4,535	5,384	
October	3,672	3,817	4,495	
November	4,021	3,963	5,619	
December	4,128	4,344	6,336	

Source: NACF (Exchange rate: US\$1 = 1,125.7 won)

Slaughter:

The 2012 slaughter estimate has been trimmed down about 3 percent to 12.9 million to reflect the decrease in production. Though down from the earlier estimate, hog slaughter is forecast to increase 20 percent year-on-year.

In 2011, the number of animals marketed dropped to 10.8 million because of FMD-related culling and livestock movement controls that remained in place until mid-year. Monthly slaughter in 2011 remained below 1.0 million head for most of the year compared to 2010 when monthly figures ranged from 1.1 to 1.4 million head.

Monthly swine slaughter

Unit: Heads and percent

Year	Month	Slaughter	Comparison	
			Percent of total annual slaughter	Percent of monthly slaughter in 2010
2010	Jan	1,200,864	8.2	N/A
	Feb	1,139,094	7.8	
	Mar	1,329,078	9.1	
	Apr	1,227,418	8.4	
	May	1,170,277	8.0	
	Jun	1,170,586	8.0	
	Jul	1,145,063	7.8	
	Aug	1,178,342	8.1	
	Sep	1,128,558	7.7	
	Oct	1,293,212	8.8	
	Nov	1,372,827	9.4	
	Dec	1,274,060	8.7	
	Total	14,629,379	100.0	
2011	Jan	962,309	8.9	80.1
	Feb	791,005	7.3	69.4
	Mar	947,299	8.8	71.3

	Apr	906,443	8.4	73.8
	May	870,793	8.0	74.4
	Jun	780,913	7.2	66.7
	Jul	723,992	6.7	63.2
	Aug	885,102	8.2	75.1
	Sep	883,949	8.2	78.3
	Oct	1,026,885	9.5	79.4
	Nov	1,072,233	9.9	78.1
	Dec	966,926	8.9	75.9
	Total	10,817,849	100.0	73.8

Stocks:

Post has revised 2011 hog ending inventories to reflect the Korean government's updated data series, which was based on FMD vaccination records required for all swine. Post was previously backing out 864,000 head from the government numbers since they had had unexpectedly and without explanation increased ending inventories by this amount back in 1998.

Ending inventories in 2012 are forecast at 8.6 million head, up about 460,000 from the beginning of the year to account for the anticipated increase in production.

Commodities:

Meat, Swine

Production:

The pork production estimate for 2012 is forecast to fall from the earlier estimate to 982,000 MT. However, year-over-year production is expected to increase 17 percent as the swine sector recovers and more animals are slaughtered in 2012.

Consumption:

Pork consumption in 2012 is expected to stay relatively unchanged from the earlier estimate at 1.5 million MT, which is about 3 percent higher than the previous year.

In 2011, pork consumption fell 5 percent to 1.45 million MT because of the shortage in domestic pork resulting from FMD and the corresponding changes consumer dietary patterns. In particular, consumers switched to other meat proteins such as poultry, fish, domestic beef and imported red meats. According to January 2012 from KREI, the top five substitutes for domestic pork in rank order were: chicken, fish and Hanwoo beef, duck, imported beef and imported pork. See table below for details.

Consumers' preference for substitute meat for domestic pork

Unit: Percent

Survey Period	Chicken	Hanwoo beef	Duck	Imported beef	Imported pork	Fish	Other
Feb., 2011	34	4	14	6	8	32	2
Jan., 2012	24	17	16	11	9	22	1

Source: KREI

Although more recent survey results are unavailable, the following KREI survey shows that 59 percent of pork consumption occurred at restaurants where about half the pork served is imported. Since eating out is one of the first things to go when economic times get tough, consumption of imported pork to a large extent depends on the wellbeing of the Korean economy. About 20 percent of imported pork goes for retail and 30 percent for processing.

Ratio of Pork Consumption at Home vs. Restaurants

Dining place	Jan., 2009	Jan., 2010	Aug., 2010	Feb., 2011
Restaurants	56.5	57.0	58.3	59.0
Home	43.5	43.0	41.7	41.0

Source: KREI

Trade:

In an attempt to curb rising pork prices, the Korean government announced a zero duty tariff-rate-quota (TRQ) for 70,000 MT of chilled/frozen pork bellies and cuts for processing during the first quarter of 2012. The government had likewise implemented TRQs last year for select pork products. Most of the quota for processing cuts was filled, but the allocation for chilled pork bellies was far from being filled due to short supplies on the international market. The following table provides a summary of the 2011-12 TRQ announcements.

Duty Free Quota Announcements on Imported Pork					
Date	Product	HS Number	Quota		Must be imported by
			Quota allocated	Cumulative quota	
Jan. 28, 2011	Frozen pork bellies	0203.29.1000	10,000	10,000	Jun. 30, 2011
	Frozen pork for processing	0203.29.9000	50,000	60,000	
Mar. 7, 2011	Frozen pork bellies	0203.29.1000	50,000 a/	110,000	
May 11, 2011	Other chilled pork	0203.19.0000	20,000	130,000	
Jun. 27, 2011	Pork	0203	130,000	260,000	Dec. 31, 2011
Aug. 11, 2011	Chilled pork for processing	0203.19	unlimited		Sep. 30, 2011
December 20, 2011	Frozen/chilled pork bellies	0203.19.1000	50,000		Mar. 31, 2012
		0203.29.1000			
	Frozen/chilled pork	0203.19.9000	20,000		

	for processing	0203.29.9000			
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a/ The combined quota for frozen pork bellies was 60,000 MT from January to June.

The 2012 pork import estimate remains unchanged at 500,000 MT, but still down nearly 100,000 MT from the previous year given the recovery in the local swine industry. Although down year-over-year, imports are still forecast to remain above pre-FMD levels of 382,000 MT in 2010.

Meanwhile, the United States is expected to remain the single largest supplier of pork to the Korean market. Imports of U.S. pork in 2012 are forecast at 170,000 MT, down 11 percent from the previous year, but still higher than pre-FMD levels of 105,000 MT. The U.S. import estimate has also been adjusted to reflect the expected gains under the KORUS FTA, though some have been watered down because of the emergency TRQs. The tariff on pork, which ranges from 22.5 to 30 percent depending on the cut, will drop anywhere from 2 to 10 percent upon implementation. More on the duty phase-outs under the agreement is available in our [Pork Product Brief](#).

The implementation of the FTA with the European Union on July 1, 2011 and scheduled implementation of the KORUS FTA on March 15, 2012 are not expected to have a major impact right away since domestic pork is still in somewhat short supply because the local industry is still rebuilding. However, the effects of the agreements will likely start showing through in the next 2-3 years.

During the second half of 2011, pork imports slowed as domestic production started speeding up. Imports reached a record 609,000 MT, of which slightly more than 30 percent were from the United States. On a product weight basis, imports of U.S. pork totaled 152,000 MT and were worth \$473 million in 2011.

Korea: Pork Imports
(\$1000 and Metric Tons)

Country	Annual 2010		Annual 2011	
	Value	Volume	Value	Volume
	\$000	MT	\$000	MT
United States	172,198	77,335	472,812	152,152
Canada	94,102	54,715	208,867	80,237
Chile	111,477	43,443	116,363	40,496
Austria	45,961	14,394	79,409	22,358
France	46,518	14,007	63,146	17,882
Netherlands	44,663	13,382	113,788	20,799
Spain	32,422	18,557	73,666	31,331
Belgium	42,230	13,813	53,982	15,774
Germany	13,363	4,600	106,486	31,429
Denmark	20,197	11,452	75,362	27,956
Hungary	13,399	5,541	32,038	10,436
Poland	10,425	5,841	41,106	17,263

Mexico	18,947	8,145	33,522	10,180
Others	17,984	8,319	30,729	13,669
Total	683,886	293,544	1,501,276	491,962

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:

Animal Numbers, Swine 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
Total Beginning Stocks	8,721	8,721	8,449	8,449	6,806	8,171
Sow Beginning Stocks	966	966	920	920	945	903
Production (Pig Crop)	14,923	14,923	12,127	13,308	14,600	13,900
Total Imports	2	2	15	17	5	5
Total Supply	23,646	23,646	20,591	21,774	21,411	22,076
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	14,629	14,629	11,000	10,818	13,301	12,942
Total Slaughter	14,629	14,629	11,000	10,818	13,301	12,942
Loss	568	568	2,785	2,785	510	500
Ending Inventories	8,449	8,449	6,806	8,171	7,600	8,634
Total Distribution	23,646	23,646	20,591	21,774	21,411	22,076
CY Imp. From U.S.	0	0	0	4	0	2
CY Exp. To U.S.	0	0	0	0	0	0
1000 HEAD, PERCENT						

Meat, Swine 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
Slaughter (Reference)	14,629	14,629	11,000	10,818	13,301	12,942
Beginning Stocks	107	107	60	60	50	50
Production	1,110	1,110	835	837	1,010	982
Intra-EU Imports	0	0	0	0	0	0
Other Imports	382	382	625	609	500	500
Total Imports	382	382	625	609	500	500
Total Supply	1,599	1,599	1,520	1,506	1,560	1,532
Intra EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	1,539	1,539	1,470	1,456	1,510	1,500
Other Use, Losses	0	0	0	0	0	0

